

Statoil in \$1.3bn shale deal with Talisman

OIL & GAS

By Andrew Ward
in Stockholm

Statoil, the Norwegian oil and gas group, has taken another step into the US unconventional energy sector by teaming up with Talisman Energy of Canada in a \$1.3bn deal to buy oil shale properties in Texas.

The purchase marks the latest in a barrage of investment by energy groups to extract oil and gas from shale rock and tar sands as they seek alternatives to conventional fossil fuel reserves.

Statoil, two-thirds owned by the Norwegian government, is under pressure to diversify from its mature domestic operations as North Sea production declines.

The deal, involving 134,000 net acres of the Eagle Ford shale formation in south-west Texas, comes

two years after Statoil bought a stake in the Marcellus shale gas acreage in the US north-east.

"The magnitude of the shale resources in North America and the significant role these resources are expected to play in the future energy mix make this an attractive opportunity," said John Knight, head of Statoil's unconventional energy business.

Statoil and Talisman have formed a 50-50 joint venture to buy 97,000 acres of Eagle Ford assets from Denver-based Enduring Resources for \$10,900 per acre.

In addition, Statoil will acquire half of Talisman's existing 37,000 acres of Eagle Ford properties, leaving the Norwegian group with total net control over 67,000 acres.

Statoil is paying \$843m for its share of the deal, which will increase the group's total recoverable resources by 550m

barrels of oil equivalent.

The acquisition, expected to close by the end of this year, also includes an option to jointly buy further Eagle Ford acreage of up to 22,000 net acres.

Statoil said it expected a significant proportion of the revenue from the joint venture to come from liquid gas.

The location was ideally situated to sell products into the nearby refinery centres of Texas, it added.

Initially, Talisman will take the lead as operator for the total acreage with Statoil taking operational control over half the acreage within three years.

Governance in the joint venture will be shared equally between the two partners from the start.

In 2008, Statoil acquired a 32.5 per cent interest in the Marcellus shale gas acreage from Chesapeake Energy Corporation in the Appalachian mountains.