

# Exxon in alliance talks with state oil firms

Reuters in Beijing

Exxon Mobil Corp is in talks with state oil firms to jointly invest in resources including unconventional ones, an executive said yesterday, as China pushes aggressively to boost use of natural gas.

The partnership will cover oil and gas projects inside and outside the country, which are beyond the multi-billion-dollar gas supply deals the United States oil giant has already lined up with the mainland, the world's fastest-growing key energy consumer.

Such alliances would follow similar tie-ups like Shell's US\$3.2 billion joint acquisition with PetroChina of Australian gas firm Arrow Energy Corp and BP's team-up with Petro-

China to develop giant oilfields in Iraq.

"We are in specific discussions on a number of opportunities that may be of interest to Chinese [national oil companies] on upstream outside China," senior vice-president Mark Albers said.

They will cover a broad range of projects including some in early explorations and others at development stage, said Albers, who is in charge of Exxon's exploration and production business.

He added that the talks were at an advanced stage with China National Petroleum Corp and Sinopec Corp, the country's twin oil giants, and at a relative initial phase with CNOOC, the country's No 3 energy firm.

China has embarked on a push to

## Major push

### Discussions call for partnerships to cover oil and gas projects

The mainland raised wellhead natural gas prices on June 1 by

# 25%

tap the country's much under-explored unconventional gas, part of Beijing's plans to treble gas consumption in the next decade to make the cleaner fuel supply about 10 per cent of the country's energy needs. Unconventional resources generally refers to difficult-to-extract hydrocarbons such as coal seam gas, shale oil and gas, and sometimes deep-water reserves.

Albers said Exxon's acquisition of US unconventional specialist firm XTO, which is pending the latter's shareholders' vote on June 25, will give Exxon added strength in the sector, one that matches China's huge undiscovered potential.

He did not elaborate. But any big investment by Exxon in China's oil and gas explorations would mark the

company's return to upstream business on the mainland after nearly a decade-long hiatus. In the 1980s and 1990s, the then Mobil Corp spent US\$500 million in drilling a number of wells, offshore and onshore, with few commercial finds.

Albers said Exxon was very encouraged by China's recent gas price increase and moves towards more market-based pricing. "It's a clear recognition of the need for gas prices to be sufficient to warm investment," he said.

China raised wellhead natural gas prices by 25 per cent on June 1, in its first increase in more than two years, and allowed suppliers to charge up to 10 per cent more over a benchmark rate, a long-awaited boost for gas producers to meet surging demand.