MARINER ENERGY INC
Form 10-K
March 01, 2010

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

þ	**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the fiscal year ended December 31, 2009**
	OR
o	**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 1-32747

MARINER ENERGY, INC.
(Exact name of registrant as specified in its charter)

Delaware	**86-0460233**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification Number)*

One BriarLake Plaza, Suite 2000
2000 West Sam Houston Parkway South
Houston, Texas 77042
(Address of principal executive offices and zip code)

(713) 954-5500

(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, $.0001 par value	New York Stock Exchange
Rights to Purchase Preferred Stock	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

The aggregate market value of the registrant s common stock held by non-affiliates on June 30, 2009 was approximately $1,150,891,162 based on the closing sale price of $11.75 per share as reported by the New York Stock Exchange on June 30, 2009. The number of shares of common stock of the registrant issued and outstanding on

February 22, 2010 was 101,780,353.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of registrant s Proxy Statement relating to the Annual Meeting of Stockholders to be held May 5, 2010 are incorporated by reference into Part III of this Form 10-K.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Various statements in this annual report, including those that express a belief, expectation, or intention, as well as those that are not statements of historical fact, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The forward-looking statements may include projections and estimates concerning the timing and success of specific projects and our future production, revenues, income and capital spending. Our forward-looking statements are generally accompanied by words such as may, estimate, project, predict, believe, expect, anticipate, potential, plan, goal or other words that convey the uncertainty of futu outcomes. The forward-looking statements in this annual report speak only as of the date of this annual report; we disclaim any obligation to update these statements unless required by law, and we caution you not to rely on them unduly. We have based these forward-looking statements on our current expectations and assumptions about future events. While our management considers these expectations and assumptions to be reasonable, they are inherently subject to significant business, economic, competitive, regulatory and other risks, contingencies and uncertainties, most of which are difficult to predict and many of which are beyond our control. We disclose important factors that could cause our actual results to differ materially from our expectations described in Item 1A. Risk Factors and Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations elsewhere in this annual report. These risks, contingencies and uncertainties relate to, among other matters, the following:

- the volatility of oil and natural gas prices;
- discovery, estimation, development and replacement of oil and natural gas reserves;
- cash flow, liquidity and financial position;
- business strategy;
- amount, nature and timing of capital expenditures, including future development costs;
- availability and terms of capital;
- timing and amount of future production of oil and natural gas;
- availability of drilling and production equipment;
- operating costs and other expenses;
- prospect development and property acquisitions;
- risks arising out of our hedging transactions;
- marketing of oil and natural gas;
- competition in the oil and natural gas industry;
- the impact of weather and the occurrence of natural events and natural disasters such as loop currents, hurricanes, fires, floods and other natural events, catastrophic events and natural disasters;
- governmental regulation of the oil and natural gas industry;

environmental liabilities;

developments in oil-producing and natural gas-producing countries;

uninsured or underinsured losses in our oil and natural gas operations;

risks related to our level of indebtedness;

risks related to significant acquisitions or other strategic transactions, such as failure to realize expected benefits or objectives for future operations; and

foreign currency risks.

PART I

The following discussion is intended to assist you in understanding our business and the results of our operations. It should be read in conjunction with the Consolidated Financial Statements and the related notes that appear elsewhere in this report. Certain statements made in our discussion may be forward looking. Forward-looking statements involve risks and uncertainties and a number of factors could cause actual results or outcomes to differ materially from our expectations. See Cautionary Statements at the beginning of this report on Form 10-K for additional discussion of some of these risks and uncertainties. Unless the context otherwise requires or indicates, references to Mariner, we, our, ours, and us refer to Mariner Energy, Inc. and its consolidated subsidiaries collectively. Cert and natural gas industry terms used in this annual report are defined in the Glossary of Oil and Natural Gas Terms set forth in Item 1. Business of this annual report.

Item 1. *Business.*

General

Mariner Energy, Inc. is an independent oil and gas exploration, development, and production company. We were incorporated in August 1983 as a Delaware corporation. Our corporate headquarters are located at One BriarLake Plaza, Suite 2000, 2000 West Sam Houston Parkway South, Houston, Texas 77042. Our telephone number is (713) 954-5500 and our website address is www.mariner-energy.com. Our common stock is listed on the New York Stock Exchange and trades under the symbol ME.

