

**OSAGE MINERALS COUNCIL
REGULAR MEETING
OSAGE COUNCIL CHAMBERS
PAWHUSKA, OKLAHOMA
JANUARY 18, 2017
MINUTES**

CALL TO ORDER

Chairman Everett Waller called the meeting of the Osage Minerals Council to order at 10:02 A.M.

CHAIRMAN WALLER: We would like to talk about the welcome. Our welcoming is something that Osages do. We've always reached out to all of our people. In this environment we live in today, we reach out to all. That reaching out is the last bit of effort that we can give to our children. That's going to be the last bit that we can give them a future, and what I do is that I remember what my folks left me. With them going home, I've always thought about that, is that we need to do that for our kids. That's what so many of us have talked about, the next generation, and with that, I want to tell you how proud I am of all of you. Some days are good. Some days are bad, but they're all wonderful, because we're alive. The sun's on us and we're Osages.

OPENING PRAYER

Councilwoman Cynthia Boone gave the opening prayer and read the list of deceased Osages.

Superintendent Phillips and Deputy Superintendent Winlock left the meeting at 10:05 a.m., due to the filming of the meeting from HBO's VICE program.

ROLL CALL

Osage Minerals Council Executive Administrative Assistant Lacey Reynolds called the roll. Osage Minerals Council Members present were Cynthia Boone, Joseph Cheshewalla, Galen Crum, Stephanie Erwin, Kathryn Red Corn, Talee Red Corn, Everett Waller and Andrew Yates. A quorum was declared.

Visitors signed in were Jinx Geurin, Rosalind Karlin, Janel Perry – OST, Julie Wilson, Joy Ledbetter – OST, Florence Bigheart Trantum, Rene Henry, Rosemary Wood, Steve McNamara, L. K. Heskett, Randy Palka, Sharon Long, Don Williams, Tim Penney, E. RedEagle, Randy Dildine, Marcy Graham, J. L. Holt, Joe Schmidt and Rocky Banks. Four guests were from the Home Box Office (HBO) Emmy-award winning series, "VICE", including producer, Shawn Killebrew.

Auditor Report:

Jim Swan gave the Auditor Report for December. He added that the production report that is received from the BIA shows Sunoco with no sales or any purchases for November and found it odd, due to their being the No. 3 purchaser, and that had not happened before.

Accounting Report:

CHAIRMAN WALLER: The C-395 and S-510 reports were delivered to the Council before the meeting. Councilman Yates added that we should notify them that they want to talk to them in Executive Session.

Osage Minerals Council Minutes
Regular Meeting
January 18, 2017

NEW BUSINESS

Newpek:

Steve McNamara requested an extension of their concession. Council heard them last month that they would drill three wells. The new proposal is to drill four wells, two to be drilled within a one-year period, by February, 2018, and an additional two to be drilled by 2019. They would offer to relinquish 30% of the land which is approximately 11,000 acres. There was discussion also that the company is firm on staying at the 3/16th's royalty. Chairman Waller entertained a motion to approve this new proposal, and there was none.

Candy Creek Crusher: January 4 letter – Tim Pinney

Tim Pinney, of Candy Creek Crusher, came to negotiate a contract with royalty, and a discussion was had regarding 10%, but no deal was made at that time.

A break was taken at 10:37 a.m., as the crew from HBO's VICE television show vacated the Chambers, and the meeting resumed at 10:50 a.m.

BIA Report:

CHAIRMAN WALLER: I'd like to ask that the Superintendent to go ahead with the changes we have made. We'd like to go back to the agenda item and have the BIA Report.

SUPERINTENDENT PHILLIPS: Thank you.

CHAIRMAN WALLER: Thank you, dear.

SUPERINTENDENT PHILLIPS: During the month of December, the Branch of Field Operations reported 2,765 purchaser run tickets were reviewed and scanned; 20 well pluggings were witnessed; 7 trucking permits were prepared; 9 purchaser tank tables scanned into Osage Nation Report; there were 24 leases checked for production/primary term; 6 complaints scanned; 2 OERB evaluations; 57 lease inspections; 48 follow-up lease inspections; 22 gas meter calibrations/provings witnessed; 7 trucks were stopped for permit checks¹; 9 tank strappings witnessed; 68 landowner/lessee meetings; 11 spills/leaks inspected; 23 spill/leaks inspection/follow-ups; 19 tanks gauged; 44 run tickets were figured; 1 tank bottom removal was witnessed.

