

GASCO ENERGY INC

Moderator: Mark Erickson
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10:00 am CT

Operator: Good morning. My name is (Tracy) and I will be your conference operator today. At this time, I would like to welcome everyone to the Gasco Energy First Quarter Conference Call.

All lines have been placed on mute to prevent any background noise. After the speaker's remarks, there will be a question and answer session. If you would like to ask a question during this time, simply press star then the number 1 on your telephone keypad.

If you would like to withdraw your question, press star then the number 2 on your telephone keypad. Thank you. Mr. Grant, you may begin your conference.

King Grant: Thanks and good morning everyone. Please be advised that our remarks that follow including answers to your questions include statements that we believe to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act.

These forward-looking statements are subject to risks and uncertainties that could cause actual results to be materially different from those currently anticipated.

Those risks include among others matters that we have described in our earnings release issued last night and in our filings with the Securities and Exchange Commission.

We disclaim any obligation to update these forward-looking statements. While the company believes these forward-looking statements are reasonable, they are subject to factors such as commodity prices, competition, technology, environmental and regulatory compliance, our drilling schedules, capital plans and other factors may cause our results to differ materially.

Now I'll turn the call over to Mark Erickson, President and Chief Executive Officer of Gasco Energy.

Mark Erickson: Good morning everyone. Thanks for joining us for today's call. We have entered a period of commodity price uncertainty for Rockies producers. We even believe that producers may not be able to sell all of their production regardless of price.

To mitigate this risk, Gasco elected to reduce its 2007 capital budget and top off our treasury with a small equity offering that we completed in early April.

Additionally, we entered into a forward-sale contract that ensures we will be able to sell 18,000 MMBTU's per day through March of 2008. We can now hedge our price if the opportunity presents itself.

This organization is focused on improving the operations side of the business. We continue improving our operating efficiencies including reducing drilling time and lowering operating costs.

We emphasize these efforts because they are central to the ultimate success of our Riverbend project. We are focused intently on reducing costs that are efficiency driven rather than cycle driven.

In other words, we feel that most of the gains we have made are repeatable in any service price environment. We are encouraged by the recent increase in activity in the Uinta Basing targeting the deeper Mancos and Dakota intervals by other operators.

We are nearing total depth on our first test of these intervals. Preliminary results from drilling indicate the presence of over pressuring and hydrocarbons and we are nearing total depth.

Joining me on the call today are Mike Decker, Chief Operating Officer, King Grant, Chief Financial Officer, and Peggy Herald, our Chief Accounting Officer.

We have a lot to cover on today's call including further discussion on some of the topic's I've just discussed in my introductory remarks. Once King covers the financial results, Mike will discuss detailed operations and Riverbend progress.

After the prepared remarks, we'll welcome questions from the conference call participants. I would like to turn the call over to King Grant to recap the first quarter's financial results.

King Grant: Thank you Mark. Internally we assessed part of our performance on a quarter-over-quarter basis as well as sequentially. Commodity prices are an important input in this analysis.

The volatility of the price input is apparent in when looking at Q1 '07 versus Q1 '06 average prices received. The average realized price for gas for the quarter was \$5.47 for Mcf versus \$6.50 for Mcf for the same period in 2006.

For liquids, the average price received during the first quarter was \$45.38 per barrels as compared to \$57.08 for the same period last year. All Gasco's production remains unhedged, however, as Mark briefly mentioned, we recently sold for approximately \$18,000 in MMBTU's per day of gross GAAP production at CIG index pricing.

The Ford sales contract will provide flexibility should we decide to hedge a portion of our net production in order to lock-in more attractive prices or mitigate commodity price risk.

The 16% drop in prices receipt for gas, which makes up 95% of our production as reflected in our income statement. When compared to the same period in 2006, first quarter 2007 production was up 17% to 1051 Mace.

Total revenues for the quarter were \$6.4 million, an 11% decrease over total revenue of \$7.3 million for the same period in 2006. The line item break-out is approximately a half million dollars for gathering income.