We currently operate in four principal areas:

Permian Basin, where we are an active driller in the prolific Spraberry field at depths between 6,000 and 10,000 feet. Our increasing Permian Basin operation, which is characterized by long reserve life, stable drilling and production performance, and relatively lower capital requirements, somewhat counterbalances the higher geological risk, operational challenges and capital requirements attendant to most of our Gulf of Mexico deepwater operations. We have expanded our presence in the region, targeting a combination of infill drilling activities in established producing trends, including the Spraberry, Dean and Wolfcamp trends, as well as exploration activities in emerging plays such as the Wolfberry and newer Wolfcamp trends.

Gulf Coast, where, in December 2009, we acquired interests predominantly in the Vicksburg, Queen City and Deep Frio producing trends in South Texas. As is the case with our Permian Basin operation, we expect the relatively lower risk and cost of exploiting our Gulf Coast properties to further counterbalance those of our Gulf of Mexico deepwater operations.

Gulf of Mexico Deepwater, where we have actively conducted exploration and development projects since 1996 in water depths ranging from approximately 1,300 feet up to 7,100 feet. Employing our experienced geoscientists, rich seismic database, and extensive subsea tieback expertise, we have participated in more than 79 deepwater wells. Our deepwater exploration operation targets larger potential reserve accumulations than are generally accessible onshore or on the Gulf of Mexico shelf.

Gulf of Mexico Shelf, where we drill or participate in conventional shelf wells and deep shelf wells extending to 1,300 foot water depths. We currently pursue a two-pronged strategy on the shelf, combining exploration and exploitation activities targeting conventional and deep shelf opportunities. Given the highly mature nature of this area and the steep production declines characteristic of most wells in this region, the goal of our shallow water or shelf operation is to maximize cash flow for reinvestment in our deepwater and onshore operations, as well as for expansion into new operating areas.

We also are investigating a variety of shale and unconventional resource opportunities in the United States and Canada, such as green field leasing, joint ventures and acquisitions. In 2009, we added a team of approximately 10 geoscientists experienced in unconventional resource plays in those areas. We also formed a Canadian subsidiary which opened an office in Calgary. We initially are targeting liquids-rich plays with relatively low entry costs in the Rocky Mountains, South Texas and the Permian Basin, including unconventional potential of our existing asset base. During 2009, we acquired working interests in approximately 80,000 (43,000 net) acres in unconventional plays in North Dakota, Wyoming, Arkansas and New Mexico. Our secured revolving credit facility currently limits our investment in our Canadian operation to $25.0 million.

During 2009, we produced approximately 126.5 Bcfe and our average daily production rate was 347 MMcfe. At December 31, 2009, we had 1.087 Tcfe of estimated proved reserves, of which approximately 56% were onshore (47% in the Permian Basin and 8% in the Gulf Coast), with the balance offshore (15% in the Gulf of Mexico deepwater and 29% on the Gulf of Mexico shelf); 53% were natural gas; and 47% were oil and natural gas liquids (NGLs). Approximately 66% of our estimated proved reserves were classified as proved developed.

We file annual, quarterly and current reports, proxy statements and other information as required by the Securities and Exchange Commission (SEC). Our SEC filings are available to the public over the Internet at the SEC s web site at www.sec.gov or at the SEC s public reference room at 450 Fifth Street, N.W., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information about the public reference room. Reports and other information about Mariner can be inspected at the offices of the New York Stock Exchange, 20 Broad Street, New York, New York 10005. Copies of our SEC filings are available free of charge on our website at www.mariner-energy.com as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The information on our website is not a part of this annual report. Copies of our SEC filings can also be provided to you at no cost by writing or telephoning us at our corporate headquarters.

Recent Developments

Onshore Acquisition On December 31, 2009, we acquired the reorganized subsidiaries and operations of Edge Petroleum Corporation (Edge). The material assets acquired consist primarily of (i) proved reserves estimated by Ryder Scott Company, L.P. as of December 31, 2009 of 100.5 Bcfe, of which approximately 75% are developed (consisting of 69% natural gas and 31% oil and NGLs), 81% are located in South Texas, and 44% are in the Flores/Bloomberg field in Starr County, Texas, (ii) approximately 60,000 net acres of undeveloped leasehold, primarily in Texas and New Mexico, and (iii) deferred tax assets of approximately $83.3 million, comprised of approximately $61.2 million in net operating loss carryforwards and $22.1 million in built-in losses from carryover tax basis in the properties. The effective date of the acquisition was June 30, 2009 and the purchase price was $260.0 million, less adjustments which resulted in a net purchase price as of December 31, 2009 of approximately $213.6 million, subject to final adjustments. We financed the net purchase price by borrowing under our secured revolving credit facility.

