MARINER ENERGY INC
Form 10-K
February 29, 2008

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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, 2007

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

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 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 smaller reporting company. See the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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, 2007 was approximately $2,044,768,585 based on the closing sale price of $24.25 per share as reported by the New York Stock Exchange on June 29, 2007. The number of shares of common stock of the registrant issued and outstanding on February 20, 2008 was 87,237,800.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of registrant s Proxy Statement relating to the Annual Meeting of Stockholders to be held April 30, 2008 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.

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

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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 three principal geographic areas:

West Texas, where we are an active driller in the prolific Spraberry field in the Permian Basin at depths between 6,000 and 10,000 feet. Our increasing West Texas 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 deepwater Gulf of Mexico operations. We are aggressively expanding our presence in the region, targeting a combination of infill drilling activities in established producing trends, including the Spraberry, Dean, Wolfcamp and Devonian/Fusselman trends, as well as exploration activities in emerging plays such as the Wolfberry and newer Wolfcamp trends.

Deepwater Gulf of Mexico, where we have actively conducted exploration and development projects since 1996 in water depths ranging from 1,300 feet up to 7,000 feet. Employing our experienced geoscientists, rich seismic database, and extensive subsea tieback expertise, we have participated in more than 75 deepwater wells. Our deepwater exploration operation targets larger potential reserve accumulations than are generally accessible onshore or on the Gulf of Mexico shelf.

Shelf of the Gulf of Mexico, where we drill or participate in conventional shelf wells and deep shelf wells extending to 1,300 foot water depths. We significantly increased our shelf operations and effectively doubled our size with our 2006 acquisition of the Gulf of Mexico operations of Forest Oil Corporation (Forest). See Note 3. Acquisitions and Dispositions in the Notes to the Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K for more information regarding this transaction. We currently pursue a two-pronged strategy on the shelf, combining opportunistic acquisitions of legacy producing fields believed to hold exploitation potential and active exploration 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 West Texas operations, as well as for expansion into new operating areas.

In 2007, we generated net income of $143.9 million on total revenues of $874.7 million. We produced approximately 100.3 Bcfe during 2007 and our average daily production rate was 275 MMcfe per day. Our average realized sales price per unit, including the effects of hedging, was $8.71/Mcfe for 2007. At December 31, 2007, we had 835.8 Bcfe of estimated proved reserves, of which approximately 54% were natural gas and 46% were oil, natural gas liquids (NGLs) and condensate. Approximately 67% 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

West Texas Acquisition. On December 31, 2007, we acquired additional working interests in certain of our existing properties in the Spraberry field in the Permian Basin, increasing our average working interest across these properties to approximately 72%. A summary of the interests we acquired is:

- an approximate 56% working interest in approximately 32,000 gross acres in Reagan, Midland, Dawson, Glasscock, Martin and Upton Counties;
- interests in 348 (195 net) producing wells producing approximately 7.5 MMcfe per day net to the interests acquired; and
- Ryder Scott Company, L.P. estimated net proved oil and gas reserves attributable to the acquisition of approximately 95.5 Bcfe (75% oil and NGLs).

We anticipate operating substantially all of the assets. We financed the purchase price of approximately $122.5 million under our bank credit facility.

Gulf of Mexico Shelf Acquisition. On January 31, 2008, we acquired 100% of an indirect subsidiary of StatoilHydro ASA that owns substantially all of its former Gulf of Mexico shelf assets and operations. A summary of acquired assets and operations as of January 1, 2008 is:

- Mariner internally estimated proved oil and gas reserves of 52.4 Bcfe, 95% of which are developed;
- interests in 36 (16 net) producing wells producing approximately 53 MMcfe per day net to the subsidiary s interest, 76% of which we intend to operate;
- gas gathering systems comprised of 31 miles of 10-inch, 12-inch and 16-inch pipelines; and
- approximately 106,000 net acres of developed leasehold and 256,000 net acres of undeveloped leasehold.

We paid approximately $243 million in the transaction, subject to customary purchase price adjustments. We financed the transaction through borrowings under our bank credit facility.

