

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a yellow Greek letter alpha symbol to the right, all on a dark red background.

Mariner Energy, Inc. Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Your first question comes from the line of Scott Hanold for RBC Capital Markets. You may proceed.

Scott Hanold

Thanks. Good morning.

Scott Josey

Good morning.

Scott Hanold

When you look at that CapEx number, obviously it looks like you are going to make a pretty hefty increase and some of them being success based on it and some just you know more activity. Can you kind of give us a little bit more color on how much of the increase could be attributed to how active you have been at the lease sales and that amount into that part of the budget? And then can you give a little bit more detail about, which areas you would actually accelerate you know, relative, would you see some more activity here in West Texas, as well as in the offshore areas.

Scott Josey

Sure Scott. Yeah there is a couple of reasons, two or three reasons as to why we may see that increase. The first thing is that you know we had some of the leases -- we took this into account but some of the leases that we actually bid in October sale didn't get awarded until 2008. So that was roughly about \$40 million. We are actually more successful this past March sales than what we originally estimated. We view both of those as positive.

The second thing is that we have to date pretty much had all successes on the wells that we have drilled and so when we put our budget together we always assumed some type of risk assessment on what the future capital possible be with those successes. And since they are all turning out to be successes, we need to increase the capital. So we basically de-risked it if that makes sense. The program is generally pretty well cast in stone at this point. Earlier in the year we weren't able to cast it in stone because of rig commitments, finalizing partners on some of our deepwater projects. And now that that seems to be in place, we feel pretty comfortable. So the way we set it up originally was about 760 with success around 900 with lease sales success that adds another 40 to \$50 or million there, plus de-risking of projects that is going to add another similar amounts of dollars probably. And

so that's how we get up in to that magnitude of billion. But as I said on the call, we believe this will be within and potentially well within cash flow for the year.

Copyright © 2008 CNET Networks, Inc. All Rights Reserved.