

MAGNUM HUNTER RESOURCES

Moderator: Brad Davis
August 23, 2011
2:30 p.m. ET

Operator: Good afternoon. My name is (Crystal) and I will be your conference operator today. At this time I would like to welcome everyone to the Magnum Hunter Resources 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. If you would like to ask a question during this time, simply press star and then the number 1 on your telephone keypad. If you would like to withdraw your question, press the pound key.

Thank you. Mr. Brad Davis, senior vice president of capital markets Magnum Hunter Resources Corporation, you may begin your conference.

Brad Davis: Thank you, operator. This is Brad Davis and welcome from Houston, Texas and we appreciate everybody being on the call after such short notice. I'm going to read some forward looking statements and then turn the call over to Gary Evans, our chairman of the board and chief executive officer to get right into the meat of the call.

So, without further ado, the statements and information contained in this presentation that are not statement of historical fact, including all estimates and assumptions contained herein are forward looking statements as defined in section 27A of the securities act of 1933 as amended in section 21E 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 inventory, 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 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, without further ado, I'm turning this call over to Mr. Gary C. Evans, our chairman of the board and chief executive officer. Gary?

Gary Evans:

Thank all of you for listening in this afternoon. We called this impromptu meeting this morning after our company is experiencing some significant volatility in our preferred stock, most notably our (common) has not done well either but the real purpose of this call is to talk about the preferred stock, which appears to be a lot of discussion in the market that's totally incorrect.

So, we feel like it's prudent for all our shareholders to set the record straight and to outline where our company is today, which is no different than what we've been telling the market for the last few months.

So, to start out with, let's talk for a minute about our company's liquidity. Currently, we have a senior bank credit facility with ten banks, just recently been renewed and extended and increased. We also have two series of perpetual preferred. This perpetual preferred is a nondilutive instrument in both series. Series C has \$100 million outstanding, is callable in December and has a current coupon of 10.25 percent.

Series D, which has a little over \$70 million - \$70,065,000 to be exact - outstanding and has a coupon of 8 percent. Both of these series, most notably the D, have been extremely volatile, especially today, and from what we can

ascertain from the market seems to be all based upon inaccurate information. So, again, our purpose here today is to set the record straight.

Magnum Hunter as we sit here today has \$80 million of liquidity. I'm going to repeat that because a lot of people don't seem to be listening; \$80 million of liquidity. Sixty million available under our credit line and our existing working capital, an additional \$20 million available under our new pipeline facility. That adds up to \$80 million. So, our budget as originally approved by our board of directors earlier this year of \$255 million is right on target. We are not reducing our budget; in fact, this morning I authorized additional drilling in the (tableland) field.

So, we are continuing to drill and stay within our budget that was originally approved. We are still on target to exit this year at 10,000 barrels of oil equivalent per day or greater by 12/31/11. That has been our game plan, we've said it and we're continuing to stick by that.

So, let's talk about a few other things. We announced on Friday afternoon that we did not close the North Dakota acquisition that we've been working for quite a period of time because of a dispute we have with the seller. We also initiated a lawsuit in North Dakota federal court. This is not a place that we are not familiar with; we've got several lawsuits already up there and we've had two mediations with the seller and we feel very confident that we will prevail again as we have in all our other hearings and all our other mediations on this matter.

So, we have an April 1 effective date under our PSA and we will vigorously pursue our claims against the operator of these properties. So, in fact, the situation since it did not close actually improved our liquidity. It wasn't a negative, it was a positive. And, but we still want to own the properties, we still want to operate in North Dakota through our Wilson Hunter entity.

So, I don't know whether that had anything to do with today's actions. There's a lot of squawk out there about us not having liquidity and that's why these (inaudible) preferreds have not traded like they should. They should be trading at par.

We look at these series C and series D preferreds as debt. Even though the series D is booked as equity, we consider it a debt instrument internally. So, if we were not to pay a dividend on our series, that would be a default and that is not going to happen here and is not in our game plan. There's no need for that, I mean, this company is doing extraordinarily well and we have just been lambasted over the last weeks with the volatility in the market on our (common) and our perpetual preferred.

