

**Resolute Energy (NYSE: REN)
Q4 and Full Year 2009 Earnings Conference Call Transcript**

**Moderator: Nicholas Sutton
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Operator: Good day and welcome to today's conference call discussing Resolute Energy Corporation's third quarter results. Today's conference call is being recorded. This investor conference call includes forward-looking statements within the meaning of the Safe Harbor provisions of the United States Private Securities Litigation Reform Act of 1995.

Words such as expect, estimate, project, budget, forecast, anticipate, intend, plan, may, will, could, should, poised, believe, predict, potential, continue and similar expressions are intended to identify such forward-looking statements.

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At this time I'd like to turn the call over to Nick Sutton, the Chairman and CEO of Resolute. Please go ahead, sir.

Nicholas Sutton: Good afternoon and thank you very much for joining us. With me today is Ted Gazulis, our Chief Financial Officer and also on the line we've got members of the Resolute executive management team. After our comments we will open the call to your questions.

And what an exciting few months this has been for our business. Since completing our transaction with Hicks Acquisition in September, through which we became a public company, we've been focusing our efforts on our comprehensive program to increase production while also improving efficiency and tightly managing our costs.

We also continue to make headway on our strategic goal to acquire liquids prone assets evidenced by our recent venture in the Bakken Shale in North Dakota. Before I go into more detail on our operations, I wanted to make you aware that we will be filing our Form 10-K on or before March 31, 2010, next Wednesday.

The numbers that we will report in our 10-K filing for the full year 2009 will not present a particularly helpful baseline and will not tell the story of our company's performance. The numbers are, as required under GAAP, designed to properly reflect our business combination in which Hicks Acquisition was the acquirer.

The financial results that will be presented reflect 267 days of Hicks standalone results and only 98 days of results of the combined company. Remember, Hicks did not generate any revenue other than interest income earned on proceeds of its initial public offering.

As a result of this, as we did last quarter, we're intentionally focusing on the pro forma results rather than the GAAP numbers on today's call. The GAAP numbers will be readily available when we file it with the SEC.

I'll start by giving you an overview of the business and review some of our operational highlights from the fourth quarter and for the full year, and then I'm going to turn the call over to Ted who will provide a more informative presentation of the company's financial performance.

As you likely know, Resolute is an oil and gas company engaged in the development of our long live properties. We are, by design, focused on liquids rather than gas. Our principal assets, our tertiary oil project in Southeast Utah, which comprises approximately 93 percent of our reserves,

and a conventional liquids rich gas field in the Powder River Basin of Wyoming.

Our core properties are large liquids weighted, very stable and very long lived with proved reserves to production ratio of 23 years. In addition to these producing properties, we own exploratory acreage in the Big Horn Basin of Wyoming and the Black Warrior Basin of Alabama.

We also recently entered into a joint venture to develop Bakken oil properties in the Williston Basin of North Dakota. This is an exciting move for us and a strong example of how we plan to grow. Bakken is a hot area and a giant oil resource with estimated mean undiscovered volumes of 3.65 billion barrels of oil, according to a 2008 U.S. Geological Survey study.

There is a tremendous amount of industry activity taking place in this part of the Williston Basin. Recent technological advances in long reach horizontal drilling and multistage fracking that made it feasible to recover reserves to the Bakken Shale that would have been left in the ground in years past.

We believe that there could be an opportunity to drill more than 60 wells in this highly prospective area and we're excited about the opportunities that this will bring to Resolute. We have a very attractive production base.

As I said before, we're heavily oil weighted with almost 90 percent of our fourth quarter revenue coming from the production of oil. Being highly oil weighted is very advantageous to us given the current commodity environment. We also have a strong hedging strategy in place that provides us with a dependable stream of cash flow to effectively manage our operations regardless of the commodity pricing.

Now let me walk you through some of our operational highlights from the quarter and from the full year in greater detail. For 2009, our net production totaled \$2.7 million equivalent barrels or over 7,400 barrel equivalents per day.

Our net SEC case proved reserves at year end were approximately 64.4 million equivalent barrels of which 35 percent were proved developed producing and approximately 77 percent were oil.

We also had estimated net proved reserves of approximately 42.1 million equivalent barrels that were classified as proved development nonproducing and proved undeveloped. 95 percent of those reserves are attributable to recoveries associated with the expansions, extensions and processing of the tertiary recovery CO2 floods that are currently in operation in the Greater Aneth Field, where our world class properties cover approximately 43,000 acres.

