

THE BEGINNING OF OSAGE OIL

John N. Florer was a licensed Indian trader among the Osages at the Gray-Horse trading post. He believed that the Osage Reservation was "underlaid with oil". An Indian had taken him to a certain place on Sand Creek and pointed to a scum on the surface of the water. The Indian managed to soak up and squeeze out of a blanket enough crude oil to provide Florer with a sample.

Kansas had made progress in search of oil and gas and in 1882, gas was piped and used for domestic purposes from a well drilled near Paola, Miami County. Later, prospecting brought considerable quantities of gas over the southeastern part of the state, and a number of towns were being supplied gas for lighting, cooking and heating purposes. A producing well drilled in 1892 on the T. J. Norman farm near Neodesha, in Wilson County, is recognized as the first commercial oil well in the great area now known as the Mid-Continent field.

In 1891, after Congress enacted a law permitting Indian tribes to lease their lands for mineral purposes, and as the Kansas development proceeded, Florer felt the time had come to act and obtain an oil and gas lease on the reservation.

The Osage full-bloods never acted in a hurry, and they were fearful of bringing in more white people into their reservation. It took several years and all of Florer's influence, and the support of more progressive mixed-bloods to convince conservative full-bloods that a lease on their lands was to their best interests.

Florer persuaded Henry Foster, an Independence, Kansas railroad man and his brother, Edwin B. Foster of Westerly, Rhode Island, that prospect-

ing for gas and oil in the Osage was a good proposition.

James Bigheart, Principal Chief of the Osage tribe, under and pursuant to the action of the Council, signed on March 16, 1896, a lease agreement, with Henry Foster for the purpose of prospecting and drilling wells for mining and producing petroleum and natural gas on the entire reservation for a period of ten years. The lease provided a royalty to be paid the Osages of one-tenth of all petroleum products produced and \$50 per year per annum for each well discovered and utilized.

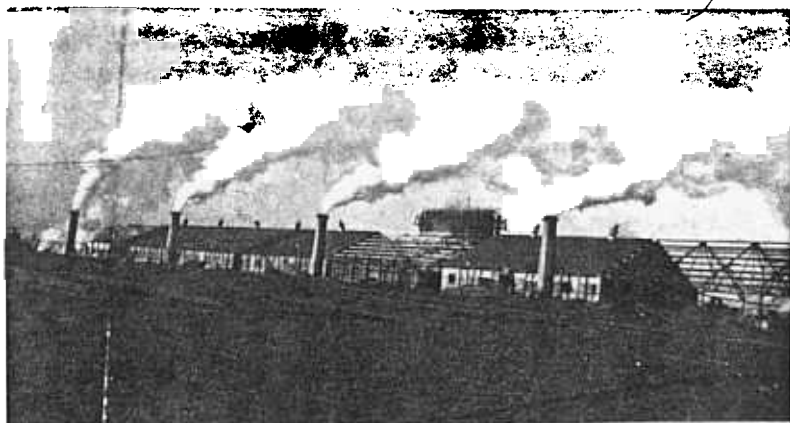
Henry Foster died unexpectedly after a short illness in New York City before the lease was approved by the Secretary of the Interior. The Osage Council granted Edwin B. Foster permission to substitute his name as representative of Henry Foster and his heirs. The lease was approved April 8, 1896, covering the entire reservation, 1,470,559 acres.

The Phoenix Oil Company was immediately formed and incorporated under the laws of West Virginia. The first well was located south of Chautauqua Springs, Kansas near the Kansas line. It was completed in the summer of 1896 to a depth of 1,100 feet. A show of oil and gas was found, but not in sufficient quantities to make a paying well. A second well was completed in September, south of the Kansas cattle town of Elgin, which was also a failure.

Operations were discontinued during the winter and A. P. McBride and C. L. Bloom, the drilling contractors, took a contract to drill a well for the Cudahy Oil Company near the little settlement of Bartlesville, Indian Territory.

The well was spudded in late in January 1897, and in April oil was struck in the formation which was to become known as the prolific "Bartlesville sand".

Phillips #2 Plant northwest of Shidler in early 1920s.



This discovery revived the hopes of the Phoenix Oil Company, and a few months later in October, McBride and Bloom brought in for the Phoenix Company the first producing oil well in the Osage Reservation. The well was Wilkey No. 1, on Butler Creek, with an initial production of 10 barrels a day. Wilkey No. 2, a much better well was brought in the following month.

Later, Phoenix assigned a large block of leases to Samuel C. Sheffield, which he in turn assigned to Osage Oil Company. After drilling 7 dry holes and 4 oil wells, the drilling came to a standstill.

It was useless to develop a product which could not be marketed, and it was not until the Atchison, Topeka and Santa Fe Railroad built into Bartlesville and started service in the summer of 1899 that there was any means provided to market any of the oil produced. A 2 inch line was laid from the Phoenix wells into the depot and a loading rack erected. A line was laid to the Alameda Oil Company sub-lease in the Osage. Tank cars were furnished by the refinery at Neodesha and the first oil shipped in May, 1900 at \$1.25 per barrel, less 25¢ for handling charges. A total of 6,216 barrels of oil from the Osage Reservation was run during the year 1900 and 10,536 barrels in the year 1901.

