

**OSAGE MINERALS COUNCIL
REGULAR MEETING MINUTES
FEBRUARY 21, 2018**

1. Call to Order

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

2. Opening Prayer

Councilwoman Red Corn gave the opening prayer.

3. Roll Call

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

Guests present were: Bob Knappe, Nicole Payne, Brandon Savage, Gus Riviero, Maria Whitehorn, Florence Bigheart Trantum, JL Holt, Tim Gaul, Billie Ponca, Katie Free, Stephen Weigant, Susan Forman, Carl Thurnem, Jeff Marcel, Brad Cox.

4. Accountant Report

Chairman Waller explains that the Nation's offices closed early yesterday, that is why the report is not in the book.

5. Auditor Report

Chairman announces that Mr. Swans reports for the last two months are provided in the books for the Council's review.

6. Director Report

Osage Production is slightly up to 11,226 BO, 13,441 MCF & 28,273 GGLPD - Average daily production for December, 2017. Mr. Lynn provided a chart showing the Osage Reservation decline curve any oil and gas professional will see throughout the world today.

When climate change laws failed to become law, the previous administration tasked the government environmental and regulatory agencies with creating regulatory to reduce greenhouse gas emissions. The actions to reduce emissions have been mostly scientifically undetectable, environmentally insignificant and practically worthless. We have laws on the books to protect American's health from emissions that have adverse environmental impacts. These regulations have caused lost jobs and destroyed our economy. The EPA announced last year that they are pulling the previous administration's promulgated regulatory and going back to regulatory process set by Congress. Congress should make improvements to every federal agency.

Federal overreach continues to decimate our Osage economy. Mr. Lynn hired a well logger from Hominy, I this was the first well he has logged in 2 years. Osage Mineral Council personnel are not allowed to speak to anyone at the Osage Agency without permission from the Superintendent. Everyone is cut off from all pertinent data at the Osage Agency under the guise of FOIA. Emergency management plans are worthless without access to all data. Our drilling intent has gone from a one page free Osage Form 139 to a 500 page data mining project costing up to \$35,000 a well, taking up to 2 years. Some wells are then turned down completely. This is all under the guise of NEPA, ESA, ABB, EIS & EA, these are not rule making laws. Numerous lawsuits and appeals are taking place due to the notification of appeal process that is imposed at the Osage Agency. The North Burbank Unit CO2 project is our most prolific producing property on the Osage Mineral Estate. The operator distinguishes waterflood or secondary oil and enhanced recovery or tertiary oil. I recommend we request the Osage Agency report or add an additional tertiary or Type 4 production element to our production data being kept. He does not believe it is being recorded. The new company Perdure is here today, I would like to introduce the Regional Director, Bradley Cox, Regulatory Specialist, Nicole Payne, Engineer, Jeff Marcell and Safety Director, Karl Kunum. Chairman asks Mr. Lynn to go through an introduction and please have them stand. Mr. Lynn asks for them to stand and waive to the Council. Chairman says no in propriety other than the jokes he is having with you, you are supposed to stand up a greet these people, we are trying to recognize you as a business and elders. So with that I would like to give your names to the Council. Regional Director, Bradley Cox, Regulatory Specialist, Nicole Payne, Engineer, Jeff Marcell and Safety Director, Karl Kunum all introduce themselves.

Director Lynn says that below is the production decline curve available on the NBU today.

Councilman Crum asks Mr. Ducharme how many wells he drilled last year. He says that they drilled 10 wells. Councilman Yates asks that the Director send his report out to the Council the day before. Councilwoman Erwin says that they had 18 drilling permits for 2017, but we don't know whether those wells were drilled or not. Councilman Redcorn says the they used to drill 200 wells a year, and we are not anywhere close to that. He thinks that Mr. Kuzilla is eager to come and meet with the Council about the report. Councilwoman Erwin said that at the last meeting she asked the Superintendent to put how much new oil has been added into her report every month.

