

**MAGNUM HUNTER RESOURCES**

**Moderator: Brad Davis**  
**August 9, 2011**  
**11:00 a.m. ET**

Operator: Good morning. My name is (Rashida) and I will be your conference operator today. At this time I would like to welcome everyone to the Magnum Hunter Resources second quarter 2011 financial and operating results conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session.

Mr. Davis, you may begin your conference.

Brad Davis: Thank you, Operator, and good morning from Houston, Texas. And welcome to the Magnum Hunter Resources Corporation second quarter 2011 operating and financial results conference call. We've got a lot of people that are on our line here today that are going to make some talks. I know that there are a number of companies also reporting this morning, so we're going to it try to make this as quick as possible.

Before I turn the call over to Mr. Gary Evans, our Chairman of the Board and Chief Executive Officer, I do need to read some forward-looking statements. The statements and information that will be discussed on this conference call this morning and in our presentations that are not statements of historical fact, including all estimates and assumptions contained herein, are forward-looking statements as defined in Section 27-A of the Securities Act of 1933, as amended, in Section 21-E of the Securities Exchange Act of 1934, as amended.

These forward-looking statements include, among others, statements, estimates, and assumptions relating to our business and growth strategies, our

oil and gas reserve estimates, estimates of oil and natural gas resource potential, our ability to successfully and economically explore for and develop oil and gas resources, our exploration and development prospects, future inventories, projects and programs, expectations relating to availability and cost of drilling rigs and field services, anticipated trends in our business or industry, our future results of our operations, our liquidity and ability to finance our exploration and development activities, market conditions in the oil and gas industry, and the impact of environmental and other government regulations.

So with that, I'm going to turn it over to Gary Evans, Magnum Hunter Resources Corporation Chairman of the Board and Chief Executive Officer. Gary?

Gary Evans: Thank you, Brad, and thank all of you for dialing in today to hear the Company's results for it's second quarter and six months ended June 30. It's been a very active quarter, a very active six months for Magnum Hunter. As most of you are aware, we closed two significant acquisitions being NGAS and NuLoch during the second quarter of 2011. So, getting all that wrapped together and consolidated within our Company's financial statements was a bit of a tall order, but proud to say that our financial team was able to accomplish that on time and in a very good manner.

Let's talk a little bit about the production for the three months, that's the one thing that leads to everything else. We produced right at 5000 barrels of oil equivalent during the second quarter of 2011. This was about 46 percent crude oil. This represented a 255 percent increase over our 1400 BOE per day that we reported during the second of last year. This also, though, was an 88 percent increase over the production rate of just 2600 barrels a day reported during the first quarter of 2011.

Obviously the closing of both NGAS and NuLoch had a lot to do with the growth, but we also continued to grow in the three unconventional resource plays that we targeted, being the Bakken and Sanish, the Appalachian region being Marcellus and Utica, Weir, and Huron and then in South Texas, the Eagle Ford.

The production in the second quarter, though, was definitely impacted by the shut-in production up in the Williston Basin. This is due to the adverse weather conditions from a combination of significant snowfalls during the winter, as well as an unusually wet spring. In fact, over 100-year period of wet conditions, which caused the roads to be impassable. In fact, the State Highway Patrols were blocking the road. You couldn't move equipment, you couldn't move trucks to move oil, and we were probably impacted more in our area than other companies, just because of the geographic region where we operate. So, this not only affected North Dakota, it also affected Saskatchewan.

I'm glad to say we've had about three to four weeks now of very hot, warm weather. The winds have blown which helps to alleviate the water conditions. We've been able to get a lot of this production back on here just over the last few weeks. We still are tying in wells up in Saskatchewan just across the Canadian border, but those should be alleviated here over the next two to three weeks. What we're having to do is actually pump water off lands to allow trucks to be passable. So, we've been working with county commissioners on improving the roads and trying to get ourselves positioned so this is not as impactful in years to come.

All in all, if you look at today's daily production, this includes the announcement that we just made concerning our acquisition of the properties up in North Dakota that are going to give us an operating base in North Dakota, we're about 6100 BOE per day. We're on target to exit the year at 10,000 BOE per day, as we've been talking throughout the year.