Amendment of Bank Credit Facility. On January 31, 2008, we further amended our senior secured revolving credit facility to, among other things, increase the facility s maximum credit availability to $1 billion, subject to an increased borrowing base of $750 million as of that date, and to extend the facility s term to January 31, 2012. See Note 4. Long-Term Debt and Note 13. Subsequent Events in the Notes to the Consolidated Financial Statements in Part II, Item 8 of this Annual Report on Form 10-K for more information regarding the bank credit facility.

MMS Lease Sale 205. We are an active participant in Gulf of Mexico lease sales by the Minerals Management Service of the United States Department of the Interior (MMS). We were the apparent high bidder on a company-record 23 new blocks in MMS lease sale 205 in October 2007, of which 21 recently were awarded, representing at least 15 exploratory projects.

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Balanced Growth Strategy

We are a growth company and strive aggressively 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 in complementary operating regions 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 deepwater Gulf of Mexico 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 and have made several significant discoveries in the deepwater and shelf. Our reputation for generating high-quality exploration prospects also can create potentially valuable partnering opportunities, which can enable us to participate in exploration projects developed by other operators.

Development: Our development efforts are intended to complement our higher-risk exploration projects through a variety of moderate-risk activities targeted at maximizing recovery and production from known reservoirs as well as finding overlooked oil and gas accumulations in and around existing fields. Our geoscientists and engineers have a solid 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. Our development and exploitation program strives to enhance the rate of returns of our projects, allow us to establish critical operating mass from which to expand in our focus areas, and generate a rich portfolio of relatively lower-risk engineering/exploitation projects that counterbalance our higher-risk exploration activities.

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. We primarily focus our acquisition efforts on stable, onshore basins such as West Texas, which can counterbalance our growing deepwater exploration operations, but we also respond in an opportunistic fashion to attractive acquisition opportunities in the Gulf of Mexico. 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 among West Texas, and the deepwater and shelf in the Gulf of Mexico. 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, 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 in West Texas, 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. Taking into account our legacy assets and our recent acquisition in 2008 of the former StatoilHydro ASA shelf assets, we currently rank as the fourth largest leaseholder in the Gulf of Mexico among independent producers. Additionally, we are an active participant at MMS lease sales. We were the apparent high bidder on a company-record 23 new blocks in MMS lease sale 205 in October 2007, of which 21 were awarded, representing at least 15 exploratory projects. Moreover, in West Texas we have a large and growing asset base 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 and has achieved a cumulative 65% success rate during the three years ended December 31, 2007. Our geoscientists average more than 25 years each 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. We serve as operator of projects representing approximately 66% of our production and have an average 68% working interest in our operated properties. We believe operating our production gives us a competitive advantage over non-operating interest holders since we are typically in a position 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 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 production facilities through subsea flow line and umbilical infrastructure. 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.

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Properties

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

Field	Operator(1)	Approximate Working Interest%	2007 Net Production (Bcfe)	Estimated Proved Reserves (Bcfe)	Estimated Proved Reserves % Oil /% Gas(2)
West Texas:					
Spraberry	Mariner	72%	10.8	384.9	71%/29%
Gulf Of Mexico Deepwater:					
Atwater Valley 426 (Bass Lite)	Mariner	42%	**	48.8	1%/99%
Green Canyon 646 (Daniel Boone)	W&T Offshore	40%		17.4	67%/33%
East Breaks 558/602 (Northwest Nansen)	Anadarko	33-50%	**	12.2	59%/41%
Mississippi Canyon 296 (Rigel)	Dominion	23%	5.0	9.7	*/99.9%
Ewing Bank 921 (North Black Widow)	ENI	35%	2.5	8.5	91%/9%
Gulf Of Mexico Shelf:					
West Cameron 110	Mariner	100%	7.2	38.7	4%/96%
Vermilion 14/26/35	Mariner	100%	1.9	33.7	8%/92%
South Pass 24	Mariner	97%	2.0	26.2	66%/34%
High Island 116	Mariner	100%	1.8	23.3	3%/97%
Vermilion 261	Mariner	79%	***	16.3	76%/24%