Oil and gas sales were \$5.9 million in both the current and year ago period. While oil and gas sales revenue was unchanged, the components did undergo some meaningful changes.

Increase in production year-over-year increased revenue by \$1 million, which was directly offset by the year-over-year decline in commodity prices that reduced revenue by \$1 million.

For Q1 '07 earnings results, we've posted a net loss of \$200,000 or break-even on a per share basis. This compares to a net loss of \$200,000, a break-even on a per share basis in the same period in '06.

G&A for Q1 '07 declined 13% or \$.4 million due to efforts to manage our expense pay. Included in the quarters \$2.3 million G&A expense was \$1 million in stock based compensation expense from the vesting during the quarter of prior periods grants of restricted stock and options to employees, a non-cash expense.

For the first quarter, Gasco posted positive cash flow of \$1.7 million, which compared to positive cash flow of \$1.1 million in the same period of '06.

In looking at selected (Unicost) analysis for Q1 '07, ROE exclusive of production and property taxes was 41 cents per Mcfe, versus 47 cents per Mcfe for Q1 '06.

The decrease is attributed principally to decrease water hauling expense due to operation of our evaporation fit in Riverbend. BB&A expense was \$2.22 per Mcfe versus \$3.14 per Mcfe) in Q1 '07.

Also during the quarter, we increased our bar and base on a \$250 million revolving credit facility. The bar and base is now \$37 million of which \$12 million is currently drawing.

Finally, we're in discussions with a third party to participate in our 2007 drilling program. It would be premature to discuss the specific terms of the deal.

I can say however, that the preliminary structure of the deal is in line with our guidance that we plan to drill ten net wells this year with a \$40 million capital budget.

Additionally, I'll say that the preliminary deal would allow us to continue drilling with three rigs. I hope to be able to provide much more detail on this front before our next conference call.

I'd now like to turn the call over to Mike Decker to continue today's conference call with a discussion of operations.

Mike Decker: Thank you King. I will first cover production. Our actual production for the quarter was 1051 (MMcfe) as opposed to the field volumes reported in our recent operations press release of 1129.

The difference is attributed to the extreme cold weather in January and the effect the cold had on our electronic meters.

The cold weather caused us to realize a slight production decrease quarter-over-quarter of 4%. However, when Q1 '07 is compared to Q1 '06, we realized an increase of 17%

I would like to reemphasize that the slight production decrease is a result of the severe cold weather experienced in the field in January. For approximately two weeks, it was 35 to 40 degrees below zero.

Many of our wells, along with the associated pipeline infrastructure, were frozen during this period and beyond as we thought the system.

We estimate that the extreme cold weather reduced our production by approximately 50% over the two-week period. Overall for Q1 '07, we estimate that the weather reduced natural gas production by approximately 8% compared to what it otherwise would have been.

Turning to drilling, as King said, we are currently operating three rigs, all of which are drilling ahead. We recently took delivery of a long-awaited Nabors new build Rig number 99.

This is a state-of-the-art drilling rig that hit the ground running and drilled it's (nogural) well in 16 days.

This is truly outstanding for a new rig and a new crew. We anticipate greater things for Rig 99 as the crew gets more comfortable with the rig and really begin letting it run to its fullest capabilities.

The well reached TD in the second quarter but such performance merits mentioning on today's call. We are very pleased with the current results from our fleet.

The three rigs we are now running are all three Nabors rigs, numbers 99, 270 and 611. Frontier 6 rig, in which we hold an equity position, is presently drilling for another operator on a one-year contract.

We are examining the option of monetizing this asset. During the first quarter, we invested approximately \$17.9 million for drilling, completion, re-completions and infrastructure operations including the following activities.

In Q1 '07, Gasco started five gross wells, or 4.7 net and reached total depth on six gross wells 4.9 net. The company also participated in a Barrett operated well in Utah with a 25% working interest.

