

**OSAGE MINERALS COUNCIL REGULAR MEETING
OSAGE COUNCIL CHAMBERS PAWHUSKA, OKLAHOMA
APRIL 13, 2017
MINUTES**

CALL TO ORDER

Chairman Everett Waller called the meeting of the Osage Minerals Council to order at 10:00 A.M.

OPENING PRAYER

Councilwoman Boone gave the opening prayer and read the deceased Osage list.

ROLL CALL

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 Redcorn, Everett Waller and Andrew Yates. A quorum was declared.

Visitors to the meeting were Joy Ledbetter-OST, Superintendent Robin Phillips-BIA, Nona Roach, Teresa Bates Rutherford, Beverly Brownfield, Rhonda C. Wallace, Deputy Superintendent Richard Winlock-BIA, Osage Nation Congressman R. J. Walker, Candy Thomas.

Chairman Waller mentioned that a call from Accounting had been received, and he would like to entertain a possible resolution for the donation of our three drumkeepers at \$5,000 for each of the three districts, and a second possible resolution regarding the expenditures. Councilwoman Boone said that it could be done on Wednesday, and the Chairman agreed.

The bi-annual report that was sent to the Council will be brought in on Wednesday under "Old Business," review it, and approve it and send it back out.

Matters regarding the Superintendent have to do with plugging, and Councilman Cheshewalla and Chairman Waller request three items: 1. There's an expenditure in Pawhuska Public Schools over the wells that have been plugged multiple times, and need to know what funding is available, and how it's been allocated or earmarked funds to take care of that well, and Councilman Cheshewalla will get with the Superintendent on another site, where it's an orphan well, and need to take care of it. The legal description on the location is NW/4 16-21-12, which is Patricia Smith's land and need to send a tank truck down there to suck that out.

CHAIRMAN WALLER: Superintendent, does that fall under the criteria of the plugging...?

SUPERINTENDENT PHILLIPS: That's not something the Agency...We're going to be looking at the Minerals Council to utilize whatever orphan well money you have. We don't have the funding, either.

CHAIRMAN WALLER: Then, I'd like you to draw back all the funds sent to the United States Treasury, where you have taken in monies for non-compliance under the CFR regulation from the Osage, and we go back, we need to expend it on that plugging emergency and now we are getting asked about orphan well monies we don't have. We are under Federal law that allows only P.L. accounts. The others, you take care of. We just have to try and get you some funding, so that's how we're going to approach it. Other than that, we've already went to Washington and heard the dialect of (U.S. Sen.) Barrasso's idea

didn't make it...and I don't think we can wait on that. The environmental issues here are going to be extremely important to take care of.

COUNCILMAN CHESHEWALLA: I don't believe we've expended all our 638 contract money that we plugged wells off of, yet.

CHAIRMAN WALLER: Yes, sir. But I was asking under the compliance of using a tank truck to go out there, and she just said it doesn't fall under the building requirements.

COUNCILMAN CHESHEWALLA: I'm not sure...

SUPERINTENDENT PHILLIPS: What tank truck are you talking about?

COUNCILMAN CHESHEWALLA: I'm talking about, like, calling up Hominy, down there at (Charles) Pierce Trucking (Inc.), and having them send a bobtail down there, and suck that out. That's filled up, overnight. If we get a rain, or whatever, that's the one in Hominy.

COUNCILMAN CRUM: May I continue? I don't think I understood her to say that what he asked you for is whether we can use that 638 contract money for plugging wells to do the suck-out, remediation first before we figure out what to do about the well, we'll have to deal with the well again, sometime. Is that not what you were asking?

CHAIRMAN WALLER: I think this is the process that includes all of that. Those are not supposed to be coming up in salt water. It's an emergency act.

COUNCILMAN CHESHEWALLA: ...it would fall under the same criteria.

SUPERINTENDENT PHILLIPS: It would be something that the Minerals Council to use this money, so that funding that you have, then you would step in and take care of that. Because we're looking at you.

CHAIRMAN WALLER: Is everyone OK with that?