So, I don't know what else to say other than what I've said before and we will be announcing here over the next two to four weeks some results on our new wells. We're continuing to drill and complete in all three of our unconventional resource play and we have a lot of other things going on behind the scenes that are very positive and we hope to be able to announce in the near future.

But, none of those include issuing equity. So, I want the record to be clear that we have a large asset base here, we have an asset base that is growing by leaps and bounds daily with our direct drilling of our own properties and that's why we do reserve reports every six months. You don't find many independent oil and gas companies doing an oil and gas report by a third party every six months and we do that because we're growing so fast.

We fortunately have a very well hedged position for 2011 and we are predominantly an oil company, 60 percent of our product is oil and what we do have in the gas arena is liquid rich. So, we're growing, the Wilson Basin, the Appalachian region and the (Eagleford) division along with our (Eureka) Hunter pipeline and everything is business as usual here. The only thing that's going wrong is what's going on in the markets and that we have no control over.

The purpose of the call, again, today is to try to set the record clear that Magnum Hunter has no issues, hasn't had any issues and don't plan to have any issues going forward. And we've been in this business a long time; I've been running oil and gas companies for 30 years and my background is finance and we know how to handle liquidity.

So, with that, I would like to just open up the floor. We have a number of analysts that follow us and would love to answer any – don't – there's not a question you can ask me tough enough, so get after it.

Operator: At this time if you would like to ask a question, please press star and then the number 1 on your telephone keypad. We will pause for just a moment to compile the Q&A roster.

Your first question is from the line of Neal Dingmann with SunTrust.

Neal Dingmann: Thanks for clarification, Gary. Just two quick questions. First, when we start looking at outlining your budget for next year and then maybe if you can address, you know, sort of cash flow versus CAPEX, your thoughts about that as you see it going forward?

Gary Evans: Well, obviously our cash flow, Neal, as you well know will be much greater in 2012 than it is in 2011 because of the acquisitions and the drilling. We will be obviously not at – we won't have sufficient cash to fund 100 percent of our CAPEX. We do – and are working on – additional financing for 2012 and we hope to announce that in the next couple of months.

So, we will have all our liquidity issues, again, resolved for 2012 which is our game plan, again without any form of equity dilution.

Neal Dingmann: And then, you know, around the – with that (inaudible) with what's going on there, would you take any of the funds that were originally going to be directed there and place them somewhere else or are you going to wait and see how that lawsuit plays out first?

Gary Evans: Well, the, you know, we did redirect \$10 million of our budget that was in the Wilson Basin to \$5 million of that approximately went to (Marsellis) and Appalachian activities, \$5 million went to (Eagleford). So, that had to do strictly with the new lock properties having issues with production because of weather.

We've got basically all of that production on as of this morning other than about 200 to 250 barrels a day and so that should all be on in the next week. And that's predominantly up in the (Tableland) fields.

So, to answer the question related to eagle acquisition, we had structured debt under our credit line to finance predominantly that purchase price. We just aren't advancing that money because we don't own the assets yet. So, there's really no change other than we were going to use \$8 to \$10 of our own liquidity as an equity piece of that purchase and we aren't having to do that now because we don't know when that will close. It may be 2012 as far as I know. We just don't know; it depends on the court system.

So, as I mentioned in the call, the actual closing or nonclosing of eagle was a positive from a liquidity standpoint by the tune of about \$10 million. So, it is also really important to note, you know, when we took over this company a few years ago, there wasn't a single well we operated. Today we operate and control 80 percent of our properties.

So, our capital budget is completely within our control other than a few nonop properties that we have in North Dakota. Everything else is operated. We also, obviously, operate the midstream assets; (Eureka) Hunter, the decision of land, a mile of pipe or buying another easement or adding another leg, is completely within our control. And so, we've managed that on a daily and weekly basis and so, you know, we control – we can put the accelerator full speed ahead or we can pull it back.