Branch of Lease Management reported 10 assignments; 12 division orders were processed and approved; Producing wells for the month of December is 18,092 less 3,253 for SWD and other wells = 14,839 wells. Lease Management also provided a report for leases sold during the month under 25 CFR Part 214. The three leases that sold the most were Apac, Candy Creek Crusher and Casey Hindman; APAC reported 29,121.86 tons for a royalty paid of \$15,725.80; Candy Creek Crusher reported 9,274.05 tons for a royalty paid of \$4,729.73; Casey Hindman reported 4,574.41 cu. yds. for a royalty paid of \$3,430.81; Schmidt Brothers reported 360 cu. yds. for \$270.00; and, Rocky Banks at 432 cu. yds. for \$224.00; They identified or reported a total of 15 requests for lease information; all 15 were non-FOIA.

Branch of Subsurface Minerals reported 4 approved workover permits and 2 approved plugging permits.

¹ Superintendent's Report showed 5 trucks stopped for permit check.

The Branch of Accounting provided their end of the month financial statements and you've got a copy that's been provided, and you also received the Purchaser's statement for the month of November, 2016.

Branch of Enforcement and Lease Compliance – They have reported 1 EA covering 2 permits; 1 EA covering 1 permit has been published. They reported 79 Non-Compliance Notices and 19 Non-Production letters; 2 fine letters; 1 penalty letter and 23 extension letters; and 1 further remediation required letter; 6 final notice letters and 9 acknowledgement Spill Remediation and Reporting Form Letters.

The Osage Agency, as requested by Councilman Crum, notified all of the individuals that have a lease under 25 CFR 214 of your request of the renegotiation, and I see that one of them are on here, Candy Creek Crusher. Casey Hindman came into the agency and also inquired as to the letter, and I believe he is going to hopefully be on the agenda, next month.

CHAIRMAN WALLER: Yes, ma'am.

SUPERINTENDENT PHILLIPS: And, I believe that takes care of my report.

CHAIRMAN WALLER: Councilwoman Erwin.

COUNCILWOMAN ERWIN: Madam Superintendent, there is a number on here that you didn't actually go over and I need some further explanation on it. The 17,048 archaeological surveys. Is that acreage, or does that mean surveys that have been done, and it's just on the individual surveys. How much acreage did they cover?

SUPERINTENDENT PHILLIPS: That is acreage.

COUNCILWOMAN ERWIN: So, how close are they getting done with this? I mean, who actually performs these? What staff?

SUPERINTENDENT PHILLIPS: Our Petroleum Engineering Technicians.

COUNCILWOMAN ERWIN: OK. How much time do they spend on this?

SUPERINTENDENT PHILLIPS: I believe that this is dealing with the Indian land buy back?

DEPUTY SUPERINTENDENT WINLOCK: Yes.

SUPERINTENDENT PHILLIPS: And they are doing that outside of their normal time. So, they are getting additional pay working on the weekend. Is that correct, Richard?

DEPUTY SUPERINTENDENT WINLOCK: Yes. They're not doing it during working hours.

COUNCILWOMAN ERWIN: OK. Also, I think you said five trucks. You said some trucks were stopped for permit check?

SUPERINTENDENT PHILLIPS: Five trucks.

COUNCILWOMAN ERWIN: Yeah, it's as it was written here. OK, I just needed that explained. OK. Thank you.

Osage Minerals Council Minutes
Regular Meeting
January 18, 2017

SUPERINTENDENT PHILLIPS: You're welcome.

CHAIRMAN WALLER: Councilwoman Boone, then Councilman Crum.

COUNCILWOMAN BOONE: So, actually, the archaeological survey for land sales, 17,048 is an eschewed record for us. Some of these things that these Petroleum Engineers are doing don't pertain to us at all, do they? The ranch doesn't pertain to us. Right?

SUPERINTENDENT PHILLIPS: Well, the ranch, in doing and performing inspections on the ranch, we are performing lease site inspections that relate to oil and gas matters.

COUNCILWOMAN BOONE: And how many would that be?

SUPERINTENDENT PHILLIPS: I don't have that broken up.

COUNCILWOMAN BOONE: OK, I have another...

SUPERINTENDENT PHILLIPS: But this basically what's being reported is done with land sales. This is the land buyback.

COUNCILWOMAN BOONE: I want to know how many of those oil wells pertain to us. I'm concerned that they're spending their time doing things that – They're spending a lot of time in doing work outside, what is required by the position description. I've got another couple of questions for you.