COUNCILMAN CRUM: I'm trying to figure out how to get that fine money back. Who knows what it's going to take to do that, and this is something we need to do now. We still have the emergency fund.

COUNCILMAN CHESHEWALLA: Whenever we get done with the meeting...

CHAIRMAN WALLER: We just want the Council approving that.

COUNCILMAN YATES: I would suggest...whoever you have do the emergency plugging, lump into that same cost, where you don't have multiple...

COUNCILMAN CHESHEWALLA: Right, yeah. Once we get the plugging started, we're going to wind up putting it in to...

COUNCILMAN YATES: I hadn't heard anything about this. So, I don't know anything.

COUNCILMAN CHESHEWALLA: It just happened. I got the call from Lee, this morning, like it happened overnight. It'd been going on this week. Patricia Smith, down south.

COUNCILMAN YATES: Have you contacted Pam Jester on what we have left in our 638. COUNCILMAN CHESHEWALLA: No. I just, like I said, this all went down, and we're bringing it up now.

COUNCILMAN YATES: And then we still have one baseball field that's setting there, when we tried to plug, last time, they delayed, because they had a baseball season.

CHAIRMAN WALLER: That's correct.

COUNCILMAN CHESHEWALLA: We've got until October on it. That's when softball season will start.

CHAIRMAN WALLER: That's why we'll have Mr. Brock to get us the number in. We have to have the allocations for that one. But this is not just to happen today. This is a problem on this list. We did receive information.

COUNCILMAN CHESHEWALLA: Ever since we've taken office, we've had those two wells down there.

COUNCILMAN YATES: And we've still got one by the Hominy Airport, out there in Claude Millsap's pasture.

COUNCILMAN CHESHEWALLA: It'll get sucked dry.

COUNCILMAN YATES: This one out by the baseball field, it's going to be complicated. Expensive.

COUNCILMAN CHESHEWALLA: Yeah.

SUPERINTENDENT PHILLIPS: This one on Patricia Smith, it's old. It's something that apparently happened ten years ago. The lease was terminated.

COUNCILMAN CHESHEWALLA: What's the legals on it?

SUPERINTENDENT PHILLIPS: I don't have it. It happened ten years ago. The lease was terminated and she contacted the agency, asking the agency why the wells were never plugged. We got to looking at it, and it's something that the previous administration had terminated the lease, and did not go after the bond. So, basically, at this point, the agency has made an attempt to go after the bond. So, hopefully, we'll be able to get that bond money. If so, then we'll be able to assist you. But right now, at this point...

CHAIRMAN WALLER: The former administration of yours? The Bureau of Indian Affairs?

SUPERINTENDENT PHILLIPS: Yes, the past administration of the Bureau of Indian Affairs.

CHAIRMAN WALLER: Council.

COUNCILMAN REDCORN: Whatever we do, I'm assuming your Engineering is going to have to sign off on this process that whatever we do.

SUPERINTENDENT PHILLIPS: The plugging?

COUNCILMAN REDCORN: Right.

SUPERINTENDENT PHILLIPS: Yes.

COUNCILMAN REDCORN: So, I would recommend whoever is handling this get with that Engineer, and figure out what the solution is. They might have been pumping water out times ten, and we want somebody to look at it, before we attack it in a certain way. Might save some money. I'll help.

CHAIRMAN WALLER: Let's get into the plugging part.

COUNCILMAN CHESHEWALLA: Looks like we ought to go ahead and get a pump unit back on it. Lot of oil in it.

COUNCILMAN REDCORN: Like I said, we need somebody with the staff, and that gentleman has the responsibility. I don't think we can do that, the Minerals Council.

CHAIRMAN WALLER: Lou, I need the amount from Ms. Jester. How much have we got left in the 638 account, please. OK, thank you Councilman.

2ND CHAIRWOMAN RED CORN: Ms. Phillips, I wanted to know how much of the Bureau of Indian Affairs budget is for the Osage.

SUPERINTENDENT PHILLIPS: We'll have to find that out for you. 2ND CHAIRWOMAN RED CORN: No, just give me a general.

SUPERINTENDENT PHILLIPS: The Osage Agency has a budget itself. Some of those monies go to different various programs, and I'm wanting to say, right off the bat, it's close to \$3 Million.