Other activity included initial completion operations on seven wells, or 4.7 net and the reentry of one net well to complete behind pipe pay zones. At March 31, 2007, Gasco operated 95 gross wells and 1 additional well awaiting completion activities.

Gasco has an inventory of 17 operated wells with uphold completions yet to be formed. Part of our strategy is to delay the uphold completions until we see stronger gas prices.

Stage completions afford us this opportunity of essentially storing gas for sale in a better price environment.

Let's talk about our D-test in the Uinta Basin where we will be testing the Mancos Shale and Dakota formations at depths of approximately 16,700 feet. We consider this a development well for the Wasatch, Mesaverde and Blackhawk with an expiration tale testing the productive potential of the Mancos Shale and Dakota sandstones.

Gasco is operating the well with a 100% interest. As of last evening, the well was drilling with a flare on an 81st day and nearing TD.

During drilling, the well has encountered numerous gas shows in the target intervals with indications of over pressuring for mudweights experiencing the deep horizons specifically the Mancos and Dakota formations.

Recent announcements by industry players in the base indicate increased activity targeting deeper pay zone is ongoing in the Uinta Basin.

The early wells are providing encouraging preliminary results. Deological modeling indicates that the Mancos Shale and associated Dakota sandstones are prevalent under Gasco's lease hold.

Operations are in Nevada Farmout are underway as well. The project is being operated with tighthold status so we won't be able to provide updates for some time.

That covers operations. I will now turn the call back over to Mark.

Mark Erickson: Thank you again for joining us. Before we turn it over to questions, I want to impart a few closing thoughts. With respect to the Rockies gas prices, 2007 has been a particularly volatile year, and we expect the volatility to continue for the remainder of 2007.

Year-to-date, we have seen a range at Henry Hubb of between \$5.40 per MMBtu trading as high as \$9.07 per MMBtu in early February. By comparison, CIG, the index most acknowledges to the price we receive for our gas has traded between \$2.05 and \$7.11.

The \$2.05 price came in early April. To demonstrate the volatility, just ten days later, the price was around \$6.90 per MMBtu. It is our view that this volatility and the increase in Rockies spaces differential is driven, in a large part by increased natural gas production resulting from greatly increased drilling and completion activity over the last two years.

These increases in production led to nearly poor utilization of existing pipeline infrastructure necessary to transport gas to market outside the region combined with seasonally soft local markets precipitating increase price competition among producers.

We often refer to this as gas-on-gas competition. The price pressure may increase if, for example, the country experiences a cooler wetter summer than average and thereby reduces the demand for natural gas for electric generation to handle the cooling load.

Fortunately, the pipeline capacity necessary to transport the additional natural gas to market is under construction. The key project, the \$1.8 billion cubic foot per day Rockies Express Pipeline is expected to begin transporting natural gas to Midwestern markets in early 2008.

The project is being constructed in three phases ultimately opening new markets along its route to the East Coast. Industry is widely of the opinion that the excess takeaway capacity that Rockies Express will provide has the potential to reduce gas-on-gas competition, contract the basis differential and increase net prices.

It was our initial plan to fund our 2007 capital budget from cash on hand, cash from operations and bank debt. During the last month, when confronted with price volatility and a potentially sustained period of lower prices, we considered other less risky options to fund our CAPEX for 2007.

We opted instead to issue equity. Issuing equity at recent prices for our common stock was not our first choice. It is, in fact, a bitter pill to swallow.

Ultimately however, in the opinion of management and the Board of Directors of Gasco, issuing equity was preferable to relying on debt financing while we are in such a volatile period.

The net proceeds from the offerings will reduce our need to draw down our line of credit. The proceeds from the recent offering provide us greater flexibility as we go ahead to 2008.

Most importantly, I do not want investors to lose sight of the operations improvement that we are consistently demonstrating in the Riverbend project.

Our operations team is now drawing wells in less than 20 days. We believe that we can continue to lower drawing days going forward. Our number 1 objective in 2007 is lowering per well investment and operating costs, which ultimately improve well economics.

