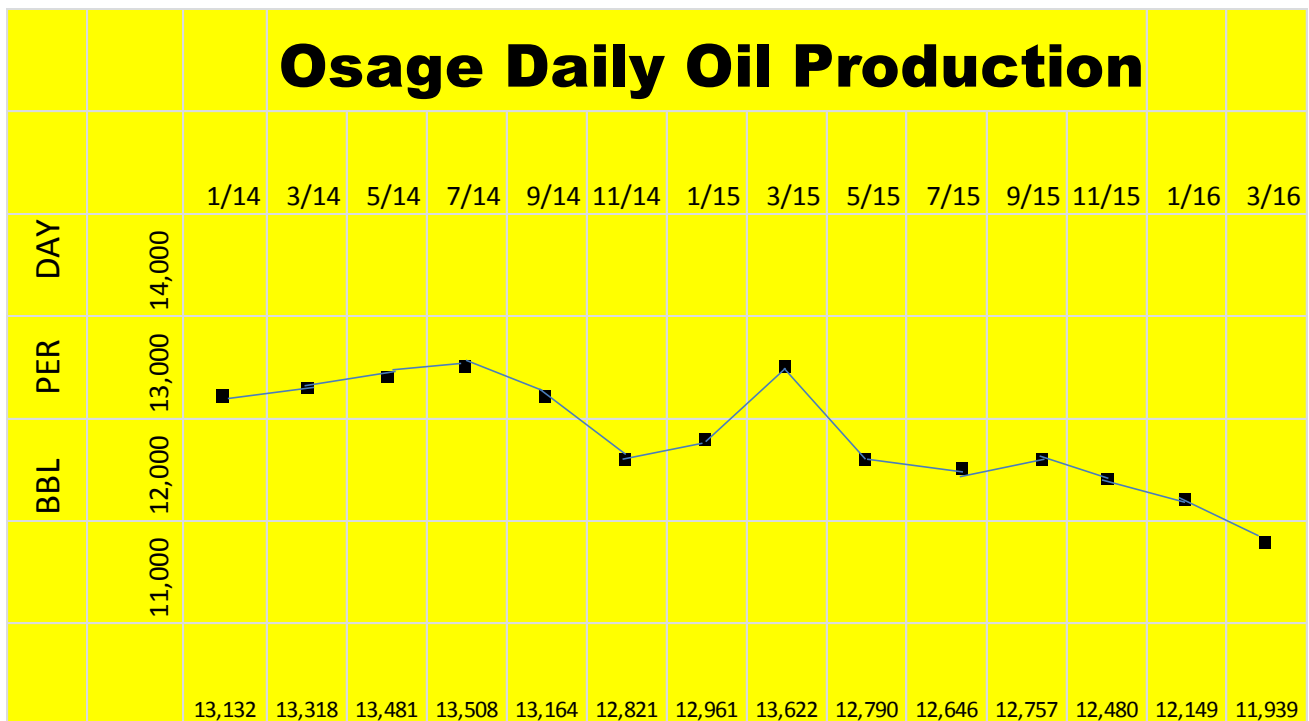
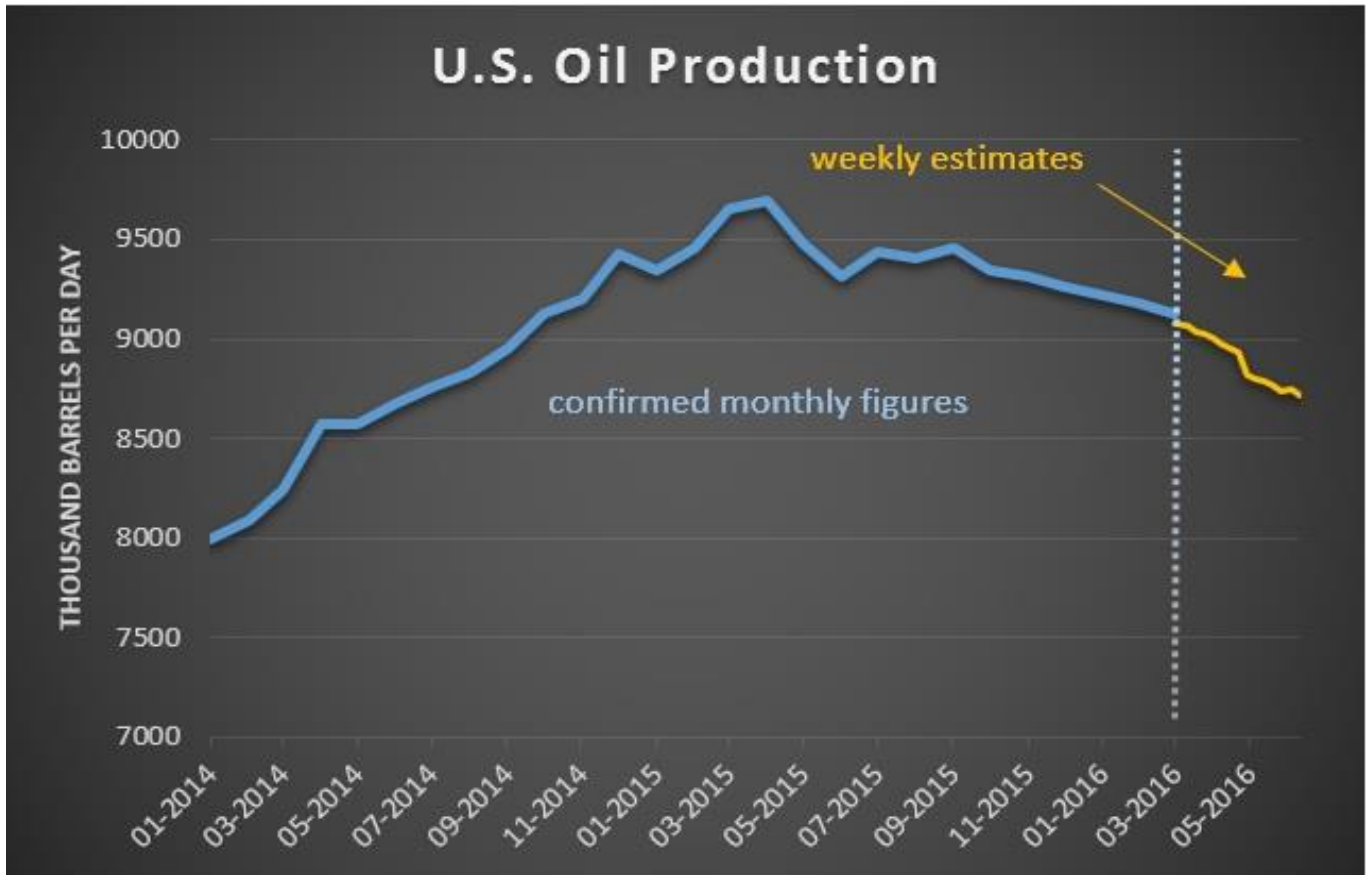


