

**OSAGE MINERALS COUNCIL
REGULAR MEETING MINUTES
JANUARY 17, 2018**

1. Call to Order

Chairman Waller called the meeting to order at 10:00 AM.

2. Opening Prayer and reading of the Deceased Osages

Councilwoman Boone gave the Opening Prayer and read the names of the deceased Osages.

3. Roll Call

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

Guests present were: Joy Ledbetter, Nicole Payne, Nona Roach, Julie Wilson, Tim Gaul, Brian Weber, John Harper, Robin Phillips, Richard Winlock, Matt Tilley, Marcy Graham, Susan Forman, Gene Bowlin.

4. Accountant Report

Chairman announces that the Accountant Reports were provided in books.

5. Auditor Report

Councilwoman Boone reports that he is still dealing with medical.

6. Director Report

Director reports that Oil production in the US set to top 10 MMBOPD in the US first time since 1970. Osage Production is down 6000 BOPD. November 2017 we averaged 11,164 BOPD . Current DEMD data indicate all fields in the OME are in depletion mode (62% decline) and reach economic limit by 2020 because no new oil is being added. The equipment for a total of \$10,000.00. The EPA issued the final Administrative Orders (AO) on The Bird Creek Spill December 21st 2017. There will be a possible irretrievable loss of 70 BOPD in the Blackland Pool. On the Division of Energy and Minerals Development Buffalo data is 60% finished with website, the Osage Nation is asking for a 90 day extension due to lack of data accessibility at the Osage Agency. The last two grants submitted on digital data part 2 and orphan wells on hold until a decision is made by DOI. They are still gathering data on the softball field well. He and Councilman Redcorn will be traveling travelling to the North American Prospect Expo(NAPE) in Houston February 7th thru the 9th. DEMD will have a BIA booth showcasing the Osage Reservation. We are looking forward to answer questions about maps, open acreage, seismic, leasing etc. Later in the meeting he will be

asking that we become a member to assign these numbers and get the well data and elogs digitized properly. We have thousands of wells with no US Well ID #'s. Professional Petroleum Data Management Association has taken over all things concerning petroleum data from API. Councilwoman Boone asks if the OMC will be having their own booth. Director says that they will be sharing a booth with the BIA and others. Councilwoman Erwin asks where we are on the Orphan Well grant. Director says that they grant was submitted back in September, there hasn't been a decision made on it by the Department of the Interior. Councilwoman Erwin asks for a spreadsheet of all of the things spent on well data. Director says that the grant is 60% finished, Buffalo Data will be giving a presentation the first week in February. Councilman Crum asks the BIA, if we join PPDM if it will affect their system. Deputy Superintendent Winlock says that in Osage County there was only one API number assigned per lease, due to just assigning to one well. Therefore, the lessees just put the well number on the API number on the lease status report. Superintendent says that they talked about this at the Bi annual meeting. They BIA has since talked about what they could do, they could add a unique number to each well on Osage County and that number would never change throughout the life of that well. Deputy Winlock asks who is going to assign the number. Councilman Yates would like to see the Bureau assign the numbers. BIA representatives confirm that PPDM will work. Councilwoman Red Corn says that she is concerned by Director saying that the reservation is in depletion mode. Director says that that is based on a DEMD report, due to there being no new wells being drilled. Chairman calls on guest Susan Forman. Susan Forman asks that Director Lynn define reach economic limit by 2020. Director says that that is coming for an engineer from DEMD, that is just common terms used when looking at whether you want to drill a well or not. In the report they looked at the decline curve from 2016. In the last 3 to 4 years there have been significantly less wells drilled in the reservation, creating a 62% decline curve. Susan Forman wants to know how many wells have been drilled and completed since July of 2014. Superintendent says that the Bureau was looking at utilizing the number form the issuance of a permit to drill, and that's what they were looking at for new drilling. When identifying all of the wells that are out there they would be willing to work with the Minerals Council on addressing that issue. Chairman confirms that every 160 acre tract has a number. Deputy Superintendent says that only one well per lease has an API number. Councilman Redcorn confirms that the Bureau should be able to place a number for the new wells. But the existing wells would be the issue, he suggests Mr. Lynn work with the bureau to get it taken care of. Councilman Redcorn would like to give more authority to Mr. Lynn in dealing with these issues with the Bureau.