**Councilman Redcorn makes a motion to submit the Directors Report to our attorney.
Seconded by Councilwoman Boone.**

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)

Chairman says that the project that they have is exactly the numbers in which it is dedicated to a percentage of royalty payment. That is immediately corrected upon payment to the royalty to the Osage. That separation alone will give you some of the ideas that we need and even add

some smaller water flood projects to it, if available. I fly out to give this presentation to the RPC Committee on Wednesday, they asked what our problem is, a lot of tribes are needing exactly this and they are not too crazy about me getting up there and telling them this is what is wrong, but all the tribes have asked me to be a representative.

7. Superintendent Report

The Superintendent is not present. Amy Bledsoe called the Superintendent's Office and was told that the Superintendent would not be present. Councilwoman Boone said that our accounting that found the mistake with the BIA Gross Production tax. Chairman asks why there is no representative.

8. New Business

a. Billie Ponca- Election

Ms. Ponca passed out her draft of the budget, this budget is a little higher due to adding an attorney fee. Councilman Redcorn says that he appreciates the summary of what has went on so far. He would like to have the Attorney General's office look into the time frame to see if it is within the 1906 and the constitution. Councilwoman Boone asks what Melanie's answer was for when she would be providing her with the annuity roll information. She said that she would get it to her ASAP. Ms. Ponca said that she did speak with Susan Forman with the Shareholders Association, there was some concern about the timeline for 10 days. They suggested two months, she told them no, they suggested 6 weeks, she said no, they said a month and she told them no. They were very displeased by that. She states that she accidentally passed out the wrong paper, and Susan Forman did take that off of her website. She says that she has the 2014 election supervisor's summary, and she will try to follow those dates as close as she can.

Councilman Crum makes a motion to use the same rules and procedures as the 2014 election. Seconded by Councilman Yates.

Councilwoman Boone says that she has presented a resolution in the books, that would have an effect on the motion that was just made. Councilman Crum says that he is just wanting the same span of days.

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- No. (7-yes, 1-no)

Councilman Crum makes a motion to hire an election supervisor at \$14.70 an hour and not to exceed \$10,000. Seconded by Councilman Redcorn.

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)

Councilwoman Boone is presenting this resolution in response to the information that was passed out. The proposed resolution reads that article 15 of the Osage Constitution says that the OMC may promulgate its own rules and regulations as long as such rules are not inconsistent with the laws of the Osage Nation. Article 5, section 5 of the Osage Constitution says that no member of the Osage nation congress shall hold any other tribal office or position of profit under the Osage nation under the term for which the member is elected or appointed.

Councilwoman Boone makes a motion to accept the presented resolution. Seconded by Councilwoman Erwin.

Councilman Crum says that half of this Council was working or doing something for the nation at some point on this Council. He says that the top vote getter was someone who works for the nation, and everyone knew he worked for the nation. He states that no one has compromised their ethics while serving on the Council. Councilwoman Erwin would like to vote on the matter and move on. Councilman Redcorn says that he does work for the nation, but he also believes in the law of the Osage Nation. He says that he will be staying out of this vote, and whatever the Council decides is okay with him. Councilwoman Boone says that this is just a point of clarification from the issue that had been brought up. Councilman Crum says that this was never the rule, it was voted down on the second minerals council. The Attorney General ruled that we are within the constitution, and we are not bound to the same rules as the Osage Congress. Councilwoman Boone says that it says that we can promulgate our own rules, as long as they are not inconsistent with the Osage Nation, and you will find that in the Osage Nation Constitution under article 15. Councilman Crum says that the attorney General has already ruled on this and says that we are within our scope. Councilwoman Boone asks if the Attorney General is appointed by the Chief. Councilman Crum says appointed by the chief, and then confirmed by the Congress. Councilman Yates says that he is clearly targeted by this, as well as Councilman Redcorn. He says that he has one attorney general opinion stating that it is not a conflict of interest as long as he abstains from certain votes, and he has tried to adhere to that. He states that he has never hid the fact that he works for that nation when he ran for Minerals Council, and it seems like the shareholders are fine with that. Councilman Yates says that the shareholders deserve a qualified candidate that has knowledge of oil and gas issues. We clearly don't have a lot on this Council that have that. Councilman Yates says that when he ran the first time he went to the Chief, Jim Gray, and he told him that within the realm of the Osage Nation and Indian Nations in general the work force is reduced to the point that only certain people are qualified for this position, so in that regard you can run. Councilman Yates says that he wishes there were more people with oil and gas experience on the Council, it seems to him that members are more concerned with other issues than our oil and gas and how to manage it. He believes that they are more concerned with the Osage Nation Government, and how to change it, over throw it, or go back to the old tribal council days. He says that the shareholders are the ones that should be making this decision. Councilwoman Boone says that she brought this resolution for clarification, and asks Councilman Yates if he has ever

