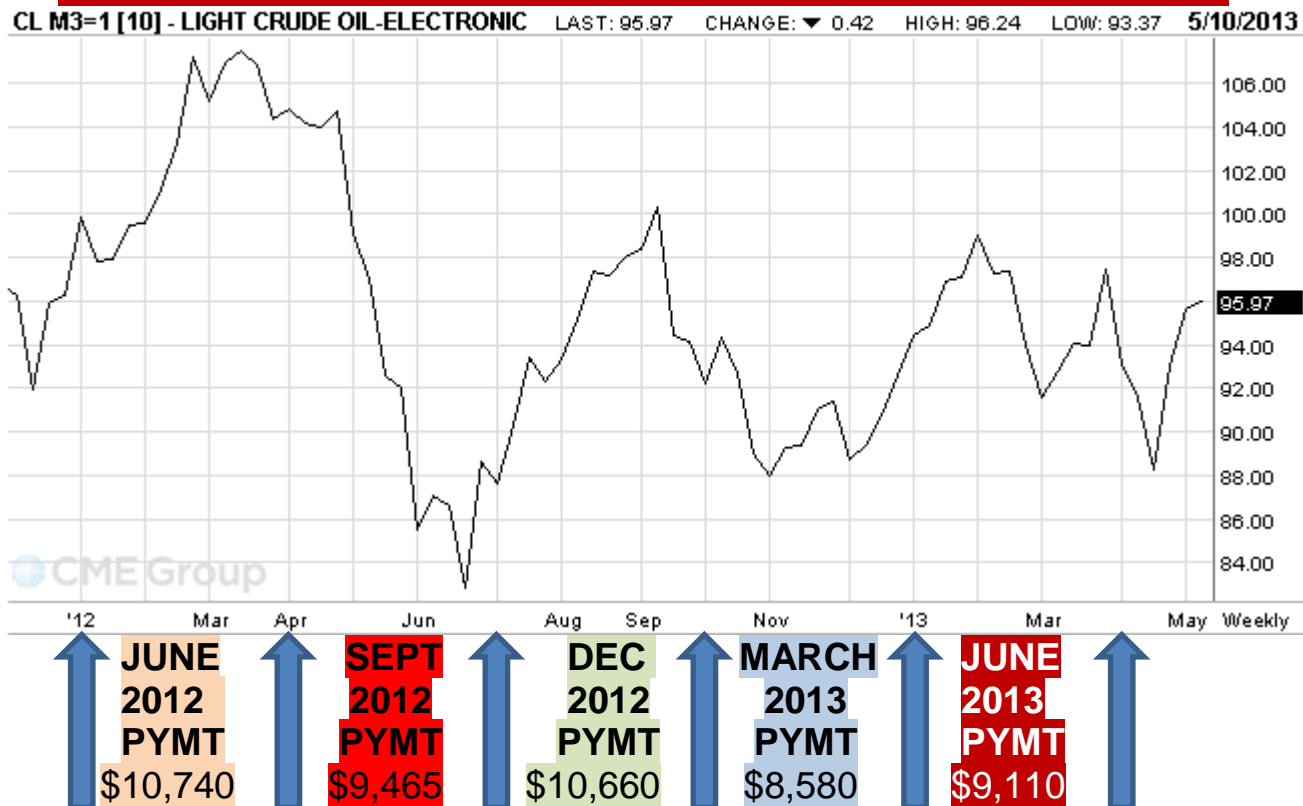


HOW AND WHEN OIL PRICES EFFECT YOUR HEADRIGHT CHECK



This chart is based on Cushing NYMEX pricing, therefore the column of prices on the right will be somewhere near \$3.00 higher than the HPP price we currently receive, however the HPP follows the NYMEX price trend almost perfectly from day to day. The chart shows which months make up the revenue for each quarterly payment. Our royalty payments for June, Sept., and Dec. of 2012 included several million dollars received for concession fees and large lease takedowns. Payments for March and June of 2013 are based primarily on the price of oil and gas, the interest earned on accumulating money in the accounts before distribution, and some other miscellaneous revenue, and with no large bonuses. Notice how the 2013 payments can be predicted somewhat by following the oil price history. Naturally, the volume of oil sold is also a controlling factor in our payments. Also, the 20% royalty oil is now up to 16.4% of total production, and rising. March daily production was back up to well over 14,000 bbl again. All of these things help. Hopefully, that production chart will be in the OMC's quarterly newsletter again.

Oil royalties must be calculated using a firm cutoff date like the end of a month. The purchasers then must have time to do their accounting calculations and make the proper royalty payments to BIA. Then, the BIA will do their accounting and reconcile any discrepancies. This is the reason for the 2 month delay for our quarterly payment for oil royalty to reach us.

Bonuses and concession fees and other income however, are handled a little differently. They are paid directly to BIA within a couple of days of the agreement, and can be put into the distribution accounts and begin drawing interest as soon as the legal aspects have been approved by BIA. If things go well, this can cut at least 30 days off of the holding time for this income.

Ray McClain, Osage Shareholder