So as of yesterday, we currently had seven rigs drilling. That's two net wells. We were completing 14 gross wells, which is three net wells to Magnum Hunter's interest, and we also have 21 gross wells, or 5.5 net wells, that are drilled in case but waiting for fracture stimulation. So, we've got a huge inventory out there that will continue to impact our production as the weeks and months go on for the remainder of 2011.

We've got a couple of our Divisional Presidents on the line today, and I'm going to let them address their own specific regions. Glenn Dawson, who runs our Williston Basin division, is not on the line today, I'll do his. He's actually in North Dakota finalizing our acquisition that we announced last week, and is getting his people all prepared for that operations that we'll be taking over. It's a little over 200 wells. I'm going to turn the first divisional report over to Kip Ferguson, who's going to talk about the Eagle Ford. Kip?

Kip Ferguson: Good morning. Thank you, Gary. Just give you an update on Eagle Ford. Right now we currently have nine wells producing. We are currently fracking our Oryx-Hunter number one well. We're on stage 18 out of 22 stages. This is probably our longest lateral. The lateral length is 6650 feet. The most stages we've done previous to this well has been 16 stages.

So, this is going to be a really important well for us. We're seeing a lot of improvement by the more stages you run and the tighter the spacing on the stages between the wells for our area. We're also currently drilling a well we call the Sable Hunter number 1 well. We're in the curve right now. Also in our operations we have currently built and constructed and equipped with facilities five complete drilling locations. We have three more drilling locations we're currently building, so we should have all the drilling locations we need for the end of the year.

Update on the new rigs coming. We've signed brand new contracts for two new drilling rigs. The first one is a unit rig. We expect that sometime in September to late September. The next is a Patterson-UTI rig, it's a brand-new rig, and we expect that rig sometime September 15 to September 21, somewhere around there. It's been moved up a little bit for us, thanks to Patterson, and we're looking forward to getting those new rigs into our drilling program and schedule.

We've been working real closely with our service provider Halliburton on providing us with some frac dates and additional frac dates for next year, and that's going really well. So all in all, we really like our Eagle Ford operation. It's real steady and operations as usual. We expect some really good things

out of these new wells the longer laterals and multi-stages. Gary, I think that's about it.

Gary Evans: Thank you, Kip. Appreciate that. And then at the end of this call, we'll obvious open up the session for Q&A. I'm going to now ask the Head of our Appalachian division, Jim Denny, to give an overview of his operations.

Jim Denny: Good morning, everyone, this is Jim Denny. We have continued to be very active in the Appalachian region. We currently are producing about 3500 BOE a day. We've integrated our recent NGAS acquisition into the fold, and we have also been active in recent bolt-on acquisition over in Wetzel County, where we've participated in 2, 50 percent wells and have drilled 3, 100 percent wells, drilled and cased. We are fracking the first of those as we speak; we're on stage five this morning.

We continue with the rig running in the Marcellus. We just drilled and cased over the weekend one vertical Marcellus well, and we are now preparing to spud an additional Marcellus well from that same pad. We have eight more horizontal Marcellus wells to drill with that well through the remainder of the calendar year. So in this (recent) bolt-on, since less than eight months, we have four net wells that will be on production within the next 30 to 45 days.

We also have a rig drilling in our NGAS acquisition which we've named Magnum Hunter Production. It's a first well that we've drilled in the (Fondy Field), which is in Claiborne County, Tennessee. It is horizontal lower Huron well that sits very nicely amongst some regional lower Huron production, so we're very excited about that well. We have some 20 wells that we – gross wells, so that's about 6.5, 7 net wells, that we'll be drilling the remainder of the year in the Magnum Hunter Production, which is formerly NGAS. That's kind of a nutshell of the recent activity and where we're going in the Appalachia area, so I'll stay online for questions. Gary?

Gary Evans: Thanks, Jim. I'll now jump to the Williston Basin/Bakken update. As I mentioned, we had some adverse weather impact the second quarter, but the Company has been able to restore production levels to approximately 1400 BOE, including the recent acquisition we announced. We still have about 450

barrels of oil per day that remains shut-in. As I mentioned, that's predominantly up in Saskatchewan and that should be restored back to production before the end of this month.

