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## Mariner Energy, Inc., Q4 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

(Operator Instructions). Your first question comes from the line of Anne Cameron with JPMorgan. Please proceed.

#### Anne Cameron - JP Morgan

Good morning, everyone.

#### John Karnes

Good morning.

#### Anne Cameron - JP Morgan

I'm just curious is there a commodity price at which you would revisit your 2009 CapEx budget?

#### Scott Josey

We will continue to monitor our capital spending throughout the year, depending upon commodity prices. We have a pretty same program this year already. We are mainly focused on developing existing discoveries. We really have a fairly small exploration budget and we are spending very little in West Texas.

We have the ability to further reduce that program to some extent, but we can't reduce it a whole lot less than where we are currently without removing some of the exploration projects that we have on the books.

We also have rig commitment with Diamond Ocean, America that runs through the later part of this year. And we have several projects that are associated with that. So, I don't see our program getting much below \$400 million, but I don't anticipate it getting a lot higher either under normal circumstances.

#### Anne Cameron - JP Morgan

Okay, great. That's helpful. Also, have you seen any improvement in the cost in the Permian yet, and what would you have to see in order to reallocate capital onshore?

#### John Karnes

Well, what needs to happen in the Permian and a lot of places as well is just for the service company cost environment to reset to the commodity price environment, which is completely in a state of flux.

Just for some history, we began drilling Spraberry wells in October of 2002. Back then, we anticipated oil prices between \$25 and \$30 a barrel. And cost of those wells were between \$400,000 to \$450,000 and that was drilled to the tanks and first production, and we were generating 25% to 30% rates return on those projects.

We have seen the cost of those same wells increased to \$850 to \$1 million due to same thing in a \$100 plus oil environment. No one is quite sure what the price curve is going to be going forward. But once those costs reset, so we are going to be in a \$50 oil environment then we probably need to see \$550,000 to \$600,000 cost to drill and complete those wells before we would come very active again.

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