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Parallel Petroleum Corporation Q1 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Your first question comes from the line of Stacy Noddy with Tudor Pickering. Please proceed.

Stacy Noddy

Good afternoon guys. Just a quick question, any update on discussions with Chesapeake to increase activity level from the Barnett?

Larry Oldham

This is Larry. We have had discussions through their land group and operation troop and based on the drilling schedule that we have in our possession, it appears that they are going to maintain a full rig schedule at this stage of the game. I might say that the efficiency per rig is improving. Historically, I believe it has been about 21 days to drill and set tap on a well; it looks like that has moved down three, four days per well. So, you are actually seeing more wells drilled per rig. On an annual basis that would probably increased our total wells on this project, but based on that we may – we'll probably revise our budget at the end of the second quarter; but no indication that we are going to go beyond four rigs. Don any other comments?

Donald Tiffin

Yeah just one additional comment there, increasing the rig count here really would probably be counterproductive. I mean we're still going to have that significant backlog. A critical path here is getting those wells completed and hooked up, getting the facilities in place.

Larry Oldham

Yeah which is primarily off-line installation now and the other limitation is complications related to land and permitting in the urban environment. That is probably another limiting factor why the rig count may not increase. But if they want to increase it we're ready to enter.

Stacy Noddy

Okay that's very helpful. And then on the pipeline expansion, can you – kind of update us on the expansion of the gallon system of the Barnett and what schedules have come on over the next couple of quarters?

Larry Oldham

Well, as far as infrastructure they have built a lot of pipe to the east from our original development area and now they are building a lot of pipe to the west. The pipe to the west is actually going to locations that have not been drilled yet. So on the west side of the project you will actually have pipe in place before wells have even been drilled. Timing wise we have 31 wells in progress as of March 31st. We do expect at least half of those wells will come on line during the second quarter. Timing wise we just can't put a good timing as to the effect that that's going to have on second quarter volumes for an average quarterly volume rate.

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