And right now there's nothing that's changed in our business whatsoever that would indicate not staying the course. So, we are exactly on course where we started the beginning of the year and where we are today. So, nothing's changed. We haven't backed off any wells and we haven't backed off any pipeline construction. We're moving ahead.

Neal Dingmann: Good point. And the last question if I could, Gary, just, you know, some of your peers have looked at – have recently done some of these royalty trusts, I guess that and other things like that, is that something you'd consider going forward for additional sources?

Gary Evans: I would just say that we have a number of arrows in our quiver box here and, you know, we've proven I think to the market just over the last three weeks, we've done additional financing with our credit line, through our ten banks. We've done new financing on (Eureka) Hunter, which I think was remarkable financing, especially in this volatile environment we're all experiencing.

We have other things that are coming and our goal is to continue to increase our liquidity so there's no question, there's no shadow of a doubt in anybody's mind that we can fund our growth. We've done it so far without dilution and we're going to continue to do it going forward without dilution.

Now, whether that means doing a royalty trust, doing an (MLP) on the pipeline, whether it means doing a (VPP), whether it means doing a second lien with our banks, does it mean doing any other kind of financing. Maybe we sell a division, who knows. You know, those are situations that we look at all the time and our goal is to maximize shareholder value the best way we can and fortunately, our asset base – or bases – are in the three hottest plays in the United States.

We have people knocking at the door all the time, wanting this, wanting that, and you know, we're going to do what's best for the shareholders and if that means selling something or putting it in a trust or whatever other vehicle makes sense, that's what we're going to do and we've got a lot of talent here that knows how to do that and we are pursuing it and we will have news on other things as the weeks and months go by.

Neal Dingmann: Great point. Thanks, Gary.

Gary Evans: Thank you.

Operator: Your next question comes from the line of Steve Berman with Pritchard Capital.

Steve Berman: Thanks, Gary and Brad, for doing the call. On that last topic I believe you said a high yield offering might be in the cards to take out the series C. I mean, if that window opens up again, is that still a possibility?

Gary Evans: High yield debt has always been in our, you know, sites. It's something to do. Obviously high yield debt is typically available for companies that have, you know, the reserves and the production and all to warrant and we have that now. We just need a little more time to go by the S&P and Moody's. They don't look forward, they look backwards and so we need a couple more quarters under our belt in our opinion to go do high yield.

We could go do high yield tomorrow. I could pick up the phone and (Ron) here could pick up the phone with our banks and do a \$200 million high yield offering tomorrow, but we don't want to do that. That would not be the right thing to do in this environment. We would be paying too much for it and we want to prudently lower (inaudible) our production and reserve and look at something next year.

So, the first, second, third and fourth quarter of 2012, I can't tell you. It all obviously depends on the volatility in the high yield market as well, but that is definitely in our radar screen, but it's most likely not a 2011 event.

Steve Berman: And is there anything in your bank facility that would prevent you from buying back either issue of preferred stock in the open markets if you so choose to do so?

Gary Evans: You know, obviously with the preferred trading down under par, especially with series D, par's at 50 and I think a trade as low as 33 today, that would be a great source of funds. The question is when you start looking at the return of that versus drilling wells with 70 to 80 percent IRs, is that the use of – the best use of our funds. Is it better to go back and buy preferred and not make 10,000 (BOE) a day or is it greater to make 10,000 (BOE) and let the preferred go back to par?

You know, I think that our – don't change our business plan just based on a very short term (arboration) in the market. We think it is something – the reason we're having this call is to give our investors an opportunity to make a great buy because there's no reason in the world those shouldn't be trading at par, especially in a company with the kind of liquidity that we've got.

So, naysayers are out there doing what they do, but the answer to your question is, we have a basket under our credit line that we can do things outside of the ordinary. We have not made a decision whether we are or not going to do that.

Steve Berman: All right, great. Thank you all. I'll turn it back to you.

Operator: Your next question is from the line of (William Butler) with (Stephens).