CHAIRMAN WALLER: Three-point.

2ND CHAIRWOMAN RED CORN: And I just wanted to state that we have a budget of \$1 Million, and you put the plugging off on us – not you, but I mean the Bureau – the plugging on us, and we don't have the money to do it, and then the...agency does not enforce them, and then it's thrown on us. I don't understand it.

SUPERINTENDENT PHILLIPS: Basically, under my administration, since we have started to terminate leases, go out there and identify wells that are open that need to be plugged, the agency is going in. If they do not submit a permit within 90 days, we are notifying them and we will collect on the bond. So, I can't talk about the past administration, but that's the process that is in place.

2ND CHAIRWOMAN RED CORN: So, then, you go clean them up at that time.

SUPERINTENDENT PHILLIPS: If we collect on the bond, we'll utilize the bond. The downfall to that is some of those bonds are not adequate. About \$5,000, and it's probably not going to plug that well. We're trying to ensure that we can get more of a bond.

2ND CHAIRWOMAN RED CORN: You shouldn't run in there, without it.

SUPERINTENDENT PHILLIPS: Some of these are old wells that we're trying to plug.

CHAIRMAN WALLER: Councilwoman.

COUNCILWOMAN ERWIN: Since you've been here, how much money have you sent back to the U.S. Treasury that you didn't use over there?

SUPERINTENDENT PHILLIPS: We have sent no money back to the U.S. Treasury that we didn't use over there. If you're talking about penalty, we can't...

COUNCILWOMAN ERWIN: No, ma'am. I've been told that some money had been sent back. Did you make any...? Did the Nation get it? Did you roll it over to them?

SUPERINTENDENT PHILLIPS: The Nation has requested some funds, and at the end of each year, the Regional Director, or actually the Region will take proposals from the tribes on projects that they have.

COUNCILWOMAN ERWIN: And we've never been notified that we could apply for this? Can we not apply for this?

SUPERINTENDENT PHILLIPS: Sure, you can.

COUNCILWOMAN ERWIN: But we've never been notified. OK. CHAIRMAN WALLER: Thank you, Council. Councilman Crum.

COUNCILMAN CRUM: The bonding issue was something that we fought during the neg-regs. Currently the regulations state that the CFRs state that the bonds, \$5,000 per lease per quarter section, no matter how many wells are on it. That's what is in the CFRs. We tried to change that. We actually changed that on the proposed rule that got stopped. We're still on the old one that's \$5,000 per well. That's still probably not enough, but we had to have a compromise, whereby we made it with the producers...who couldn't do the \$5,000 per well. But the reason why the \$5,000 bond is there is because of the CFRs, and we obviously know that \$5,000 per whole quarter will about cover all the wells that might be on one. \$5,000 barely covers the average cost on one, probably not, actually. So that's where that came from.

CHAIRMAN WALLER: Council.

COUNCILMAN REDCORN: Yeah, two things. I like your comment, Second Chair, on something that I pushed in Minerals 1, sending the plugging back to the Bureau, and it continues to fall on them for years, is what I'm saying. I really think you're right that we don't have many dollars a year. I don't know why we're handling plugging, but I've heard from their attorneys, Mr. Babst, the EPA folks and they're all wanting us to keep a well. That's a mess, and, somewhere – Mr. Chairman, when did we get a plugging. Was it you, or was it before you?

CHAIRMAN WALLER: I can graciously say, this is before my time.

COUNCILMAN REDCORN: OK.

CHAIRMAN WALLER: It started up on some other issues, 638.

COUNCILMAN YATES: I just had that one issue.

CHAIRMAN WALLER: Thank you.

COUNCILMAN YATES: That when we came in on the 2nd Council, I was appointed on to the Plugging Committee, and Melissa Currey was the Superintendent, at that time, brought us the 638. So, she instructed us on how to continue the operation from the 1st Minerals Council.

COUNCILMAN REDCORN: Like I said, the 1st, I've always had this notion – I'm not saying I'm not on the majority side, but I continue to push on the Minerals 1 and I wasn't on Minerals 2, but it's been my desire.