7. Superintendent Report

Chairman says that on the permitting there will be an assigned number. Superintendent reports that in fiscal year 2017 Chaparral drilled and completed 8 wells, Cardinal Energy drilled and completed 3 wells, BGI resources drilled and completed 2 wells, Warrior Exploration drilled and completed 2 wells, Spyglass drilled and completed 2 wells, Performance drilled and completed 1 well. Superintendent reports that during the month of January the Branch of field operation reported that: 1104 Purchaser run tickets reviewed

and scanned, 1 Trucking Permits Prepared, 3 Well plugging's witnessed, 6 Leases checked for production/primary term, 6 Gas meter reports scanned into Osage Nation Report, 8 Complaints Scanned, 6 OERB Evaluations, 73 Lease inspections, 55 Lease inspections/follow-up, 2 Lact Unit Provings Witnessed, 12 Gas Meter Provings, 1 Damage Appraisals, 10 Tank Trucks Checked for Permit, 17 Tank Strappings Witnessed, 5 Complaints responded to, 5 Spills/leaks inspected, 19 Spill/leaks inspection/follow-up, 89 Tanks gauged, 5 Tank Bottom Removals Witnessed, 8 Run tickets figured, 16 Calculations. The Branch of lease management approved 9 leases, 19 assignments were approved, 11 division orders were approved. In December 2017 there was 18,102 less 3,267 for SWD and other wells = 14,835 total. The 3 leases that sold the most were APAC-17,415.12 tons/\$9,924.18, Casey Hindman-10,687.48 tons/ \$11,863.10, Candy Creek Crusher- Candy Creek Crusher- 10,581.36 tons/ \$5,396.49. They received 4 non FOIA requests. Subsurface approved 9 drilling permits, approved 5 workover permits, and 1 plugging permit. The branch of accounting provided end of the month financial statements to Mr. Swan. Branch of Enforcement and lease compliance reviewed 2 EA's for 9 permits, sent 19 letters for noncompliance, 21 letters for non-production, 1 fine letter, 3 penalty letters, 22 extension letters, 4 spill closure letters, and 3 final notice letters. Councilwoman Erwin would like to know how much new oil we have gotten. Deputy Superintendent says that warrior did drill one new well as well as Spyglass. Councilman Redcorn asks what exactly landowner meetings are. Deputy says they may have an issue about ingress and egress, etc. Councilman Redcorn asks if the process that is in place seems to be working, are the producers able to get into the leases? Deputy Superintendent says that typically yes. Councilman Crum asked where they are on having all 214 leases pay 10%. Superintendent says that APAC was the first ones to come in, they said it wasn't fair if they were the only ones paying 10 % and once everyone started coming in we have went back to notify them. Superintendent said that when doing their review, they noticed they hadn't received resolutions for Rocky Banks and Joe Schmidt, and they just need the resolution today to be able to go in and get it taken care of. Councilman Redcorn would like to expedite the process for 214 leases, and send them straight to the bureau for beginning negotiation. Councilman Redcorn asks what the thoughts are, The Superintendent says that at every agency she has worked at the companies would go to the bureau and they would act as a liaison. Councilwoman Redcorn says that she is still concerned about the director's report, about the oil income being depleted, and what does the Superintendent propose that we do about the issue, because it seems to be starting with the bureau. The superintendent says that on a monthly basis they have been providing a list of approved and pending permits. The BIA can issue permits, and it is up to the lessee to drill, when he made the comment she says that she was surprised too. She recommends that the Director asks them to come down and do a presentation. Councilwoman Redcorn says that the ABB seems to be a big part of the problem, and asks if it is going on in other parts of Indian country? Superintendent says yes, the ABB is everywhere. She says that they have been working with US fish and wildlife out of Tulsa, and they have an understanding now where they can expedite those permits where there aren't any beetle habitats, determined by the agency. Councilwoman Redcorn says that she feels like the FOIA is a problem that doesn't even

