



Fifth Osage Minerals Council

Regular Meeting

July 20, 2022

Osage Council Chambers

Pawhuska, Oklahoma

1. **Call to Order** – Chairman Waller at 10:00 a.m.
2. **Opening Prayer and Reading of Deceased Osages** – Councilmember Myron Red Eagle
3. **Roll Call** – Chief of Staff Lacey Reynolds

Councilmember Bighorse – present
Councilmember Cheshewalla – present
Councilmember Currey – present, via Zoom
Councilmember Red Eagle – present
Councilmember Redcorn – present
Councilmember Revard – present
Councilmember Shackelford – present
Councilmember Waller – present

Guests: Tom Thralls, Henry Rennick, Jim Hassert, Julie Wilson, Cynthia Boone, Manny Atencio, Don Williams, Cammi Canady (Zoom), Ben Bymers (Zoom), Gary Jones (Zoom), Stephen Burns (Zoom), Richard Winlock (Zoom), Jamal DaneshFar (Zoom), Pam Jester (Zoom), Del Olivarez (Zoom), Janelle McLean (Zoom), Stephanie Erwin, David Brodie, Gary Green, Sharon Long, Linda Heskett, Justin Patterson

4. **Superintendent Report** – Acting Superintendent **Richard Winlock** presented the monthly Osage Agency report. Aggregates: APAC produced 27,605.93 tons and paid \$31,029.07 in royalty; Candy Creek produced 20,077.66 tons and paid \$18,170.28 in royalty; Wilson Ranch produced 0 tons and paid \$00 in royalty; Burbank Materials produced 9,304.72 tons and paid \$9,490.81 in royalty; Schmidt Brothers produced 432 cubic yards and paid \$324.00 in royalty; Rocky Bank produced 0 cubic yards and paid \$00 in royalty; Sherwood Cons. produced 0 cubic yards and paid \$00 in royalty. Producing Wells: 14,852 less 3,230 for SWD Wells. Approved Permits: 1 workover permit; 9 plugging permits; 4 emergency plugging permits; 0 emergency workover permits; 1 drilling permit. One new drilling completion reported: 06/14/2022 – CEJA CORP / MAKER #1 / DRYHOLE / NW 04-22-07 / P & A.

5. **New Business**

- a. **Osage 2** – **Gary Jones** gave an update of the Osage 2 board to the new council. He explained Osage 2 was thinking about the possibility of becoming a nonprofit entity. The group sought an opinion from the AG; Mr. Jones received a verbal recommendation from him. They have retained a lawyer to prepare articles of incorporation and draft bylaws in time for the next OMC meeting. Members of Osage 2 are Steve Burns, Henry Rennick, Rosemary Wood, and Gary Jones. Joe Cheshewalla was a member but now needs to be replaced since he was elected to OMC, and they are looking for another member. **Council Revard** asked who appointed Osage 2 and under what authority. He wanted to know if it was an LLC or corporation. **Mr. Jones** said it was a chapter 6 nonprofit corporation. It was based on discussion with Clint Patterson on March 30. Presently, there are no articles of incorporation. Everything is pending, including the board and members. The AG's recommendation is the OMC is the sole member of the nonprofit. **Chairman Waller** said the AG opinion directed the corporation away from the state more toward the tribe. He added that everything will be sent back to OMC for review. **Council Revard** asked



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to see the AG opinion and have it share with all of OMC. **Chairman Waller** said it was sent to all of OMC in March.

- b. Resolution:** Approve two easements for saltwater disposal wells with an annual fee of \$200 and terms set in the lease in the NE/4 of Section 23-T22N-R9E, and in the SE/4 of Section 29-T21N-R11E in Osage Co., OK for CEP Mid-Continent, LLC

Motion by **Councilmember Red Eagle**

Councilmember Bighorse – y

Councilmember Currey – y

Councilmember Redcorn – y

Councilmember Shackelford – y

Motion **PASSED**

YES: 8

NO:

ABSTAIN: 0

Second by **Councilmember Redcorn**

Councilmember Cheshewalla – y

Councilmember Red Eagle – y

Councilmember Revard – y

Councilmember Waller – y

ABSENT: 0

- c. Request for moratorium on plugging of wells – Don Williams** with CEP Mid-Con, LLC discussed letters he received in 2021 from the Osage Agency with the threat of lease termination unless 19 wells were plugged within 90 days. CEP plugged the wells and kept the leases. In 2022, CEP received more letters demanding 41 additional wells be plugged in 90 days or the leases would be terminated. He said it was impossible to plug 41 wells in 90 days. CEP will plug the wells, but it will take longer than 90 days. According to federal regulations, if the well isn't plugged within the 90-day timeframe, leases will be terminated and bond will be revoked. **Council Revard** said plugging that many wells in 90 days seems impossible. OMC can't grant the extension because of the CFR. However, OMC can ask the superintendent to be lenient and reasonable, explaining that CEP has resources to plug, but needs more time. He then asked Superintendent Winlock if value—commercial value—is found in a well according to §226.28, he requested that well not be plugged. **Mr. Winlock** said the wells in question were already determined to have no value, and that's why they are on the plugging list. He said Mr. Williams could send a letter to BIA with their extension request. BIA will inform them of the decision. **Council Revard** asked if some of the wells could be added to the lease sale, if value is found. **Council Redcorn** asked Mr. Winlock if the BIA was willing to work with CEP. **Mr. Williams** inquired if one letter could be written next time instead of the BIA sending 41. He thought some of the wells possibly had value, but were non-productive and weren't plugged yet. He said the wells with potential value could be sold to someone else. He said the 90-day plugging timeframe was determined by the BIA. Regulation §226.29C states the at the superintendent's *discretion wells abandoned shall be promptly plugged*. **Chairman Waller** agreed the wells with value should be available for all producers. **Council Redcorn** said the subject being discussed is why Osage 2 was formed—to find orphan wells with value and produce them. **Second Chair Cheshewalla** said most of the wells in question were abandoned before CEP ever obtained the lease. Mr. Williams said their letters were BIA's cleanup of paperwork. Some of the effective dates were prior to 2014. Production reports show when leases are terminated. CEP will do the cleanup, no doubt, but can't do it within 90 days. **Council Revard** asked what would happen if the BIA won't grant an extension. The possibility is that OMC will have more wells to add to the orphan well list and have to plug themselves and lose 100 barrels per day that CEP produces. **Council Redcorn** said six month production then termination is BIA's terms. OMC can ask BIA to do an analysis of the 41 wells prior termination. However, the federal government doesn't do analyses, and it needs to be done. It's



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also in the federal regulations. **Mr. Winlock** said the BIA doesn't have assets or manpower to test wells, and testing is up to the producer. **Council Revard** said testing is a requirement in §226.2A. He then asked Mr. Winlock what he was doing to fulfill the BIA's obligation to OMC, even if there aren't resources, adding it was irresponsible and neglectful to OMC. It is BIA's duty as trustee, and it's unacceptable. He would like the BIA to be held accountable. **Mr. Williams** said CEP has had a good relationship with BIA and OMC over the years. CEP currently has applied for 16 more permits that are being processed by BIA. **Chairman Waller** said when CEP writes the BIA for an extension request to send a copy to OMC.

- d. Resolution:** Send a letter to DEMD inviting them to the Osage Reservation to provide updates on current and future projects for OMC

Motion by **Chairman Waller**

Councilmember Bighorse – y

Councilmember Currey – y

Councilmember Redcorn – y

Councilmember Shackelford – y

Motion **PASSED** YES: 8 NO: 0 ABSTAIN: 0 ABSENT: 0

Second by **Council Revard**

Councilmember Cheshewalla – y

Councilmember Red Eagle – y

Councilmember Revard – y

Councilmember Waller – y

Discussion: **Janelle McLean**, petroleum engineer for DEMD, introduced herself to the new OMC members. She has been OMC's point of contact at DEMD for the past two years. **Chairman Waller** said a letter would be prepared inviting her to OMC. He thanked her for the immense help she has been to OMC. **Council Revard** said DEMD helps OMC write grants. DEMD has experts who are available to help OMC at no cost. They also fund feasibility studies.