SUPERINTENDENT PHILLIPS: Can I respond to that, though. I believe, just a few minutes ago, we clarified with Councilwoman Erwin that that is being done, outside of their normal...

COUNCILWOMAN BOONE: I know that. I don't see why those numbers should be included.

SUPERINTENDENT PHILLIPS: OK.

COUNCILWOMAN BOONE: That's what I'm looking at.

SUPERINTENDENT PHILLIPS: OK.

COUNCILWOMAN BOONE: I received a letter from a lady, and I had all kinds of questions about this. There was something in here about the Chief approving a lease. Are you familiar with the letter I'm talking about?

SUPERINTENDENT PHILLIPS: No. What's the date of the letter?

COUNCILWOMAN BOONE: January 9th and it was sent to the Bureau of Indian Affairs, Pawhuska.

SUPERINTENDENT PHILLIPS: I'll be happy to look into it, and provide you with a response.

COUNCILWOMAN BOONE: Do, because it just gives the appearance that you're giving special privileges to your employees' relatives out there.

SUPERINTENDENT PHILLIPS: I don't believe that that is something that I would do.

Osage Minerals Council Minutes
Regular Meeting
January 18, 2017

COUNCILWOMAN BOONE: Well, you need to check the relationship between the lessee and the person working in Realty for you. Check the relationship out and see...

SUPERINTENDENT PHILLIPS: Who's the letter from?

COUNCILWOMAN BOONE: Tina Bin.

SUPERINTENDENT PHILLIPS: Tina Bin.

COUNCILWOMAN BOONE: And then, I have another question about another letter I received where you won't be taking any questions from us, directly, any more. But you want to have everything that we want go through our Chairman?

SUPERINTENDENT PHILLIPS: Basically, no. What I would like for us to do is, every month, the Deputy (Superintendent) and I attend these meetings, and during this time, meeting with you all make a request, and we go back to the Agency and try to respond to those requests or those recommendations. If, by chance, there is a request that needs to be made after that, then, yes, we would appreciate it being in writing.

COUNCILWOMAN BOONE: And why is that, because we're all equal here?

SUPERINTENDENT PHILLIPS: So that we can have documentation, and, as a whole, the Osage Agency, or the Osage Minerals Council, we're working with the Osage Agency and the Osage Minerals Council as a whole. So, I believe that everyone needs to know.

COUNCILWOMAN BOONE: Well...

SUPERINTENDENT PHILLIPS: And I will say this, that anytime I've needed to respond or get a response from the Chairman, I call your front office, and within a matter of 30 minutes to an hour, I hear from Chairman Waller and so I don't believe it's an unreasonable request.

COUNCILWOMAN BOONE: I just see it as inhibiting my ability to help my constituents, when they call me and ask me for something, then I'm used to picking up the phone and calling you and asking you for certain things, and I've always gotten an answer. So I didn't see the relevance of this letter saying, well, now, Ms. Boone, if you want to help your constituents, I got to go through the Chairman, first. That's the problem I have with this letter. Thank you.

CHAIRMAN WALLER: Councilman Crum.

COUNCILMAN CRUM: Madam Superintendent, you're in for Jim's report, but there was something kind of alarming come up on it, and I'd like to clarify what's our third largest purchaser of oil, Sunoco, reported no collections for the month of November, and the rest of the report was skewed, showing that missing would make the whole thing look off. Do you have any idea whether they filed late or what the deal is? I can hardly imagine them not buying any oil. For one thing, everybody has purchase agreements with them that don't just terminate on one day. They would have had to sold their oil, if they produced any oil to them, as per the agreements that they have. On a kind of a management note, Jim did mention to me that in the past, whenever the report was brought over to him, that often times there was a discrepancy like this, it would be pointed out to him. There would be a little discussion with whoever brought it over. Then he had also less success, as in the past of getting responses to the requests from the Accounting office. But, we really need to know whether the production report we're looking at is skewed by several thousand barrels

Osage Minerals Council Minutes
Regular Meeting
January 18, 2017

of oil, if they're our third one. The fourth one would be Plains, which, if my memory serves is far beyond what Sunoco buys, and they bought 3,500 barrels. Our report, I don't believe, is accurate.

SUPERINTENDENT PHILLIPS: OK. I'll be more than happy to check into that for you.

CHAIRMAN WALLER: Councilwoman Erwin.

