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Bill Barrett Q4 2006 Earnings Call Transcript

Question-and-Answer Session

Operator

Operator instructions. Your first question is from David Cameron – Wachovia Securities.

Q - David Cameron – Wachovia Securities

Hi, congratulations on a great quarter. A couple of questions. First, and I don't know – I guess – I don't know if Bob's on the call or not, but Fred, maybe this question goes to you. If I look at hedging, you said you're 65% hedged. I know in the past that Joe has said you've used hedges to lock in economics on these wells. How high will you guys go on that assuming that there's some fear of a Rockies basis blow out this summer?

A - Fredrick Barrett

You know, according to our bank and our current credit we're kind of capped at the 80% level.

A – Bill Howard

70%.

A - Fredrick Barrett

I'm sorry, 70% level, I'm sorry, as Bill corrects me here. So we're pretty much bumping up against that ceiling, currently at 65%.

Q - David Cameron – Wachovia Securities

Okay, and there's nothing else you can do as far as other types of derivatives or exotic derivatives to kind of hedge yourself?

A – Bill Howard

This is Bill. We can do – we can buy puts and that is not included within that 70% cap and I think you know, we may look at that, but right now I think we're pretty comfortable with 70% and what we can do.

Q - David Cameron – Wachovia Securities

Based on the strip today, if you look at your hedge program, your capital budget is safe for 2007. Is that correct?

A – Bill Howard

That is correct.

Q - David Cameron – Wachovia Securities

Okay. The new area just north of Lake Canyon that you recently got from the Utes, that you talked about at the analyst conference, Blacktail I believe is its name – is there any updates or have you done anything?

A - Fredrick Barrett

No. No, the only update there is that we are obligated to the five well program this year. We'll begin those wells probably midsummer and we'll be targeting the Wasatch, the same zones they produce out of kind of in the adjacent wells that we'll be drilling next to. Those wells in there are anywhere from say 125,000 up to 250,000 barrels of oil per well. You know, it is gassy in there, but we'll begin drilling in that area as I said by the end of the summer.

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