

# RESPONSE TO A CRITIQUE 04/14/2015

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April 15, 2015

This letter is in response to a blog post by an anonymous poster on the blog found at:

<http://osageblog.blogspot.com/2015/03/osage-shareholder-matters-march-2015.html>

**Anonymous** [April 14, 2015 at 7:58 AM](#)

*Ray, thank you for your efforts in maintaining your blog. Great resource. However, I would point your attention to the two bloggers on April 9th at 11:17AM and 12 Noon. They are both right in their assertion that the BIA is responsible for the drop off in activity, not lower oil prices. Please include such information in your next blog to provide a balanced point of view.*

Sir/Mam(Anonymous):

I appreciate your critique of my efforts. However, my observations concerning the BIA's responsibility for the drop off in activity are based on the facts and the timing of events. The chart below shows exactly when the price drop for crude oil began. I'm sure you are aware that the BIA's first notice concerning the EIS and the EA's to the Producers and to the public was dated July 12, 2014.



**Clearly, the decline in oil prices began in mid-June, 2014.**

By mid-January, 2015, we may have started a slow, ragged recovery from this \$47 (48%) drop in oil prices, but I expect us to be in this hole for several months, and that prediction assumes that we have found the bottom of this pit. How in the world could any BIA action initiated in July in Osage County, have effected the drop of the world price of oil that started in June? **The BIA had nothing to do with it!**

Also, there is no doubt that OPEC's decision to maintain full production has definitely had a detrimental effect on the world price of oil. Saudi Arabia can ride it out, but some of the South American OPEC countries will really be in bad financial shape very quickly. For that reason, maybe this won't last too much longer. Further, with about 500 rigs recently shut down, the total U.S. daily production will start dropping very soon. We in Osage County can certainly understand falling production. Ours has been falling for several months already.

Also, the Saudi Arabians and OPEC will surely be very proud of Martha Donelson and Gentner Drummond for filing their lawsuit. This is what really started flushing the drillers out of Osage County like a covey of quail.

If the BIA bears any responsibility, it is for their failure to start enforcing the 1979 NEPA rules many years ago. As it turned out, this was very poor timing on BIA's part to start enforcing NEPA when they did, but I guess they had to start following this Federal mandate sometime. It was simply one of the first steps in getting themselves into compliance with their own rules as they reorganize the Pawhuska Agency.

Now ***Anonymous*** [April 14, 2015 at 7:58 AM](#) , as for balancing my point of view, the facts as they are just don't balance out fairly like we would all like for them to do.

A few drillers have filed their EA's and kept right on drilling, and some are filing more, while some sit back and gripe about the new rules coming. No doubt, someone will attempt to appeal the new CFR's when they come out, but it will surely be to no avail. Any appeal should be considered only another attempted 'stall' until the oil prices recover a little more. All this griping has no doubt delayed the issuance of the new CFR's by 6 months or more already, but the Feds will sooner or later decide they have done all they can do to make them comparable to nation-wide 'best management practices' while still being unique to the Osage, and publish them. I hope it's 'sooner'. Once published, then everyone will know what they need to do and when they need to do it.

I totally empathize with our Producers, because this will cost them a little money and time. But, when I think of the millions upon millions of unrecoverable royalty dollars that has leaked past the virtually non-existent accountability system of the past for Osage production, my empathy quickly begins to wane.

We Shareholders are very much, partners with our Producers. The big boys can handle the problems fairly easily, but I would hope that our Minerals Council could find a way to help our smaller, stripper lease operators who will feel the pinch the most. This might include help with the new EA's, the services of a petroleum engineer and a geologist for advisors, temporary services of a professional oil & gas accountant, or even small loans of cash (with the lease and production equipment as collateral) to qualifying operators to help with infrastructure improvements. Anything they could do to keep the oil flowing would be great.

In the end, these new rules coming called the “**Code of Federal Regulations**” are totally for the benefit of us Shareholders. We need to do anything we can to make them work for us. Sometimes we need to climb out of the ‘box’ we have been living in for 120 years, and do a little innovative thinking.

Ray McClain, Osage Mineral Estate Beneficiary