

**OSAGE MINERALS COUNCIL
REGULAR MEETING MINUTES
FEBRUARY 16, 2018**

1. Call to Order

Chairman Waller called the meeting to order at 10:08 AM.

2. Opening Prayer and reading of deceased Osages

Councilman Redcorn gave the opening prayer and read the names of the deceased Osages.

3. Roll Call

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

Guests present were: Joy Ledbetter, Gus Riviero, Heather Fugger, Brandon Savage, JL Holt, John Harper, Lou Phillips, Roy Fletcher, Kyle Johnson, Jake Klingenberg, Bob Knappe, Billie Ponca.

Chairman announces that March headright payment will be \$4,035.

Councilwoman Redcorn notes that the Superintendent is not present.

4. New Business

a. Nape Report- Bill Lynn and Talee Redcorn

Councilman Redcorn says he and Mr. Lynn went to Houston with the Bureau of Indian Affairs, Department of Energy and Mineral Development. Councilman Redcorn reports that the whole DEMD staff was there, they were honored and privileged to communicate with them about what is going on in the Osage. Councilman Redcorn says he was pleased to learn that their Director, Jerry Cuzella has identified two opportunities nationwide, the Rocky Boys' reservation in Montana and the Osage are two of his prime interests this year. Mr. Cuzella feels like there is a lot of potential here, and he want to be of any assistance. Director Lynn says last year there were over sixteen thousand vendors, oil finders, and financial institutions. Director Lynn says they were very pleased with the DEMD, the Director provided the Council with the maps that were provided to them. Director Lynn says people showed a lot of interest in Osage, and he thinks the trip was very successful. Councilwoman Redcorn asked the Director if there were any people interested in lease sales? Director Lynn says yes, people wanted to know about leasing. Councilwoman Redcorn asked Director Lynn if people are having issues with the American Burying Beetle in other parts of the US? Director says they tried to keep the narrative as positive as they could, however he tried to tell each person what we are facing here, as far as leasing.

Councilman Redcorn says the DEMD is aware of the challenges of getting a lease approved here. Councilman Redcorn says Mr. Cuzella is willing to come here and talk about the potential that we have here at the Osage. Councilman Redcorn says regarding the newspaper article, Mr. Cuzella said that he is willing to come down and do a presentation on how that report was made.

Chairman Waller allows the Osage Shareholder association to speak. Lou Phillips states that they are having a quarterly meeting at Osage Casino from 1-3pm and lunch will be \$10. Lou Phillips says this association has changed, they have all new board members, and the association is really growing. Mrs. Phillips says she would like to see some Minerals Council members present at the meetings. Councilman Redcorn says the Council is hoping to get the answers from the Bureau on the report that they sent soon.

c. Cardinal River Energy

Jake Klingenberg introduces himself as the land manager for Cardinal River Energy. Mr. Klingenberg says Cardinal River Energy currently operates 24 wells in Osage County. They are here today to negotiate a lease on SE/4 14-25-2. Mr. Klingenberg says they are having trouble with the ABB in Southeast Kansas, and in Nowata County. Mr. Klingenberg says he is having issues with the Bureau trying to lease SW/4 13 25, and that it has not produced. Councilman Yates asks the Director about trying to put a lease sale together, but the BIA said that the Council didn't give them enough time? Director Lynn says the Superintendent gave the Council 3 options that gave us a deadline of yesterday to decide if the OMC wanted to have the March 7th lease sale. Councilman Yates says he would like to take it to the lease sale, or \$10,000 and he can have it today. Mr. Klingenberg says he would like to talk with his boss. Councilwoman Erwin said that she wasn't aware that there wasn't going to be a lease sale until this gentleman went to the BIA. Councilwoman Erwin says the Superintendent needs to be responsive to the OMC.

e. Resolution for website grant- Bill Lynn

Director Lynn says this is a resolution that was recommended by Candy Thomas for the website grant, to extend time.