COUNCILWOMAN ERWIN: Madam Superintendent, you talked about the archaeological surveys when you sent the Petroleum Engineers, they did the outside and on the weekends. How do you pay them? What funds do you use to pay them?

DEPUTY SUPERINTENDENT WINLOCK: There's a funding by land buyback that has its own accounting code that pays for it. It doesn't come out of our funds.

COUNCILWOMAN ERWIN: OK. Thank you.

CHAIRMAN WALLER: Council.

COUNCILMAN YATES: Superintendent, I noticed there was 0 lease terminations, this month. Last month, I indicated there were several lease terminations, and what's the difference?

SUPERINTENDENT PHILLIPS: I guess, basically, they're waiting on inspections to be performed. I really need to ask the Lease Management for something like that. But generally, before we go in and do a lease termination, all of our field guys will have to go out and do a field inspection to see exactly if there's no production if there needs to compliance issues addressed. During the month of December, unfortunately, I have individuals that are out on "use-or-lose" (vacation time), so there's probably several reasons why, but I will be more than happy to...

COUNCILMAN YATES: No, I'm just curious.

SUPERINTENDENT PHILLIPS: Yeah. I'd be more than happy to check in to that for you.

CHAIRMAN WALLER: What was it?

COUNCILMAN YATES: 70 last month, and this month, zero. Just kind of wondering why.

CHAIRMAN WALLER: Council, any other questions?

COUNCILMAN YATES: At Sunoco, I'd like to know what's happened there. You asked if there had ever been anything like it, and it was Simm maybe missed a payment and Osage Transportation.

CHAIRMAN WALLER: I actually handled that case for the Bureau with Mr. Carnes. With that, I have one request that we go into Executive Session, but do you want to look at anything on the agenda, while we're right here and open meeting? Councilwoman Erwin.

COUNCILWOMAN ERWIN: I also want to address the BIA letter. (Councilwoman) Cynthia (Boone) pretty well covered that, because I find it very insulting that I can't call or write and get information. I think that we're all created equal here. I want you to know we're all created equal, and we should all have the ability to ask for information, regardless. I don't know. Maybe you have a better relationship with Mr. Waller than I do, because you know I find that getting information is not very easy around here, and I'd like to talk about

Osage Minerals Council Minutes
Regular Meeting
January 18, 2017

d. The Gas Royalty. We haven't been able to collect all our royalty on the gas. When it's sold, it's sold at 100% and the producers of that gas are only getting paid on 50% of that gas or whatever at what level. Now, if they're taking 100% of the gas, where's our royalty going? We need that royalty. I've asked the Solicitors. I've talked to the people in Washington, and they look at me like they don't care, and they probably don't. But I'm asking you, today, we need to take our gas royalty, in kind. I'm asking for that today. While we're at it, why not take the oil in kind? I don't know. But I do know to stop this, the royalty, from being taken from us and not paid to us, because of the way they have it set up. It's all one company that's doing all this. The majority of it. I really think we need to take our gas royalty in kind to stop it, so we can get our full royalty.

CHAIRMAN WALLER: After we take it in kind, what do you plan on doing?

COUNCILWOMAN ERWIN: Selling it, marketing it, just like they do. I'd like to take that and have Mr. Fredericks look it over and make sure we can do it, and come back to us with, whether we can or not, but we need to collect that royalty. That's part of our Trust responsibility. It should be theirs, but apparently, they're not doing it. I think Mr. Tillman did this, one time before, and it resulted in the highest posted price case.

CHAIRMAN WALLER: I think, myself was setting there, Mrs. Woods had a great time sitting with you, over there. That's exactly what we intended.

COUNCILWOMAN ERWIN: I'd like to make a motion that we submit this and we can pay for our gas royalty to Mr. Fredericks for his opinion on it.

CHAIRMAN WALLER: For a review, contracts, everything?

COUNCILWOMAN ERWIN: Yeah. For his review to see if we can do it. We need to make sure the 'I's are dotted and the 'T's are crossed.

COUNCILMAN REDCORN: I second. Discussion.

CHAIRMAN WALLER: Any discussion?

COUNCILMAN CRUM: Do we plan on discussing this when it comes up in the agenda? I'm just asking a question. I'm trying to see what we're doing.

CHAIRMAN WALLER: Council.