Balanced Growth Strategy

We are a growth company and strive to increase our reserves and production from our existing asset base as well as through expansion into new operating areas. Our management team pursues a balanced growth strategy employing varying elements of exploration, development, and acquisition activities intended to achieve an overall moderate-risk growth profile at attractive rates of return under most industry conditions.

> *Exploration:* Our exploration program is designed to facilitate organic growth through exploration in a wide variety of exploratory drilling projects, including higher-risk, high-impact projects that have the potential to create substantial value for our stockholders. We view exploration as a core competency. We typically dedicate a significant portion of our capital program each year to prospecting for new oil and gas fields, including in the Gulf of Mexico deepwater where reserve accumulations are typically much larger than those found onshore or on the shelf. Our explorationists have a distinguished track record in the Gulf of Mexico, making a number of significant deepwater discoveries in the Gulf of Mexico in the last five years. In addition, we believe our

reputation for generating high-quality exploration prospects creates potentially valuable partnering opportunities, which enables us to participate in exploration projects developed by other operators.

Development: Our development and exploitation efforts are intended to complement our higher-risk, high-impact exploration projects through a variety of moderate-risk activities targeted at maximizing recovery and production from known reservoirs. These activities are also aimed at finding overlooked oil and gas accumulations in and around existing fields and are designed to establish critical operating mass from which to expand in our focus areas. Our geoscientists and engineers have a excellent track record in effectively developing new fields, redeveloping legacy fields, rejuvenating production, controlling unit costs, and adding incremental reserves at attractive finding costs in both onshore and offshore fields.

Acquisitions: In addition to our internal exploration and development activities on our existing properties, we also compete actively for new oil and gas properties through property acquisitions as well as corporate transactions. Our management team has substantial experience identifying and executing a wide variety of tactical and strategic transactions that augment our existing operations or present opportunities to expand into new operating regions. Due to our existing prospect inventory, we are not compelled to make acquisitions in order to grow; however, we expect to continue to pursue acquisitions aggressively on an opportunistic basis as an integral part of our growth strategy.

Our Competitive Strengths

We believe our core resources and strengths include:

Diversity of assets and activities. Our assets and operations are diversified primarily among the Permian Basin, Gulf Coast and the Gulf of Mexico deepwater and shelf. Each of these areas involves distinctly different operational characteristics, as well as different financial and operational risks and rewards. Moreover, within these operating areas we pursue a breadth of exploration, development and acquisition activities, which in turn entail unique risks and rewards. By diversifying our assets both onshore and in the Gulf of Mexico, and pursuing a full range of exploration, development and acquisition activities, we strive to mitigate concentration risk and avoid overdependence on any single activity to facilitate our growth. By maintaining a variety of investment opportunities ranging from high-risk, high-impact projects in the deepwater to relatively low-risk, repeatable projects onshore, we attempt to execute a balanced capital program and attain a more moderate company-wide risk profile while still affording our stockholders the significant potential upside attendant to an active deepwater exploration company.

Large prospect inventory. We believe we have significant potential for growth through the exploration and development of our existing asset base. We are one of the largest leaseholders among independent producers in the Gulf of Mexico. We also are an active participant at MMS lease sales. Furthermore, we have a large and growing asset base onshore that we anticipate is capable of sustaining our current drilling program for a number of years. We believe that our large acreage position makes us less dependent on acquisitions for our growth as compared to companies that have less extensive drilling inventories.

Exploration expertise. Our seasoned team of geoscientists has made significant discoveries in the Gulf of Mexico, achieving a cumulative 62% success rate during the three years ended December 31, 2009. Our geoscientists collectively average almost 30 years of relevant industry experience. We believe our emphasis on exploration allows us a competitive advantage over other companies who are either wholly dependent on acquisitions for growth or only sporadically engage in more limited exploration activities.

Operational control and substantial working interests. As of December 31, 2009, we served as operator of properties representing approximately 86% of our production and had an average 73% working interest in our operated properties. We believe operating our properties gives us a competitive advantage over non-operating interest holders, particularly in a challenging financial environment, since operatorship better allows us to determine the extent and timing of our capital programs, as well as to assert the most direct impact on operating costs.