COUNCILMAN CRUM: I have a question. I'm a little confused. I don't believe, to my knowledge, that we ever used any part of our \$1 Million drawdown to plug wells with, at least not in the last six years, that I've been around. All the money we've ever used to plug them, was the monies we got in the 638

contract from the Bureau that monies they come up with, somewhere. I thought it was all passed bond, but I had that one meeting and asked them. Maybe some surplus funds got thrown into it, too.

CHAIRMAN WALLER: Let me interrupt. We also had two sistered-in contracts back in the 90's. One was for the plugging event that you all take care of, but we also had another grant of the removal of underground tanks. Those weren't expended, but we had no gas stations, things of that nature, or out in the oilfield, no one buried saltwater tanks. So that money got rolled in there in the late 90s.

COUNCILMAN CRUM: Given the fact we haven't used that, our own money doesn't excuse the responsibility of the Federal Government for not finding funding to go back and start doing these things that they let slide. We will never have the money ourselves out of our drawdown to do it. That's why we're asking for the money to be allocated to us, through the budgeting process that's in Washington. So, my thought is it doesn't excuse them, but I want to be clear to everybody that we're not using the drawdown money to plug wells at this point.

CHAIRMAN WALLER: I'd like to have Superintendent interject. Thank you for waiting. SUPERINTENDENT PHILLIPS: And you do know that I've been at the Osage Agency as a Superintendent since April, 2014?

CHAIRMAN WALLER: And you know I've been here since 1979. SUPERINTENDENT PHILLIPS: That's how come I look pretty good. CHAIRMAN WALLER: Wait a minute...(laughter)

SUPERINTENDENT PHILLIPS: Since I've been here, we've been making some changes, and one of the things that, based on some of the wells that have not been plugged and the termination of leases, we are finding that there are several unplugged wells out there, and we're going to have to go in there and plug these wells. Is the Minerals Council asking me now to go back in and look at all of our leases to determine whether or not I need to increase the bond to 25 CFR 226.6(d) to ensure that the companies submit adequate bonding to cover all their leases?

CHAIRMAN WALLER: Yes. Does that take care of that? SUPERINTENDENT PHILLIPS: Yes.

CHAIRMAN WALLER: Councilman.

COUNCILMAN REDCORN: Thank you, Chairman. We did an interview, yesterday – can't say the name – but the company they were associated with said, out of 85 leases, two were aggravated, and that's 2.3% of their lease applications; actually, able to implement it. So, I think we are on a downward spiral, the way we're doing business in Osage County. So, just carte blanche, say I'm going to start doing this, this, this and this, we continue to ask for an economic assessment when steps are made, we continue not to hear back, or at least I don't, on what kind of administrative change and how that's going to impact our revenue stream, and that's where, I think, decisions to continue, in my mind, including bonding. That's why we went to court, because we want the ability, and we demonstrated that in the court of Dr. Evans, a real nice study on the impact of how these administrative CFR changes would impact our reservation and our revenue, and it was detrimental. I'd like to have a discussion on economic assessment, the way we do administrative change, other than let's just start doing this and this. And, that's what we continue to ask for. I don't know why we can't have that discussion. I've been asked that in public forums, and I say, 'I don't know'. You know, we go to court, we voice our concerns, why are we continuing to be ignored, and it's my view that when we go to the United States and say, 'this is what we want to do,' they don't want to hear it. They want to go back to the old track record and implement that. So, I don't know, you know, is there a place where we can sit down and discuss these things on an economic vain,

that anything we do, how's it going to affect our revenue. Dr. Gerald Evans did a nice job in our court in 2015 and demonstrated, proved that. So, a little bit of comment. I'm going to go sit down, but I'm not sure why we can't sit down and talk about this stuff like a professional.

SUPERINTENDENT PHILLIPS: I did ask for some time, during the Executive Session, to talk to the LLC. So, hopefully, at that time, we'll be able to discuss and talk about it outside of Executive Session and bring it up.

CHAIRMAN WALLER: Councilwoman Boone.