COUNCILMAN REDCORN: Thank you. Thanks for mentioning in kind. There was a really good discussion happened the last time we met with the Bureau, and Paul Revard who is our consultant now, per resolution to discuss these matters with the United States. It was mentioned in kind, so we did a little bit of looking in to it, and I think it would behoove the shareholders to be more proactive. We have one location that takes 75-76% of our barrels and I'm thinking if we're proactive we can get there and we can manage and market it ourselves. Maybe have an office setting there. I don't know. Maybe it's time to be proactive and have someone there daily getting the best price for us, at least, check that scenario out. I just thought it was a good comment. Like I've said, I'm one of eight. I just want an answer. Is there something better than what we're doing now? I'd just like to, at least, explore it. Maybe give it a couple of hours and talk about it. I'd be willing to go to Coffeyville and go down and sit with them. This lady, right here, brought something to us, and it's been on my mind, ever since. I really think there's strength there, because if you take just take this "rock guy", if you take rock and crushed it, it'd get more value. We could split and take the top and

Osage Minerals Council Minutes
Regular Meeting
January 18, 2017

we'd have some pretty high valued product. If we had somebody in Coffeyville, maybe we could make a deal with Coffeyville. We still own it. That pool of oil up there, I mean, this is a business decision. We could look at that process, let's make it work and make sense. This was very easy. I wouldn't say it's easy, I'm just saying it, because...I'd like to have a discussion. I mean, I'm on the Minerals Council. If there's more value there than just letting our friends from the United States handle it, maybe we need to do it. Councilwoman Erwin, let's just at least ask the question. What's in kind look like, if we're exploring? Thank you, Chairman.

CHAIRMAN WALLER: Yes, sir. Council.

COUNCILMAN CRUM: The in kind for oil is relatively simple, compared to in kind for gas. The reason is that the oil leases are for 100% of the oil. The reason what we're talking about is us and the producers only getting the portion of the gas starting off the calculations with, is because that's what the purchase agreement says. The purchase agreements for oil is for 100% of the oil. I'm looking at in kind as something that makes it look at, and as far as exploring the gas is not that we shouldn't explore it, but I'm going to put a point out that the amount of gas we have, even if we take it in kind is according to the purchase agreement, and as we talked about it in the last meeting, we had in the Bureau improvement meeting, and the other one it was pointed out to us that the Bureau nor the Osages have any right to interfere in the purchase contracts, in terms of trying to redo them or back them on that sort of thing. What the Osages and the Bureau, I wish they'd been doing all these years, was on the gas is to only approve purchase contracts that take care of that side of the business. In other words, we get paid for the right amount of gas, it's measured properly and it's valued properly. That's what we tried to attack in the new regulations that we look at this from every angle there was at the time. Since we couldn't do anything about the purchase agreements, the part that we can change is how it's measured with the CFRs how it's measured that we get 100%, that there's a benchmark price and I think we get 100% of our royalty based on 100% of the production and 100% of the value as it's measured. So, until we fix that problem, taking gas in kind without changing the situation like it could in oil, because we're still going to be receiving whatever the producers are getting in terms of the agreement they made and how much gas they're giving away before, and then we could set our own price. But that is within even the purchase agreement, so Tom would have to explain that to me how that works. I'm OK with having a look at it, on both oil and gas. But the gas, we're not going to solve the problem the same way as we may be able to solve the problem for oil.

CHAIRMAN WALLER: Council. With that, any more discussion?

COUNCILWOMAN ERWIN: Yes, I would like to make my motion, and add 'willing' to it. Gas and oil, since he said he needs to do that. Is there a problem...?

COUNCILMAN REDCORN: I'll second that, or I'll approve of the wording.

CHAIRMAN WALLER: No, because of your oil and gas combination, it's necessary on the leases. Council, anything else?

MOTION PASSED: CYNTHIA BOONE-YES, JOSEPH CHESHEWALLA-YES, GALEN CRUM-YES, STEPHANIE ERWIN-YES, KATHRYN RED CORN-YES, TALEE REDCORN-YES, EVERETT WALLER-YES, ANDREW YATES-YES.

COUNCILMAN REDCORN: Chairman?

CHAIRMAN WALLER: Yes, Council.

Osage Minerals Council Minutes
Regular Meeting
January 18, 2017

COUNCILMAN REDCORN: I'm sorry to back up to (Item) C, I have a comment on the BIA letter. Would it be OK with the Superintendent if we added the Second Chair to that communication, as well?

SUPERINTENDENT PHILLIPS: You bet.

COUNCILMAN REDCORN: OK. Thank you.

COUNCILWOMAN ERWIN: I still want to be able to communicate with them.