need to be there. She says that it has created problems for us (OMC). She states that she would like to get it straightened out, and asks what her plan would be. Superintendent says that she has to follow federal law, that's what she does. Councilman Redcorn says that federal judges seem to be their only friends at this point, the shareholders have won 3 federal law suits. Councilwoman Boone says that Councilman Redcorn comments surprise her, because he voted to rescind the resolution where they had the opportunity to sue the Bureau of Indian Affairs. Councilwoman Boone asks Superintendent Phillips what the mission of the Bureau of Indian Affairs is. Superintendent Phillip says that it is to promote the Osage mineral estate. Councilwoman Boone asks in what regard, Superintendent Phillips states to assist the Osage Mineral Council and approving leases and ensuring that the lessees follow the rules and regulations. Councilwoman Boone asks how she is promoting the mineral estate, and how long it takes to get a lease here in Osage County. Superintendent Phillips says to get a lease we have a programmatic EA, that the Osage Agency branch of lease compliance and environmental prepared, to meet the requirement of NEPA. This EA is what they use to approve leases. Once you have an oil and gas lease sale and the lessees send everything in, the Bureau gets signatures, it is just a matter of it going through the agency for approval. Councilwoman Boone asks how long that is. Superintendent says that she would have to look. Councilwoman Boone says that she sees Oil companies leaving us left and right due to the length of time it takes to get a permit approved. Councilwoman Erwin says that she has noticed that the Bureau doesn't send a completion report on the wells. Superintendent says that this is something she asked her staff to do. Councilwoman Erwin asks for more information on the completion of wells. The Superintendent says sure. Superintendent says that when they issue a permit to drill they have 2 years to drill, so what she can do is go in on a monthly basis the lessee is supposed to update them monthly on when they are going to drill, and provide the Agency a completion report. The Agency is finding that they are not always doing that. So the Agency has taken a step to notify the lessee on when their permit is expiring. Superintendent says that she can ask subsurface to include the wells that have been completed. Councilman Redcorn says that it is clear that she has followed the regs. Guest Susan Forman says that she has questions to ask the superintendent. Susan announces that she represents the Osage Shareholders association. She says that she did not hear today what the most current barrels per day. The superintendent says that that is usually in the auditor's report. Susan Forman says that in October or November of 2014 the inspector general's report that had 33 suggestions or recommendations for improving the development and managing the minerals estate. She states that she knows she has completed several of those, and she has one question, what are the remaining recoverable reserves in Osage County? Superintendent says that whatever the president of the shareholders association would like, they need to write it down, and make that request form the Council, and then she would be happy to respond. Mrs. Forman says she will move on then. She says that the Superintendent reported there were 18 wells drilled in 2017. Mike Black has previously said that we drilled, on average 200 wells per year in Osage County. Fortunately, in 2014, before the superintendent shut down the drilling program for Osage County we drilled 54 wells. As far as she knows there were no wells drilled in 2015, 2016. That puts us at lost opportunity

of 746 wells since 2014. So that is a lot of money and a lot of wells. Mrs. Forman says that the leases are for 2 years, and that she does know, you may not know but she does how long it takes to get a lease approved, because she has been listening for 4 years. It took longer, but now it takes about 6 to 7 months. So if you have 2 years to drill, 7 months to be approved, and then ABB so you have 8 months there after all that you may only have one month to drill a well. Mrs. Forman asks the Superintendent to be aware of this time frame. Mrs. Forman says if there are 18 new wells, why is production falling. Councilwoman Erwin says she did ask for the new oil to be submitted to the Council. Superintendent says the request needs to be addressed to the Chairman and then sent over. Councilman Redcorn would like for this letter to be sent. Councilwoman Boone asks how leasing restricted property works. Superintendent says that she will have to contact Melissa Currey. **Councilman Redcorn makes a motion to send the OSA letter to the Osage Agency for response. Seconded by Councilman Crum.**

MOTION PASSED: Councilwoman Boone- Yes, Councilman Cheshewalla- Yes, Councilman Crum-Yes, Councilwoman Erwin-Yes, Councilwoman Red Corn- Yes, Councilman Redcorn- Yes, Chairman Waller- Yes, Councilman Yates- Yes. (8-yes, 0-no)

8. New Business

a. 4T Energy LLC- Matt Tilley

Mr. Tilley said that he is wanting to put a disposal well in. Councilman Yates says that he thinks that he will need to get a lease, and then get an easement. Councilman Redcorn asks what the bureau would like to see on this. Superintendent says that she would approve a lease.