- e. Resolution:** Allow DEMD to showcase the OMC at NAPE Summit 2023 in Houston in February and send Councilmembers Revard and Shackelford to NAPE with all travel expenses paid by DEMD

Motion by **Chairman Waller**

Councilmember Bighorse – y

Councilmember Currey – y

Councilmember Redcorn – y

Councilmember Shackelford – y

Motion **PASSED** YES: 8 NO: 0 ABSTAIN: 0 ABSENT: 0

Second by **Second Chair Cheshewalla**

Second Chairman Cheshewalla – y

Councilmember Red Eagle – y

Councilmember Revard – y

Councilmember Waller – y

Discussion: **Chairman Waller** said DEMD pays for two members of OMC to attend NAPE in Houston in February 2023. **Council Revard** volunteered to go. He said it's a good opportunity to showcase OMC to potential investors. **Council Shackelford** said NAPE would be good place to market OMC on a global scale.

- f. Well Plugging – Bill Lynn** provided a report on the well plugging program. The focus is on emergency wells. There is a list of priority according to need of the well to be plugged. There are over 1,600 wells on the orphan well list. Current funding will be used by the end of the fiscal year. The AG and Candy Thomas are working on a \$1.1M multi-year funding agreement for additional well plugging monies. **Council Redcorn** said there is also \$150M in grant funds coming soon to be watching for. A benefit of the plugging program is that Osages are in the field and OMC can hear from their viewpoint. **Second Chair Cheshewalla** asked what type of equipment was being pulled and if cement was used for plugging



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the wells. **Mr. Lynn** told him cement was used and there are cattle guards, gates, fully-equipped wells and leases, and some wells with only leaks found. Some were leases canceled by the BIA. The federal regulations say the equipment goes to shareholders. There were 58 plugged wells. 29 were keepers. Three were produced.

- g. Gas Consultant – Manny Atencio** provided an update of the gas audit. Mr. Atencio shared that, in 2021, he bid and won the gas measurement project to investigate and review 40 years' worth of gas on the Osage Reservation. From the Northwest Pipeline to Williams, he appreciates the opportunity to work with OMC. He has had a difficult time collecting information. In May, Chairman Waller signed a letter notifying gas operators that Mr. Atencio would be auditing measurement data. There would be a trail showing quantity and quality. The previous consultant – meter run – OMC check meter to see if it's running properly, performing accurately – royalty meter. Data is collected remotely with a cell connection. Opportunities have been found. Mr. Atencio has been working with CEJA, Contango, Superior, Midstream, Cardinal River, and Salespoint to find out what the lease term is and what was allocated back to the well head. **Council Revard** said as a royalty owner, you have no right to touch anything. **Chairman Waller** said a producer is a lessee. OMC is lessor. Manny is doing what the BIA should be doing. **Council Red Eagle** said oil wells are not producing but have gas volumes. **Mr. Atencio** said some have volumes so low that nothing is there. In the future, OMC might ask the EPA what the emissions are for vapor recovery to go back to the pipeline.
- h. Advanced Oil and Gas Remediation – Jim Hessert** gave a presentation on behalf of Del Olivarez. Mr. Hessert said their company were experts in enhanced oil recovery and had 30 patents in the field. Presently their company is investigating a geo-polymer to get away from cement to plug wells. **Chairman Waller** said it was a good idea to save during climate change. **Council Shackelford** said a presentation like this needed a full day to discuss, and it was a positive step in the right direction.
- i. Carbon utilization and Storage Partnership Support Letter – Dr. Rouzbeh G. Moghanlou**, OU Professor gave a presentation about a partnership request he wanted with OMC for a CCUS study in Osage County. He was working with CUSP since 2018 looking at everything west of Kansas. In Oklahoma, OMC was his first choice to promote and commercialize. Why they chose Osage was because of the 19.2 metric tons of CO₂ every year. DOE looks at anything over 1.7 metric tons. Osage is unique. It is huge within 60 miles of the Arbuckle. The proposal is about complete and ready to be sent to Department of Energy. Not only the technical aspects but also it will benefit people. OU would like to offer internships to Pawhuska High School students who are interested in energy. Council Revard asked why he was presenting to OMC. Dr. Moghanlou said he was hoping the energy estimates were correct. He would like to have the CO₂ hub placed here. That is the idea. Nothing will be done. It's a feasibility study. **Council Revard** said there are five or six other people who are interested in Osage, also, for carbon capture. OMC just claimed the pore space. The headright owners own the pore space. **Council Redcorn** thinks people Dr. Moghanlou are representing don't think Osages own pore space. He doesn't think Osages were considered before the presentation. Council Redcorn/OMC are fighting for our Osage people. He wants to make sure Osage sovereignty is recognized. **Dr. Moghanlou** is a scientist. He only wants to do a study on the Osage Reservation. He supports OMC. He is here as a scientist. **Council Revard** appreciates his interest and presentation. He knows Arbuckle is a favorable reservoir for this type of disposal. OMC is looking for CO₂ themselves. He appreciates OU's interest in OMC. **Council**