gone out and done work for CEP? Councilman Yates says that in the past he tried to abstain from any vote that involved class 2 injection wells, which is what he oversees and reports on. Councilwoman Boone says that she believes there are a couple of resolutions that he did vote on where he had worked for those oil companies. Councilwoman Boone states that these positions are not jobs, there are no qualifications for these jobs, she is the only one that has been elected three times in a row, and she didn't get elected because she had a degree in petroleum engineering or geology, etc. There are no qualifications to be the president, a US senator, congress member, etc. Councilman Crum asks Councilman Yates if he has any power over these oil companies, is he the one that decides whether they pass or fail. Councilman Yates says no, that he only observes and reports.

MOTION FAILED: Councilwoman Erwin-No, Councilwoman Red Corn- No, Councilman Redcorn- Abstain, Chairman Waller- No, Councilman Yates- Abstain, Councilwoman Boone- Yes, Councilman Cheshewalla- Abstain, Councilman Crum-No. (1-yes, 4-no, 3-abstain)

Chairman Waller calls for a break

Time 11:20 AM

Chairman Waller calls the meeting back to order

Time 11:35 AM

b. Cardinal River Energy- New Oil & Gas lease

Chairman announces that Cardinal River was all taken care of at the last meeting.

c. Energy Net LLC- Gus Riviero

Mr. Riviero presents the Council with a proposed contract. Chairman says that the attorney will review before a decision is made. Councilman Crum asks how they would be paid since they are paid by a buyer premium, and who would be subject to the buyer premium. Councilman Crum says that they are able to do an online and onsite. Confirmed by council. Councilman Crum says that we need to decide when our next lease sale would be. Chairman says yes, we could have had that figured out if the Superintendent was present at the meeting. Mr. Riviero says that for the first auction they would need four weeks preparation before the first lease sale, after that it would be three weeks. Councilman Redcorn would like to have Energy net communicate with the BIA, and find out when a potential date would be, there is not cost for us to have a lease sale and see what is out there. Chairman Waller says that we still have the federal route, there is going to be a question, that we are allowed last minute, something that didn't go under your contract. They have to leave us the options available to bring something to the lease sale. We can't close that door, the federal law demands that from the Bureau of Indian affairs,

that is the review that is going to come up next on timing, they're not going to be able to make March. He does like the targeted element, but there has to be the mechanism to allow us to come in. we can't lose that option for them to come in front of the council, we can't lose that. The contract doesn't corner us; he says he has read it. Councilman Yates says that he does like the idea of an April lease sale, or whenever it could be pushed to. He says that he would like to see the online lease sale in actions to be able to see how it works, if any problems come up, and then be able to roll it full force the second time. Councilwoman Redcorn says that she would like to have computers set up in the Chambers for anyone local to come in and bid. Mr. Riviero says that yes they would be able to do that.

Councilman Crum makes a motion to approve Energy Net's contract with the approval of the attorney. Seconded by Councilwoman Erwin.