(1) See narrative for full name of operator

(2) NGLs are included in Oil

* Less than 1%

** Began production in February 2008

*** Shut-in for drilling operations until August 2007. See narrative below for further detail.

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West Texas Operations

Our West Texas operations historically have emphasized downspacing redevelopment activities in the prolific oil producing Spraberry field in the Permian basin. Since we began our West Texas redevelopment initiative in 2002, we have increased by approximately five-fold our net acreage position in the field and are targeting West Texas for continued expansion through our West Texas 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 2007, our West Texas operations produced approximately 11.2 Bcfe (11% of our total production) and accounted for approximately 388.7 Bcfe or 46% of our total estimated proved reserves at year end. Oil and NGLs accounted for 67% of total West Texas production for 2007. We drilled 115 wells in the region during 2007 with a 100% success rate. 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 West Texas by reserves is the Spraberry Field, where we have been active for more than 20 years. We operate our wells in this field and hold an average 72% working interest. This property consists of net developed and undeveloped acres of 51,511 and 9,788, respectively on which there were 762 wells as of December 31, 2007 producing approximately 10.8 Bcfe net in 2007. This field is located in the Spraberry trend and productive zones in the field include the Spraberry, Dean and Wolfcamp formations. At year-end 2007, our share of estimated proved reserves attributed to this field was 384.9 Bcfe, consisting of 71% oil and 29% natural gas.

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Gulf of Mexico Deepwater Operations

We have acquired and maintained a significant acreage position in the deepwaters of the Gulf of Mexico. 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, 2007, we held interests in 57 deepwater blocks and 21 subsea wells. These wells were tied back to 14 host production facilities for production processing. An additional six wells were then under development for tieback to two additional host production facilities. 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 deepwater Gulf of Mexico operations is largely from Pleistocene to lower Miocene aged formations and varies between oil and gas depending on formation and age. During 2007, our deepwater operation produced approximately 23.3 Bcfe (23% of our total production) and accounted for approximately 122.9 Bcfe or 15% of our total estimated proved reserves at year end. Natural gas accounted for 63% of total deepwater production for 2007. We drilled seven wells in the region during 2007 with a 43% success rate.

We operate Atwater Valley 426, known as Bass Lite, in which we hold an approximate 42% working interest. It is in the Pleistocene formation and is located in approximately 6,750 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. Production on Bass Lite began in February 2008 with net production by month end of approximately 25.0 MMcf per day, limited by the production system designed to achieve early production while further system upgrades of the topside facilities continue during 2008. The project is expected to produce at full capacity once the topside facilities work has been completed. At year end 2007, our share of estimated proved reserves attributed to this field was 48.8 Bcfe, of which 99% are 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. The field is being developed and first production is expected in 2009. At year end 2007, our share of estimated proved reserves attributed to this field was 17.4 Bcfe, consisting of 67% oil and 33% natural gas.

East Breaks 558/602, known as Northwest Nansen, is operated by Anadarko Petroleum Corp. The field, which is in the Pliocene/Pleistocene formation, consists of four wells in approximately 3,500 feet of water that are connected by subsea tiebacks to the Nansen spar. We hold a 50% working interest in the East Breaks 558 well, which was completed as a gas well, and a 33% working interest in the three East Breaks 602 wells, which were completed as oil wells. The field began producing in February 2008 with a combined net daily rate by month end of approximately 26 MMcf and 2,716 Bbls of oil and NGLs. At year end 2007, our share of estimated proved reserves attributed to the field was 12.2 Bcfe, consisting of 59% oil and 41% natural gas.

