

Oil is UP, But There's a Problem?

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As I look at the statistics, it's a little hard for me to understand just how our Producers can justify fussing so much about updating the CFR's. They have had a great ride over the last 12 years. Oil prices and production have both gone up dramatically in this short time, and we have all been frantically picking this delicious fruit. However, the regulations governing operations in our Mineral Estate have not been updated in over 20 years and now fall far short of being adequate. Simply said, the Producers are buying and we have something to sell---OIL! This is business.

It's their job to manage their business of buying (producing) oil as economically as possible, and I admire them for that effort. It's our job to manage our gradually depleting Mineral Estate as efficiently as possible and to get the best price possible for our product. Someday, there will be no more oil in the Osage. When that day comes, you can bet there will be no more Producers in the Osage, either. The Producers will move on to other places to produce oil and make their livings, but we will still be here, trying to make a living off of our memories and our history and a few stripper wells. We must get our fair share of every barrel while we can. It will never be back.

Our agent in charge of this management is the BIA. We must work with them and support them and listen to their advice to insure that our assets are not wasted and that we are properly paid for what leaves here. When the oil is gone, the producers will be gone. And they will have taken between 80 and 90 percent of the value of our only asset with them. We will be left sitting here on an empty pot where oil once was, with very little to show for it except the scars on the land some of our past producers have left us with.

The following statistics will show just how good we, and our producers, have had it for the last 12 years:

- Gross oil production is up 19.28% from year 2000 and rising
- The price of oil is up 311.37% from year 2000
- As a result, the total distribution to the Shareholders is up 480.89% from year 2000
- Inflation from 2000 thru 2012 was 33%
- The average daily production is up 19.17% from year 2000, and rising
- The average daily production for January, 2013 was 14,292 barrels, the highest it has been in recent history

	Oil, Gross bbl Produced	Avg Price P/Bbl	O & G Revenue Distributed to Shareholders		Avg. Daily Barrels Produced
2013				Jan, 2013	14,292
2012	4,889,365 bbl	\$92.79	\$90,897,556	2012	13,352
2011	4,741,998 bbl	\$93.42	\$83,307,900	2011	12,941
2010	4,708,395 bbl	\$77.84	\$63,124,541	2010	12,893
2009	4,604,395 bbl	\$59.70	\$46,685,858	2009	12,565
2008	4,527,299 bbl	\$99.64	\$89,448,723	2008	12,336
2007	4,426,142 bbl	\$71.45	\$56,281,591	2007	12,126
2006	4,499,252 bbl	\$65.11	\$56,593,648	2006	12,326
2005	4,409,135 bbl	\$55.86	\$43,197,514	2005	12,077
2004	4,270,033 bbl	\$41.03	\$29,823,671	2004	11,666
2003	4,279,413 bbl	\$30.68	\$23,292,777	2003	11,718
2002	4,172,152 bbl	\$25.54	\$17,107,374	2002	11,426
2001	4,242,488 bbl	\$25.38	\$23,916,890	2001	11,623
2000	4,098,749 bbl	\$29.80	\$18,901,698	2000	11,204

The BIA is now working diligently to upgrade their accounting system for both oil and gas. We should soon start seeing a big improvement in the accounting for gas, beginning in the field, where there is evidence of poorly maintained meters, by-passed meters, and generally poor oversight by the BIA of the past. An updated accounting system for collections for gas royalty and much better contracts for gas sales will be high on the BIA's list of things to do. Many of the changes to the CFR's will give the BIA the tools to do all this, and hopefully we will start seeing evidence of these improvements on our Head Right checks in about a year.

Ray McClain, Osage Shareholder