We have 19 gross, or 3.4 new wells, awaiting completion activities in North Dakota and Saskatchewan, and the Company believes today that our production exit rate at the end of 2011 from this division will be right at 2400 BOE per day. We've allocated about \$70 million, or just under 30 percent of our budget, to drill 57 gross wells, which is right at 10 net wells in the Williston Basin for 2011, and we are experiencing some of the best wells that NuLoch historically has drilled in this area.

We had a well that went on in March, called the Almos Farms well, which peaked at a production of 1236 barrels of oil per day. We've also had some excellent IP rates in North Dakota from recent wells in Tableland – in this division from the Tableland Field, which we had a recent well producing right at 333 barrels of oil per day.

So as we said, when we were looking at NuLoch early on, we felt like the leases and the area was a bit unknown. It's proven that as time has gone by that these counties that were active in North Dakota and over in Saskatchewan are proving to be excellent rock, and we continue to expand our efforts there.

I'll just briefly touch on our midstream activities, which are handled through a division called Eureka Hunter. Don Kirkendall, our Senior Vice President of that division, is on the call and will be able to answer questions in the Q&A if they come about. We gave quite a bit of detail in our press release about all of our activities there, which are basically just expansion activities off of what we built in 2010. The idea being that we would lay lines to the wells at the Appalachia division that Jim runs where they're drilling. So we're trying to tie in our own production into the new Eureka Hunter Pipeline system, as well as assist other producers in the area.

Our goal is still to spin this division off sometime in 2012, hopefully under MLP-type structure for our shareholders. We still have a plant under construction, a 200 million cubic feet a day cryogenic gas processing plant

that's scheduled to be delivered in the second quarter of 2012. So, we're real happy with the activities at Eureka Hunter and what we've been able to achieve in a short period of time. Ron and his group are working on a new financing that we hope to announce associated with that division as well.

So with that, I'm going to turn over the financial piece of our call today to Ron Ormond, our Executive Vice President and CFO. Ron?

Ron Ormond: Thanks, Gary. Well this was a very exciting quarter for us from a financial point of view in that we integrated two public acquisitions during the quarter, and we have partial results from those acquisitions as they were completed during the quarter.

Our revenue increased about 298 percent to \$33.4 million versus \$8.4 million in 2010. This was driven by the NuLoch, NGAS and also our drilling efforts earlier in the year, as well as late 2010, partially offset, as Gary mentioned, by the shut-in production that we had primarily in the in the Williston Basin. Our actual net loss was \$0.16 for the quarter versus \$0.10 in the second quarter 2010. Our recurring net loss was approximately \$0.01 when you back out \$16.8 million of non-recurring expenses and non-cash expenses, which were primarily related to the NGAS and NuLoch acquisitions. Those are required to be expensed now under financial accounting standards, and as you can imagine, with two public acquisitions (technical difficulty).

In addition we had about \$10.6 million in non-cash stock compensation. That was in order primarily for new executives that we're bringing on as part of the Magnum Hunter team. Our operating margins continue to improve in the second quarter, with our LOE and our recurring cash G&A per BOE significantly improving. LOE per BOE improved \$16.42, and recurring cash G&A BOE declined to \$15.52 per BOE.

We expect those to continue to improve as we move through 2011 and bring on additional production, which can be very significant here in the near-term. We provided EBITDA calculations this time in our Q for the quarter, it was approximately \$12.8 million. Once you adjust for the non-recurring charges,

if you pro forma back the Eagle acquisition and shut-in production, our EBITDA would be closer to \$18 million.

Our liquidity has continued to remain strong. We have approximately \$35 million in liquidity. Based on our increased borrowing base of \$170 million, this was increased in the second quarter based on our first quarter reserves, and we're currently undertaking a review of our second quarter reserves on the Eagle acquisitions, to roll those in to our credit facility. We expect that our liquidity would remain similar to where we are once we complete the Eagle acquisition. The EBITDAX number. Based upon our adjusted EBITDAX was (2.8). So our leverage ratios are very strong own our debt-to-cap was approximately 18 percent.