Extensive seismic library. We have access to recent-vintage, regional 3-D seismic data covering a significant portion of the Gulf of Mexico. We use seismic technology in our exploration program to identify and assess prospects, and in our development program to assess hydrocarbon reservoirs with a goal of

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optimizing drilling, workover and recompletion operations. We believe that our investment in 3-D seismic data gives us an advantage over companies with less extensive seismic resources in that we are better able to interpret geological events and stratigraphic trends on a more precise geographical basis utilizing more detailed analytical data.

Subsea tieback expertise. We have accumulated an extensive track record in the use of subsea tieback technology, which enables production from subsea wells to existing third-party infrastructure through subsea flow lines and umbilicals. This technology typically allows us to avoid the significant lead time and capital commitment associated with the fabrication and installation of production platforms or floating production facilities, thereby accelerating our project start ups and reducing our financial exposure. In turn, we believe this lowers the economic thresholds of our target prospects and allows us to exploit reserves that otherwise may be considered non-commercial because of the high cost of stand-alone production facilities.

Properties

Our principal oil and gas properties are located in the Permian Basin, Gulf Coast, and the Gulf of Mexico deepwater and shelf. The Gulf of Mexico properties are primarily in federal waters. The following table presents our top fields by estimated proved reserves for each principal geographic area:

	Operator	Approximate Working Interest %	2009 Net Production(2) (Bcfe)	Net Estimated Proved Reserves (Bcfe)	Estimated Proved Reserves % Oil /% Gas(1)
Permian Basin:					
Spraberry (Aldwell Unit)	Mariner	75%	8.0	245.8	66%/34%
Spraberry (Tamarack)	Mariner	93%	4.7	142.3	77%/23%
Spraberry (Texas Scottish Rite Hospital)	Mariner	100%	1.1	43.5	74%/26%
Deadwood	Mariner	73%	0.5	21.9	77%/23%
Spraberry (North Stiles Unit)	Mariner	50%	1.7	14.0	70%/30%
Gulf Coast:					
Flores	Mariner	41%		43.9	31%/69%
Chapman Ranch	Mariner	90%		11.2	30%/70%
Muy Grande	Mariner	100%		7.4	0%/100%
Duson	BTA	44%		6.1	22%/78%
Midway Dome	Mariner	89%		4.4	16%/84%
Gulf of Mexico Deepwater:					
Atwater Valley 426 (Bass Lite)	Mariner	54%	18.4	77.0	0%/100%
Garden Banks 462 (Geauxpher)	Mariner	60%	13.0	24.1	10%/90%
Green Canyon 646 (Daniel Boone)	W&T Offshore	40%	1.1	19.1	69%/31%
East Breaks 597	Mariner	50%		9.9	61%/39%
Ewing Bank 921 (North Black Widow)	ENI	35%	1.8	8.5	93%/7%
Gulf of Mexico Shelf:					
Brazos A19	Mariner	100%		38.8	0%/100%

Vermilion 380	Mariner	100%	1.1	33.2	47%/53%
West Cameron 110	Mariner	100%	3.0	24.6	2%/98%
South Pass 24	Mariner	97%	1.5	21.2	59%/41%
South Timbalier 49	Mariner	100%		18.2	59%/41%

(1) NGLs are included in Oil

(2) No production results are included for properties of the Edge subsidiaries we acquired on December 31, 2009.

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Permian Basin Operations

Our Permian Basin operations historically have emphasized downspacing redevelopment activities in the prolific oil-producing Spraberry field. Since we began our Permian Basin redevelopment initiative in 2002, we have increased by approximately seven-fold our net acreage position and plan continued expansion through our Permian Basin operation s headquarters in Midland, Texas. Production from the region is primarily from the Spraberry, Dean and Wolfcamp formations at depths between 6,000 and 10,000 feet, and is heavily weighted toward long-lived oil and NGLs.

During 2009, our Permian Basin operations produced approximately 18.3 Bcfe (14% of our total production) and accounted for approximately 515.0 Bcfe or 47% of our total estimated proved reserves at year end. Oil and NGLs accounted for 71% of total Permian Basin production for 2009. We drilled 51 wells in the region during 2009, 92% of which were productive. Based upon our current level of drilling activity, our drilling inventory in this area would sustain a five-year drilling program.

Our largest field in the Permian Basin by reserves is the Spraberry Aldwell Unit. We operate our wells in this field and hold an average 75% working interest. At year-end 2009, our share of estimated proved reserves attributed to this field was 245.8 Bcfe, consisting of 66% oil and NGLs and 34% natural gas. Net production for 2009 was 8.0 Bcfe.