Councilman Yates makes a motion to suspend the rules, seconded by Councilman Redcorn.

MOTION PASSED: Councilman Cheshewalla- Yes, Councilwoman Erwin-Yes, Councilwoman Red Corn- Yes, Councilman Redcorn- Yes, Chairman Waller- Yes, Councilman Yates- Yes, Councilwoman Boone- Yes. (7-yes, 0-no)

Councilman Yates makes a motion to accept the resolution as written, seconded by Councilman Redcorn.

MOTION PASSED: Councilwoman Erwin-Yes, Councilwoman Red Corn- Yes, Councilman Redcorn- Yes, Chairman Waller- Yes, Councilman Yates- Yes, Councilwoman Boone- Yes, Councilman Cheshewalla- Yes. (7-yes, 0-no)

Councilwoman Erwin says she would like to be kept updated on the website.

d. Energy Net LLC- Gus Riviero

Mr. Savage says Energy Net auctions oil and gas leases online, as well as other minerals. Through discussions with Director Lynn and Councilman Redcorn at NAPE they took the November lease sale, and drafted it on their website. Mr. Savage gives a presentation, you can see where the lease sale would be held, under the government lease sales, it shows all of the leases that they have available on their site across the United States. The website will be customized however the Council wants to see it. Each buyer will have to be approved prior to the lease sale, an approved bid allowance, and register before each sale. Chairman says the headline will need to be Osage Minerals Council. Mr. Savage states when you view each tract it tells you when the auction closes, what the current bid is, etc. Councilwoman Erwin says she liked what she seen, she would like to see a company contract, and asks what their buyer premium is. Mr. Riviero says there is a 2% buyer's premium. Chairman confirms that premium is added after the sale. Councilman Redcorn would like to see this happen at the next auction, the OMC will sit down with Mrs. Phillips on Wednesday and figure out a date. Mr. Riviero asks that they have around 3 weeks to do their marketing, they have 20,000 active bidders, and around 4,000 in Oklahoma.

f. Pennant Energy- Roy Fletcher

Mr. Fletcher is proposing two areas to waterflood. These have not produced since the early 90's, they want to start with the two quarter sections, with the ability to add new quarter sections into the blanket oil lease through an amendment for a period of 18 months. This is a few miles West of the Breene unit. Councilwoman Boone would like to have confirmation from the BIA that this is available for leasing. Director Lynn says the Superintendent informed him that they were both available on the phone this morning. Chairman says this is becoming a problem, saying we will get emails. Councilwoman Erwin says she would like to get something from the Superintendent in writing, because she has a tendency to change her mind. Councilwoman Erwin asks if PE Osage has the Breene unit up and running? Mr. Fletcher says yes the unit is running, they started it up last week. Councilman Yates asks how many open well bores would they estimate are in these two quarters? Mr. Fletcher says he believes there are 9, and 5 of them are for the actual Russel lease that is in the Bartlesville. Councilman Yates asks if they are going to bond these, or if they have a nationwide bond? Mr. Fletcher says the bond they have for the Breene gave them up to 10,000 acres, so they would be using that same bond. Councilman Redcorn would like Director Lynn to go out and take a look at the Breene, to give a response before Wednesday. Councilwoman Erwin says last time; they gave them a pretty good deal on the Breene lease. Councilwoman Erwin asks if they brought the check. Mr. Fletcher says they got a quarter of the way to the meeting and realized they forgot it this morning. Lacey Reynolds spoke with Cammi Canady and she is asking for an inventory list attached with the check.

Chairman would like the Council to view the information that was sent by the attorneys. Councilwoman Erwin says this is in executive.

Cardinal River Energy cont. Chairman invites Mr. Klingenberg to the floor. Mr. Klingenberg says they would be agreeable to \$10,000 for the lease bonus.

Councilwoman Erwin makes a motion to suspend the rules, seconded by Councilman Yates.