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

Director Lynn says that for the operators, we did pass a resolution to have quarterly lease sales, and the first one was supposed to be March 7th.

d. Pennant Energy

Not present due to weather.

Councilman Redcorn makes a motion to go into executive. Seconded by Councilwoman Erwin.

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

Enter Executive- 11:52 AM

9. EXECUTIVE

a. AEP- Tim Gaul

Councilwoman Red Corn makes a motion to come out of executive. Seconded by Councilman Cheshewalla.

MOTION PASSED: Chairman Waller- Yes, Councilman Yates- Yes, Councilwoman Boone- Absent, Councilman Cheshewalla- Yes, Councilman Crum-Yes, Councilwoman Erwin- Absent, Councilwoman Red Corn- Yes, Councilman Redcorn- Yes. (6-yes, 0-no, 2-absent)

Exit Executive- 12:37 PM

Chairman Waller announces that there are no votes coming out of executive.

10. Old Business

a. Lease sale

Chairman says that this matter has already been talked about.

b. Candy Creek

Chairman announces that Candy Creek just needed a modification to get the 10 year 214 lease. Councilwoman Erwin says that we already did a resolution for a 10-year lease at 10% for Candy Creek, however that is not what they got from the BIA. Councilwoman Erwin says that she brought this resolution to make it clearer for the BIA.

Councilwoman Erwin makes a motion to amend resolution 3-266. Seconded by Councilman Crum.

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

c. Newspaper

Chairman says that the newspaper has also already been discussed as well. Councilwoman Erwin reads to proposed article. "At a meeting on January 17, 2018, a report given by William Lynn, OMC Office Director, reflecting Bureau of Indian Affairs continued effort to limit drilling in the Osage. The statistics used in Mr. Lynn's report came from the Division of Mineral Development (DEMD). We are aware of and have turned over to our attorney for a solution to combat the BIA's effort to strangle any new oil production in the Osage. There are still producing oil wells in the Osage thanks to our oil producers. We are hopeful with the price of oil increasing, the annuitants will see an increase in their payment check. All efforts have been set in motion to stop the BIA's retaliation for the highest posted price case which was won by OMC in 2011. **Oil in Osage is not going to dry up in 2020.**"

Chairman Waller asks where Councilwoman Erwin wants to put this article. Councilwoman Erwin says that she would like to place it in the newspaper, or in the OMC newsletter. Councilman Crum says that this matter was already decided on at the special meeting. Councilwoman Redcorn would like to change "we are aware" to "the OMC is aware". Councilwoman Boone says that there was an article in the Barnsdall Newspaper, and apparently the Chief has had trouble getting some land into trust. The County Commissioner has weighed in on it. Chief Standingbear was telling that he would want partnerships resolved regarding the County roads department. He also says the Osage Minerals Council will also exploit the distribution of the 1.6 million in gross production tax. Councilwoman Boone says that she is not aware of the Chief ever coming here and asking us to consider that, so she doesn't know who he is talking to. She is surprised that he

would make such a statement since our gross production tax is a result of the 1906 act. Councilman Redcorn would like to call Mr. Fredericks, to ask if rock sales are included in our win in 2015.

11. Committee Reports

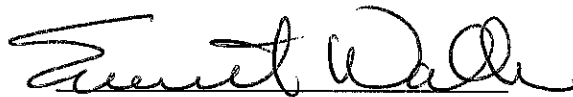
Chairman Waller, regarding Royalty Policy Committee says that some of the OMC's information he hasn't used, he wants to take that 1906 as amended. Councilman Redcorn would like Chairman to read one sentence to this committee from the Director's report. Chairman Waller says that he is thinking about handing it out. Councilman Redcorn would like to get the newsletter out as soon as they hear back about the grant.

Councilwoman Boone makes a motion to adjourn, seconded by Councilman Redcorn.

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)

Adjournment- 12:52 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 Blodare", written over a horizontal line.

Executive Administrative Assistant