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Clayton Williams Energy, Inc. Year End and F4Q08 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Sheraz Mian with Zacks Investment Research.

Neil Malkin - Zacks Investment Research

This is actually Neil Malkin filling in for Sheraz. Mel you are saying liquidity is going to be the main focus in '09 and based off of your preliminary CapEx guidance figures it looks like you're going to have a fair amount of cash flow. Is it fair to assume that paying down the vast majority of that credit facility is what's going to happen during the year?

Mel Riggs

Yes. We are in the process right now of paying off for wells, paying bills on wells that were drilled in the past. Trying to get everything in order there, keep our payables current. Then cash flow will first of all go in the line, but we'll be monitoring that. If things turn around, get a little higher oil price, costs are down, you can see our CapEx budget increase some.

Obviously, our plan is to keep the company down the middle of the fairway here during this year. This is a critical year. I mean this economy thing, everybody is kind of in the same predicament right now, I think, and we've got to be very cautious.

Clayton Williams

I would add to that that it's really important to us to meet all of our past commitments. So, we had some commitments made in 2008 and so we're finishing winding those up, ending them. While liquidity is first, also we are maintaining your commitments and fulfilling your commitment, these things are important to us.

Operator

Your next question comes from Douglas Thompson with Thompson Investors.

Douglas Thompson - Thompson Investors

I have two questions. The first one is on the Sun unit, #1; you mentioned there is a completion in the middle bossier sands. Does that mean that you missed the primary target?

Clayton Williams

No, there is upper, middle, and lower Bossier and the deep Bossier, the middle Bossier is generally been the most productive in this well field and cannas completion and [arpazino] was in the lower Bossier. There have not yet been commercial completions in the upper Bossier, but I don't rule that out. In this case we have some sands developed in the middle Bossier, which moves prospective. We'll just have to wait and see. It's difficult until you flow the well.

We would have liked to have had more sand, but we had enough sand to run pipe. We had good gas shows. Beyond that we can't estimate what we're going to have there. We can't estimate how far out the sands extend, how far the permeability extends. We'll be testing it pretty quick and we'll have some idea. We can't predict what we have at this point. We cannot tell you that's a commercial well.

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