So far the operation of the blanket lease on the Osage Reservation had been a losing venture and seemed doomed to failure. The Indian Territory Oil Company arose from the ashes of the Phoenix Company. It was

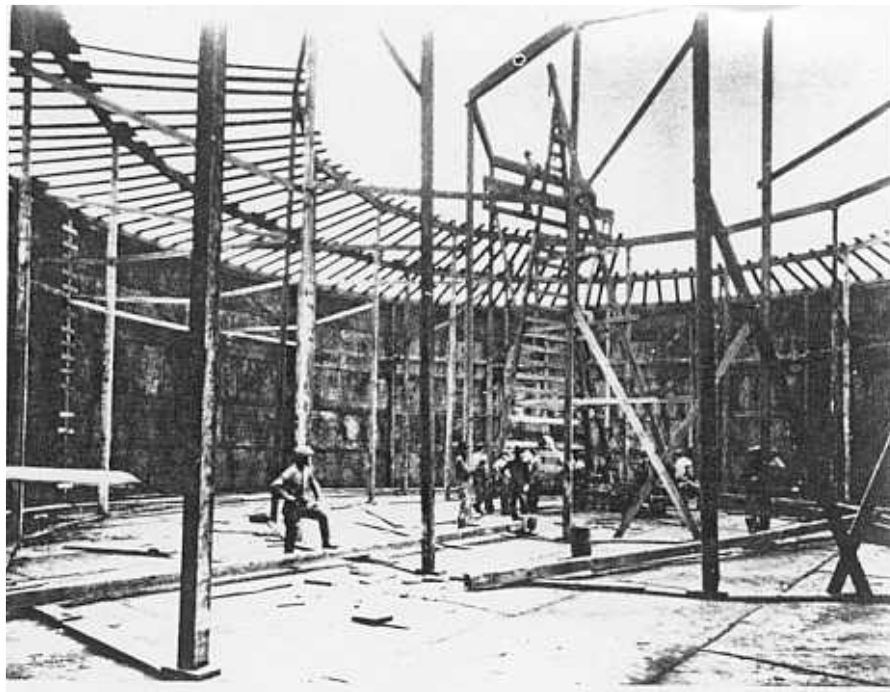
organized in December, 1901 in New Jersey with a capital stock of 3,000,000 shares of a par value of \$1 per share, to which Phoenix and Osage Oil Companies assigned all of their rights, title and interest. Soon after the company was organized Edwin B. Foster died.

The new company started out in adverse and unfortunate circumstances. Litigation brought receivership. Mortimer F. Stillwell, a nephew of John Florer and employed by him at the Gray-Horse store, was made receiver. A sub-lease to satisfy the debt with the bank at Westerly, Rhode Island was made to J. M. Guffey and J. H. Galey of 113,730 acres in the southeastern part of the reservation in the vicinity of Tulsa and a block of 41,000 acres west of Bartlesville. These two blocks of acreage became the nucleus around which the nationally known oil operator T. N. Barnsdall built his Barnsdall Oil Company.

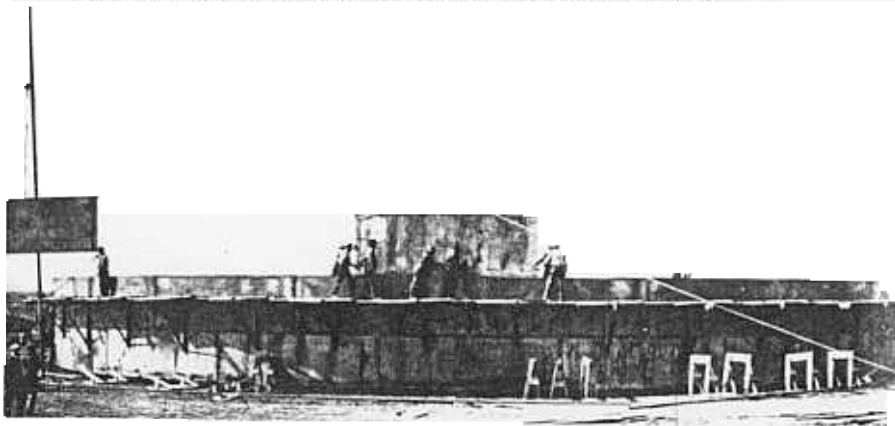
The Prairie Oil and Gas Company, the pipeline subsidiary of Standard Oil Company, in June erected a 35,000 barrel storage tank at Bartlesville and connected the Osage Producing wells to it. They extended their 6 inch line into the Territory in 1904, connected it with the "Bible" pumping station, 18 miles southwest of Bartlesville. Standard Oil Company built its Sugar Creek refinery near Kansas City and connected it with the refinery and storage at Neodesha. Thus the market for oil opened up in the Osage and active drilling began. I.T.I.O. began to sub-lease tracts in increasing numbers and by Dec. 31, 1904, there were 686,931 acres held by sub-leases, and by the end of 1904 there had been drilled 361 wells of which 243 were oil wells, 21 gas wells and 97 dry holes.

On March 3, 1904, the Indian Appropriation Bill was approved renewing the I.T.I.O. lease, due to expire March 1906, for a period of ten years to the extent of 680,000 acres with an increase from one-tenth to one-eighth royalty on oil, and \$100 per well per year on gas, fixed by order of the President of the United States.

The Act of Congress of June 28, 1906 (Allotment Act) provided for the division of their reservation into an allotment of 657 acres of surface rights into individual tracts, with oil and gas and other minerals reserved to the Osage Tribe in common. This provision



Building oil storage tanks at Burbank 1922-23 Phillips Petroleum Company.



Slush pond burning 1924.

of equal sharing among the 2,229 enrolled members of the tribe and their heirs would make the Osages on a per capita basis the richest people of any country in the world.

The above article is from the writings of Frank F. Finney, Sr., who was first employed by the I.T.I.O. in October, 1904, and eventually was general superintendent of the company's gas department. The I.T.I.O. was merged with Cities' Service in 1941, and Mr. Finney continued in the Geological Department of the Cities' Service Gas Company until his retirement in 1954. Mr. Finney was the son of T. M. Finney who came to Pawhuska in 1873 and was well known as a trader among the Osage and the Kaw in Indian Territory.