At this point, every cost reduction goes straight to improving the returns on what is already an economically attractive project. We are pleased with the results from the quarter.

Subsequent to the quarter, we added to our financial strength and flexibility. Our results demonstrate that we are building on previous successes and meeting the benchmarks that we have established for ourselves.

2007 is going to be an interesting year. We believe that we are well positioned to meet the challenge head-on while continuing to prove and grow our vast resource base in Utah.

I'd now like to turn the call over for questions.

Operator: At this time, I would like to remind everyone in order to ask a question, please press star 1 on your telephone keypad. We will pause for just a moment to compile the Q&A roster.

You first question comes from Neal Dingman with Dahlman Rose.

Neal Dingman: Morning guys. Say, can you give me some color as far as the way the rest of your contracts with Nabors plays out, with those rigs, just the terms etcetera and if there's any clauses on there that, you know, sort of escalates or any type of clauses built into those contracts.

Ken Grant: Morning Neal. It's Ken Grant. The Rigs 270 and the Rig 611, those contracts expire December 15, and they'll be renegotiated, you know, near late summer.

Rig 99 is a three-year contract and it's, we're just about a month into it.

Neal Dingman: Okay. Okay. And can you give me a little bit of color as far as what ya'll have seen recently on, you know, some of the other services other than the rig costs, you know, the completion, you know, those sort of things. Are we seeing a little bit of softening on that side.

I'm just kind of trying to get a sense of economics at some of your wells here in the next, you know, for the remainder of this year.

Ken Grant: I'll let Mike answer those but first, I'll just add that speaking with our drilling manager yesterday, and day rates on the rigs we have right now, if we were to renegotiate them now, it might be about \$1000 less each (unintelligible) or, you know, in the 5% range.

And I'll let Mike address the rest of the service cost.

Mike Decker: Yes. You know, we continue to see some softening. I would say it's probably more in the pumping side with respect to the hydraulic fracturing and NRC mending services and, you know, one of the things that is also aiding out here to is that, you know, we currently have a lot more service companies that were able to solicit bids from than we were even one year ago, let alone two or three years ago.

For example, for our fracturing services we are now talking upwards of six companies that would like to have our business out here. And of course that goes a long way to drive down that cost, but that's just one example.

Neal Dingman: Right. Sure. Okay, so you're – I guess is any of this change a perception, I mean, obviously because of what you seen in prices you've cut CAPEX a little bit. I mean, will this way in as far, or what I guess what I'm asking is will management sort of get back together and reexamine, you know, reexamine costs here in the near term or economic succeeding wells to just to work with the plan will be for the remainder of the year or is than pretty well set.

Mike Decker: Well, I would say that we're always reevaluating our AFE) and you know, what it cost drill the wells, how service costs are looking, what natural gas prices are looking and obviously within our CAPEX as we have discussed.

So we continue to evaluate that all the time.

Neal Dingman: Perfect. Just what I wanted to hear. Thanks guys.

Operator: Your next question comes from David Tameron with Wachovia.

David Tameron: Hi. Good morning.

Man: Good morning David.

David Tameron: Question. Can you guys give us a little more detail on the third party? I know King just said he couldn't but you said you in discussion. Does that you mean you have a tentative agreement or something in principal or where exactly are you at on that.

Ken Grant: At the risk of reiterating what I said before, I just add that I did run what I was saying past them. You know, one of the parties and there comes forth what I said.

Not sure I'm comfortable getting further out on a limb than that.

David Tameron: Okay and are we thinking, or before the indication was you would have preferred, or I believe the indication was you preferred to do something with a private equity type partner rather than a industry partner. Is that still something we should assume?

Mike Decker: The reason we always preferred rather than calling it private equity, let's say, a sophisticated financial partner.

David Tameron: Okay.

Mike Decker: Compared to an industry partner, is typically you can – you don't have to give up as much outside. And an industry partner would want to participate in a lot more of our acreage than a financial partner would.