(William Butler): Hey, Gary, actually I think both of my questions were answered. Thank you.

Gary Evans: OK, thanks, (William).

Operator: Your next question is from the line of (Richard Tellis) with (Capital South Coast).

(Richard Tellis): Hey, thank you. Good afternoon. Gary, looking at the series D, I know you said you have about \$70 million outstanding now, what do you see as the max potential there for continuing the issue that?

Gary Evans: We're not going to issue anything, you know, at these kinds of levels. I think the lowest we've issued is just, you know, under par. So, you know, series D from our perspective is done until it gets back up close to par. So, we have other ways to raise capital other than series D and we'll just let it sit there and let the market, you know, do what it wants to with it and that's all we can do.

But, to answer your question, how much could we raise if we wanted to raise it? We can go up to \$250 million.

(Richard Tellis): OK, yes, assuming things go back to a more normal situation though.

Gary Evans: That's right.

(Richard Tellis): OK. And on the bank credit line, what are your expectations for growth there? I mean, where could you see that line going by year end?

Gary Evans: Well, you know, we started the year with a \$71 million borrowing base and today we're at \$187.5. We've gone up four times since January, so, you

know, do you the math. I don't know – obviously, you know, we look at it when we think it's necessary, so you know, I can't really answer that question because it's sort of subjective depending on how we do in our production and our reserves, but there's not an area in the company that we're drilling that we're not pleased with the results.

So, if we weren't pleased we'd take that money and go to another area. I mean, we control 80 percent of our operations, so there's not an area in the company we're drilling that we're not pleased.

Brad Davis: I would say, (Rich), we expect that number to go up significantly from where it is and until it's finally, you know, set in stone and determined we can't disclose that an answer to your question, significantly above that, you know, closer to the 225, 250 range.

(Richard Tellis): OK, good. And I know you have plans to drop the (Eureka) pipeline into an (MLP) around this time next year, I mean, given the (Nobel) deal announced last week in your neighborhood and the acceleration there, I mean, do you see the potential to even speed that process up, Gary?

Gary Evans: Well, I was actually having lunch today with a group, you know, as you can imagine we're getting hounded with people that want to partner up with us on those kinds of things, so I think that's a lot – there's a lot of things in this company that are hidden in value that the market just has no idea what they're worth and so the answer to your question is, I'm still working on the game plan of a March to June type exercise.

I don't really see it happening much sooner than that, because for us to realize the true value, we've got to get the volumes up and we see just a significant increase in volume activity through that pipeline between now and the end of the year. And that just makes the system worth that much more for our shareholders if we can realize those incremental volume increases before we do a transaction.

(Richard Tellis): OK, and then last for me, on the back of (Chesapeake)'s announcement in the Utica recently, I mean, what do you see for your Ohio acreage, what sort of exposure do you think you might have?

Gary Evans: Well, not only for exposure on our acreage position, which we have over 20,000 acres now, but we also have already filed permits to build our pipeline system under the Ohio River into the Utica. And I just had a meeting with our pipeline people yesterday in Dallas and they're telling me they think they'll start that in the next couple of months, the actual boring under the river.

So, our game plan is to be in a position to not only drill Utica wells with our own capital at some point in 2012, but also gather and process Utica gas where there's no other pipeline in the area.

(Richard Tellis): All right, very good. I appreciate it, Gary, thank you.

Operator: Your next question is from the line of Irene Haas with Wunderlich.

Irene Haas: Yes, back to your (Eureka) pipeline is really pretty well located. I think at one point or the other you mentioned that people are offering to buy it and you mentioned some value amount. Can you, you know, give us a little, you know, color on that? And then secondarily, you know, probably the one thing I find hard to quantify is really the cash flow coming from (Eureka), which you have a view as to, you know, what fourth quarter might look like?

And lastly, you know, your \$250 million CAPEX, no change you said earlier, but the PowerPoint seems to indicate there's \$40 million that's (midstream), so is this still the same thing or are you – has that moved off to another facility? I just want a little clarity on your CAPEX.