CHAIRMAN WALLER: I'm just saying there's got to be a paper trail to show that...

COUNCILWOMAN ERWIN: Why, I could put it in writing to them, and I will cc the Minerals Council.

CHAIRMAN WALLER: Her response has to be the answer to identify. It has to come back to the Council.

SUPERINTENDENT PHILLIPS: The particular request that is made by Councilwoman Erwin on that day was something, that, in my opinion, would take a lot of time for the Agency to provide, and I really think the information has already been provided to the Minerals Council. I don't know if all the Minerals Council was aware of the request. So, I really think that, during open meetings and everyone's here and you can hear the request being made, the Agency will be more than happy to go in and provide that information. I think that, due to the fact that it doesn't take much time for it to be in writing and signed by the Chair, or the Co-Chair, who were elected last month by everyone here, I think the protocol is good. If, by chance, Councilwoman Boone or Councilwoman Erwin call, and ask me a question, I'd be more than happy to help. But when we're looking at providing documentation that's going to halt possibly the Sub-Surface as well as the Branch of the Enforcement and Lease Compliance, I do have a concern there.

CHAIRMAN WALLER: Councilwoman Erwin.

COUNCILWOMAN ERWIN: OK. I called, and you were gone, and so was your Acting or Second Superintendent. OK, just how much new oil have we had? OK, we have to have an EXCEL spreadsheet to read it. So, let me tell you what I've found out. I was trying to make sure this was right, after it was put in EXCEL. For 2014, 2015 and 2016, we've actually only had ten wells drilled for new oil. Now, we've done a lot of 139s for workovers and plugging. But five of them were lawyers. Three of them were Chaparral's and two of them were Carbon River. I was just trying to verify what I got from your information, already. I was trying to give you a chance to prove me wrong. But instead, you send a memo over here, telling me I have to go through the Chair. I think that's wrong.

CHAIRMAN WALLER: Councilwoman Boone.

COUNCILWOMAN BOONE: It sounds to me, Ms. Phillips, that you're making this a personal issue in it, and it shouldn't be. I'm just saying that's what it sounds like. Excuse me, I still have the floor. I know for a fact, because I usually am here in this office every day. I know for a fact that there is no Council member that sits here from 8 to 4:30 every day. I know that Councilwoman Red Corn has a job outside of here, and she's not here eight hours a day, and I think it's a disservice to us, because we are elected officials that you don't honor our requests, but we have to go through somebody else in order for you to respond, and that's the problem I have with the letter. Now, if both of these people were here, every day, and I could just walk down the aisle, and say, I need to ask you a question, it would probably be different. But it is what it is, and we don't have anybody here, any elected official on the Minerals Council that's here from 8:00 to 4:30. So, I'm not in agreement with adhering to your letter at all. I think it's disrespectful to us. Thank you.

Osage Minerals Council Minutes
Regular Meeting
January 18, 2017

CHAIRMAN WALLER: Councilman.

COUNCILMAN CRUM: I want to add to some thoughts on this Sunoco thing. I think it's probably easily attainable if you could just call over there and ask if Sunoco filed one for November production, because I'd like to know how that works, and if they were late or just an accounting error that didn't get included in the report. As you know, if it's late that we incur interest and all that, and so we'd like to make sure that somebody did follow up on that. Thank you.

CHAIRMAN WALLER: Does a red flag come up 'zero' before you wrote your report to it?

SUPERINTENDENT PHILLIPS: It should.

CHAIRMAN WALLER: It used to when I worked there.

SUPERINTENDENT PHILLIPS: What I'll do is that I'll ask, and in the future, I'll make sure that there's something for every purchaser that's named.

CHAIRMAN WALLER: Council.

COUNCILWOMAN ERWIN: I don't remember the man's name, except for his first name, but he was sitting on a full tank of oil, and it had been red tagged, and I believe you weren't here at that meeting, because I believe Richard told him that he would see about doing what he had to do to make sure we could get it sold. I would like to see that royalty money put in, so we can pay it out in March. You know, our royalty's aren't very big, so every barrel of oil we can sell, the other man's part, you can put it in escrow or whatever, that's fine. I just want our royalty and I want the red tag taken off and I want it sold.

SUPERINTENDENT PHILLIPS: Chairman Waller, when a lessee is non-compliance, we do seal those tanks and you and Joe are both aware of that. We move in and red-seal those, but that does not prevent the sale of the oil.

