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Rex Energy Corporation Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Our first question comes from Thomas Covington - Broadpoint Capital, Inc.

Thomas Covington - Broadpoint Capital, Inc.

On the Illinois ASP, give me a sense of more specifics on the early response you're seeing there. What kind of oil cut are we looking at now?

Benjamin W. Hulburt

In the Cypress pilot Tom the oil cut basically started at 0 and it's gone from anywhere from 0 to 5% to 10%. So ultimately you're looking for it to peak at around 20% in oil cuts. And as I said, of the five wells three of the five are in the 5% to 10% range now and they started at 0.

Thomas Covington - Broadpoint Capital, Inc.

And you're expecting what rate so your peak response towards year end I think?

Benjamin W. Hulburt

Peak response was anticipated to be somewhere mid- to late fourth quarter. And although this response is quite a bit quicker than we originally anticipated, we're not yet changing our guidance on when peak response will be.

Thomas Covington - Broadpoint Capital, Inc.

Are you seeing other indications of response to producers such as pressures in fluid levels?

Benjamin W. Hulburt

We are.

Thomas Covington - Broadpoint Capital, Inc.

In the Marcellus, can you give me a sense of the EURs you expect on the wells that you're drilling in Butler County where you talked about the 675,000 cubic feet a day rates that were initially produced?

Benjamin W. Hulburt

Honestly Tom, I think at this point we just don't have enough data yet or enough extended production to really start estimating EURs yet.

Thomas Covington - Broadpoint Capital, Inc.

Is it in line do you think in terms of where you were pre-drilling in this area?

Benjamin W. Hulburt

Yes.

Thomas Covington - Broadpoint Capital, Inc.

What are you doing in terms of water management as you look forward to a more active program in 2009 on the horizontal side, because that's been clearly the largest issue on the regulatory side that's been raised?

Benjamin W. Hulburt

Water management I think is a major issue that we're dealing with and I think all Marcellus players are right now. I do think that we're on top of this issue as much as anyone can be at this point. We have filed our water management plans with the state as requested for our next round of permits. We are working with an excellent firm out of Harrisburg, an engineering firm that's assisting us with that. And we are working on water treatment possibilities and looking at constructing our own facilities in the state as well. So it is an ongoing issue. It has not yet stopped us from our drilling plans. But it's an issue that we continue to work on every day.

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