

**OSAGE MINERALS COUNCIL
REGULAR MEETING MINUTES
DECEMBER 15, 2017**

1. Call to Order

2. Opening Prayer and reading of the Deceased Osages

Chairman Waller gave the Opening Prayer.

3. Roll Call

Lacee Reynolds called roll. The Osage Minerals Council members present were: Cynthia Boone, Galen Crum, Stephanie Erwin, Everett Waller, Andrew Yates. A quorum was declared. Joseph Cheshewalla, Kathryn Red Corn, and Talee Redcorn were absent.

Guests present were: JL Holt, Rene P. Henry Jr., Julie Wilson, Julie Malone, Susan Forman, Joy Ledbetter, Linda Heskett, Tim Gaul, John Harper, Ronda Holt, Janel Perry, Roy Fletcher, Kandy Jump, Nona Roach.

Councilman Yates read the deceased Osages.

4. New Business

Chairman Waller calls for Energy Net, Energy Net was not present. Lacee Reynolds says that Energy net will only be present at Wednesday's meeting, as well as CEP, Nape travel, meeting minutes, and lease sale dates. Chairman Waller asks that AEP begin their presentation.

AEP

Tim Gaul with AEP thanks the Council for allowing them to be present at the meeting today. Mr Gaul announces that they have been trying to finalize their route while looking at the public comments, as well as trying lower the impact on the Tribes mineral resources. He announces that they are looking at preparing an agreement for the Council. Councilman Crum asks how many miles the new proposed route would be across the council. Mr. Gaul says roughly 40 miles, with around 180 structures that would be required. With the ride away approximately 200 feet on each side. Councilman Crum asks that we see the final route so that there can be exact numbers on the impacted area. Mr. Gaul says that they will be announcing a route in January. Councilman Crum says that part of the agreement will need to be what the adjustments would be for the people that already have leases on these areas. Chairman Waller thanks AEP for coming, and requests the be back Wednesday with a draft agreement and proposed route.

Osage Shareholder Association- Susan Foreman

Susan Foreman directly reads Exhibit A.

Chairman Waller asks that NAPE Travel and lease sale dates be brought in front of the whole council on Wednesday.

Councilwoman Erwin makes a motion to go into executive session. Seconded by Councilman Crum.

MOTION PASSED: Councilwoman Boone- Yes, Councilman Crum-Yes, Councilwoman Erwin-Yes, Chairman Waller- Yes, Councilman Yates- Yes. (5-yes, 0-no)

Enter Executive- 10:22 AM

Chairman Waller announces there will be a short 5-minute break before beginning executive session.

EXECUTIVE SESSION

Candy Creek Crusher

Councilman Redcorn arrived during executive session.

Councilwoman Erwin makes a motion to come out of Executive session. Seconded by Councilman Redcorn.

MOTION PASSED: Councilman Crum-Yes, Councilwoman Erwin-Yes, Councilman Redcorn- Yes, Chairman Waller- Yes, Councilman Yates- Yes, Councilwoman Boone- Yes (6-yes, 0-no)

Exit Executive- 11:31 AM

PE Osage LLC

Roy Fletcher presents the Council with photos and a proposal. Chairman Redcorn asks Councilman Yates what he suggests. Councilman Yates suggests to let them test it out, because they are looking at environmental concerns, busted pipes, etc. Councilman Redcorn asks if that is for a resolution. Councilman Yates says that, that would be his motion, that we allow them to have the surface equipment for operation, but he doesn't know about the two vehicles (The pulling unit and the vacuum truck). Councilwoman Erwin asks if the director has looked into this. Director Lynn says that he is going by photographs and information that Roy has supplied us, because he has never been on the lease. He says that he would maybe add another zero onto that before he sold the equipment. Councilman Yates says that his recommendation would be to hold off until Wednesday and anyone can go look at the lease and make their own decision. Councilman Crum says that he supports them getting the equipment. Mr. Fletcher says that they put up cameras at the lease. Councilwoman Boone would like to see the proposal. Mr. Fletcher says that the presentation just had a few things. That you are going to be under a 1 percent oil cut, moving water. For every 10 barrels of production that they can bring on at that lease they think it brings 10 years of economic life for the lease. The standard production would be 20% royalty. Councilman Redcorn says that he supports going down to 1/16 for the water flood. Mr. Fletcher says that they came up with a \$4,500 value for the equipment on the lease. Councilman Yates said that the units are missing units and other things. But the thing

you can't see are the roads, they are going to need to be fixed. Councilman Redcorn says that they are going to need it all clear on a piece of paper. Chairman Waller moves this item to Wednesday.

Councilwoman Erwin makes a motion to adjourn. Seconded by Councilman Redcorn.

MOTION PASSED: Councilwoman Erwin-Yes, Councilman Redcorn- Yes, Chairman Waller- Yes, Councilman Yates- Yes, Councilwoman Boone- Yes, Councilman Crum-Yes, (6-yes, 0-no)

Adjournment- 11:31 AM

Approved by:

A handwritten signature in black ink, appearing to read "Tim Waller", written over a horizontal line.

Chairman

A handwritten signature in black ink, appearing to read "Amy Bleebroe", written over a horizontal line.