CHAIRMAN WALLER: That's correct.

SUPERINTENDENT PHILLIPS: Basically, what happens is the oil is sold, the royalty is paid to the Osage Mineral Estate, the lessee does not receive a payment until such time as he brings his lease into compliance, and we inform the purchaser to release their money. So it is being sold.

COUNCILWOMAN ERWIN: But it hasn't been over a month ago. You weren't here that day. I'm going to give you that. But he was, and I would like to make sure that is sold. I'd like to have the royalty money so we can put it in the revenue account so it can go out to payment. Thank you.

SUPERINTENDENT PHILLIPS: Can I ask who that was, since she said I wasn't here.

COUNCILWOMAN ERWIN: I don't remember what day it was. It was on a – I really don't know, was it last Friday or last month's Friday? I don't know, but it's been a month ago.

SUPERINTENDENT PHILLIPS: Because I'll be happy to look into that and show the...

COUNCILWOMAN ERWIN: It was December 21.

SUPERINTENDENT PHILLIPS: December 21?

Osage Minerals Council Minutes
Regular Meeting
January 18, 2017

COUNCILWOMAN ERWIN: Yes.

CHAIRMAN WALLER: Excuse me. Councilman Yates.

COUNCILMAN YATES: The operator came because part of his green unit.

COUNCILMAN CRUM: Mr. Chairman?

CHAIRMAN WALLER: Yes.

COUNCILMAN CRUM: Also, there was another side thing to that deal that the leases is not actually in that gentleman's name. They were never assigned to him. The gentleman who owns the lease to sell it and put it in escrow for him and stuff. What's hard is that nobody could locate him. Even though all of what you say is true, and I don't know what the BIA would do without it, but the oil could be sold and the royalty could be paid on it. But the gentleman that actually owns the oil that could do a division order for you guys to get it off of there was unavailable at the time and Richard could help in finding him. So, there's all sorts of twists on that particular deal.

COUNCILMAN CHESHEWALLA: Robin, the legal is SW/4 14-21-10.

CHAIRMAN WALLER: Thank you.

SUPERINTENDENT PHILLIPS: Thank you.

CHAIRMAN WALLER: Council, do we have any other questions?

COUNCILWOMAN BOONE: I'd like to know if Ms. Phillips had received an answer from the Solicitor Woodcock on the top lease case that he was going to give us an answer on that. Have you received anything from him about that?

SUPERINTENDENT PHILLIPS: On the top lease?

COUNCILWOMAN BOONE: We were talking about a top lease, quite a while back.

SUPERINTENDENT PHILLIPS: No, sorry. I'll check on that.

COUNCILWOMAN BOONE: And I'd also like to know about the Gross Production Tax, and you were to get back with us, because the deadline's over with. December 31 is my understanding was the deadline.

SUPERINTENDENT PHILLIPS: I did touch base with Alan Woodcock about that, and he was going to review it.

CHAIRMAN WALLER: Council.

2ND CHAIR KATHRYN RED CORN: I want to say something, first.

CHAIRMAN WALLER: Please do.

2ND CHAIR KATHRYN RED CORN: I work twelve hours a week away from here. That's all.

Osage Minerals Council Minutes
Regular Meeting
January 18, 2017

Motion to go into Executive Session by Councilman Redcorn, 2nd by Councilman Crum.

MOTION PASSED: JOSEPH CHESHEWALLA-YES, GALEN CRUM-YES, STEPHANIE ERWIN-ABSENT, KATHRYN RED CORN-YES, TALEE REDCORN-YES, EVERETT WALLER-YES, ANDREW YATES-YES, CYNTHIA BOONE-YES.

Executive Session – 11:20 A.M.

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Motion by Councilwoman Erwin to Exit Executive Session, 2nd by Councilman Crum – 12:45 P.M.

MOTION PASSED: GALEN CRUM-YES, STEPHANIE ERWIN-YES, KATHRYN RED CORN-YES, TALEE REDCORN-YES, EVERETT WALLER-YES, ANDREW YATES-YES, CYNTHIA BOONE-YES, JOSEPH CHESHEWALLA-YES.

Motion by Councilwoman Erwin to accept Newpek's change on the royalty and everything else in consideration and if they don't do the wells in 13 months, that they give it all up, which was discussed in Executive, and there was No 2nd – MOTION FAILED.

Candy Creek Crusher will not have a vote on the item this day, but will take it in to the Council's attorney and get some advice with what the Superintendent has told them, and go from there. Councilwoman Erwin will call.