Gary Evans: OK, well let's talk about the last point you made first. The CAPEX is 255 of which 40 of that 255 is midstream. Now, on the company consolidated, that's not changing. How that's getting funded is what's changing. That \$40 million is being funded in the new financing that (Ron) and his team put together that we announced last week and so you're not moving total CAPEX companywide, you're just moving where that money is coming from. Do you understand what I'm saying?

Irene Haas: Yes.

Brad Davis: (Inaudible) the 215, 210 number you're referring to is upstream. Then, you add on the pipeline CAPEX.

Irene Haas: Gotcha.

Gary Evans: What was the other question?

Irene Haas: (Eureka) pipeline.

Gary Evans: Oh, you were wanting to know the value. Well, we've got a standing offer, you know, for \$150 million, you know, for the pipeline. We're not going to sell that, you know, it's just – we think those midstream assets within three years could approach a billion dollars value. I mean, it's – people have no earthly idea what is going on out there.

I mean, we have producers trying to get firm transportation at 50 and 75 million a day. The system has a capacity of 200 to 300 million a day. Remember, we built this predominantly for our own needs but there's such a strong need for transportation for midstream in this area that we, you know, we've really built something that's quite unique and continuing to build it as fast as possible to beat out our competition.

If you're the first pipe in an area – and we're working a thousand square miles of northwest West Virginia, that is our backyard and we've got three different laterals working right now off that system to gather new gas.

So, again, I think we've done a remarkable job respective to the way we structured the financing. You know, I hear people go, oh, we'll you're paying 12.5 percent interest. Well, that's not true. The actual cost of funds on a cash basis is 9.5?

Brad Davis: Well, yes, because you have to blend in. There's a senior and a junior facility, you have two tranches. You draw the first tranche, which is 12.5 and then you draw the second tranche, which is about 3.5. So, the blended rate comes out to be about 9 percent when it's fully drawn.

The other thing to keep – there's two other things you should keep in mind. One is 9.75 percent of that is payable in cash, the rest is payable in kind, meaning payable in stock if we would chose to because they want some sort of an equity kicker.

The third thing you should understand, it is completely nonrecourse. There is no guarantee from Magnum Hunter, this is a stand-alone facility meaning that this credit and debt stands alone against those assets, which are today not generating sufficient cash flow that would typically warrant that kind of credit facility.

However, because of the value we've created there, the lenders are confident enough to give us that kind of amount of credit facility, which we view as an alternative to equity in that facility – (Eureka) Hunter pipeline and we're getting it at, we believe, a very, very cheap cost.

Irene Haas: And any feelings to what kind of cash flow you can generate out of your midstream during fourth quarter?

Gary Evans: The problem with giving you that number, Irene, is that it could be – we could have 100 million go through that system or 40 million. And it's just – we don't know until we tie in, you know, we've got contracts sitting on desks of different producers that we're negotiating. You know, I could tell you next week we're flowing 60 million today. So, it's very, very hard to predict and that's why we structured this financing that way, is that we don't know until the dotted line is signed and the gas is flowing.

So, you know, we'll know more in 30, 60 days to give you that fourth quarter estimate. Right now, it's a shot in the dark.

Brad Davis: Yes, I think we're more comfortable, Irene, if we look out 12 months, not the next 90 days because as Gary said, it's so fluid right now and we look at this asset, if you look out 12 months, you know, next year, that this asset could be generating, you know, 20 to 25 million of EBITDA.

Irene Haas: Per quarter?

Brad Davis: On an annualized basis.

Irene Haas: OK, gotcha. All right, that's good. Thank you.

Gary Evans: All right, thanks, Irene.

Operator: Your next question is from the line of Marcus Talbert with Cannaccord Genuity.