Our capital budget, Gary can talk a little bit more about, which is \$255 million, but it will be funded through our cash flow increased borrowing base, additional debt sources and preferred capital sources and possibly joint ventures. To a lesser extent we have some assets sales that we'll be looking at in the second half of the year.

One of the real key things that we're working on right now is, as Gary mentioned, is our Eureka Hunter Pipeline finance facility. This will be a stand-alone finance facility in an unrestricted sub, meaning it is not guaranteed by the Magnum Hunter parent. It will be put in place to fund all of the remaining capital expenditure for Eureka, as well as for the rest of this year as well as 2012.

In addition, we expect to receive some distributions back for capital that has been spent, as well as payables that we had on the balance sheet at June 30. So therefore this new facility will substantially improve our liquidity position. We expect to have that in the very near-term, an announcement. Again, we talked about the ultimate goal here is to roll this into an MLP, a lower cost of capital financing, but this Eureka Hunter Pipeline facility really allows us to get the bridge to that event, and use capital from outside sources as opposed to Magnum Hunter internal capital.

Brad Davis: OK. Great. Gary, did you have some other things you want to say before we turn it over to Q&A?

Gary Evans: I just wanted to summarize by saying that Magnum Hunter and our team. We're staying the course. We established a business plan about how we wanted to grow by acquisition to build our core positions in these three unconventional resource plays. We are remaining on track with that game plan. We continue to have successful wells in all three divisions, and we continue to plow ahead with our anticipated exit rate north of 10,000 BOE per day. And we will, as the year goes on, you'll continue to see some minor divestitures of non-core assets that we don't believe fit our new business model, and we'll continue to develop and expand these three areas where we're active.

So I'd like to now turn over the call, Operator, to any of our participants out there that have any questions.

Operator: At this time ladies and gentlemen if you would like to ask a question press star and then the number one on your telephone keypad at this time. We will pause for a moment to compile the Q&A roster. Our first question comes from the line of Neal Dingmann with Suntrust

Joanna Moon: Hi, this is Joanna for Neil. I just wondering, could you tell us what commodity prices that you based your capital budget on?

Gary Evans: Ron, you want to respond to that?

Ron Ormand: The commodity prices we based it are on NYMEX strip, so really the capital budget is based upon our existing costs escalated throughout the year. We continue to look at those returns as we adjust the NYMEX strip throughout the year and allocate capital amongst the areas based upon what we see on those returns. So that's a monthly, quarterly, type of exercise we go through.

Gary Evans: One thing I'd like point out is, and I think this is in our Investor presentation, it's on the Web site, about 10 days, two weeks ago, when oil prices were right at \$100 a barrel, we did layer in quite a few hedges for the remainder of 2011. And so we deem ourselves to be fully hedged for the remainder of 2011 and it

was fortuitous that we pulled the trigger when we did in light of where commodity prices are today.

Ron Ormand: Yes, about 90 percent of our oil is hedged through the end of the year.

Joanna Moon: And one other question, can you just provide us a little bit more color on the thought process behind your re-allocation of your capital budget? I know you're keeping it the same overall, but you've allocated a bit differently to the plays.

Gary Evans: Well, the primary reason for changing up the capital budget from division to division was strictly related to the adverse weather conditions we had up in North Dakota and Saskatchewan. In order to keep on track with our game plan to exit at north of 10,000 BOE per day, because of the 60-day lag of being able to move rigs and frac crews in North Dakota and Saskatchewan, we moved \$10 million of their budget into both the Eagle Ford and the Appalachia division, where they could pick it up and meet those production targets.

Operator: Kim Pacanovsky, MLV. Kim, your line is open. Kim? Her question has been withdrawn. Hsulin Peng, Robert Baird.

Hsulin Peng: So I was wondering, it sounds like even though 90 percent of your oil is hedged in 2011, you're assuming, say oil prices around the \$80 range for the remainder of the year, the \$255 million CapEx would be maintained, is that a fair assumption?