COUNCILWOMAN BOONE: Thank you, Mr. Chairman. I'm just looking at my agenda, and I don't see where you're listed as Executive Session. Moving on to your previous question about we wanting to change the bonding, that's a negotiated rule situation. I don't think you have the authority to say, 'Oh, let's change. Don't throw that 226.30 in my face'. I think that's what it is. I'm just saying if it were that easy for us to come to you and have you change those regulations, the Federal Government would not have negotiated rulemaking process established. So, I agree with others, here. No, we don't want you to change that at all.

CHAIRMAN WALLER: Councilman Cheshewalla.

COUNCILMAN CHESHEWALLA: I just got a text from one of the field men. That legal description is NE/4 16-21-12.

COUNCILWOMAN BOONE: This is the Smith property? COUNCILMAN CHESHEWALLA: Yes.

CHAIRMAN WALLER: Yes, ma'am. We can take some of that into Executive, and Councilwoman Boone, the effort is going to be under "A" when we talk about the BGI Permit.

COUNCILMAN CRUM: I have one other thing, not related to this. This is a question that I asked the Superintendent. She may not have the answer for Wednesday. I wish I could recall his name, the gentleman that came in that was trying to get the lease that he got from another guy. The one whose actual name was unavailable and had a tank of oil out there...

CHAIRMAN WALLER: Cornelius.

COUNCILMAN CRUM: I think maybe you're right. But Cornelius is the guy that could not fight.

CHAIRMAN WALLER: Always track...

COUNCILMAN CRUM: OK. The other day, at the EIS meeting, I run into him. I said, 'How's it going?' and he goes, 'Well, that lease has been terminated, but my oil is still setting there.' Now, right here in the meetings, where we discussed it before, when it was told to us that the red tag meant that Coffeyville could come get the oil, but he couldn't collect his royalty, but he could collect his money, and we could collect our royalty. That was told to us.

SUPERINTENDENT PHILLIPS: That is correct.

COUNCILMAN CRUM: What he keeps hearing from Coffeyville is that they won't pick it up, because it's red tagged. So, there's a disconnect somewhere. Somebody needs to talk to Coffeyville, if it's correct he can pick it up. Let's get this thing cleaned up. You know, there's a tank of oil sitting out there, but not a

huge amount of money. So, it's bad not coming together and get this deal sold, and get our royalties out of it, and then that money you set aside whenever he can go through the process of finding his assignee and get his share of the money. Could you take care of that and find out, before Wednesday on what we're going to do?

SUPERINTENDENT PHILLIPS: Yes. On that particular lease, his bond expired. We got notification that his bond was no longer going to be good, and they were not going to be able to replace it. So, we notified him, Mr. Cornelius, and asked Mr. Cornelius to provide us with a new bond, which the Minerals Council, that I cc'd in the letter and we never received anything. So, the Agency stepped in and terminated the lease. Mr. Coast, my understanding is, Mr. Coast went in there and started producing the well and believes he's entitled to receive some money. So, that's my understanding of the situation. Yes, you are correct. We have been red-sealing tanks from, if they are not in compliance and we do notify the individual company of who's going to pick it up, telling them that they can pick it up. They are just to hold the monies. They're to pay the royalties to the Minerals Council.

CHAIRMAN WALLER: ...or to the Osage...

COUNCILWOMAN ERWIN: I don't know if we've been asking for this to be done since December, and I've been told, because I called Coffeyville myself. Once somebody puts a red tag on there, those are the individuals that have to take it off. It's my understanding you sent somebody out there to gauge a tank, but you didn't take the red tag off. No, our money's been sitting out there for months and shrinking. It's costing us money, because somebody won't go and take the red tag off, even though they've been there. Now, there's a breakdown of communication, here, because I believe we started asking that either in November or December, and it's, you know, I was hoping to get it in March payment. But, that didn't seem to matter, for whatever reason that we can't get that into our oil to get it to our annuitants. I mean, there's already a process in place that if there's a problem with that the other people's money is held in suspense. I'm not worried about their money, I'm worried about the annuitants' money, and you should be, too.

SUPERINTENDENT PHILLIPS: I am.

