

Seeking Alpha α

Unit Corp. Q3 2008 Earnings Call Transcript

Question-and-Answer Session

[Operator's Instruction]. Your first question comes from the line of Marshall Adkins. Your line is open.

Marshall Adkins - Raymond James

Good morning, guys. Couple of quick ones here. Your costs as you've mentioned Dave were lower sequential in the drilling side. Help me to understand where you see those going, and you mentioned a few things, I really didn't understand it. So, you might have to dug it down for me. Where we see those cost going Q4, and really more into '09. Likewise we've seen the rig count rollover a little bit. What do you see in kind of Q4 for the rig count, are we already started to see it pull back, pretty sharply already, we thought it maybe another month or two before you'd see it?

Larry D. Pinkston - Chief Executive Officer

Well, Marshall this is Larry. Yes, indications of our rig counts pulling back, I mean we've had these 16 rig or so that... we've been notified that there weren't be moving for the next well. Those will be, being stacked out over the next 15 or 20 days. And that have to move very quickly, so quickly that we haven't had time to pull out it. Market those rigs as quickly as it comes off. The cost side of the structure. I mean the payroll increase came through in the third quarter, most of that was taken in the fourth quarter as cost comes down, I mean as fuel cost comes down, even though we don't take fuel on the rigs. But, I mean we've drive a lot of miles and pick-ups and those kind of cost structure are going to be coming down, also they're not going to come down to offsets the increase that we had in the payroll. But... so most of the pay increase we had at the end of third quarter will stick. In the fourth quarter, depending upon day rates due payrolls, it goes up and goes down. But...

Marshall Adkins - Raymond James

Is your sense of that 16 rig so far that you've been notified. Is it more credit-market driven or is it gas price driven, or is there anyway to tell?

Larry D. Pinkston - Chief Executive Officer

It's more of gas price driven; I think it is the biggest question. We've been in this environment for the last 20 days and the basis are really flowing out in the mid-continent area. It got quite a bit, quite a few people's attention. If you look out into '09, the basis differential if you can lock in today and some around... somewhere around above twenty [ph] and if you can lock in on that mix price calendar '09 about \$7. So markets, telling us if that's temporary basis blow out that you guys obtained into the lot of and [ph] you don't believe this temporary. But I think most the problem we're seeing that now, Marshall is, the huge differentials that we're seeing in probably Texas Panhandle in the markets.

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