Mississippi Canyon 296, known as Rigel, is operated by Dominion Resources, Inc. and began producing in 2006. It consists of one well in the Miocene formation and is located in approximately 5,200 feet of water. We hold an approximate 23% working interest. Our share of net production during 2007 was approximately 5.0 Bcfe. At year end 2007, our share of estimated proved reserves attributed to the field was 9.7 Bcfe, which is 99.9% 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 2007 was approximately 2.5 Bcfe. At year end 2007, our share of estimated proved reserves attributed to the field was 8.5 Bcfe, consisting of 91% oil and 9% 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 Forest s Gulf of Mexico operations. We increased our interests in shelf operations to 235 blocks at year-end 2007 from 225 blocks at year-end 2006. 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 stationary platform facilities, to high impact, deep shelf wildcat prospects at depths approaching 20,000 total vertical feet.

During 2007, our Gulf of Mexico shelf operation produced approximately 65.8 Bcfe (66% of our total production) and accounted for approximately 324.2 Bcfe or 39% of our total estimated proved reserves at year end. Natural gas accounted for 75% of total shelf production for 2007. We drilled 18 wells in the region during 2007 with a 78% success rate.

Our largest field in the Gulf of Mexico Shelf by reserves is West Cameron 110 and consists of approximately 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. We hold a 100% working interest in this field, which produced approximately 7.2 Bcfe net in 2007. At year-end 2007, estimated proved reserves attributed to this field were 38.7 Bcfe, consisting of approximately 96% natural gas and 4% oil.

We operate our 100% working interest in Vermilion 14/26/35, which consists of 10 producing wells and six saltwater injection wells in less than 20 feet of water. It has been producing for more than 20 years from numerous formations and in 2007 produced approximately 1.9 Bcfe net. At year-end 2007, estimated proved reserves attributed to this field were 33.7 Bcfe, consisting of approximately 8% oil and 92% natural gas.

We operate South Pass 24 in which we have a 97% working interest consisting of 25 producing wells in approximately 10 feet of water. South Pass 24 has been producing for more than 50 years from numerous formations, and in 2007 produced approximately 2.0 Bcfe net. At year-end 2007, estimated proved reserves attributed to this field were 26.2 Bcfe, consisting of approximately 66% oil and 34% natural gas.

We operate High Island 116 in which we have a 100% working interest consisting of one producing well in approximately 30 feet of water. It has been producing for more than 20 years and in 2007 produced approximately 1.8 Bcfe net. At year-end 2007, estimated proved reserves attributed to this field were 23.3 Bcfe, consisting of approximately 3% oil and 97% natural gas.

We operate Vermilion 261 in which we have an approximate 79% working interest consisting of two wells in approximately 130 feet of water. It has been producing for more than 20 years and in 2007 produced approximately 0.4 Bcfe net after being shut-in for drilling operations until August 2007. At year-end 2007, estimated proved reserves attributed to this field were 16.3 Bcfe, consisting of approximately 76% oil and 24% natural gas.

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The following table presents our total production volumes and revenue, excluding the effects of hedging and other revenues, by area for the year ended December 31, 2007.

	Volumes	Revenue (In thousands)
West Texas:		
Natural Gas (Bcf)	3.7	$ 25,153
Oil (Mbbls)	861.2	61,528
NGLs (Mbbls)	387.3	17,871
Total Natural Gas Equivalent (Bcfe)	11.2	104,552
Gulf of Mexico Deepwater:		
Natural Gas (Bcf)	14.7	104,840
Oil (Mbbls)	1,301.9	90,631
NGLs (Mbbls)	126.2	5,538
Total Natural Gas Equivalent (Bcfe)	23.3	201,009
Gulf of Mexico Shelf:		
Natural Gas (Bcf)	49.4	346,078
Oil (Mbbls)	2,050.3	145,634
NGLs (Mbbls)	686.3	30,783
Total Natural Gas Equivalent (Bcfe)	65.8	522,495
Total Production:		
Natural Gas (Bcf)	67.8	476,071
Oil (Mbbls)	4,213.4	297,793
NGLs (Mbbls)	1,199.8	54,192
Total Natural Gas Equivalent (Bcfe)	100.3	$ 828,056

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Estimated Proved Reserves

The following table presents certain information with respect to our estimated proved oil and natural gas reserves. The reserve information in the table below is based on estimates made in fully engineered reserve reports prepared by Ryder Scott Company, L.P. Reserve volumes and values were determined under