

OPEN LETTER TO OSAGE MINERAL COUNCIL

SUBJECT: PROPOSED CHANGES IN THE CODE OF FEDERAL REGULATIONS

OSAGE COUNTY, OKLAHOMA

March 6, 2013

Dear Mineral Council Members,

We are writing to you out of concern for the future of Osage County as an attractive province for oil and gas exploration and production. The Osage Mineral Estate has long been viewed as an industry friendly place for risk-taking exploration and production companies to do business. Recently, however, it has come to our attention that several substantive changes to the Code of Federal Regulations (CFR, Title 25, Chapter 1, Part 226) governing operators on the Mineral Estate are being considered that would constitute strong economic disincentives to operators considering drilling programs in the Osage.

As a group, we have great respect for the manner in which the Osage Minerals Council, and its predecessor governing entities, has regulated the development of Tribal resources and provided a framework for operators to take considerable risks looking for new reserves, for the mutual benefit of the Tribe and operators. The relationship among operators, the Osage Tribe, and the BIA has generally been workable and has encouraged orderly development of minerals. Problems have been worked out among parties as they have arisen.

The changes being considered to the BIA Rules and Regulations are viewed by us as operators as collective disincentives to operate on the Osage Mineral Estate. The proposed change in the calculation of royalty pricing is patently unfair (having royalty owners paid on a higher price than working interest owners receive). Increasing lease rental rates 10-fold will have a strong dampening effect on the sale of leases and will discourage operators from drilling leases in marginally productive areas. Regarding more stringent bonding requirements, if the Minerals Council and BIA are experiencing problems on this subject (we are not aware of them), perhaps we can discuss and explore other alternatives where we can be helpful with solutions. Suggested site security plans and other requirements will impose significant additional disincentives and administrative burdens on Osage operators.

As a group, we have drilled over 60% of all the wells drilled in Osage County over the past 12 years, and account for 60% of the current production over that time. Each of us separately lives with capital allocation and drilling budget decisions from year to year, and even month to month. The proposed changes will have a discouraging effect on the attractiveness of Osage County as a place to spend capital when compared with other provinces and plays that compete for scarce funds in our drilling budgets. Significant portions of our drilling budgets, now directed to Osage County, will likely get diverted to other plays, with less restrictive and burdensome operations settings.

We strongly urge you to reject the proposed revisions to the existing CFR, or risk discouraging continued development of oil and gas reserves in your Mineral Estate. We urge you instead, to continue to encourage the flow of capital into Osage County, as you have done so well in the past. As always, we are open to discussing anything that will lead to mutually beneficial economic success for the Osage Tribe and responsible operators.

Respectfully Submitted,

CHAPARRAL ENERGY LIMITED LIABILITY CORP

By, Mark A. Fischer
Mark A. Fischer, Manager

SPYGLASS ENERGY GROUP

By, Charles W. Wickstrom
Charles W. Wickstrom

PERFORMANCE OPERATING COM, LLC

By, [Signature]

NADEL AND GUSSMAN

By, F. Adely

SPYGLASS ENERGY GROUP

By, [Signature]

LINK OIL COMPANY

By, Robert B. Lyon Jr., President

HB&R OIL COMPANY, LLC

By, Michael L. Graves
Michael L. Graves

LAMAMCO DRILLING COMPANY

By, Signature/Agreed by Phone
Out of Office-Curtis Biran, Attorney

SULLIVAN AND COMPANY, LLC

By, Robert J. Sullivan
Robert J. Sullivan, Manager

CEJA CORPORATION

By, Greg Oliphant
Greg Oliphant, Board Chairman

DEVON ENERGY PRODUCTION COMPANY, L.P.

By, Bill A. Penhall
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Vice President Land

ENCANA OIL AND GAS (USA) INC

By, Kevin Bruce
Kevin Bruce
Government + Regulatory Affairs Advisor

LINN OPERATING INC

By, S.Keith Frank
S.Keith Frank, Attorney in Fact

CEP MID-CONTINENT CO, LLC

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