So a financial partner is a much preferred.

David Tameron: Okay.

Man: (unintelligible) a type of a format on a large cart of the acreage, you know, you're able to have somebody invest in the drilling program.

David Tameron: Okay and would your preference be this is a one or two year agreement or ten year agreement or five year, like how do you view that as far as structuring it longer term.

Ken Grant: I mean, if we look at that the same way that, you know, we look at service cost, know right now we're trying to, you know, keep the three rigs running and out into next year. You know, the nature of our play is at this point is if we go too far out we feel we're probably giving up too much at this point.

As we continue to prove up the play, so that, you know, the terms can perhaps improve to our advantage. You know a year or two or three years out. The shorter term deals have some advantage to us. We think.

David Tameron: Okay. And does the bearing of – I assume they've seen the logs of the results from the deep Mancos test that you're drilling. Does that have any impact on?

Man: Well we haven't seen the logs on the deep Mancos test we're drilling. You know the type of investor you're looking at is going to be more likely to invest in a development program rather than the expiration program.

David Tameron: Okay. Okay. Yes, that gives me some color. Thank you. LOE came way in during the quarter. Is that, you know, it's 75 center per M. Is that kind of a good run rate or is there one-time items in there so we bump it up going

forward. Kind of what's your range or what's your expectation going forward?

Man: I think that we're moving in towards that, you know, part of that 75 cents number that you mentioned includes severance taxes, which is a function of price. When you take out the taxes, we're looking at 41 cents, I believe.

Forty one cents versus forty seven in the year ago period and ninety four cents in the fourth quarter. I think at 50 cents and lower on the part that we can control directly is, you know, in the ballpark.

Man: Yes David, I think that, you know, is discussions that we've had when being on the road and about our evaporation pit being in place and yet it reduced our water hauling, I think that's where you're now beginning to see the impact of having that evaporation pit right in the field.

Man: And just to break that out for you. A year ago, it was 16 cents per Mcfe to haul water, 14 cents in the fourth quarter, where that debt adjust come online. It was three cents per Mcf in the first quarter.

David Tameron: All right, good. And then final question, and I think this is a Mike question. The deep Dakota Mancos. When should we expect to hear something on that?

Mike Decker: Well as I said, we're nearing TD and you know, we'll probably be hopefully, god willing the credit don't rise, we go ahead and we have lodge run sometime this weekend.

Then we begin the evaluation process, so hopefully within the next let's say two to four weeks, maybe six weeks out.

David Tameron: Okay and when I see what Questar's talking about. Do you have two to three B's per section is kind of what they've told me on the last six wells for their deeper test. What does that do to your-- in your opinion, what's that do to your acreage.

Does it de-risk it? Does it...

Mike Decker: Hey David. You said two to three's B's per section. Don't you mean two to three B's per well?

David Tameron: In the break I went to Quest, I was saying their adding additional two to three B's just on the deep part of

Mike Decker: Right of the section

David Tameron: Yes.

Mike Decker: Right. Of that Mancos Dakota section on a per well business.

David Tameron: Yes. Yes.

Mike Decker: We just want to make sure I was clear on that one.

David Tameron: Okay. And does that, what's that do as far the risk factors. I mean, does it lower the geologic risk on your acreage. Can you expand a little bit on that?

Mike Decker: Well I would say that, you know, that the results -- yes, do they help mitigate the risk at some degree. Sure. But, I think as there's popular commercials out there it says, you know, past performance doesn't necessarily guarantee the future performance.

So, I mean yes, it helps prove that if we get down that deep that there is some very encouraging results, however, the Dakota is a channel and marine type environment.

And so, once again, you know, with only, you know, our closest well is what, 15 miles away or so. You know, this is obviously a large step out.

We're, you know, discussions that we've had have said that yes, we believe that the Dakota sands are below us and now it's just a matter of how thick are the sand packages going to be.

What is the reservoir quality of the sand packages? That would be the risk that we can't do anything to mitigate until we get enough well (bores) down and so on.