Executive Administrative Assistant

Osage Shareholder Association Proposed Actions to Improve Production and Operations within the Osage Minerals Trust

1. The Osage Shareholders Association recommends the BIA provide proper monthly/weekly documented reports about OME operations & drilling and other activities. Examples of critical and useful information are, but not limited to:
 - Monthly drilling & operations reports
 - Name & location of all drilling & completing wells with drilling progress, target formations etc.
 - New production in bbls/day and MCF/day
 - Total production per day in bbls/day and MCF/day including line graphs showing monthly production. This should be an add-on each month so we can see how production is growing or not growing.
 - Measurable documented results of Inspector General Report on changes needed at BIA.
2. At the earliest opportunity the OSA would like a document clearly defining the upcoming Election Process so that potential candidates can prepare. With only five months left to election, this is imperative and should be disseminated in the next week.
3. We recommend that the OMC secure a commitment from the Superintendent to attend the regularly scheduled monthly OMC meetings and to set her annual schedule/calendar to insure no business meetings, Doctor's appointments, vacations or other appointments within her control conflict with them.
4. The Bureau of Indian Affairs "BIA" mission statement duties are ***To enhance the quality of life, to promote economic opportunity and to carry out the responsibility to protect and improve the trust assets of American Indians, Indian tribes....*** The Osage Shareholders Association "OSA" would like a report beginning with the first Consultation Meeting outlining what the Department of the Interior and the BIA have accomplished, specifically via outlined measurable actions and results to improve the management of the Osage Mineral Estate and fulfill its duties outlined in their official Mission Statement. We would like this report to be produced on a yearly basis thereafter and a copy provided to the OSA so we can share with our members.
5. We recommend that access to well records, production records and lease ownership records be made accessible to the Osage Headright Holders, Osage Producers, State of Oklahoma Corporation Commission and E&P industry data providers through arranged commercial agreements. We recommend that the OMC retain ownership of all data, but create an environment where headright owners and interested parties can pay for access. Any proprietary information such as individual names and address should be blacked out. To do otherwise is unreasonable by any industry standard.

6. We recommend that the OMC challenge the Washington representatives as to why they are allowing surface owners the right to appeal Osage County operations. How is this fulfilling their Mission Statement? To the contrary, it is inviting delay and encouraging opposition.
7. We recommend that the Superintendent refrain from attaching the two-page Decision Record to oil and gas leases. This action does not follow the mission of the BIA "improve the trust assets of American Indians, Indian tribes. NEPA issues have not yet been determined that they apply to the drilling of Osage County wells and re-entry of existing wells.
8. We recommend that the well permitting process be subcontracted over to the OMC in some form, since the leases are negotiated starting with the OMC. At this point they are not signed by the Chief, only by the Chairman of the OMC and the Superintendent.
9. We recommend that the Superintendent refrain attaching several pages of additional requirements to workover permits after they have already been signed.
10. We recommend that the OMC ask the Washington representatives to provide, in writing, the new BIA policies that the Superintendent has imposed since she assumed her position.
11. We recommend that the OMC express to the Washington representatives that the length of time for approval of assignments and permits is unacceptable and look to Industry standards long accepted in Oklahoma for a guideline.
12. We recommend that the OMC tell the Washington Representatives that they object to the Superintendent requiring existing wells capable of production to be permanently plugged and abandoned. For example, a current Osage Co. Operator is being required to plug wells capable of recovering in excess of 200,000 bbls of oil once the oil price increases to a point sufficient to justify purchasing propane to fuel their gas engines. These wells should not be plugged so long as said Operator is willing to maintain their bond sufficient to plug the wells in the future.
13. We recommend that the OMC advise the Washington Representatives that they plan to issue new oil and gas leases with primary terms of three years as they used to be rather than the two-year terms that they have been in recent years. The short two-year term makes it very difficult for the Lessees to comply with the ABB issue and get any permit approved in time to fulfill Lessee obligations.

14. We recommend that the OMC demand that the BIA employ a certified petroleum engineer to fill the current vacancy.
15. We recommend that the OMC demand that the BIA replace the current antiquated production and well completion reporting methods and not with the BLM ONNR system. There are numerous systems currently used by the oil and gas industry that are more user friendly and cost effective.
16. When the current Superintendent is replaced, as has been requested on numerous occasions by Osage Nation and OMC decision makers, we recommend that the OMC work with the BIA to set the criteria and qualifications for the replacement and participate in choosing from multiple candidates.
17. We recommend that the OMC advise the Washington representatives that they would like to offer new oil and gas leases to prospective buyers the opportunity to acquire new oil and gas leases with unplugged wellbores the right to pick and choose which wellbores they are willing to accept rather than having to assume liability of all unplugged wells on the tract.
18. We have been told that the OMC's new Director, Bill Lynn, is either prohibited from speaking with BIA employees other than the Superintendent and the BIA employees are instructed not to speak with the Director. We recommend that the OMC advise the Washington representatives that this restriction on communication between the OMC and the BIA is unacceptable. The Superintendent should welcome industry expertise to assist her in fulfilling her duties.
19. The Minerals Trust continues to lose tens of millions of dollars for its natural gas and natural gas liquids due to contracts that pay grossly under market value and lack industry standard language causing contract terms to weigh heavily in favor of the gas purchasers. We recommend that the OMC advise Washington representatives that an immediate and thorough audit be conducted of the entire natural gas value chain (from wellhead to plant tailgate) including but not limited to gas contracts, gas measurement and procedures to correct errors and payment discrepancies, all gas processing plants receiving Osage County natural gas, quantification of natural gas produced (metered, vented & flared) and the entrained natural gas liquids (by product) to understand the losses incurred from wellhead to plant tailgate for the purpose of correcting all discrepancies. It is recommended that Martindale Consultants Inc. be contacted for these audits. They may have already conducted some of this work for Osage County Producers and therefore have an advantage.
20. We do not know if Mr. Jim Swan is planning on retiring, however, the OSA would like for the OMC to have a transition plan in place for his replacement that includes a training period for Jim to turn over and explain his systems, procedures, spreadsheets and reports. It is imperative that there is a smooth transition that does not catch anyone off guard.