

Duane

Thank you for standing by, ladies and gentlemen and welcome to the FX Energy, First Quarter 2009 Financial and Operating Results Conference Call. Today's Conference is being recorded. At this time I would like to turn the call over to Clay Newton, VP of Finance. Please go ahead.

Clay Newton

Thanks, Duane. Good morning everyone and thank you for joining us today. As Duane mentioned, I'm Clay Newton, VP of Finance here at FX Energy. Welcome to our first quarter 2009 earnings call.

The 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've described in an earnings release issued yesterday and in our filings with the Securities and Exchange Commission, including our most recent Form 10-K.

While the Company believes these forward-looking statements are reasonable, they are subject to factors such as drilling schedules and results, capital plans, commodity prices, US and Polish governmental policies and changes, and other factors that may cause our results to differ materially.

During this call I'll talk about just a few key financial items, as substantial detail is available in our just filed 10-Q. After that, David Pierce, our CEO, and Richard Hardman, our Senior Technical Advisor, will cover some operational updates.

Now, let's talk for a minute about the good news from the quarter. First, oil and gas production was about what we expected it to be. Our Zaniemysl, Kleka and domestic properties continued to produce at sustained rates, while our Wilga well continued to decline, as we anticipated. Second, gas prices in Poland were 25% higher this year compared to the first quarter of last year. Third, current gas prices in Poland remain higher than US gas prices on a US dollar equivalent basis, even with a weaker Polish currency.

When we convert these results to US currency, however, they don't look quite so positive. Compared to last year, the zloty has depreciated by about 45%, and, compared to year-end 2008, by about 20%. These changes in rates have a direct impact on the amount of revenues we report in US dollars, and, along with lower oil prices in the US, were primarily responsible for the reduced revenues in 2009 compared to 2008.

One of the US reporting challenges we face that comes about from doing business in Poland is the requirement to translate our results from a volatile Polish currency to the US dollar. You'll note again a foreign exchange loss this quarter in the non-operating section of our income statement. That loss is almost entirely an intercompany entry, but accounting rules require us to run it through our income statement. It's a non-cash charge that has no impact on our operations or cash flows. We've said this before, but it's worth repeating. We sell our Polish gas in zlotys, we keep the zlotys in Poland, and we use them to fund zloty denominated operating and exploration costs.

I'll be happy to discuss any specific questions when we get to the Q&A session. For now, I'll now turn the call over to David and Richard for some operational updates.

David Pierce

Thanks Clay. I'd like to provide a brief operations update before we hear from Richard about our Ostrowiec well. We expect to spud Ostrowiec in a couple of weeks, so it is very timely to have Richard on this call.

Ostrowiec is the first of several high potential exploration wells that we've been working on quietly for the last few years. Ostrowiec is in the Northwest Concession. We farmed out this well and a couple hundred thousand acres to the Polish Oil and Gas Company. But we have over a million acres remaining in this concession that we still hold 100%. And in that 100% acreage, west of Ostrowiec, we have a very large Rotliegend prospect that we are working to get farmed out and drilled. We are currently laying out seismic lines over this prospect to pick a final drill site and we are seeking a partner to shoot this seismic and drill the first well.

Over on the east side of Poland, in our Warsaw South Block, we have a Ca1/reef prospect, Machnatka. Machnatka is relatively shallow, more likely oil prone than gas prone, and quite near the biggest market in the country. We are currently permitting this well and hope to be drilling it in the second half of the year. We hold 100% interest and intend to operate, although we are in ongoing discussions with potential industry partners.

We also are engaged in ongoing discussions regarding our Kutno and Edge concessions. We discussed these projects, along with the Northwest and Warsaw South blocks at our Boston Technical presentation a couple of weeks ago. That presentation was webcast and is still available for download on our website, so I won't take more time here to describe these prospects. What I do want to emphasize is that we have been working on all of this high potential exploration acreage for the last few years. Today, we are talking with potential industry partners about joining us in some really exciting exploration. In spite of tough economic conditions in the world, the response from industry is good and we are quite optimistic about bringing you more opportunities for very high impact wells in the near term.

