

COMMISSIONERS OF THE LAND OFFICE

REGULAR MEETING MINUTES

THURSDAY, JULY 9TH, 2020 AT 2:00 P.M.
GOVERNOR'S LARGE CONFERENCE ROOM
2ND FLOOR, OKLAHOMA STATE CAPITOL
OKLAHOMA CITY, OKLAHOMA

PRESENT:

Honorable Matt Pinnell, Lt. Governor and Vice Chairman
Honorable Joy Hofmeister, Superintendent of Public Instruction and Member
Honorable Cindy Byrd, State Auditor and Inspector and Member
Honorable Blayne Arthur, Secretary of Agriculture and Member

LAND OFFICE STAFF PRESENT:

Keith Kuhlman, Assistant Secretary
Katy Janz, Executive Assistant and HR Director
Bennett Abbott, General Counsel
Jessica Grogis, Communications Director
Karen Johnson, Chief Financial Officer
Erin Morgan, Internal Auditor

VISITORS:

Teena Gunter, Department of Agriculture, Food, and Forestry
Jeff Peters, Lt. Governor's Office
Erin Brockman, Oklahoma State Senate
Mark Higgins, RVK

Lt. Governor Pinnell called the meeting to order at 2:06 p.m., ensured the presence of a quorum and proper posting, and called the roll.

Stitt:	Absent
Pinnell:	Present
Hofmeister:	Present
Arthur:	Present
Byrd:	Absent

1. Request Approval of Minutes for Regular Meeting Held June 11, 2020

- a. *Presented by Keith Kuhlman, Assistant Secretary*
- b. *Discussion*
- c. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.*

Assistant Secretary Keith Kuhlman presented the minutes of the meeting held June 11, 2020. A MOTION to approve the minutes was made by Commissioner Arthur and seconded by Commissioner Hofmeister.

Pinnell: Aye
Hofmeister: Aye
Arthur: Aye Motion Carried

2. Secretary's Comments

- a. Distributions to beneficiaries for month of June

Mr. Kuhlman informed the Commissioners that distributions were down in fiscal year 2019, and that the severely reduced mineral lease bonus payments were the main cause. He noted that several oil and gas litigation efforts should help bring distributions back up in the coming year.

3. Consideration and Possible Action to Approve Revised 2020 Internal Audit Plan

Based on the reduction in available audit hours due to the loss of an internal audit employee, a revision to the original and approved 2020 Internal Audit Plan is necessary. One planned audit task is moved to the contingent projects category.

- a. *Presented by Erin Morgan, Internal Auditor*
- b. *Discussion*
- c. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.*

Commissioner Byrd arrived at 2:09 p.m.

A MOTION was made by Commissioner Hofmeister and seconded by Commissioner Arthur to approve the Revised Internal Audit Plan.

Pinnell: Aye
Hofmeister: Aye Motion Carried
Arthur: Aye
Byrd: Aye

4. Presentation of June 2020 Quarterly Investment Performance Report by RVK (informational only)

- a. *Presented by Mark Higgins, RVK*
- b. *Discussion*

Mr. Higgins briefly outlined the quarterly performance of the trust, noting that March saw the fastest equity decline on record, but that its rebound was much faster than had been predicted as well. COVID and unknown consumer behavior kept uncertainty in the market. He said that the trust remained well placed to

provide funding for the current generation and to grow at a rate to keep up with inflation for the generations to come.

5. Request for Authorization for Special Distribution

To make fiscal year 2020 distributions more consistent for the Agency's beneficiaries, the Assistant Secretary requests authorization for a special distribution in the amount of \$7,854,610 as per the five-year rolling average discussed at 64 Okl.St. Ann. §1069.

Recommendation: The Assistant Secretary recommends authorization to distribute \$7,854,610 from the 5-year rolling average fund.

- a. Presented by Keith Kuhlman, Assistant Secretary*
- b. Discussion*
- c. Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.*

Mr. Kuhlman requested the authorization for a special distribution from the 5-year rolling average fund, noting that this distribution will nearly drain the fund but also saying that the schools are very much in need of the funds under current circumstances. A MOTION to authorize the requested special distribution was made by Commissioner Hofmeister and seconded by Commissioner Byrd.