Marcus Talbert: Hi, Gary, (Ron), good afternoon. I guess my focus – my question is more on the series D preferred stock. I think back in late July you had talked about estimated proceeds from the issuance of that stock around \$50 million or so and I think from your intercom slide that you've done a few million dollars in the last week or so. Assuming that this, you know, trades back closer to par and you guys are able to utilize that to continue to issue the other 50 million, would it behoove you to roll up the series C into the D, given that you have the availability there at some point early next year? And what are you thinking about in terms of, I guess for (Ron), like, you know, replacing that with a high yield offering. Is there a certain amount that you would need to get to to where it would be more marketable I guess to institutions and more attractive interest rate for you guys?

Gary Evans: Well, as you know, the series C is callable in December. We have not yet determined how we are going to redeem that. We will redeem it eventually. It is going to be December, is it going to be March, is it going to June? That we can't tell you. That all depends on the capital markets and how they are reacting at that time.

We believe that at present it makes no sense to call the C and put it in the D. The yield difference doesn't justify that, so, I would say the most likely course of action with respect to the series C is a high yield replacement at a much lower coupon, which would be some time next year. But, you never know. If our liquidity position changes dramatically because we have done something to either bring in a joint venture partner, sell a division or what have you, then we may call it in December. It all depends on what happens between today and the call date.

Marcus Talbert: OK. I guess assuming that the D trades back in line or closer to par here, it looks like you guys have done a few million in the last couple of weeks. Is there, I mean, is there any restriction or anything that would prevent you from issuing another 40, 50 million of that to be an additional source for the budget this year?

Gary Evans: No, nothing.

Marcus Talbert: So, there's not a daily max or monthly, quarterly, nothing like that that would prevent you?

Gary Evans: We could issue 150 million in one day if we wanted to.

Marcus Talbert: OK. Great, guys, thanks for the color.

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

Kim Pacanovsky: Hi, Gary, good afternoon.

Gary Evans: Hi, Kim.

Kim Pacanovsky: Hi, thanks for doing the call. Obviously people are beginning to understand what the liquidity situation really is and I just have a follow up question on the discussion about the pipeline volumes. What kind of volumes do you think you need to see on the pipeline before you can obtain a, you know, a full value if you did put that into an (MLT)?

Gary Evans: Probably 100 to 150 million a day.

Kim Pacanovsky: OK. And is that attainable by March or is that a 12-month type of target?

Gary Evans: I think it could happen by the end of the year.

Kim Pacanovsky: OK. That's terrific, that's all I had to ask.

Gary Evans: OK, thanks.

Operator: Again, if you would like to ask a question, please press star and then the number 1 on your telephone keypad.

Your next question is from the line of (Chris Owens) with (Trafeld).

(Chris Owens): Good afternoon.

Gary Evans: (Chris), how are you doing?

(Chris Owens): I'm real well. Thanks for doing the update here. My question is, it seems like, you know, per your slide deck that the liquid (inaudible) (yourself) is your highest IRR? And then there also seems to be the additional benefit of (filling) out the pipeline as quickly as possible so it can be dropped and bring in low cost capital.

My question is ...

Gary Evans: (Inaudible). Is that right?

(Chris Owens): Well, I guess what I was trying to get to is what do you guys consider doing a (JV) or royalty trust in that area? It seems like it's a lot of acreage and a lot of capital that can be put to work there.

Gary Evans: Well, we are looking at (JV) monetization opportunities in all three plays. We always do that. I mean, that's part of our business. And, you know, we're in the unique position in (Marsellis) as you've outlined because not only do we have a large acreage position, we're in a wet quarter and we have midstream, which includes not only gathering but also processing.

So, it's a very appealing asset. There have been a number of transactions done in and around that give value to the acreage significantly higher than anything the market is giving up. So, if there was a (JV) opportunity that gave us an opportunity to realize cash at a fair value and accelerate, we would do it.

But, one of the problems you've got to understand about this part of the world is you can only do so much so fast. You're in very difficult terrain, you've got to have the pipeline there to produce the wells and you know, we're very proud of what we have there. You see the results on the slides we presented, the kind of returns we're getting, even in a four or sub-four gas environment.