We operate three federal production units at Greater Aneth Field, including the Aneth Unit, the McElmo Creek Unit and the Ratherford Unit. During 2009, gross production was approximately 9,200 barrels of oil per day. Production to date has been about 419 million barrels and based on our SEC reserves case, we expect the ultimate recovery efficiency to be about 37 percent.

As we said before, the great thing about this field is that for every one percent we can increase the recovery efficiency, we gain 8.1 million barrels net to Resolute. Since we acquired the Aneth Field properties, we have invested substantial capital to revitalize the field, including reworking existing wells, opening new zones for production, conducting a 3D seismic survey and implementing a CO2 flood program.

Our largest capital project to date has been to expand the CO2 flood to the Aneth Unit. Phases one, two and three of that flood expansion have been ongoing for the last few years, covering the Western portion of the Aneth Unit.

We are seeing increasing levels of production at the batteries that serve phases one, two and three. By the end of last year, the infrastructure build out on these expansion projects were substantially complete in this area.

We've seen recovery in more than a dozen wells out of the 87 producers there and our engineers estimate that incremental production is more than 1,000

barrels of oil per day. As we see the flood returns expand to the rest of the producing wells, we continue to believe that there is still a lot more production to come online and we're excited for these projects and the prospects available to us in the area.

As part of our plans to increase production, we're continuing with our efforts to expand the existing CO₂ flood project in the McElmo Creek Unit and to the Desert Creek 2C zone. While the Desert Creek is the primary producing horizon across Greater Aneth Field, the very highly prolific 2C zone was abandoned in the McElmo Creek Unit in the 1970s by the prior operator.

At that time, it had reached what was then considered to be the economic limit of water cut. But today we believe that more oil can be economically recovered from this zone by restarting the water flood and expanding the CO₂ flood into the 2C zone.

While some of the additional wells will need to be deepened, we already have infrastructure in place, and we can open up those wells creating a whole new flood potential for a very substantial resource with relatively low capital costs and very, very solid economics.

We expect that this operation will progress in stages over the next several years and the incremental production from both the water flood restart in the expanded CO₂ flood are expected to be realized concurrently.

Our next big project is expanding the Aneth Unit CO₂ flood to the rest of the unit. Preparatory work for phase four, the eastern portion of the unit is underway. We expect a portion of phase four to be online in 2010 and we will substantially complete the infrastructure build out on phase four in 2011.

Based on the work that we have commenced so far and the additional development plans we have lined up for the Aneth Field properties, we expect that in the next five years the daily oil production at these properties will almost double over an average production rate achieved during the full year of 2009.

Turning now to our Wyoming properties, as of the end of last year, there were 144 active producing wells and cumulative production from our three operated units was 68.3 million barrels of oil and 150 billion cubic feet of gas. Net SEC case proved reserves in our Wyoming properties totaled 4.8 million equivalent barrels at year-end 2009.

In Wyoming, Hilight Field was our most significant asset. We acquired the field in 2008 to provide products and geographic diversification to our Aneth Field properties. The reserves are comprised of about one-half gas and one-half oil and natural gas liquids.

At Hilight, the previous operator was successful with re-stimulating and refracing the Muddy Formation and thereby adding new reserves. In the fourth quarter of 2009, we initiated a program to refrac existing producing wells in the Muddy Formation.

We continue to move forward with that refrac program with four refracs completed to date this year and 16 additional projects planned for 2010. In addition, progress is being made on the geologic work necessary to test the Mowry Shale later this year.

For 2010, we expect net production to be between 2.7 million and 2.8 million equivalent barrels or an average of 7,400 to 7,700 barrels per day, and actually I should say that's barrel equivalent per day. Approximately 74 percent of the projected total production will be attributable to the Greater Aneth Field properties in Utah and 26 percent to the Wyoming properties.

As you may recall, we released a detailed analysis and anticipated guidance for 2010 on March 5th. We continue to be comfortable with this forecast, and we will look for additional opportunities to drive growth in 2010. We also are actively pursuing a number of attractive opportunities to further expand operations through acquisitions, and we will keep you updated on our progress as appropriate.

Now with that, I'd like to turn it over to Ted Gazulis to provide some detail on the financials. Ted?

Theodore Gazulis: Thank you, Nick. First, I'd like to highlight again, as Nick mentioned, that the numbers that we'll be reporting in our SEC disclosures by next Wednesday will be based on the combined financials associated with the Hicks-Resolute transaction, and it will all be done according to GAAP.

However, the GAAP financials really are not representative of our operations. They really, because of the nature of GAAP, financials do not capture a whole year of oil and gas operations. So as we did last quarter, what follows are pro forma financials that are much better in showing our progress for the fourth quarter and the full year. And as I go through this, we'll compare the current numbers with the corresponding prior year period.

