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Mariner Energy, Inc. Q1 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Michael Jacobs - Tudor, Pickering, Holt & Co., LLC.

Michael Jacobs - Tudor, Pickering, Holt & Co., LLC

I wanted to start with the onshore and just follow up on those six wells. If I'm doing my math right it seems like you're producing on average a little over 100 barrels equivalent per day per well. Is that right?

Scott Josey

I think that's about right. Some wells are going to be better than others. It's a statistical play, but on average that's correct.

Michael Jacobs - Tudor, Pickering, Holt & Co., LLC

So if I think about that in the context of kind of the typical Sprayberry wells where you see initial rates below 50 barrels equivalent a day, can you give us a little bit of guidance on how we can reconcile that to what ultimate recoveries could be?

Scott Josey

Well, it's still very early in the play. We have substantial acreage position there at Deadwood, roughly 30,000 net acres, and we've only drilled 6 wells, so we're still a long ways from knowing what the ultimate outcome of this project is going to be. The results we have thus far, we're encouraged by them and we're going to drill another 3 or 4 wells this year, we're going to produce them probably for the rest of the year and then based on those results we'll be able to determine how we go forward.

Our expectations are that these are going to be wells that will produce in the 150,000 barrel equivalents plus range so, to the extent that well tests that we get over the year bears that out, then we believe that we'll have a significant program there going forward.

Michael Jacobs - Tudor, Pickering, Holt & Co., LLC

And then what are your current costs per well?

Scott Josey

Those wells started towards the end of last year around the \$1.2 million range but they are around \$1 million to \$1.1 million right now and we believe that those numbers could continue to drop a bit before the year is out.

Part of the analysis consists of once these wells come online we go back and test zones, either through production logs or individually testing zones, to try to figure out which zones are contributing the most, also trying to make sure that we know where the frac went by interval. We may be tweaking the fracs as we proceed, so in some cases we may drill these wells for less; in other cases we may increase the frac jobs and spend a little bit more. But hopefully we'll get more recovery if we do so.

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