The Spraberry Tamarack and Spraberry Texas Scottish Rite Hospital are the next largest fields with 142.3 and 43.5 Bcfe of estimated proved reserves, respectively. The Deadwood field follows with 21.9 Bcfe of estimated proved reserves and the Spraberry North Stiles Unit has estimated proved reserves of 14.0 Bcfe.

Gulf Coast Operations

On December 31, 2009, we acquired interests in 244.0 gross and 98.3 net acres in South Texas, predominantly in the Vicksburg, Queen City and Deep Frio producing trends. As of December 31, 2009, we operated approximately 275 gross wells in this region and had 151 gross non-operated wells.

Gulf of Mexico Deepwater Operations

We have acquired and maintained a significant acreage position in the Gulf of Mexico deepwater. We have successfully generated and operated deepwater exploration and development projects since 1996. As a corollary to our exploration activities, we have pioneered sophisticated deepwater development strategies employing extensive subsea tieback technologies that allow us to produce our discoveries without the expense of permanent production facilities. As of December 31, 2009, we held interests in 99 deepwater blocks and 38 subsea wells. These wells were tied back to 17 host production facilities for production processing. As of December 31, 2009, an additional six projects (Dalmatian, Wide Berth, Balboa, Heidelberg, Lucius and Bushwood) were under development for either tieback to three additional host production facilities or in the case of Heidelberg and Lucius, production from dedicated facilities if warranted by the amount of estimated reserves. Although we have interests throughout the Gulf of Mexico, we focus much of our efforts in infrastructure-dominated corridors where our subsea technology can be most efficiently deployed. We feel our geological understanding based on exploration success in these corridors gives us a competitive advantage in assessing prospects and vying for new leases.

Production in our Gulf of Mexico deepwater operations is largely from Pleistocene to lower Miocene aged formations and varies between oil and gas depending on formation and age. During 2009, our deepwater operations produced approximately 52.8 Bcfe (42% of our total production) and accounted for approximately 161.7 Bcfe or 15% of our total estimated proved reserves at year end. Natural gas accounted for 80% of total deepwater production for 2009. We drilled six wells in the region during 2009, four of which were productive.

We operate Atwater Valley 426, known as Bass Lite, in which we hold a 54% working interest. It is in the Pleistocene formation and is located in approximately 6,600 feet of water. The field consists of two development wells drilled during 2007 that are connected by a 56-mile subsea tieback to the Devil s Tower spar. Limited production on Bass Lite began in February 2008 due to a temporary early production system. The project commenced production at full capacity once the topside facilities work was completed in August 2008 and the field produced 18.4 Bcfe net to our interest during 2009. At year end 2009, our share of estimated proved reserves attributed to this field was 77.0 Bcfe, of which 100% are natural gas.

We operate Garden Banks 462, known as Geauxpher, in which we hold a 60% working interest. We made this deepwater discovery in June 2008. The well, which lies in water depths of approximately 2,800 feet, was drilled to a total depth of 23,156 feet (measured depth). Production on Geauxpher began in May 2009 and the field produced 13.0 Bcfe net to our interest during 2009. At year-end 2009, our share of estimated proved reserves attributed to the discovery was 24.1 Bcfe, consisting of 10% oil and NGLs and 90% natural gas.

Green Canyon 646, known as Daniel Boone, is operated by W&T Offshore, Inc. and consists of one well in the Pliocene/Pleistocene formation. It is located in approximately 4,200 feet of water and we have an approximate 40% working interest in the well. Production on Daniel Boone began in October 2009 and the field produced 1.1 Bcfe net to our interest during 2009. At year-end 2009, our share of estimated proved reserves attributed to this field was 19.1 Bcfe, consisting of 69% oil and 31% natural gas.

We operate East Breaks 597, known as Balboa, in which we hold a 50% working interest. The well lies in water depths of approximately 3,350 feet and was drilled in July 2001. The well was completed in September 2009 and is awaiting tieback to the Boomvang Spar. Production from Balboa is expected in the second half of 2010. Our share of estimated proved reserves at year-end 2009 was 9.9 Bcfe consisting of approximately 61% oil and 39% natural gas.

Ewing Bank 921, known as North Black Widow, is operated by ENI Petroleum US and began producing in the Pliocene/Pleistocene formation in 2007. We hold an approximate 35% working interest in one well, which is located in approximately 1,700 feet of water. Our share of net production during 2009 was approximately 1.8 Bcfe. At year-end 2009, our share of estimated proved reserves attributed to the field was 8.5 Bcfe, consisting of 93% oil and 7% natural gas.