Osage Production Trend vs. U.S. Oil Production Trend

<http://www.Osages-You-Need-To-Know.com>

June 18, 2016

+Compare these 2 charts carefully, then see the next page for explanation.



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There has been much publicity over the last year or so about our dwindling headright checks and the reasons for it. Recently it was stated in a much-read blog that the Pawhuska BIA Superintendent Robin Phillips and BIA regulations were the main problem. Has anyone considered that Saudi Arabia and OPEC just might have something to do with it? Not just the Osage, and not just the U.S., but the entire world is suffering because of this humongous glut of crude oil that these Saudi “friends of ours” are dumping on the world market, and at quite low prices mind you. When oil is selling at \$30 per barrel, our local Producers wouldn’t be drilling if you tore up the CFRs and burned them.

Comparing these two charts shows us that our rate of decline in production in Osage County very closely follows the decline in production all over the U.S. and, same as here, they ain’t drill’n either.

Some people are totally blaming BIA regulations. Regulations can be a pain in the butt sometimes, but if we didn’t have them, just think of the mess we would have on our hands by now. There are about 4,500 abandoned and unplugged wells out there now, and a far greater number of abandoned facility sites, and no doubt, hundreds of acres of un-reclaimed land damaged by oil and brine spills. No wonder the surface owners are hard to get along with sometimes. This is primarily the result of lax enforcement of existing regulations in the past. We can blame the BIA for this.

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Things are beginning to look better, tho. Our Highest Posted Price got up to \$46 P/BBL for a few days in May, and has held in that area thru the middle of June. Apparently this has caused some permitting action. We are told that 12 drilling permits were approved in May and 17 more are pending approval. Five work-over permits were approved in May and 6 more are pending approval. Also, 6 plugging permits were approved in May. Also, you should know that about a dozen or more wells have already been drilled since the first of the year. This so called “regulation problem” doesn’t seem to mean much to those who really want to produce oil and gas here.

Permits are a little harder to get. There are a few more hoops to jump through than any of us would like, and of course, we have the American Burying Beetle to deal with. Diligent efforts are being made by all concerned to get this thing removed from the endangered species list but it seems like it takes forever to get U.S. Fish and Wildlife to take any action.

However, be assured, anyone who really wants to drill in the Osage can get it done. It’s just not as easy as it used to be. I think we will find that if oil prices continue to rise, permitting will become less and less of a problem.

Our September check should be a little higher than June, but not by much. A good active lease sale would help, but I’m betting that the MC will wait until the Summit this fall to do that. December’s check might be even better.

Ray McClain, Osage Mineral Estate Beneficiary