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Arena Resources Inc. Q4 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question is from the line of Neal Dingmann – Wunderlich Securities.

Neal Dingmann – Wunderlich Securities

Just want to tell you guys solid quarter, just a question with a follow-up. Obviously your costs continue to be one of the lowest out there in the group. Are you continuing to see how much further can these costs both come down? Let's look at on Phil's sort of LOE of the operational side as well as financially on Randy's side. And then does that make sense to I guess if costs continue to come down, would you continue to produce or does it make sense to look at other acquisitions in your core area?

Tim Rochford

Good question. Let Phil and of course Randy address those questions pertaining to them directly. But Neal, there's no question that we've already entered into a window where we're beginning to see possible potential opportunities for acquisitions as you know. And we do believe that as a little more time elapses here that the cost of acquiring reserves may in fact be a whole lot more favorable than our drilling cost as we speak.

But the nice thing is whether it's – regardless of which side of the ledger it's on, we're postured to take advantage on either direction, but Phil, if you don't mind answering those for Neal?

Phil Terry

Neal before I get into my treatment of it, David can provide you with some pretty interesting statistics as to where we are now with our AFE for our new PUD wells at San Andres and also what we're seeing in terms of price of goods and services and lease operating expenses. David?

David Ricks

On our AFE costs for drilling at Fuhrman, those were AFE'd in '08. It had gotten up to 647,000 per well and now we are AFE'd at just under 500,000 per well. A big result of that is tubulars. For example 5.5 casing peak price for us was about \$24.00 a foot and recently we just purchased some for just over \$9.00 a foot.

Although that's the biggest portion of it, we are seeing the service side come down too and that pertains to our LOE also. We have gone to the vendors and asked them to give us some relief and we've gotten some very favorable results from that. It's very dynamic right now. It's coming down

every day. It's kind of hard to say where it will go to but a lot of the vendors are providing 20% decreases for us.

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