David Tameron: All right. Thanks. I'll go let somebody else jump in.

Man: And I'll just clarify something that Mike said. We do anticipate putting out a news release once we decide to proceed with completion. But we're not on the Mancos cast.

So we'll let everybody know.

Man: From an economic standpoint David, I mean, we feel internally that we need something in the neighborhood of, I don't know, one and a half to maybe closer to two BCF in order for it to be kind of a economic change to what we're doing out there right now.

If we end up with something that's in, you know, on the low side of that, it's going to be a lot more of what we already have, which is still a positive from a resource down point, but we're looking for something to drive down our finding cost, and if we can get two BCF or better, it could be a step function improvement in what we're doing out here.

You know I think one thing David to point out is that we know we're nearing TD on the 81st day and we think that's a big improvement over what has been drilled out here in the recent history of this new play.

David Tameron: Okay and which rig is relevant. Which rig are you guys using to drill this?

Man: Rig 270.

David Tameron: Okay. Sound good. Thanks.

Man: You bet.

Operator: Your next question comes from (Chris Callou) with AG Edwards.

Man: That was a new one.

Male: It was.

Male: We've been waiting to hear what you'd be today.

Male: Good morning Chris.

Chris Pikul: Good morning guys. Hey Mark, I wanted to thank you first off for your comments on the equity raise. And if I could just, you know, pull the little

deeper. If you could expand on some of the discussions that took place, you know internally and just, you know briefly run over the pros and cons given, you know did you.

Were you aware that psychological impact this would have on investors and shareholders and just sort of compare, given that we're already in a low Rockies place environment and your share price is already, you know, two dollars.

Really could there be a worst environment, you know, envisioned later on?

Mark Erickson: Well I can't speak for everybody that participated in those discussions but I can kind of give you some of my perspective on it and first off, as everybody's well aware of you know, the management team at Gasco has been in this business for a long time.

And we're smart enough to recognize tough times when they're coming. And it's been the most prudent thing that I've learned in my career is you plan for the worst and you take the good times when you get them.

You know, we've looked at other things such as monetizing non-strategic assets, which would include monetizing some of our seismic, like our drilling rig, like non-operated, non-core producing properties which could include the properties that we have down with Bill Barrett.

We're continuing down the path at pursuing those other opportunities. We haven't taken those off the table, but those did not have as high a level of certainty as the equity offering, which had a huge influence on choosing the lowest risk alternative to move forward.

Chris Pikul: Okay. Fair enough. Let me touch a little bit on the – is there – what is the status of this Brett merger.

Mark Erickson: The merger is proceeding – we had to wait for Brett to file its 10-K, which they did about three weeks, so we're drafting the S-4 and sending it off to them for review.

And, you know, we're just trying to move ahead. It's just taking a long time. They need to do something's into their 10-K and for 2006, that we felt were important in terms of disclosure and that's what delayed it in total filings, so now that's behind us and we can start moving ahead.

Chris Pikul: Are there any wrinkles in this deal we should be looking at or are any of the terms changing or anything.

Mark Erickson: None of the terms are changing.

Chris Pikul: And Mark, and you know Mike, I talked to you about this. Can you clarify, I'm not sure that I totally understand the benefit of this forward sale contract. You're not exactly locking in any prices as of yet. Is that the way I understand it.

Mark Erickson: That's correct. All of our gas is currently unhedged. What the forward contract does is it gets the gas from the Uinta Basin under a firm agreement to a CIG pricing point, and the key thing about a CIG pricing point is that is a point where there are quoted prices and you can hedge.

So, opportunistically, if we see prices spike up, you know, we would look at hedging our production out through the, like November or through the, some

period of time but we just have to kind of look at it and see what the market tells us to do.

But we do know have the opportunity to hedge.

Man: Further on that Chris. What helps us forward-sale without the transportation out of Basin, you run the risk that A, you can't move your gas on the day because Questar issues an operational forwarder and says, only current gas is going to be transported on the Basin.