There was no other vote to be done out of Executive Session.

OLD BUSINESS

Open Records Act letter: Councilwoman Boone

Discussion was started by Councilwoman Boone stating that "we have a court date for February 6, and I know we've made an attempt to discuss this particular problem of the Open Records Act complaint against the Minerals Council with the Osage Nation Attorney General, and I believe, at this time, he has not given us any information or any feedback. If that is correct, then the reasoning behind this resolution was that if he gives us no assistance, then the Chairman could attend the Court with the Minerals Council attorney, David McCullough." Chairman Waller had contacted Mrs. Wells at the AG's office and left a message as she was not in the office during the holidays.

Motion by Councilwoman Boone for the response to the Attorney General's Open Records that she and the Council's attorney, David McCullough, will be available to attend, 2nd by Councilwoman Erwin

MOTION PASSED: KATHRYN RED CORN-YES, TALEE REDCORN-NO, EVERETT WALLER-YES, ANDREW YATES-NO, CYNTHIA BOONE-YES, JOSEPH CHESHEWALLA-YES, GALEN CRUM-NO, STEPHANIE ERWIN-YES.

Osage Minerals Council Minutes
Regular Meeting
January 18, 2017

EIS Alternatives:

Chairman Waller began the discussion by saying that they need a vote, as the Council was requested on giving this to the EIS Committee, Jeanine Hale, who delivered some information that our attorney had put his EIS alternatives, but they wouldn't take them official, until they receive a vote. It's allowed for us to have those. Chairman already delivered, but they can't roll them out, publicly, until Council has a vote.

Councilman Crum said that Chairman should give it to them for discussion, but not officially put them in, until the Council has had a chance to talk about it.

Meeting Minutes:

Chairman Waller asked the Council to review them.

COMMITTEE REPORTS

Scholarship Committee:

Councilman Yates said that there were six applications, and receiving them just the day before, the Committee has not had time to review them, but will review them as soon as possible and announce the winners at the next Council meeting.

Media Committee:

Councilman Redcorn announced that the next newsletter for Spring has been started. He also mentioned that Mr. Ballard from Kansas TORP, tertiary oil recovery program, Dr. Peter Clark at Oklahoma State University, Dr. Stefan Miska from the University of Tulsa, had a really nice answer to a question he had. What came out of that was looking at possibly probably next month, come in with another effort, I think, to go after trapped oil, because just trapped oil is, first, primary for production; you spend all your energies and drainage in getting that and then you push water for gas, generally water in Osage County, but this is the stuff that remains after all that, and when I talked to Charles Hurlburt, there's 7 – 10% of total communal production in the county since statehood. So, anyway, I'd like to just give you a pre-cursor that I'd like to come and approach next month to the Council, maybe look at funding like we did with Galen's data program and maybe the orphan well project, because I still believe it is a good project. I just wanted to let the Council know that I've been in touch with these guys. If you're interested, I'd love to hear what you have to say on it.

Councilwoman Boone gave a 'thank you' to Lacey Reynolds, because of the closing weather, she called her first thing this morning and handled her request at the last minute very professionally and was presented in their books and did a great job.

BIA Deputy Superintendent Winlock gave an update, as it was reported on this month's report that there was nothing for Sunoco. There were sales in the amount of \$258,027.83 and the reason why it didn't show up on the report from Accounting, that it wasn't processed through OST to make the report.

Osage Minerals Council Minutes
Regular Meeting
January 18, 2017

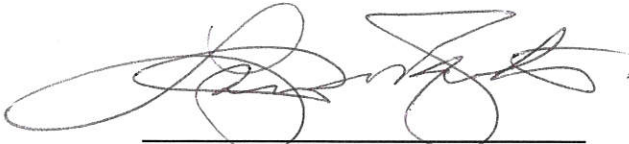
ADJOURNMENT

Motion to adjourn by Councilwoman Erwin, 2nd by Councilwoman Boone.

MOTION PASSED: TALEE REDCORN-YES, EVERETT WALLER-YES, ANDREW YATES-YES, CYNTHIA BOONE-YES, JOSEPH CHESHEWALLA-YES, GALEN CRUM-YES, STEPHANIE ERWIN-YES, KATHRYN RED CORN-NOT RECORDED.

Adjournment – 1:10 P.M.

Approved:


Executive Administrative Assistant
Chairman

Osage Minerals Council Minutes
Regular Meeting
January 18, 2017