So let's start with production results. Net production declined 10 percent for the quarter and 7.8 percent for the full year period. Production for Aneth declined 1.5 percent for the quarter, 3.8 percent for the full year.

The decline in Aneth really resulted from two factors. First, the reduction represented normal production declines in our existing property base, and second, in light of the very low commodity price environment in the first part of the year coupled with the extremely difficult economic environment through most of the year, we reduced our capital expenditure profile during the first eight months of 2009. And that resulted in deferring certain activities associated with our development projects.

I point out, however, that these negative effects were partially offset by increased production response from the early stages of our tertiary recovery projects, the CO₂ floods that we have out at Aneth. Production from these projects continue to increase throughout the year.

In Wyoming, production declined 28.9 percent for the quarter, 16.9 percent for the full year, and these production declines were substantially the result of shutting in about 2.5 million cubic feet a day of coal bed methane production that had become uneconomic, as well as the normal declines that would be experienced in the field.

In addition, as with our Aneth Field assets, low commodity prices and the difficult economic environment, led to reductions in capital and other

expenditures. And as a result there was no meaningful new incremental production. There was no meaningful new incremental production to offset the decline.

Let's move to the top line and again, I'll point out that essentially all of what I'm talking about here is pro forma. For the fourth quarter Resolute had total revenue of \$36.9 million including the effect of accounting for realized losses on derivatives of \$3.2 million. For fourth quarter 2008 revenues was \$48.7 million after adjusting for realized derivatives gains of \$17.4 million.

Looking at the pre-hedge – or pre-hedge adjusted revenue, we experienced a 28.3 increase in revenue which was just a function of the product pricing environment, higher prices, more than offsetting the decline in production.

For full year 2009 total revenue was \$139 million which includes the effect of realized derivatives gains of \$11.2 million. That \$11.2 million realized gain number does not incorporate a one-time, non-recurring loss on the derivatives settlement that was required by the Hicks Transaction Agreement.

For full year 2008 total revenue was \$212.5 million after adjusting for realized derivatives losses of \$23.1 million. The 46 percent decline in revenue from 2008 to 2009 was principally due to a 41 percent decrease in the average sales price from \$80.02 per BOE in 2008 to \$47.07 per BOE in 2009, as well as the production decline.

In terms of operating expenses, pro forma lease operating expenses, which I will sometimes refer to as LOE, for the fourth quarter, were \$20.6 million. There's \$31.32 per BOE including production taxes and overhead as compared to \$21.9 million or \$29.93 per BOE for the comparable prior year period.

I'd note that lease operating expense declined about six percent in absolute terms but increased in per BOE terms. And that's attributable to the decline in production that was greater than the decline in cost. Production taxes per BOE increased by about 20 cents a BOE, primarily driven by higher commodity pricing.

Full year 2009 total lease operating expenses were \$49.9 million, or \$18.40 per BOE, as compared to the 2008 number of \$60.3 million or \$20.50 per BOE. The reduction in lease operating expense resulted from cost cutting measures that we implemented early in 2009. Production taxes declined by about 31 percent based on lower commodity prices.

Moving to pro forma G&A, in the fourth quarter we incurred G&A expense of about \$5.5 million, or \$8.35 per BOE. I'd note that included in this amount was about \$2 million of special employee retention compensation and about \$600,000 of audit and legal costs, all associated with our transitioning to be a public company. Also included was about a hundred thousand dollar non-cash charge related to share-based compensation expense.

G&A for the fourth quarter of 2008 was \$4.2 million or \$5.71 per BOE, before adjusting for non-cash share-based compensation of \$1 million.

For full year 2009, G&A expense was \$9.1 million or \$3.35 per BOE, as adjusted for a \$3.7 million non-cash share based compensation charge. Also included in that amount is the \$2.6 million I just mentioned, as well as approximately \$800,000 attributable to resolution of certain matters with holders of our now extinguished second land notes.

G&A expense for full year 2008 was \$8.8 million or \$3 BOE, after adjusting for non-cash share-based compensation expense of \$7.9 million.

Finally, we turn to pro forma EBITDA. During the fourth quarter, we generated approximately \$11 million of EBITDA as compared to fourth quarter 2008 EBITDA of \$23.8 million. And for the full year we generated EBITDA of \$61.3 million, as compared to \$114.7 million of EBITDA for 2008.

Now looking at capital expenditures, during the fourth quarter 2009, we incurred approximately \$7.8 million in CapEx of which almost 53 percent, \$4.1 million, was used to purchase CO₂ to support our ongoing CO₂ flood project.