So, I think the opportunity for doing a (JV) or sale or something might exist better in another region. And we've got all the infrastructure up in (Marsellis). So, you know, we're continuing to pursue those possibilities and we get approached, you know, all the time. We know there's companies out there snooping around.

So, to answer your question, yes, it's a possibility but I really think it's a better possibility in other divisions.

(Chris Owens): OK. Second question was, when should we expect – you're drilling to my understanding a pad in the (Marsellis) and also along lateral (Eagleford), when might we see those results?

Gary Evans: Well, we've actually got two wells in the (Eagleford) that have (TD)'d; the (inaudible) Hunter, (Sable) Hunter and we're just moving over to drill our third new well, I think it's called the (fur) Hunter. Is that right?

Male: Yes.

Gary Evans: And so, it's the name of the people that own the land.

Male: Yes, the (Fur) family.

Gary Evans: So, we are almost – we almost have the (Sable) Hunter on production, we're just drilling out a couple more plugs that's been kicking out on us, wanting to flow. The (Sable) Hunter rig is just moved off location so it's going to be fracked here, I think August 26 is the frack date.

Male: Twenty-nine or 30.

Gary Evans: Twenty-nine, 30, OK. August 29, 30. So, those two wells should be on production, you know, within two to three weeks maybe? The first one ought to be on in maybe a week. So, and then (Jim)'s group – (Jim Denney)'s group up in Appalachia has got a lot of new wells that have been drilled, fracked and are just now coming on production.

So, we will give an operations update in these two areas probably sometime over the next 30 to 45 days and then (Glenn Dawson)'s group up in North

Dakota, they've been really busy. We've got six rigs running in North Dakota and just contracted a rig to start drilling (Tableland) wells. And we're getting some really nice production up there.

So, again, as I said earlier in the call, there's not an area that we're drilling or active in that we're disappointed and if we were, we'd move the money around. We have that ability; we control 80 percent of our budget. So, if an area stubs it's toe, I can promise you we'll move that money immediately somewhere else. But, right now, all three divisions are doing quite well and we're happy with what they're doing and we're going to have a slug of new production coming online over the next 45 days.

(Chris Owens): All right, thank you very much.

Operator: Your next question is from the line of (Jack Aiden) with (Key Bank Capital Market).

(Jack Aiden): Hi, Gary. Question, did I hear you correct that you've got 20,000 acres in Ohio (land) itself to Utica shares?

Gary Evans: Twenty thousand acres in Ohio and West Virginia. What we have done is we've leased basically acreage up along the Ohio River, both sides of the river that had both (Marsellis) and Utica potential. So, we wanted to have both horizons in case the Utica didn't prove out to be as good as everybody hopes, we could fall back on (Marsellis). So, yes, 20,000 acres on both the West Virginia and Ohio side.

(Jack Aiden): Any plans – any drilling plans – are you going to spot any wells over there any time soon?

Gary Evans: Nothing in 2011. I'm certain there'll be a test in 2012, early '12.

(Jack Aiden): Any well control nearby for the Utica, like, you know, Chesapeake is playing in that area and everybody else, any wells control do you have?

Gary Evans: No. That's why we're leasing (Marsellis) and Utica. The well control is a county to two counties away from us.

(Jack Aiden): OK.

Gary Evans: Geologically it looks great, looks very wet. Wet being high liquids component, but you know, until we drill a well and test it, you know, you really don't know.

(Jack Aiden): OK. Well, thanks a lot. By the way, you – the stock is up two points so at least you made a progress.

Gary Evans: All right, thank you.

(Jack Aiden): Two seventy-five by the way, 275.

Gary Evans: All right, thank you, (Jack).

(Jack Aiden): You're welcome.

Gary Evans: All right, operator. I think we've kind of addressed all of our questions today and we thank you listeners for dialing in and again, if you have any specific questions that you'd like to ask the company, call Brad and if he can't answer it he'll get you directly to a party that can. And we're staying the course and hang on, a lot of you are going to make a lot of money. Take care.

Operator: This concludes today's conference call. You may now disconnect.

END