Gary Evans: Yes. I mean, the one thing that we're definitely going to do in light of, not only have oil prices dropped, but also natural gas prices, is we're re-evaluating every well we drill to make sure economically that it makes sense. And the areas that tend to fall out from that evaluation are more in Appalachia being the Huron area, which was the legacy NGAS assets. So we're going through that exercise now, but I don't really see any changes with respect to any oil drilling in Eagle Ford or in the North Dakota region. I think it would be more geared on the gas side.

Hsulin Peng: And can you just remind us what's your internal threshold to make that?

Gary Evans: About 25 percent IRR.

Hsulin Peng: And any thoughts about 2012 drilling program?

Gary Evans: Well obviously our whole business is so determinate upon commodity prices. We still believe, we're very bullish on oil and hopefully long-term value in gas. So I would say that if we exit 2011 at these similar commodity prices, you'll see a similar-sized budget, maybe a little higher. It just depends on how successful we are with our drilling efforts between now and the end of the year.

Hsulin Peng: Then last question. Regarding your latest acquisition into Williston Basin, should we anticipate your production and also CapEx guidance to – first of all, is your CapEx and drilling production guidance, is that reflective of the latest acquisition?

Gary Evans: Yes. That acquisition, we've determined we're not going to spend any CapEx of any meaningful dollars there in 2011. Glenn's team has pretty well mapped the area, they want do a lot more homework. These are a different kind of wells. They're the Madison formation, which is a, a more of a sedimentary-basin-type carbonate rather than shale, and even though we drill them horizontally, you don't require fracture stimulation.

So we want to evaluate all the fields, there's 15 fields associated with that acquisition, and do our homework before we decide to spend any capital dollars. So we don't anticipate any money of any size being spent in 2011. If we did, it would come out of the Williston Basin divisional CapEx that's already established.

Operator: Our next question comes from the line of Irene Haas with Wunderlich Securities.

Irene Haas: Just curious, would be able to shed some light on the most recent acquisition you've done in Williston basin, any grand planned in exploration?

Gary Evans: Yes. These group of properties, we owned 40, 45 percent of, and they were legacy Petro Resources properties and one of the few assets that we kept, and we really liked the properties. In fact, Jim, the first year that I was on board with the Company, drilled three really nice wells up there, and the key is staying in zone, and wells that cost \$1.2 million came in 200-plus barrels of oil a day, and you could make all kinds of money with that type of property. So it got us encouraged.

Our issue has been with the partner, and we had different philosophies on how to develop and manage this asset, and so it's been a bit of a contentious relationship for the last couple of years. There's some litigation involved, and we've resolved all that through this purchase.

But taking a step further after buying NuLoch and introducing the NuLoch team out of Calgary in Denver to this group of assets, they started mapping it and getting pretty encouraged about where they saw the Bakken and Three Forks extending up into this region. And it probably doesn't cover all the fields, but there's definitely some of the fields that we believe has potential, and so in 2012 there may possibly be a test. It's too early to really say. They want to do a lot more homework. Then we can get all the well files out of Minot, North Dakota, and get them to Denver and do some more analysis on what's been done to date.

But we're encouraged from the fact that we believe that based on our own activities in Burke County, that moving up into this area is a real possibility. And it's 15,500 acres that we're basically getting Bakken and Sanish potential that we've paid nothing for.

Operator: The next question in queue comes from the line of Subash Chandra, from Jefferies.

Subash Chandra: it might be too early to tell but do you see any changes in the high-yield markets and the ability to tap it on the same terms after this route last several days, and particularly in retail product that you've, made use of here year to date?

Gary Evans: Well, it's kind of funny. I was looking this morning, Subash, at all the rates on T bills and treasuries and mortgage rates and everything else, they've all gone down since the credit rating drop by S&P, the bombshell. So it's funny, the equity markets have responded a lot worse than the bond market has to this downgrade. It seems like retail investors are going to safety, and whether that be gold or whether that be something that's yielding some kind of income. And so I think that's going to bode well for our various series of perpetual preferred because of the yields that they present. So we actually are hopeful that, that's going to allow a pick-up in the ability to sell more of that.

