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Halliburton Company Q3 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Alan Laws - Merrill Lynch.

Alan Laws - Merrill Lynch

You made some comments around looking longer term for what remains really a pretty attractive oil service horizon. Can you give us your early thoughts on Capex in 2009 given the developing backdrop? Schlumberger noted, kind of looking at it, maybe cutting in the second half and Weatherford cut theirs this morning. Is there any opportunity if you were to keep it higher to gain share?

Tim Probert

With respect to capital spending, as Mark mentioned, it's going to be slightly lower than we had previously forecast for 2008, and we're obviously monitoring it very closely as we move into 2009.

The key issue for us is essentially the lead time that's associated with the manufacture of our capital equipment, and that actually has shrunk a little bit from actually close to a year approximately six to nine months ago to a sort of three-month to nine-month timeframe depending on the product itself.

So that gives us the ability to respond appropriately for the circumstances as they arise.

Alan Laws - Merrill Lynch

So you're more nimble and efficient now in your manufacturing side?

Tim Probert

I think, yes. I think as you probably know, we've invested in international supply chains, which have given us the opportunity to essentially shorten our supply lines and give us a little bit more flexibility in response to emerging market conditions.

Alan Laws - Merrill Lynch

Would those be the areas that would be most vulnerable if the slowdown were to get more severe?

Tim Probert

The International markets? No, I think on the contrary. I think, you know, traditionally the international projects that we see are longer term, they're larger, and they tend not to be disrupted in the same way that we see the sort of rapid volatility in the U.S. gas market.

Alan Laws - Merrill Lynch

You said in the release that most International projects are okay at current oil prices, kind of a qualified statement. What or where are you seeing projects potentially at risk? So longer term or like a nearer term issue?

Tim Probert

Well, the issue is always really sort of the cost of the marginal barrel. And the marginal barrel really sort of revolves primarily around obviously high cost elements of production. And a good example of that would be new heavy oil projects, which obviously are going to be very challenged at prices that are sort of probably much below about \$75.

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