And an additional \$3.7 million was incurred on various facilities-related projects, including phases one, two and three of the Aneth CO2 expansion and other compression related items.

For the full year capital expenditures were about \$25.6 million. Of this about \$13.4 million or 58 percent was related to the purchase of CO2 and about \$7.2 million was incurred on the facilities-related project, again including the Aneth CO2 expansion.

That concludes my portion of the call so I will now turn it back to the operator for Q&A. Operator?

Operator: Thank you. Ladies and gentlemen, if you would like to ask a question at this time, please press star then the number one on your telephone keypad. Your first question is from the line of John Freeman with Raymond James.

John Freeman: Good afternoon, guys.

Nicholas Sutton: Hi, John.

Theodore Gazulis: Hi, John.

John Freeman: The first question I have is kind of a bigger picture, kind of strategically going forward. Obviously, you've got a lot of dry powder to do more acquisitions, and obviously your prior track record was very successful on that front.

And I'm just trying to think about now with your position in the Bakken. When you're typically looking at acquisitions, do you generally like to get a decent bit of scale or you don't mind having kind of small positions in various fields?

I'm just trying to get a sense of going forward in the near-term. Should we expect more activity in the Bakken or are you all just kind of just look everywhere?

Nicholas Sutton: I think we will – you'll certainly see us looking more at the Bakken but also we are casting our net much more broadly than that, John. I will say that we

look for scale positions, and so I wouldn't expect to see us casting a broad net that brings up a bunch of little fish from all over the country.

But rather we examine positions in many different producing basins where we think we can bring additional expertise to bear, put our capital to bear, do something maybe the way we have in Aneth Field where we take a property that has been under-operated and we apply talent and capital and increase production.

I will say also that we will continue with our oil orientation or our liquids orientation and so that will cause us to focus more on certain areas than other areas. But again, we're going to be very active in the Bakken, but we're looking further afield than that.

John Freeman: OK. And then in the Bakken how should we think about the timing in terms of well results, in terms of when you'll have the first well? I believe you all have already secured a rig, is that right?

Nicholas Sutton: We're in the process of going through with the technical team that is handling the Bakken for us as well as the technical team for GeoResources have had several meetings. Potential locations have been identified. Equipment is in the process of being lined up. The target is to spud the first well in July and do at least three by the end of the year.

John Freeman: OK, good. And then there wasn't any mention in the operational update about the Niobrara. Obviously, there has been you know a lot of successful wells been drilled by competitors pretty close to you all's acreage in kind of the southern part of that the highlight field. Just any kind of what your thoughts are on that area?

Nicholas Sutton: Our Geo team is actively evaluating the Niobrara. As you know, the Niobrara cuts a fairly wide swath across the Rocky Mountains. We were very familiar with Niobrara in our DJ activity days, Denver Julesburg Basin days, and we are looking at Niobrara throughout, including at or around our Highlight field. So we've got an active geological and engineering team focused on the Niobrara.

John Freeman: OK. And then last question and I'll turn it over to somebody else. On the CapEx for the year, I'm trying to get a sense of is that a relatively smooth number or is it pretty lumpy with you know the work you're doing on McElmo Creek and then the phase four. I'm trying to get a sense of if it's materially lumpy, if there's any details you could give on that?

Nicholas Sutton: As I step back and look from 30,000 feet, I don't see it being materially lumpy certainly in the \$88 million to \$91 million that we put out there. That includes about \$25 million in the Bakken and some of that is going to be front-end lumpy because it represents acreage acquisition and we are continuing to lease in that area.

But in terms of Wyoming and in terms of Aneth, I would say that it's going to be fairly smooth with some of the Aneth facility's related activities being somewhat more weighted toward the third and fourth quarters.

John Freeman: Great, thanks a lot guys. Appreciate it.

Nicholas Sutton: Thank you, John.

Operator: You're next question is from the line of Richard Tullis with Capital One South Company.

Richard Tullis: Hey, good afternoon.

Nicholas Sutton: Hi, Richard.

Richard Tullis: Just a couple of questions. Looking at the changes you're trying to make with your credit facility, what sort of production interest rate do you think you'll be able to achieve there?

Theodore Gazulis: Basically, let me just talk very briefly about the big picture there. We are very far down the road. We expect to close that in relatively short order and, of course, we'll make an announcement when we do so.

We're going to push the maturity out to four years, which we think is a big plus. I think that depending on where we are in the grid, we'll probably reduce – we'll reduce our interest rates 50 to 75 basis points.

As you know and you know a reserves based lending you end up with a grid where you pay more interest the more of the facility that you use. At the higher end, we'll drop 75 basis points and then the middle and lower ends we'll drop a half.