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Shackelford thanked Dr. Moghanlou for the presentation. He said OMC will be looking at all options in the future. **Chairman Waller** asked Dr. Moghanlou to make sure future documents say Osage Reservation instead of Osage County. **Dr. Moghanlou** said he hoped the research will help OMC with future business decisions.

- j. FY-2023 Budget** – **Chairman Waller** said he was working with Lacey Reynolds on closing the FY-2022 budget. Osage Nation wanted the projected 2023 budget as soon as possible. **Council Revard** said he spoke to Osage Nation Congress and they did not need the budget. **Lacey Reynolds** said the budget goes to the Chief's office first prior to going to Congress. **Chairman Waller** said they project every department. It's projected, not exact. **Council Shackelford** said there should be a budget committee for OMC to project FY-2023 expenses to be educated before voting. This would prevent being rushed to make decisions and, instead, make educated votes. It would also bring OMC up to speed in all areas. **Chairman Waller** appreciated the suggestion and asked Council Shackelford to chair said committee. He said he'd worked with Lacey Reynolds for eight years and she could deliver whatever OMC needs. Nothing comes through that OMC does not get. Ms. Reynolds disperses everything right away. **Council Revard** wanted to discuss in Executive Session. He would like to know what's left in 2022 before moving on to 2023.

6. Motion: Enter Executive Session

Time: 1:18 p.m.

Motion by **Council Red Eagle**

Second by **Second Chair Cheshewalla**

Councilmember Bighorse – y

Councilmember Cheshewalla – y

Councilmember Currey – y

Councilmember Red Eagle – y

Councilmember Redcorn – y

Councilmember Revard – y

Councilmember Shackelford – y

Councilmember Waller – y

Motion **PASSED** YES: 8 NO: 0

ABSTAIN: 0 ABSENT: 0

Motion: Exit Executive Session

Time: 2:35 p.m.

Motion by **Second Chair Cheshewalla**

Second by **Council Red Eagle**

Councilmember Bighorse – y

Councilmember Cheshewalla – y

Councilmember Currey – y

Councilmember Red Eagle – y

Councilmember Redcorn – absent

Councilmember Revard – y

Councilmember Shackelford – y

Councilmember Waller – y

Motion **PASSED** YES: 7 NO: 0

ABSTAIN: 0 ABSENT: 1

a. Resolution: Table FY-2023 Budget

Motion by **Council Shackelford**

Second by **Second Chair Cheshewalla**

Councilmember Bighorse – y

Councilmember Cheshewalla – y

Councilmember Currey – y

Councilmember Red Eagle – y

Councilmember Redcorn – absent

Councilmember Revard – y

Councilmember Shackelford – y

Councilmember Waller – y

Motion **PASSED** YES: 7 NO: 0

ABSTAIN: 0 ABSENT: 1



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7. Old Business

- a. Resolution:** Write a letter to DOI requesting input on Superintendent selection

Motion by **Chairman Waller**

Councilmember Bighorse – y

Councilmember Currey – y

Councilmember Redcorn – absent

Councilmember Shackelford – y

Motion **PASSED**

YES: 7

NO: 0

ABSTAIN: 0

ABSENT: 1

Second by **Council Revard**

Councilmember Cheshewalla – y

Councilmember Red Eagle – y

Councilmember Revard – y

Councilmember Waller – y

- b. Resolution:** Write a letter to Judge Drent about the letters in her possession asking what the proper manner is for OMC and whether to proceed with an explanation to the 47 headright holders