Councilman Redcorn makes a motion to give 4T Energy a saltwater disposal/ easement for NE 1-21-9. Seconded by Councilwoman Boone.

MOTION PASSED: Councilman Cheshewalla- Yes, Councilman Crum-Yes, Councilwoman Erwin-Yes, Councilwoman Red Corn- Yes, Councilman Redcorn- Yes, Chairman Waller- Yes, Councilman Yates- Yes, Councilwoman Boone- Yes. (8-yes, 0-no)

b. Congress space – Cynthia Boone

Councilwoman Boone makes a motion to allow congress to prepare legislation to relieve OMC of Indirect costs and space costs. Seconded by Councilman Redcorn.

Councilman Crum says that he is surprised that Councilwoman Boone is bringing this. Councilwoman Erwin wants to know if this is allowing us to take over the other side. Councilwoman Boone says that she makes decisions based on the information she has at that time. Councilman Yates asks if this will be in the form of Minerals submitting a budget every year, including indirect costs. Councilwoman Boone says

that at this time she doesn't know. Chairman Waller says that the Council submits a budget to the nation.

MOTION PASSED: Councilman Crum-Yes, Councilwoman Erwin-Yes, Councilwoman Red Corn- Yes, Councilman Redcorn- Yes, Chairman Waller- Yes, Councilman Yates- Yes, Councilwoman Boone- Yes, Councilman Cheshewalla- Yes. (8-yes, 0-no)

c. Categories of leases to be nominated at lease sale- Galen Crum

Councilman Crum says that since the Council voted at the last meeting to start having quarterly lease sales that he would like to discuss some things. He says that there are different types of leases, and each has a minimum bid. He says that they need to look at the minimum bids. He says they need to look at the water flood. He would like to get all of these straightened out before the next lease sale.

Councilwoman Erwin says that they first need to decide if they want to put them in a lease sale, or negotiate. Councilman Crum says that in his mind they just need to minimum bid in case no one bids against him. Councilman Yates says that they probably need to remove the coal bed methane since that concession is no longer in effect. Chairman says that he can go with the numbers that they have now.

Councilman Redcorn says that he would like to have some determination of value on the resources. Councilwoman Erwin says that she does think that the producers do need to put up a bonus, and that the Council needs the records for the producers. Councilman Yates says that he is in favor of a lease bonus. Councilwoman Red Corn asks Superintendent Phillips how long the Bureau needs before they can have a lease sale. Superintendent Phillips says that lease management likes to have 90 days to prepare. The November lease sale they did a different process due to the time constraint.

d. Discussion with BIA on data accessibility- Galen Crum

Councilwoman Red Corn says that to have a successful lease sale the producers need access to the information at the Bureau. Superintendent says that she would put something in writing to the solicitor's office, for a review of the decision. The Solicitor's office is reviewing the records policy at the agency. Councilwoman Boone asks, "previously a letter from the chairman allowing an oil man to look at records is no longer in effect, effective immediately?" Superintendent says that the solicitor has directed them to follow the federal record law. Chairman asks, "is by letter?" Superintendent says no.

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

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

Time: 12:10 PM

9. EXECUTIVE

- a. AEP- Power line project**
- b. Landowner appeals- Stephanie Erwin**

10. Old Business

Councilman Redcorn makes a motion to come out of executive, seconded by Councilman Crum.

MOTION PASSED: Councilman Redcorn- Yes, Chairman Waller- Yes, Councilman Yates- Yes, Councilwoman Boone- Absent, Councilman Cheshewalla- Yes, Councilman Crum- Yes, Councilwoman Erwin-Absent. (5-yes, 0-no, 3-absent)

Exit Executive: 1:45 PM

Councilman Crum makes a motion to have attorney prepare a letter instructing the Area Director to consider expediting appeals for granting leases. Seconded by Councilman Redcorn.