Pinnell:	Aye
Hofmeister:	Aye Motion Carried
Arthur:	Aye
Byrd:	Aye

6. Consideration and Possible Action to Approve Litigation to Terminate Mineral Lease

64 O.S. §1057 requires that the Commissioners of the Land Office institute proceedings against a mineral lessee in default. CLO mineral lease require continuous production. Mineral leases CS-24670 and CS-24671 (Lessee Gregory Jung) are nonproductive and are in default.

Recommendation: The General Counsel recommends bringing suit to terminate lease nos. CS-24670 and CS-24671, to plug abandoned wells, and to seek additional legal and equitable relief as may be appropriate.

- a. Presented by Bennett Abbott, General Counsel*
- b. Discussion*
- c. Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.*

A MOTION to approve the requested litigation was made by Commissioner Byrd and seconded by Commissioner Arthur.

Pinnell: Aye
Hofmeister: Aye
Arthur: Aye
Byrd: Aye Motion Carried

7. Consent Agenda – Request Approval of May Agency Monthly Division Summary of Activities

The Agenda items presented on the Consent Agenda are considered as one item for voting purposes. The Consent Agenda includes items that are statutorily or constitutionally required to be performed by the Commissioners of the Land Office or are administrative in nature, which are done as a routine action by the Commissioners of the Land Office. If any member of the Commission or any member of the public requests a particular item or items to be considered individually, the matter or matters shall be considered individually.

- a. *Presented by Keith Kuhlman, Assistant Secretary*
- b. *Discussion*
- c. *Commission action in which the Board may approve, disapprove or table the matter and/or direct staff to take further action.*

Financial Services Division

1. May 2020
 - a. Claims Paid (Routine) (pp 206-207)
 - b. Budget to Actual Expenditure Comparison (p 208)

Minerals Management Division

1. May 2020
 - a. 5/27/2020 Oil and Gas Lease Sale Tabulation (pp 209-210)
 - b. Assignments of Oil and Gas Leases (pp 211-213)

Real Estate Management Division

1. May 2020
 - a. Soil Conservation Projects (p 214)
 - b. 20 Year Easements (p 214)
 - c. Term Irrigation Permits (p 214)
 - d. Surface Lease Assignments (p 214)

A MOTION to approve the Consent Agenda was made by Commissioner Byrd and seconded by Commissioner Arthur.

Pinnell: Aye
Hofmeister: Aye
Arthur: Aye

Byrd: Aye Motion Carried

8. Financial Information Regarding Investments and Monthly Distributions (informational only)

Accounting

- a. June Distribution by District and Month

Investments

- a. Market Value Comparison May

There were no questions or discussion on this item.

9. New Business

The Commission may discuss, consider and take possible action regarding new business that could not have been reasonably anticipated or was unknown prior to the regular meeting.

Assistant Secretary Kuhlman took the opportunity to update the Commissioners on the Sandridge acquisition. He said that the CLO was currently conducting due diligence inspections of the site and title. He informed the Commissioners that the Tax Commission had already approved the purchase of 10 floors, and that Department of Health and Tourism were in the process of approving the purchase of their floors. He said that the CLO is hopeful that with the planned property exchanges, only \$1 million in CLO cash would be needed to complete the CLO side of the acquisition.

Seeing no other new business, a MOTION to adjourn was made by Commissioner Arthur and seconded by Commissioner Byrd.

Pinnell: Aye
Hofmeister: Aye
Arthur: Aye Motion Carried
Byrd: Aye

Recoding stopped at 2:27 pm.


Keith Kuhlman, Assistant Secretary

I HEREBY CERTIFY that the foregoing is a true, full and correct report of said meeting.

WITNESS my hand and official signature this 14th day of July 2020.

(SEAL)



CHAIRMAN

ATTEST:

Keith Kuhlman