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Pioneer Southwest Energy Partners LP Q3 2009 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions) The first question comes from the line of Leo Mariani – RBC Capital Markets.

Leo Mariani – RBC Capital Markets

Obviously it sounds like you have your program starting to roll over there. I am just curious how many wells you anticipate drilling between now and the end of the year for PSE and how many on a sustainable, full-year basis would you expect to drill with two rigs?

Scott Sheffield

A rule of thumb, a rig can drill two wells a month in the [trend area]. Starting here we can probably get close to 4 wells down per rig so we could get 6-8 wells down by the end of the year. We will just continue that through all of next year and get up to easily 60 wells for next year. We will just keep them going after that.

Leo Mariani – RBC Capital Markets

Are those rigs contracted for a couple of years to kind of keep that drilling program going?

Scott Sheffield

No, it is contracted for one year. It is basically back to regardless of any long-term contracts we would have to escalate so it is really a bet on natural gas prices. Drilling contractors are betting that natural gas prices are going to recover significantly and so they can move up their costs. At this point in time we have elected to lock in a longer rate than one year simply because we would have to escalate it and pay a lot more upside in 2011. One of the reasons we are doing some 3-ways also is to allow us if prices do go up it allows us to participate if we do see some inflation costs in regard to the rigs going into 2011.

Operator

The next question comes from the line of Kevin Smith – Raymond James.

Kevin Smith – Raymond James

I would like to congratulate you again on the latest acquisition. It was a wise move to have the ability to drill and stabilize your production. Just as importantly, now you have more CapEx on tax savings

to your unit holders. Dwelling on that, do you have a feel for what you expect the change in your year-over-year tax shield will be from 2009 to 2010?

Scott Sheffield

We expect 2009 to be in that 20% range and 2010 to be in that 70-80% range.

Kevin Smith – Raymond James

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