

Gas firm seeks Asian investors

Chesapeake to offer stakes in U.S. projects

BY SHAI OSTER

BEIJING—Natural-gas company **Chesapeake Energy Corp.** is looking to partner with Asian oil companies to invest in its multibillion-dollar U.S. gas projects.

Chesapeake, one of the pioneers in opening up vast new reserves of natural gas in the U.S., has been talking to Chinese oil firms about buying as much as 20% of its Eagle Ford field in Texas, Chief Financial Officer Marcus Rowland said Thursday in Beijing. He estimated the total cost of the project could be \$4 billion.

Chesapeake is also talking to investors about buying as much as a 10% stake in the Marcellus shale-gas field in the Eastern U.S.

Mr. Rowland didn't specify in which other Asian countries Chesapeake is seeking partners. He said Oklahoma City-based Chesapeake hopes to announce a deal before the end of the year.

China is keen to replicate the dramatic increases in U.S. domestic natural-gas reserves that have come from tapping unconventional supplies such as shale and coal-seam gas, analysts say.

Those efforts have reshaped global energy markets and sharply reduced U.S. reliance on gas imports. Chinese energy companies have been investing in unconventional gas overseas to study how to develop their own reserves back home.

Chinese state-owned oil companies and officials are also looking to reduce China's dependence on imports of gas, a cleaner burning alternative to the coal that is China's primary energy source.

Until the recent flurry of activity in North America, China's big oil companies have ignored domestic unconventional gas supplies and fo-

cused on traditional domestic gas fields and ramping up imports to meet growing demand.

China is committed to long-term contracts for much of that gas at prices that might be higher than what they might have to pay for domestic shale gas, which some analysts say could limit the speed of development in China.

But **China Petroleum & Chemical Corp.**, China's second-biggest oil company, has set up its first specialized team to develop domestic shale-gas resources.

China's biggest oil company, **China National Petroleum Corp.**, has been pursuing deals overseas in shale gas and other types of unconventional gas supplies.

China National Petroleum is talking to Canadian shale-gas company **Encana Corp.** about possibly jointly investing in Canadian shale-gas reserves. The Chinese oil company's listed unit, **PetroChina Co.**, along with **Royal Dutch Shell PLC**, bought **Arrow Energy**, an Australian producer of coal-seam gas.

Chinese oil companies in general have been reluctant to invest in the U.S. ever since Chinese offshore oil company **Cnooc Ltd.** was thwarted in its 2005 bid to takeover California-based **Unocal Corp.** by strong political opposition. If Chesapeake were to secure Chinese investment for a substantial stake in an onshore U.S. energy asset, it could face political resistance, but a success could mark a turning point for such investments.

Last month, Chesapeake announced it had sold some \$1.7 billion in preferred stock to a group of private investors, including sovereign wealth funds **China Investment Corp.**, **Korea Investment Corp.** and Singapore's **Temasek Holdings**.