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Brigham Exploration Q3 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions). Your first question comes from the line of Scott Hanold with RBC Capital Markets. Please proceed.

Scott Hanold - RBC Capital Markets

Good morning.

Bud Brigham

Good morning.

Scott Hanold - RBC Capital Markets

On those Granite Wash assets you sold, you sold it for, what, \$35 million, I think you said? What was the reserves attributed to that sale?

Gene Shepherd

At the end of the year, end of '06, I guess, correct me -- it was about 13?

Bud Brigham

About 13 Bcfe, and at the time of the sale, it was a little over 16 Bcfe.

Scott Hanold - RBC Capital Markets

Okay. Thank you. And so what had your activity been there? Remind me. Have you been doing much there? If I remember right, it's an area you liked when gas prices are high, but it did become challenged when they did sort of dip in this, say, sub \$7 level. Is that a fair statement?

Bud Brigham

I'm sorry, Scott, we have one correction on the number we just put out there, and Gene, if you don't mind repeat it them.

Gene Shepherd

At the time of the sale, the Granite Wash was 23 Bcfe. So 13 at the end of '06 and 23 at the time of the asset sale.

Bud Brigham

So, I'm sorry, Scott, if you don't mind summarizing that question, we would --

Scott Hanold - RBC Capital Markets

I guess taking a look at your activity there, can you give us a sense of what you had been doing prior to the sale there? And if my memory serves me right, and correct me if I am wrong, you thought that area sort of was challenged when gas prices were below \$7?

Bud Brigham

That's correct, Scott. This is Bud. I'll start, but these guys may want to add to what I say. But yes, we drilled some real nice wells during the course of 2006. That, I think, proved up additional opportunities out there, but it's a higher operating cost play that in a sub \$7 price environment, the locations are certainly not competitive and become marginal, but a nice option value and higher prices. And just when we looked at it relative to our other projects, they were not competitive. The rates of return were not competitive. And so we did not foresee an active drilling program in there, given our other inventory. So it made a lot of sense for us to divest it to another operator who had a lot of expertise in that area and was active.

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