CHAIRMAN WALLER: No, no. I'm going to add something else into it. So, does Mr. Coast have the new lease?

SUPERINTENDENT PHILLIPS: No.

CHAIRMAN WALLER: He has nothing. SUPERINTENDENT PHILLIPS: Ah-ah.

COUNCILWOMAN ERWIN: He bought it from Cornelius...

CHAIRMAN WALLER: I'm going to actually go to Councilman Redcorn, then let you finish it up.

COUNCILMAN REDCORN: I think a lot of this can be mitigated, once we bring on board our director, and that's what stuff Joe Hughlett used to do. He would grab a hold of the situation like that, and turn it over in a week, two weeks, and the way we do business, currently, it's months or whatever. So, I think, once we get somebody on board in that seat, we can take stuff like this and make it work.

CHAIRMAN WALLER: Got to have hay in the barn to get it done. That'll be fine.

SUPERINTENDENT PHILLIPS: Wednesday, I will have a full report with the history and everything on that.

CHAIRMAN WALLER: OK, and you're going to tell us when we have \$84,000 to plug? It's your 638 contract. Are you going to keep that amount, because we're going to go to the bottom?

SUPERINTENDENT PHILLIPS: Is that what you've got, \$84,000?

CHAIRMAN WALLER: That's going to be for you to tell me, Wednesday. Councilwoman Boone, finish this up.

COUNCILWOMAN BOONE: Thank you. I just wanted to look at the timeframes on why you're going to have this report, but you know, actions speak louder than words. If you red tagged those tanks, you need to do some follow-up, because what you're telling me is not what's happening. If you're interested in the headright owners' income, then take that red tag off that freaking tank and get us some money. You should have already done that. We shouldn't have to tell you to do that, time and time, again. Thank you.

COUNCILWOMAN ERWIN: Take them off?

CHAIRMAN WALLER: Every single one. No unsatisfied clients.

SUPERINTENDENT PHILLIPS: My understanding is that Councilman Cheshewalla and Chairman Waller can probably have experience in the field. My understanding is that when we red tagged those tanks that they call in, we give them permission to remove the red tag and then they put that back on. They pick it up, so that they can pay to the Osage shareholders. That's my understanding, but I will go in and I will verify that is happening, only the ones that have red seals, this one with Steve Cornelius.

COUNCILWOMAN ERWIN: Might call Coffeyville Resources, while you're at it, to find out how they feel about the rule, what their interpretation of the rule is. I've talked to them, myself. Whoever put them on there has to take it off.

CHAIRMAN WALLER: Thank you, ma'am.

Orion:

Chairman Waller said that they'd be here Wednesday, possibly on the termination of the two leases and we'll do a resolution with the termination letter that the Government gives and then they will apply for the two leases.

NEW BUSINESS

Federal Register nomination:

Chairman Waller mentioned that there are nominations available for the Royalty Policy Committee in Washington, D.C. He would like one of the Minerals Council members to establish themselves in representing the Osage headright owners to these positions nationally.

Motion to go into Executive Session by Councilman Cheshewalla, Second by Councilman Crum.

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.

EXECUTIVE SESSION – 10:40 A.M.

11:45 A.M. – Motion to come out of Executive Session by Councilman Cheshewalla, Second by Councilman Crum.

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

Nothing coming out of Executive.

OLD BUSINESS

RFPs: Candy Thomas

Chairman Waller said that the Council wait on the last element for the RFPs to come to us Wednesday. Ms. Thomas said that the RFPs have been sent out to be rated (there were three), and when the ratings come back, the Council will have the most qualified, and hopefully will have it before Wednesday's meeting. A discussion was held on this subject by many of the Council members.

Meeting Minutes:

Chairman asked everyone to review the meeting minutes which includes two regular and one special meeting in October, 2014 and one regular meeting from March 22, 2017.

ADJOURNMENT

Councilwoman Erwin made the motion to adjourn, second by Councilwoman Boone.

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.

Adjournment – 12:05 P.M.

Approved:


Chairman


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OMC Regular Meeting
April 13, 2017

Executive Administrative Assistant