

2012 OSAGE OIL & GAS SUMMIT AND LEASE SALE

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The Osage Producers Association and our Osage Minerals Council just wound up a 2 day meeting in Tulsa. For all of you who didn't make it this year, I hope you will try to be there next time. This is almost getting big enough to replace the old "Oil Expositions" that were held in Tulsa many years ago. OPA Vice President Joyce Whitewing, a lifelong Hominy resident, has been putting these shows on each year, and somehow, she seems to make each one better than the last. There were about 20 exhibitors showing their wares and all were very well presented. I couldn't get an official head count, but I would estimate that there were 80 to 100 people there at any given time, and they were coming and going all day. It looked like the crowd was about 60% producers, with the balance being either Shareholders or volunteers Joyce had conscripted.

The lease sale, held Wednesday morning, was rather unspectacular but that was expected. Most of the leases on or near known areas of production are already leased or are within an active concession. Consequently, only 4 leases were nominated by producers, and they went for minimum bid. The MC and the BIA had added 19 leases from a rather non-productive area in the southeast corner of the county, but no one bid on these. The un-official result of the sale was \$19,000. When the entire record of production history finally gets included on the new web site, along with a listing of all available leases, interested producers will be able to take a closer look at what's left. We have over 9,000 quarter sections (or fractions thereof) and I would bet that there's not over a few hundred left un-leased, and they will be widely scattered about the county.

There were 5 or 6 speakers each day who addressed many different aspects of producing oil in the Osage. These guys were experts in the fields of geology, geophysics, engineering, and the use of data bases, and they really knew their stuff. You can always tell when a presentation has been well done by listening to the many questions asked of each speaker after he thought he was finished.

Mr. Charles Wickstrom, managing partner of Spyglass Energy Group, LLC gave a very interesting account of the history of his company and his associates in the Osage. He took this opportunity to announce that the deep hole rig to drill the 10,000 ft. "wildcat" well was scheduled to begin arriving and rigging up Friday, November 9, 2012. He later told me that it would take at least 4 days to move in and rig up but he hoped to begin drilling by Tuesday. The original plan was to drill the first 5,000 feet with a rig they normally use in this area and then finish up with the big rig. They drilled the hole, but they needed a salt water disposal well also, so they just used that hole for SWD. Now the big rig will drill all the way from the top. I'm sure they will keep our Minerals Council informed of their progress.

While I have your attention, the lead honcho for Devon Energy told me yesterday that they are finishing up on their 4th HZ well in the current set up in the South Bend concession area. They have also finished the SWD well for that pad. They were very pleased with what they have found so far, and are moving the rig to another 5 well pad about 3 miles east of this location and do it again. On this 2nd set up, they plan to try the 660 ft. well spacing I previously told you about instead of the usual 1320 feet. If this works, it will virtually double their ultimate oil recovery estimates and will be used throughout their drilling program. Also, if this works, I would think that all the HZ producers will follow suit. It would sure be nice to wake up some morning and find out that we had double the reserves that we had just the day before. That would make my day.

There will be a Negotiated Rulemaking Committee meeting on Tuesday, Nov.13 at the Council chambers. It starts at 9 am and will be open to the public.

Ray McClain, Osage Shareholder