Richard Tullis: OK, very good. The retention comp that was mentioned in the press release, that's a one-time item, I imagine.

Nicholas Sutton: Yes.

Richard Tullis: OK. And how long does that cover?

Nicholas Sutton: There was a payment made in 2009 that was 50 percent and 50 percent will be made in 2010.

Richard Tullis: So we'll see another charge this year?

Nicholas Sutton: We'll see another charge roughly the – probably third quarter.

Richard Tullis: OK, same amount?

Nicholas Sutton: It will be more or less, yes.

Richard Tullis: OK. Looking at the G&A, if Ted could run through that again, what the actual was for four Q and then back out the onetime items? If he doesn't mind?

Theodore Gazulis: Let me get to the – let me get to the right page here. I mean essentially, if you go to – if you look at the release, what you will see is that the pro forma G&A for the fourth quarter ...

Richard Tullis: Yes, was that the eight ...

Theodore Gazulis: ... it was about \$5.4 million.

Richard Tullis: OK.

Theodore Gazulis: What do you think – I mean so without doing a lot of the ins and outs that ...

Richard Tullis: Sure.

Nicholas Sutton: ... walk him through it just again so he has the detail.

Richard Tullis: And then subtract out the \$2 million retention and the \$600,000 for the audit costs?

Theodore Gazulis: Well, you start with the – yes, \$5.5 million. We had \$2 million of retention. We had \$600,000 of you know specialists cost, we'll call them.

Richard Tullis: Sure.

Theodore Gazulis: And then a non-cash \$100,000 ...

Richard Tullis: OK.

Theodore Gazulis: ... and that gets you down pretty dramatically from where we were.

Richard Tullis: So is that a run rate of \$11 point something million on a yearly basis?

Theodore Gazulis: Hang on a second, I'm looking for my – you will probably ...

Nicholas Sutton: The one number that I've got right now in front of me is with the guidance we have provided is G&A ranging from three to 350 per BOE based on production of – the production guidance is 2,700 to 2,800 BOE ...

Theodore Gazulis: In actions.

Nicholas Sutton: ... so you can back into the actual.

Richard Tullis: Right.

Theodore Gazulis: So if you took the middle part of the range at 3 and a quarter and multiplied it by the \$2.7 million, you're really looking at about a \$9 million G&A.

Richard Tullis: Right. So what I was trying to reconcile is the guidance versus your run rate for the fourth quarter after backing out those one-time items.

Theodore Gazulis: Well, what you ...

Richard Betz: Hey Richard, this is Rick Betz. To connect the dots for you, the piece you're missing in the middle there is as we go into 2010 you know we're forecasting the incremental G&A associated with being a public company. And we'll be staffing up in various areas. You know more audit and tax-related work.

And so we've you know I think your run rate for around 11 million to 12 million is right for where we were absent one-time items in 2009.

I think we said in our 10 – on our S-4 filing that we expected an incremental sort of three-ish million of public company in G&A and you really just started to see that hit in 2010.

Richard Tullis: OK.

Richard Betz: So that will sort of bridge the gap for you.

Richard Tullis: So the G&A will be higher than the guidance?

Richard Betz: No that guidance incorporates that, but if you run the guidance you know the \$3 against the you know roughly 3 million barrels or 2.8 million barrels of forecast production.

Richard Tullis: OK, isn't that 9 million?

Richard Betz: Before – yes it's 9 million before (copas) and some other things.

Richard Tullis: OK and then the Mowry Shale, what are your expectations there as far as cost and you know what are you looking for in that first well? Is that going to be a horizontal or vertical?

Nicholas Sutton: That's to be determined Richard. We've got the group working on that and of course we're in this really good position where we've got almost 50,000 acres HPP. And so part of what we're doing is watching and learning off of others, but we're also working our acreage ourselves.

And as I say, we expect to have something going there by the end of this year but it's an underactive evaluation. And we have not yet gotten to the point where we've made a decision of you know vertical versus horizontal and you know all the complexities.

Richard Tullis: OK. Then are you able to say what your current production is?

Nicholas Sutton: We have not made any public statement in that regard.

Richard Tullis: OK, that's fine. I think that's all I have for now. Thank you, gentlemen.

Nicholas Sutton: But what I can say is we're very comfortable with the guidance that we have out there.

Richard Tullis: OK, very good. Thank you.

Nicholas Sutton: Thanks, Richard.

Operator: Your next question is from the line of Noel Parks with Ladenburg Thalmann.

Noel Parks: Hello, can you hear me?

Nicholas Sutton: Sure can, Noel.