Subash Chandra: This can all be pretty short-term, I guess I was looking at some of the MLPs and they're rolling back their yields pretty severely. They're rebounding today, everything is, but it seems to suggest that perhaps, yes, the risk-free rate, so to speak, was going down but the spread was going up, and I'm just curious, if you notice that, if you think it's just way too early to make that conclusion? That there will be higher demand spread. But in your retail product, I would imagine you'd sense that real time. It doesn't sound like you're seeing anything there?

Gary Evans: No, in fact, our Series C preferred yesterday traded over 60,000 shares, which is very unusually high volume for that preferred. Our goal eventually in 2012 is to get to the high-yield market, and we just feel like we need more time to prove to S&P and Moody's what our reserves are, what our production is, because we have been kicking up so much dirt here in 2011 with the transactions we've done, and trying to let the dust settle so that we can show consistent growth by the drill bit, which is our real objective here. And so the goal is to eventually get to the high-yield market.

As you know, our Series C preferred is callable in December, and so that would be an ideal situation in sometime early next year to be able to go to the high-yield market, hopefully at a good rate and a good rating by the agencies, and replace that with a lower coupon and also increase our liquidity and reduce our borrowings under our senior credit facility. That's the game plan.

Ron Ormand: Subash, I'd also say that preferred yield have maybe moved 10, 20 basis points, a lot less than we've seen in the other markets. In addition, from our

intelligence, the capital markets remain very accessible. So we feel very good about where we are.

Operator: Our next question is from the line of Kim Pacanovsky with MLV.

Kim Pacanovsky: I must be particularly challenged with technology today. Sorry about that, I dropped off. At your analyst day, Gary, you mentioned that you were negotiating with a third party to capture about \$10 million a day of gas that was being flared on the Williston Hunter properties. Could you update us on that? And also I noted in your Press Release that you're adding some gas gathering in the Eagle Ford and there's been some gas flared there. Could you just update us, how much was being flared there? Just so we can look at the incremental gas that potentially could be added?

Gary Evans: Kip, why don't you respond to Eagle Ford since you're better suited to do that.

Kip Ferguson: All the pipeline we've been working for the last 60 days on getting all the pipeline in and connecting in with energy transfer, who's really our purchaser. We do have a liquids contract at the end of that plant with them, so we get 100 percent of our liquids at the tailgate of the plant. As for the gas being flared, we now have all the wells tied into that system. It was about one million a day of gas that was being flared and now it's going to sales. There is one well that's off in a distance that is flaring like about 80 to 90 Mcf a day, it's really insignificant, and we'll hook it up, too, as we continue the development in that direction, but right now everything is going to sales.

Gary Evans: And to answer your question on the Williston Basin, all the wells in the Williston Basin are currently being flared, and gross that's about 15 to 20 million a day, of which we're probably 1.5 million to two million a day. And so there has been a beauty contest that's been going on for about three or four months with a number of midstream companies.

Our working interest group has selected one that we're negotiating with. It hasn't been announced yet. If that contract was given tomorrow, those wells would not be tied in until probably this time next year. So that's how long it

would take to get the system laid, the plant in, and everything done, because there's so many wells and they're so scattered.

Kim Pacanovsky: And back to Appalachia, you said 3,500 BOE a day is the current production, is that correct, Jim?

Jim Denny: Yes. That's correct.

Kim Pacanovsky: And could you just give me the oil/gas break up of that? Or I should say liquids-gas.

Jim Denny: You would ask a hard question.

Kim Pacanovsky: You can always e-mail that to me, I was just off on my gas number.

Brad Davis: I'll get that for you, Kim.

Kim Pacanovsky: And the Claiborne Tennessee well, could you just give us a little bit more color on that well, what kind of horizontal you're drilling and maybe what your expectations are for that well?

Jim Denny: Well, it's offsetting one of the best vertical lower Huron wells in the region. We have targeted 3,500 feet as our minimum, and 5,000 feet as our practical maximum for this well, as far as the length of the lateral. Since it's first in the field, I hate to go and try and make expectations, but I would expect it to be in the realm of 20 percent better than our other wells, which would put it around say 600 Mcf to 800 Mcf, 900 Mcf a day, and there is some possibility of some liquids associated with this particular area. So, nonetheless, it will be high Btu gas.

