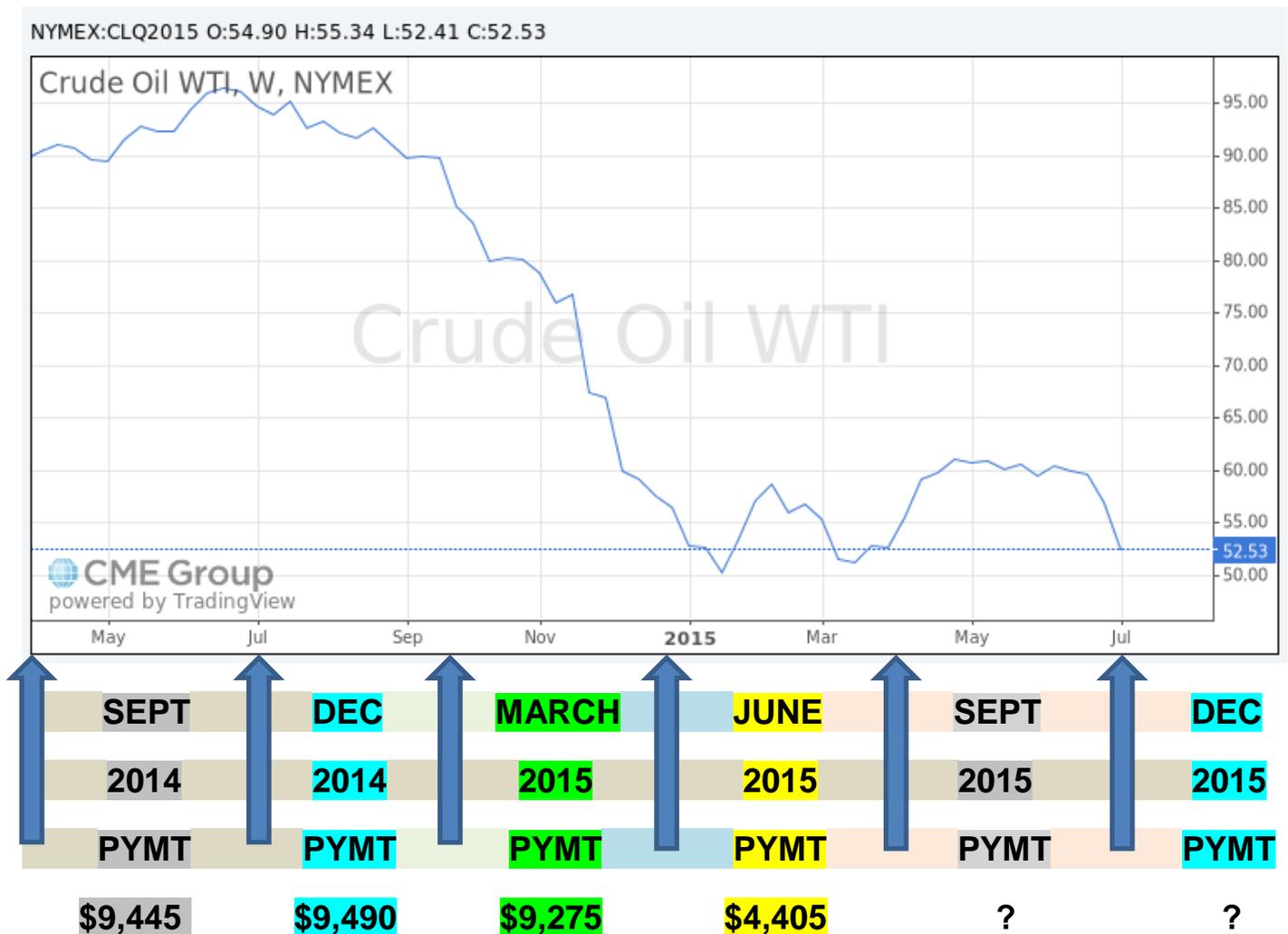


# Oil Price/Production Rate vs Your Headright Check

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July 8, 2015

Our June payment was \$4,405 per headright. Looking at the July 6, 2015 NYMEX chart below, it looks like oil averaged approximately \$4.00 higher for April, May, and June of 2015. That should give our September check about a 6% boost. The problem is, the oil price has been in a steep decline for nearly a week now, and it's still going down. I expect it to bottom out somewhere just below \$50.00, but that's anybody's guess. Even worse, once it bottoms out, it could stay there for a while before it starts inching back up again. Needless to say, this will be terrible for our December check. There's just too much oil still in storage, and Iraq and Iran are about to increase their oil exports considerably. And, there has been no mention of the OPEC members raising their prices.



On a more local note, our oil production for April, 2015 (the reporting month) was down 455 barrels per day, but the average price per barrel was up \$6.23, resulting in a rise of \$ 211,882 in royalties for the month.

Currently, natural gas and it's derivatives make up about 7% of our royalty income. The gas price has been on a steady decline for a year, and now Kinder-Morgan, a major purchaser of gas in the Osage, has declined to continue to withhold and remit the royalty. They insist that the producer pay the royalty direct to the BIA (or the OST). The result of this will, at best, be mass confusion among the smaller Producers, and could easily result in some royalties inadvertently not being paid. Something must be worked out quickly to resolve this issue. Some gas could be simply shut in until the matter is resolved, but many Producers rely on this revenue so that's not a good plan. Also, in many cases, the natural gas is produced as a by-product of the oil production and if the gas stops, the oil will also stop. That would be an even worse plan. Venting the gas off is not a realistic answer either. The EPA says that raw methane gas is about 10 times worse than carbon dioxide for the global warming problem, not to mention the waste of our natural resources.

I wish I had a solution, but I don't. I just know that we need to get the production up as quickly as possible!

On June 30, 2015, both the Osage Producers Association and the Osage Mineral Council filed similar lawsuits in the Federal District Court in Tulsa against the BIA in an effort to stop the implementation of the BIA's new Code of Federal Regulations on July 10, 2015. The first hearing is set for July 8, 2015 at 3 PM. Both plaintiffs claim that the rules in the new CFR's are too burdensome on the Producers. I'm sure that the BIA will be claiming that they are only bringing the rules up to nationally accepted industry standards as agreed to in the 2011 \$380 million settlement. It will be interesting to see the results of this endeavor.

Ray McClain, Osage Mineral Estate Beneficiary