Motion by **Council Revard**

Councilmember Bighorse – y

Councilmember Currey – y

Councilmember Redcorn – absent

Councilmember Shackelford – y

Motion **PASSED**

YES: 7

NO: 0

ABSTAIN: 0

ABSENT: 1

Second by **Second Chair Cheshewalla**

Councilmember Cheshewalla – y

Councilmember Red Eagle – y

Councilmember Revard – y

Councilmember Waller – y

Discussion: **Council Revard** said in a report from Billie Ponca, OMC Election Designee, there was confusion at the Pawhuska Post Office. Postal workers didn't know what went in the lockbox. Some letters that were absentee ballots were put into the lockbox. These letters were opened on election day; 47 people didn't receive their ballots. Position number eight on the ballot was close. Perhaps the outcome might be different. He wanted to know why Judge Drent oversaw the election. He thinks the 47 people are owed an explanation, and someone should tell them what happened. OMC doesn't even have to know who they are. Maybe Ms. Ponca could send a letter to them. **Council Red Eagle** thinks the election board should send a letter. **Council Shackelford** said the problems are unfortunate, but it was at the post office itself. There need to be better checks and balances. The process needs to be better, fixed, and improved. Try to find a process that is best suited to make sure it doesn't happen again. People weren't given the opportunity to express their right to vote. The election board can present ideas for improvements to OMC and move forward. **Council Revard** thought asking Judge Drent for assistance would be the best way to handle the situation. **Chairman Waller** said she could advise OMC in how to approach the 47 people since the ballots and all of the election material is not the property of ON to destroy. OMC is not funded enough to have an election office open year round, or even open for six months. OMC only has a few weeks to get ready for an election, and it's not enough time. There needs to be more time and more of a separation between shareholders voting for OMC and ON election. **Council Red Eagle** was afraid a letter would sound like a protest. **Council Revard** said to clarify in the letter that it was not a protest, but that OMC and the 47 shareholders are entitled to an explanation as a courtesy. **Cynthia Boone** said, as a candidate, she was entitled to a fair and honest election. She does not believe she got one. She said Billie Ponca challenged the election when she asked for a recount. The absentee ballots are usually over 500. For this election, there were only 200. The outcome of this election was impossible. **Council Revard** said the rules need to be updated. He reminded that Council Forman asked several times in previous meetings, and OMC-4 didn't act.

- c. Gas Lease** – Bill Lynn introduced **David Brodie** who asked for a gas lease for personal use for his home. He has spoken to Richard Winlock at the BIA. He agreed to take a well bore only lease and plumb into



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his home at the rate of \$56 per month flat fee. He will use 35 mcf/month. The pump leaked for years. He plumbed into it about two years ago. The gas analyst did numbers using city hub and the cost of city gas. The average gas price per month. 25 CFR §226 farm tap only addresses Osage shareholders; this will be the first lease for a non-Osage and could set precedence. Mr. Brodie will report to OMC. Homer Holding, who works on well plugging, heard the leak from the county road when he was inspecting. **Council Revard** asked Mr. Brodie if he was going to become an operator and whether he was going to get a bond. **Mr. Brodie** said yes. **Chairman Waller** said there is no liability to OMC and Mr. Brodie assumed all liability. **Mr. Brodie** said yes. **Council Revard** asked if the tubing and rods were pulled. **Mr. Lynn** said yes. **Council Revard** asked if Mr. Brodie claimed ownership of the well. **Mr. Brodie** said yes. **Mr. Lynn** said in the past it pumped 115K barrels according to IHS reports. Four wells have been plugged in the area.

8. Motion: Approve minutes

Motion by **Council Red Eagle**

Councilmember Bighorse – y

Councilmember Currey – y

Councilmember Redcorn – absent

Councilmember Shackelford – y

Motion **PASSED** YES: 7 NO: 0

Second by **Second Chair Cheshewalla**

Councilmember Cheshewalla – y

Councilmember Red Eagle – y

Councilmember Revard – y

Councilmember Waller – y

ABSTAIN: 0 ABSENT: 1

9. Motion: Adjourn

Motion by **Second Chair Cheshewalla**

Councilmember Bighorse – y

Councilmember Currey – absent

Councilmember Redcorn – absent

Councilmember Shackelford – y

Motion **PASSED** YES: 6 NO: 0

Time: 3:28 p.m.

Second by **Council Chairman Waller**

Second Chairman Cheshewalla – y

Councilmember Red Eagle – y

Councilmember Revard – y

Councilmember Waller – y

ABSTAIN: 0 ABSENT: 2

Approved by the Fifth Osage Minerals Council on August 5, 2022.

Everett Waller, Chairman

Executive Administrative Assistant