Noel Parks: Great. I actually hopped on a little late so I apologize if you went over a couple of these already. What was the oil-gas split for the fourth quarter?

Theodore Gazulis: Well, on a revenue basis, we were approaching 90 percent oil.

Noel Parks: OK. OK. And actually some more to that, just trying to make my numbers come out right, if you have it there handy, could you also help me with the split for realized and unrealized gains in the quarter? I was having a little trouble making those make sense.

Theodore Gazulis: Well, if – get to my right page here. We had in the fourth quarter , just hang on a second – we had \$3.2 million of realized loss on the hedging in the fourth quarter.

Noel Parks: OK. OK, great, that's helpful. And just looking for – in the cost guidance that you've talked about are you assuming a relatively flat service cost environment for the rest of the year? And maybe to talk about that in terms of Aneth versus the Bakken, or are you expecting some increase, and if so you know roughly how much?

Nicholas Sutton: Dale, why don't you handle this one because you have the most current, up-to-date information on what you're seeing in Aneth. The Bakken of course is a different beast and we have certainly seen some increases going on in the Bakken just because the pressure on goods and services up there. But Dale is working with the Aneth service providers on a regular basis and Dale can give us absolutely up-to-the-date information there. Dale?

Dale Cantwell: Thanks, Nick. In our numbers in our – we have forecasted increases in price. So our guidance as you know in our LOE numbers has increased our LOE expenses and so you know our guidance numbers includes those numbers.

Now to give you a little commentary on what the marketplace is doing, is we are – this time last year, we were seeing everybody including ourselves trying to push back costs and to some degree we did accomplish that.

We're seeing exactly the opposite going on right now as the vendor community is pushing back at us and we're starting to see increases in there and therefore we have forecasted some of those increases to take place throughout the year in our field.

In some areas you know and since we've you know mentioned the Bakken a bunch of times you're seeing a lot of very significant increases in the drilling and the fracturing costs in that particular play just because there is a huge demand for services right now in both particularly drilling and cracking.

Noel Parks: OK, great. And I'm also hearing about steel pipe also becoming a factor. Is that something you're seeing as well?

Dale Cantwell: Not as much but you know it's certainly one of the cost items that is out there.

Noel Parks: OK. And then just a last thing, just your expectations or your modeling for differentials for the rest of the year in the Aneth area.

Dale Cantwell: We expect them to stay flat to where they're at right now.

Noel Parks: OK. OK, that's all I had, thanks.

Nicholas Sutton: Thanks, Noel.

Operator: Your next question is from the line of Jason Wangler with Wunderlich.

Jason Wangler: Quick question on – in Wyoming, is that 2.5 million cubic feet a day still shut in, and I guess sort of just around that you know when is the time that you guys really start looking at that pretty hard, I guess what gas price?

Theodore Gazulis: The answer is yes, it is still shut in. When we acquired these properties, the – I'll call it the economic configuration, not to be confused with the sort of operational configuration of the field was really not optimal.

And as we went into the you know sort of the depths of the pricing plunge, it became quite apparent that some of these wells just were never going to be economic at any – at any reasonable price level. I can't speak to the operational side but I can say that it's probably realistic to think that very little of this will come back in the short-term and perhaps over the long-term as well.

Nicholas Sutton: I would add to that that when we bought the properties in that area, we put virtually no value on the CBM because these CBM wells were on the latter stages of their productive lives and when we shut them in we realized full well that they were probably shut in for good.

Jason Wangler: OK and then just last one for me, Ted, if you could just give me where the debt's at the end of the year and was it all still on the revolver?

Theodore Gazulis: Everything is in the revolver. We were at you know we haven't announced this I guess but right – just north of \$100 million of debt outstanding on what is currently a \$240 million borrowing (debt).

Jason Wangler: OK, great guys, thanks.

Nicholas Sutton: Thank you.

Operator: Your next question is from the line of Rehan Rashid with FBR CM.

Nicholas Sutton: Hey Rehan, you there?

Operator: Rehan, your line is open. There is no response from that line. Once again, in order to ask a question, please press star one. Your next question is from the line of Todd Cohen with MTC Advisers.

Todd Cohen: Good afternoon.

Nicholas Sutton: Hello, Todd.

Todd Cohen: Hey, Nick, in your discussion a few moments ago regarding the Bakken, I think you said that you're still kind of leasing up there.

Nicholas Sutton: Yes.

Todd Cohen: And so what I wanted to ask is is that in conjunction with GeoResources? And then if it is, should we assume then that the figures that were in that press release originally might be actually higher than what were stated there?

Nicholas Sutton: Ultimately we would expect our acreage position to be higher than what we released on I believe it was the 5th of March.