Gulf of Mexico Shelf Operations

As an operator on the Gulf of Mexico shelf for a number of years, we expanded our Gulf of Mexico shelf operations in 2006 through our acquisition of the Gulf of Mexico operations of Forest Oil Corporation (Forest) and in January 2008 through our acquisition of an indirect subsidiary of StatoilHydro ASA that owns substantially all of its former Gulf of Mexico shelf assets and operations. Due to our operational scale and substantial lease position on the shelf, we are able to pursue a diverse array of exploration and development projects on the shelf, including numerous engineering projects designed to increase production and reserves, as well as to manage production costs through optimization of topside facilities and efficiencies of scale. Drilling prospects run the gamut from relatively small, low-risk, conventional shelf projects that can be drilled from one of our numerous existing platform facilities, to high-impact, deep shelf exploration prospects at depths approaching 20,000 total vertical feet.

During 2009, our Gulf of Mexico shelf operation produced approximately 55.4 Bcfe (44% of our total production) and accounted for approximately 315.1 Bcfe or 29% of our total estimated proved reserves at year end. Natural gas accounted for 79% of total shelf production for 2009. We drilled ten wells in the region during 2009, six of which were productive.

Our largest field in the Gulf of Mexico shelf by reserves is Brazos A19. At year-end 2009, estimated proved reserves, all of which are undeveloped, attributed to this field were 38.8 Bcfe, of which 100% is natural gas. This is a recently acquired block and plans are being made to exploit these reserves.

At year-end 2009 estimated proved reserves attributed to our Vermillion 380 field were 33.2 Bcfe, consisting of approximately 47% oil and NGLs and 53% natural gas. During 2008 and 2009, we drilled five wells and added additional production capacity on the A platform. Hurricane Ike damaged the structure with the rig on the platform, causing us to suspend drilling while underwater structural repairs were made. We brought the platform back on production at reduced rates until the facilities upgrade was finished. The platform is currently producing approximately 28 MMcfe per day. Our working interest in this block is 100%. Production at Vermillion 380 was approximately 1.1 Bcfe in 2009.

We operate our 100% working interest in West Cameron 110, which consists of six producing wells. We operate the field, which has been producing for more than 20 years from numerous formations in approximately 40 feet of water and produced approximately 3.0 Bcfe net in 2009. At year-end 2009, estimated proved reserves attributed to this field were 24.6 Bcfe, consisting of approximately 2% oil and NGLs and 98% natural gas.

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We operate South Pass 24, which consists of 25 producing wells in approximately 10 feet of water. We have a 97% working interest in the property. South Pass 24 has been producing for more than 50 years from numerous formations, and in 2009 produced approximately 1.5 Bcfe net. At year-end 2009, estimated proved reserves attributed to this field were 21.2 Bcfe, consisting of approximately 59% oil and NGLs and 41% natural gas.

We operate South Timbalier 49, in which we hold a 100% working interest. We initiated full production from this field in September 2009. We are producing from the first of many reservoirs encountered in the A-1 well and are currently producing approximately 8 MMcfe per day. At year-end 2009, estimated proved reserves attributed to this field were 18.2 Bcfe (approximately 59% oil and 41% natural gas).

Estimated Proved Reserves

The following tables present certain information with respect to our estimated proved oil and natural gas reserves. The reserve information in the tables below is based on estimates made in fully-engineered reserve reports prepared by Ryder Scott Company, L.P. (except the amount of standardized measure of discounted future net cash flows and information in the table for Sensitivity of Reserves to Prices). Reserve volumes and values were determined under the method prescribed by the SEC, which requires the application of the 12-month average price for natural gas and oil calculated as the unweighted arithmetic average of the first-day-of-the-month price for each month within the 12-month prior period to the end of the reporting period and current costs held constant throughout the projected reserve life. Proved reserve estimates do not include any value for probable or possible reserves, which may exist. The proved reserve estimates represent our net revenue interest in our properties.

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Summary of Oil and Gas Reserves as of December 31, 2009
Based on Average 2009 Prices

Reserves Category:	Natural gas (Bcf)	Oil (MMBbls)	NGLs (MMBbls)	Total (Bcfe)
Proved Developed	406.8	31.5	20.1	716.4
Proved Undeveloped	164.6	21.0	13.4	370.7
Total estimated proved oil and gas reserves	571.4	52.5	33.5	1,087.1