MOTION PASSED: Chairman Waller- Yes, Councilman Yates- Yes, Councilman Cheshewalla- Yes, Councilman Crum-Yes, Councilman Redcorn- Yes. (5-yes, 0-no)

Chairman announces that the Council needs to approve the election budget.

Councilman Crum makes a motion to amend C395 budget, seconded by Councilman Redcorn.

MOTION PASSED: Councilman Yates- Yes, Councilman Cheshewalla- Yes, Councilman Crum-Yes, Councilman Redcorn- Yes, Chairman Waller- Yes. (5-yes, 0-no)

Councilman Crum makes a motion to approve the proposed election budget, seconded by Councilman Yates.

MOTION PASSED: Councilman Cheshewalla- Yes, Councilman Crum-Yes, Councilman Redcorn- Yes, Chairman Waller- Yes, Councilman Yates- Yes. (5-yes, 0-no)

Councilman Crum would like to form an election committee to work with Ms. Ponca. Chairman says that he would like to have a full council, to approve a committee select.

- a. Rocky Banks and Joe Schmidt- amend 214 lease**

Councilman Yates makes a motion to increase the royalty payment to 10% for Rock Banks 214 lease, seconded by Councilman Crum.

MOTION PASSED: Councilman Crum-Yes, Councilman Redcorn- Yes, Chairman Waller- Yes, Councilman Yates- Yes, Councilman Cheshewalla- Yes. (5-yes, 0-no)

Councilman Yates makes a motion to increase the royalty payment to 10% for Schmidt Brothers Excavating 214 lease, seconded by Councilman Crum.

MOTION PASSED: Councilman Redcorn- Yes, Chairman Waller- Yes, Councilman Yates- Yes, Councilman Cheshewalla- Yes, Councilman Crum-Yes. (5-yes, 0-no)

b. PPDM- William Lynn

Councilman Redcorn makes a motion for the OMC to become a member of PPDM at no cost, seconded by Councilman Crum.

MOTION PASSED: Chairman Waller- Yes, Councilman Yates- Yes, Councilman Cheshewalla- Yes, Councilman Crum-Yes, Councilman Redcorn- Yes. (5-yes, 0-no)

c. Meeting minutes

Councilman Redcorn makes a motion to approve meeting minutes for 7/14/14, 7/19/17, 8/16/17, 8/23/17, 9/15/17, 9/20/17, 10/18/17, 11/1/17, 12/15/17. Seconded by Councilman Cheshewalla.

MOTION PASSED: Councilman Yates- Yes, Councilman Cheshewalla- Yes, Councilman Crum-Yes, Councilman Redcorn- Yes, Chairman Waller- Yes. (5-yes, 0-no)

11. Committee Reports

a. Scholarship

Councilman Crum says that one applicant didn't meet all of the criteria. Therefore, they are proposing to only accept Braden Edwards.

Councilman Crum makes a motion to accept Braden Edwards for the Wah-Tiah-Kah Scholarship, seconded by Councilman Redcorn.

MOTION PASSED: Councilman Cheshewalla- Yes, Councilman Crum-Yes, Councilman Redcorn- Yes, Chairman Waller- Yes, Councilman Yates- Yes. (5-yes, 0-no)

Councilman Redcorn announces that he would like to hold out on the newsletter until they hear back about the grants.

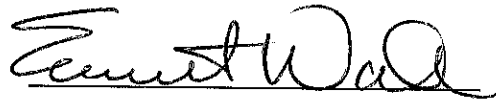
12. Adjournment

Councilman Cheshewalla makes a motion to adjourn, seconded by Councilman Redcorn.

MOTION PASSED: Councilman Crum-Yes, Councilman Redcorn- Yes, Chairman Waller- Yes, Councilman Yates- Yes, Councilman Cheshewalla- Yes. (5-yes, 0-no)

Adjournment: 2:00 PM

Approved by:

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

Chairman

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

Executive Administrative Assistant