Todd Cohen: OK, so it would be higher than 61 gross and 42 net. And then would the dollar amount that you've committed there be the same or was that built in at that time to the budget?

Nicholas Sutton: The dollar amount was built into the budget.

Todd Cohen: OK, so that – the dollar amount that was highlighted will allow you to lease out more acreage.

Nicholas Sutton: That's correct.

Todd Cohen: OK, thanks.

Nicholas Sutton: Sure.

Operator: Again, in order to ask a question please press star one on your telephone keypad. Your next question is from the line of Rahan Rashid with FBR CM.

Rahan Rashid: Let's try one more time, can you guys hear me OK?

Nicholas Sutton: Sure.

Rahan Rashid: OK, all right, good. So going to the Bakken real quick - three wells planned for the year. What portion of the acquired acreage will this test or kind of what's the, call it the geological objective here from these three wells?

Nicholas Sutton: The geological objective will be the middle Bakken.

Rahan Rashid: OK.

Nicholas Sutton: And it'll be drilled horizontally the way the other wells are being drilled in the Bakken right now.

Rahan Rashid: Sure. I mean will it be a concentrated three wells or will it try to (inaudible) of your acreage?

Nicholas Sutton: Yes, good question. Right now the – we've got a team and basically, again, we're working very closely with GeoResources and putting our best minds and their best minds together.

And so far a dozen potential locations have been high graded and each one of them has different characteristics. And no decision has – one of the characteristics is you know do you want to stay close to existing success, do you want to move out and prove up more of your acreage, as well as the individual geologic considerations with respect to each location.

All of that is in the mix and is being actively discussed and worked on by the teams and no decision has been made yet as to which of the locations are going to be drilled. In all likelihood we'll go out and permit a number of wells

and continue with that refinement with the exact selection as we go forward into July, which is the target for the first spud.

Rahan Rashid: Got it, got it. And you mentioned close to existing success. Could you give a little bit more color around exactly or maybe perhaps just broadly what is around you and any reason why (this fault) or anything else structure of any sort that would not let the Bakken continue or be on your side of the acreage?

Nicholas Sutton: The – our announcement indicated that we're in Williams County, North Dakota. We're playing it pretty close to the vest simply because we are actively lasing, as we indicated before.

Rahan Rashid: OK.

Nicholas Sutton: And so I don't want to say too much other than the fact that there are a couple of operators that are drilling very nice wells very close to our acreage block.

Rahan Rashid: Got it, OK.

Nicholas Sutton: And they're sort of the usual suspects of people who have been active in the – in the Bakken.

Rahan Rashid: Got it. Real quick on the Mowry side. Are we looking to pick up more acreage, did you say, in and around that area and same maybe color with regards to industry activity. I mean, how close is it to your acreage position?

Nicholas Sutton: When we talk about the Mowry, let's talk about two separate concepts. One is in our highlight field, which is where we've got 50,000 acres held by production. That has Mowry potential and EOG, Baytex, Orion in particular have been drilling about five, six miles to the east of us.

We're down BIP from where they have been – where they have been drilling. And you know that's – we're talking that into consideration. Now we also have about 75,000 acres in the Big Horn Basin that we acquired with the Mowry concept, and we're moving that forward from a geologic and geophysical standpoint.

That is somewhat more out of the mainstream. It's certainly more out on the risk spectrum, but it has huge potential. As I say, we've got 75,000 acres and we'll move that along.

There has been, as you know, broadly speaking Mowry activity throughout the Rocky Mountains. There's been some activity up by our Big Horn acreage, but nothing that we could really hang a hat on and say wow, look at that, that's just you know down the road from us.

Rahan Rashid: Got it. Do you have any cores in your portfolio that go through the Mowry here and/or the other kind of place that gives you some comfort? I mean, what is the basis of that, picking up 75,000 acres?

Nicholas Sutton: We do have cores and we do have wells that have been – have penetrated the Mowry generally on their way to looking for something else, and the (shale's) been interesting. The acreage that we picked up is very prospect specific based on a certain geologic concept that we hope will work out, but we have no assurance at this point that it will.

Rahan Rashid: Sure, OK. Thank you.

Operator: Your next question is a follow-up from the line of Richard Tullis with Capital One South Company.

Richard Tullis: OK. Thank you. Going back to the CapEx budget for 2010, the \$22 million to \$25 million for acreage acquisitions in the Bakken, do you see that potentially going higher or do you think you'll still be able to live within that budget?

Nicholas Sutton: That covers acreage acquisition and drilling our share of three wells.

Richard Tullis: OK.

