

Devon Energy Spuds #1

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Devon Energy has spudded their 1st well in the Osage. This promises to be the 1st of several hundred possible new horizontal wells planned for Devon's new lease holdings on the west side of the county. It looks like this producer is not one to mess around, once they decide to do something.

They became officially involved in the Osage on July 18, 2012, when MC2 approved the assignment to Devon of 54,700 acres of leases Spyglass had recently acquired by paying the Shareholders \$5,470,000 in bonuses. Apparently there were no permitting problems, and after only 6 weeks, they have begun drilling. This is the way it should be and our hats should be off to the 2nd Minerals Council and the BIA for doing the deal and expediting the paperwork, and also to Spyglass Energy Group for laying the ground work and then bringing Devon to us. I think this will prove to be a historic event for the Osage.

Although Devon has not divulged their entire schedule of operations, we do know a few things about their short term plans. They first plan to drill 5 wells from one drilling pad. The first will be a vertical salt water disposal well. Then, 4 horizontal wells will be drilled, each in a different direction from the pad. These wells will each extend to approximately 5,000 ft. from the vertical axis of the well, exposing about 4,700 ft. of the oil bearing formation to the well bore. Although these will be production wells, these 4 horizontals will each be carefully documented from top to bottom. Even with the vast experience Devon has, this will be a "new play" for them, and the information gathered from these 4 wells, will be used to create a detailed "map" of what's down there.

One of the unknown things about horizontal wells in this Mississippi Lime formation is, just how close together these wells can be drilled and treated without one well having an adverse effect on an adjacent well. In some plays, the spacing is 1,320 ft. The general rule of thumb is to plan on a horizontal well making a total of 150,000 bbl of oil over a 20 year life span. If the spacing can be reduced to 660 ft. separation between wells, that would immediately double the estimated ultimately recoverable reserves of an area. This is one of many things Devon will be learning as they work up a comprehensive plan to effectively and efficiently develop their holdings.

I plan to post updates on Devon's progress when more information is available.

Ray McClain, Osage Shareholder