Now, this doesn't mean our Fences concession will take a back seat. This is our core area and we are working on several big potential projects there: Plawce and Plawce East are two examples, and I'd refer you again to the Boston presentation for more background.

The point I am making is, our strategy ultimately points to high potential exploration. That's what drew us to Poland. Lately we have spent more time talking about our track record in building reserves and production. And we do deserve to talk with pride about that track record. We ended 2008 with proved reserves of \$137 million or \$3.25 per share pre-tax. On a P50 basis, the most likely probability case, our year end reserves were \$222 million or \$5.25 per share pre-tax. Continuing reserves growth this year is off to a good start with the successful discovery at Kromolice-2. But looking at the last few years, our reserve growth, even though the rate has been very high, has been incremental. Now what we really want is the transformational reserves growth that an Ostrowiec well could bring. Success at Ostrowiec could just knock the ball out of the park in terms of reserves growth.

In a similar fashion, the production growth is primarily important for what it will enable us to do on the high potential exploration front. Over the next eighteen months we expect to see our production grow about four-fold, with the addition of Roszkow, Sroda-4 and the two Kromolice wells. The resulting revenue increase will allow us to step up our exploration work, both in the Fences and in our exploration concessions. We are disappointed, of course, to see a permitting delay on the Roszkow pipeline, especially when the production facility itself is nearing completion. We don't yet know exactly how much delay to expect, but the production increase is coming and we will be putting it to work. The silver lining here is that we have been put in charge of bringing the other three wells on line. We have lobbied for this and it is a very big deal that we got it. This production has a lot more impact for us than our larger partner, and we will bring this in on time.

We have never been in such a good position. We have a lot of very good acreage, we have developed high potential prospects on that acreage, we have production growth coming over the next eighteen months that will allow us to expand that effort, and we have reserves to back it all up. And we are about to start drilling on the largest target we've ever drilled in the Permian Basin in Poland. So, let's hear from Richard Hardman, our Senior Technical Advisor and a Director of this Company, more about Ostrowiec.

Richard Hardman

Thank-you David. I'm delighted to talk about Ostrowiec. I've been with FX Energy as Technical Advisor for just about six years and this is undoubtedly the most exciting new field wildcat that we've ever drilled. As you know POGC is paying for it, but we're operating it.

It's a very large structure. At least 30 square kilometers of closure with a vertical relief of about 120 meters; that's 400 feet, which makes it quite different from anything we have attempted in the past.

There are many unknowns. There are only 3 wells in this huge basin. There are many surprises in store for us, I am sure. But, I believe on the seismic we have shot, the new line, we can actually see gas leaking out of the structure. Which raises the question of the risk, or the risks. What are they? Well, in my mind the first risk is that the structure has leaked all the hydro carbons out. I think this is unlikely based on past experience in the North Sea. Where we see gas leakage, we generally find significant reserves. The second risk is: what is the reservoir thickness? And the CA2 is a notoriously difficult target to find although based on these new seismic data, the pre stack depth migration, I believe that we can clearly see that there are porous rocks in the main dolomite. And then the most exciting potential of all; the deeper play beneath the Zechstein. We don't know whether the Rotliegend sandstone is going to be present but we're sure that there is going to be basement and based on the look of the seismic that could easily be fractured.

We might be looking at a two stage play; gas higher up and oil lower down. And the sort of numbers that we are talking about, and bear in mind that we have nothing, no wells relevant to actually establish these parameters, but the sort of numbers are perhaps 1 trillion cubic feet of gas equivalent in place, which means that we could probably expect net to FX Energy to have 250 bcf. And if that was the case, and one were to caution it would obviously take more than one well to establish that, that would mean about \$18.00 per share value to FX Energy.

So this is an extremely exciting prospect and I just can't wait to get started. Thank-you very much.