You also have the price risk that you're the last one to sell into gas so it's a, you become a complete price taker and on the Questar system, because it's not as liquid as the CIG pricing point, you know, you can really, the producer can really take it hard in this kind of environment where transportation concerned.

Chris Pikul So as I understand it you're guaranteeing that your gas will get to market and you have the option of locking in CIG at whatever price fluency you be unfavorable.

Male: That's right. We got past a potential bottleneck.

Chris Pikul: Okay. And then let me, Mike, on the Mancos...

Mike Decker: Yes sir.

Chris Pikul: Given what you've seen so far with the over pressuring and the flaring, you know, King. Conservatives always mention whether or not we decide to complete it. I would guess that would be a (unintelligible) conclusion at this point.

But have you formulated anything along the lines of a completion strategy, you know, given what you're seeing so far.

Male: No, we have not formalized anything on a completion strategy Chris, but, you know, to add a little flavor to it, we are encouraged by what we're seeing.

Male: If we (unintelligible) more information I'd think we say we were going to complete it, but we know we're going to get the logs before we complete it.

Chris Pikul: Okay. Have you yet to encounter potential (unintelligible) on your way down.

Male: That we have yet to encounter.

Chris Pikul: Well that you hope to encounter.

Male: We'll real close to TD Chris.

Chris Pikul: Okay. Okay.

Male: And Chris, as I noted, we've had numerous gas shows and we are currently drilling with the flare.

Male: We're (unintelligible) from TD.

Male: So we're. I mean, I'll just say it. We're in the Dakota, you know, and we're that close.

Chris Pikul: Okay. Thank you gentleman.

Operator: As a reminder, if you would like to ask a question press star 1 on your telephone keypad.

Your next question comes from Robert Lynd with Simmons and Company.

Robert Lynd: Good morning.

Man: Good morning Robert.

Robert Lynd: Just to follow up on the last question, are current Blackhawk wells that are near this deeper well, are any engineered to go deeper if you do find what you're looking for in the Mancos and Dakota?

Man: Robert, at this point and time, the present existing flowing wells that are currently completed in the Blackhawk are not fitted to drill deeper, however, the new locations that we have permitted within the same trend within the same area, we can go ahead and redesign those and get a sundry notice at the BLM to take them deeper as we go forward.

Robert Lynd: Right, but wells that are currently in progress -- drilling progress, could they go deeper?

Man: No. They are not set up for casing design to go ahead and go deeper.

Robert Lynd: Okay and just -- can you walk through how the Mancos Shale and the Dakota Sand, the depth variability across your acreage and what that might mean for well cost and different areas.

Man: Well, we've got essentially one well where we are Robert and up to the Northwest there's - about 50 miles away, there's some wells. And if I go 30

miles out, or excuse me, to the Northeast there's 15 miles and I have to go 30 miles out to the other direction.

So, the only thing I can say is general if u submit with our overall structural fabric that we have across our acreage position as we go North, we're getting deeper and as we go South, we're getting shallower and that range is probably going to be somewhere in the neighborhood of, let's say a couple thousand feet across that distance from the most Southerly point up to the most Northerly point.

Something like that, just to give you a range. And right now we're probably a little bit of South of mid-point, If I was to guess.

Man: But the reason we put our acreage together where we did was we felt it was in the right depth horizon and we believe that most, in fact, yeah most of our acreage out there is going to be within the same depth windmill as the well that we're currently drilling.

Man: So the Blackhawk well that we drill on the Eastside into the Spring Canyon are 700 to 1200 feet shallower than the ones we drill in (Wilkin Ridge), which are kind of on the east west line, and then if you go out to Gate Canyon, you're a couple of thousand feet shallower because you've come South out of the Basin.

Robert Lynd: Thanks. That's all I had.

Male: Okay. Thank you.

Operator: At this time, you have no further questions.

Man: Thanks everyone for your time this morning.

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

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