Nicholas Sutton: So there's more than acreage acquisition in there. Our intention is to stay within budget. Now, on the other hand, if we you know see some tremendous reason to accelerate our activity or to broaden our footprint, we might consider that, in which case we would go to our board of directors for

authorization to an adjustment of the preapproved plan. But right now our intention is to stay within that \$22 million to \$25 million.

Richard Tullis: OK. And have you done the well design yet? How many frac stages do you plan for the horizontals?

Nicholas Sutton: We're not that far along?

Richard Tullis: OK. When did GeoResources purchase that acreage?

Nicholas Sutton: In 2009.

Richard Tullis: 2009, OK. I think that's all I had. Thanks a bunch, Nick.

Nicholas Sutton: Thanks, Richard.

Operator: Again, in order to ask a question, please press star one on your telephone keypad. Your next question is a follow-up from the line of Noel Parks with Ladenburg Thalmann.

Noel Parks: Hello, had one more general Bakken question.

Nicholas Sutton: Sure.

Noel Parks: Looking at what you've acquired and it's a nice-sized position kind of all at once here. You know we're in this terrific oil environment. You know I guess last six months we've had like a trading range of about 65 to 80 and you know a year ago we were you know far below that, you know 50 to 65 say.

Of course, a lot of stuff has already been picked up in the basin there that has Bakken potential. What would you say your appetite is going forward sort of on the – on the risk spectrum? Are you happy with sort of the type and prospectivity of the acreage you have right here?

Would you be willing to go after some stuff that maybe is a little risky, maybe a little bit less prospective, you know still pretty cheap right now but you know where you'd really want the higher oil price or is this as much on the –

as far out on the exploration risk curve you want to go in the Bakken area right now?

Nicholas Sutton: Well, that's a very interesting and very complex question. Let's start by saying that we are very comfortable with exploration and in our careers we have done exploration very successfully in various parts of the United States. That said, we're – we are very conscious of not getting too far out on the risk spectrum and that can be either geologic risk, it could be financial risk, it could be concentration risk.

One of the things that you know about us, Noel, is that we – we've always believed that you build a company by having a good stable platform of cash generating properties, in our case, good long-lived oil producing properties. It's a wonderful place to be.

Then, the task is to deploy that appropriately, and appropriately to us includes sort of a spread across the risk spectrum. We will tend generally to be on the – on the lower risk relative, frankly, to how high risk you can get in this business.

I mean, you won't see us – we've always stayed away from going off into the Gulf of Mexico or going into you know offshore West Africa. Those aren't appropriate plays. But we're not afraid of good solid concepts, well thought out, on onshore U.S., and with an orientation to oil.

Now, you'll look at our current acreage holdings and they range all the way from very strong proved developed producing properties to things that kind of span the risk spectrum. As we go into looking at the Mowry acreage that we hold by production, we can start to use existing wellbores and things like that that will control risk.

The Bakken is a well-known play and therefore is not highly risky. The Big Horn is more – it's further out on the play but as you mentioned, you buy in at a very cheap rate and so you know where do you play in the game?

Do you want to be way out, the early mover that takes on a lot of geological risk and you know infrastructure risk and things of that nature in exchange for

cheaper acreage or do you want to be one step back where you want to stay within some proven concepts and maybe step out and apply it to new areas, things like that, somewhat more risky but probably a little higher buy-in and then you go and you know across there.

We tend to balance all of those things out and I think we have a pretty good portfolio right now in that regard. Going forward, you're going to see us again always trying to balance those things out much as a money manager would try to have a well-diversified, well-balanced portfolio that gives you know relatively low volatility and high rates of return. That's what we shoot to do.

Noel Parks: Great, thanks. That's it for me.

Operator: And there are no further questions at this time. I'll now turn the call back over to Mr. Sutton for any closing remarks.

Nicholas Sutton: Well, in closing, I'd just like to thank you for being with us on the call today. I know everyone is very, very busy. I know there are conferences out there that people are tending to and, of course, at this time of the year you've got a lot of companies that you're following as they're issuing their earnings releases, and so we appreciate your time, your attention, your continued support of our company.

We think it's going to be a great year. We started out 2008 in an – in an entirely different situation as I you know Noel mentioned today's product prices versus a year ago and he mentioned \$60 a year ago. I think a year ago it was a lot lower than \$60.

And so it's – we think the company is well positioned. We've got great properties, we've got great employees, we've got a great balance sheet and it's going to be a very interesting and fun year and we look forward to your continuing support.

So again, thank you, and with that, I'll sign off for today.

Operator: And thank you all for participating in today's conference call. You may now disconnect.

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