

Why Did These Two Producers Leave?

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

July 18, 2013

There has been a little apprehension around the Mineral Estate, caused by an article in the Oklahoma City paper known as "The Journal Record." The headline reads "Two Companies Quit Drilling Programs in Osage County." This headline has caused a few to worry that some kind of disaster is about to happen. Nothing could be further from the truth.

Both Chaparral Energy and Encana do plan to step back from their very aggressive horizontal drilling programs in the Mississippi Lime formation here. Both of these concession areas are located on the eastern edge of this new play, and the discovery wells here just haven't performed as well as those located further west in the County. Both the Chaparral and the Encana concessions are basically in the south central part of the County. Encana did get 2 very good wells out on the west side of Pawhuska, but that is on the west edge of their concession. West of there, Spyglass, Sullivan, and Devon seem to be doing quite well in the Mississippi.

Since Encana has no other holdings here, they would like to sell. Chaparral's concession has had vertical well production all over it for years, including the famous Wildhorse field and Wild Cat Hill. They have commitments for more horizontals, and could lose their concession if they don't meet these commitments. I would bet that there might be a way to convert some of the concession to vertical wells but, I'm sure it would require a much larger commitment for many more of the less expensive, but lower producing vertical wells. If they decide to not work out a deal, then I'm sure we will be having lease sales again before long.

Over on the west side, Devon is drilling more horizontals, and it is rumored that Spyglass recently completed a well they drilled about 2 years ago near Foraker. It came in making over 600 bbl p/day, and they just completed and are about to test one more well very near there. Also, they are about to start a 9 well drilling program in the Foraker area.

Orion has been having very good luck at the extreme western edge of their concession. The Council just signed 13 new leases with them which paid us a bonus of over \$300,000. Then, the Council just today approved a lease agreement with Lawco Energy whereby one Hz will be drilled immediately, with plans to drill another very soon.

So you see, nothing terrible has happened. This is just a little hiccup in the plan. There will be more, but we are doing just fine. The royalty oil price hit \$100 p/bbl on July 10, 2013, and the HPP today was \$102.75. We'll have another great Christmas this year.

Ray McClain, Osage Shareholder