Brad Davis: Yes, and Kim, let me just say, this is Brad Davis, that Jim's group's focus is still going to be really mainly on the liquids-rich Marcellus in northwestern West Virginia.

Jim Denny: We're not spending a lot of money there. This is mostly to hold leases.

Kim Pacanovsky: Just to back in the Marcellus, do you have any comments on the results that Gas Star had out about three weeks ago or so in Marshall County just north of you, that had some very high rate wells there?

Jim Denny: Well, they're in Great Rock there in Marshall County. We've looked at a number of acquisitions through there. We just have been the under-bidder. So first of all, I think they're in really good rock. Secondly, I think if you look at the length of their lateral's compared to our experience in Tyler that you'd expect a higher rate, and I think you're going to have to look closely at the – the IP is such a short-term that let's see where they settle out.

Gary Evans: I also believe, Jim, that the wells are not flowing into production.

Jim Denny: Right.

Gary Evans: So one thing that's different about us, when we typically release an IP rate, that well is selling gas. We're not just testing the well for a short period of time to give the market some unexpected long-term rate. When we give our rates, we're flowing the gas and selling the gas, which is a little bit different than some other companies.

Operator: And the next question that we have comes from the line of Robert Carlson of Janney Montgomery Scott.

Robert Carlson: Hey guys. Just two questions. You mentioned that we're 90 percent hedged but you didn't say at what price. Secondly, if you can just comment. I've been in this business for a while and I'm reflecting back about five years ago, the Canadians had, I don't know if you call them royalty trusts or what they were, and at the stroke of a pen those tax benefits disappeared. When do you think there might be some legislation coming reflecting MLPs?

Jim Denny: Well first of all, let me comment on the hedging. If you go to our Investor presentation, we give specific details of what the hedges we have out there. But Ron, why don't you just give him kind of a quick summary of 2011 oil hedges?

Ron Ormand: Yes. On our floor, our minimum is \$83, and our upside is up above \$100, so it's about \$101. So we have mostly collars that hedge downside, with the upside up to \$100. We also have some swaps that \$85 and some floors at 85.

Gary Evans: But the hedges we put in last week though were floors of \$95, weren't they?

Ron Ormand: Those were, yes. I'm talking on a blended basis.

Gary Evans: Yes, so the hedges we put in about 10 days ago had \$95 floors.

Ron Ormand: That's correct. And that's actually the majority of the floors are at that level.

Gary Evans: To answer your question on royalty trust in Canada. If you recall, the Canadians actually allowed these royalty trusts to be in all kinds of industries, it wasn't just oil and gas. It was every kind of industry you could think of could turn itself from a C corporation to a royalty trust and distribute it's income and be taxed differently. I think the Canadians went way, way too far, and they obviously went way too far the other way and basically discounted all those.

Now they're still obviously royalty trusts in Canada. I think the US side, if you look at what qualifies as MLP, it's a pretty small group of assets. So I believe that the oil and gas industry has been successful at protecting the tax benefits that currently exist in our industry, and I think the MLP structure will stay the same. Otherwise we wouldn't be heading down the path to form an MLP next year.

Operator: At this time there are no further questions. Gentlemen, do you have any closing remarks?

Gary Evans: Yes. This is Gary Evans, I would just like to thank everybody for listening in today. We had a very active quarter, very active six months. We are predominantly through with our acquisition efforts of any scale. We'll continue to look at bolt-on transactions, but our real goal is to grow by the drill bit, and that's what our three divisional presence are doing, is taking our capital dollars and prudently exploring and drilling these unconventional resource plays.

So our goal is to drill, drill, drill and get our production up and that in turn allows our reserves to grow, which have been growing very quickly, and we anticipate another big jump at the end of the year as we complete these efforts, which then enables us to further improve our liquidity. So the game plan that we enacted is on course, and we're very pleased with the results we've had to date and all three of our areas are having excellent production growth, and we'll continue the course. Thank you for your listening in today.

Operator: Thank you, this concludes the conference, you may now disconnect.

**END**