MOTION PASSED: Councilwoman Red Corn- Yes, Councilman Redcorn- Yes, Chairman Waller- Yes, Councilman Yates- Yes, Councilwoman Boone- Yes, Councilman Cheshewalla- Yes, Councilwoman Erwin-Yes. (7-yes, 0-no)

Councilwoman Boone makes a motion to accept Cardinal River's offer for SE 14-25-2, containing 140 acres at a royalty rate of 20%, oil and gas less coal bed methane. Seconded by Councilwoman Erwin.

MOTION PASSED: Councilman Redcorn- Yes, Chairman Waller- Yes, Councilman Yates- Yes, Councilwoman Boone- Yes, Councilman Cheshewalla- Yes, Councilwoman Erwin-Yes, Councilwoman Red Corn- Yes. (7-yes, 0-no)

Councilman Redcorn makes a motion to go into executive session, seconded by Councilwoman Erwin.

MOTION PASSED: Chairman Waller- Yes, Councilman Yates- Yes, Councilwoman Boone- Yes, Councilman Cheshewalla- Yes, Councilwoman Erwin-Yes, Councilwoman Red Corn- Yes, Councilman Redcorn- Yes. (7-yes, 0-no)

Enter Executive: 11:17 AM

5. EXECUTIVE

- a. Resolution 3-280- Stephanie Erwin
- b. AEP- Tim Gaul- Windcatcher Project
- c. Election- Billie Ponca

6. Old Business

Exit Executive: 1:16 PM

Councilwoman Boone makes a motion to come out of executive session, seconded by Councilwoman Erwin.

MOTION PASSED: Councilman Yates- Yes, Councilwoman Boone- Yes, Councilman Cheshewalla- Yes, Councilwoman Erwin-Yes, Councilwoman Red Corn- Yes, Councilman Redcorn- Yes, Chairman Waller- Yes. (7-yes, 0-no)

- a. Lease Sale- Stephanie Erwin

Councilwoman Erwin said that she was disappointed in the Superintendent, because she told Cardinal River that there wasn't going to be a lease sale before she told the Council, it needs to be made clear that she needs to inform the Council first.

Councilman Redcorn said that they have a discussion set for the next meeting about Energy Net. Councilwoman Redcorn says she thinks the Council should send a letter, saying how they don't appreciate that, and in the future they would like to be notified. Just something for the record. Councilwoman Boone says she would like to have Mr. Streater cc'd. Councilwoman Redcorn says cc Mr. Streater and Mr. Zinke, as well, they need to be aware of what is going on here. Councilman Redcorn says if Energy Net is successful, there may be a whole new way of doing the leases, and he believes it is something they can do. Councilman Yates says he doesn't believe there is anyway the Council can get around BIA involvement, everything will have to be vetted through them prior to the sale. Councilman Redcorn says he appreciates the comments, but he has to disagree, if in fact the Bureau is only looking for a resolution, then however they generate it. The Council will give them a resolution of approved leases. He believes the solicitor can communicate with the OMC attorney and figure out how the process will work. Councilwoman Redcorn would like to point out that Osage County oil men still don't have access to records. Chairman Waller says he was requested to help with that. Councilman Redcorn says there are managers in the tribe, and they write the paper on what staff people should follow. The problem is, sometimes the Council doesn't realize how much they can get involved in writing that paper, the instructions for someone to follow. These people don't rewrite these, that is what we have to go after, how can the Council rewrite the process, and get people to follow the steps after. Chairman says yes, the Council has options, no the Council can't get out from under them, he doesn't want to leave the trustee until the Council gives them what they deserve. He just thought of was that we are going into a computer age, where we don't have to wait on them before leases. Where you nominate, put the money up, and then it is automatically on a sale. Chairman says they did good in Houston, he had someone call him. Chairman likes them being honest. Councilman Redcorn says everyone is in the computer age, the Council might as well jump in as well.

b. Candy Creek Resolution- Stephanie Erwin

Councilwoman Erwin would like to amend the resolution to make it more clear for the Bureau. Chairman moves the matter to Wednesday.

c. Newspaper article- Stephanie Erwin

Councilwoman Boone says this is an answer to a newspaper article that appeared in the Bigheart Times, where she sensationalized, and said that oil was going to dry up by 2020. The council had a special meeting saying that a press release would be done, so that's what this is. Chairman says he had received a request wondering why it hadn't come out yet, he says he didn't promise that, you all did, so if it can be taken care of by Wednesday. Councilman Redcorn would like to vote on Wednesday. Councilman Redcorn says Mr. Cuzella with DEMD has agreed to come to the Osage and talk about this decline curve, and how he got his findings in that report.

Councilwoman Boone asks for that report to be given in executive session. Councilwoman Redcorn asks when he is proposing he do that. Councilman Redcorn says he knows there were questions last time about his data, he can get with him to schedule. Councilman Yates asks if the report was the one that Bill produced, is that not correct? Director Lynn says no, the report came from an economic evaluation from the DEMD, and Mr. Cuzella. Councilman Yates asks if this report was sent to him, or if he found it? Director Lynn says yeah, he finally got a copy of it. After he was hired he never heard anything about the report. When Mr. Cuzella built that report he requested to present it “here”, but he doesn’t know what happened. So he met with the Chief, and offered to present it then, at that time nobody saw it, so Mr. Lynn requested that he send him a copy of it, and he has sent it out to everybody. The decline curve in the books is the Directors decline curve from IHS. The decline curve that the Director created added data after November 2016, when Mr. Cuzella completed the report. Director says his report was done in 2016 when 0 wells were drilled that year, and 2014. Councilman Yates asks if the Director agreed with the newspaper article that there would be no oil production in Osage? Director says no, in that meeting he said “there is a possibility that we could reach our economic limit based on looking at that government generated report. If you are strictly looking at production, the only thing that is available at the BIA, through the Oklahoma Tax Commission it is a drastic picture for people to decide whether they want to drill here” Director states that one part of the report says there is only a 10% chance that you are going to hit an economic well in Osage based on the available data that comes out of the Bureau, and IHS information. Director Lynn says everybody in the oil industry depends on the numbers coming out of the Oklahoma Tax Commission, IHS has always used those numbers. Director says if you look at the graph, you can see those numbers dive with the numbers that are coming from the auditor, from the reports from OST. Director Lynn says’s what he was saying, there’s a possibility, and that’s what this report says. Based on the information that there is no new oil production added to the Osage reservation. Councilman Yates asks starting in 2020? Director Lynn says was in 2016, they said it could possibly reach its economic limit in 2020, with no new production added to the Osage Mineral Estate. Director Lynn says in 2014 there were no wells drilled, in 2016 there were no wells drilled, it was reported that there were 28 drills permitted but no one has that information. Director says we know certain companies have been drilling wells, but it’s nowhere near the 200 wells we were drilling, so now we have to drill 400 just to get back to where we were. Councilman Redcorn says there is a solid report from 2016 that states these things without the added. Councilwoman Erwin says she just thinks that the newspaper just took what the Director said out of context. Councilwoman Erwin says it needs to be answered. Councilman Redcorn asks what do we do when someone incorrectly states what has been said? There is nothing we can do about, that’s free press. Chairman asks if he is able to take care of his travel? Councilman Redcorn says he is able to take care of it.

d. Meeting minutes

Moved to Wednesday.

7. Committee Reports

8. Adjournment

Councilwoman Erwin makes a motion to adjourn, seconded by Councilwoman Boone.

MOTION PASSED: Councilwoman Boone- Yes, Councilman Cheshewalla- Yes, Councilwoman Erwin-Yes, Councilwoman Red Corn- Yes, Councilman Redcorn- Yes, Chairman Waller- Yes, Councilman Yates- Yes. (7-yes, 0-no)

Approved by:

Chairman

Executive Administrative Assistant