

CNOOC pays \$1b for US gas, shale oil stake

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BEIJING — China's largest offshore oil company, CNOOC Ltd, agreed to pay \$1.08 billion to buy a stake in a shale oil and gas project in the United States, in line with moves to increase the use of gas in China's

GAS

energy mix.

CNOOC will buy a 33.3 percent interest in US company Chesapeake Energy Corp's Eagle Ford shale project in southern Texas. The transaction is expected to be completed in the fourth quarter of this year, said a company statement.

Chesapeake anticipates the project will reach its peak production of 400,000 to 500,000 barrels of oil equivalent a day in the next decade, said the statement.

"As one of the world's largest independent oil and gas companies, CNOOC is keeping a close watch on the development of the upstream sector across the world, among which is shale oil and natural gas development," said CNOOC Chairman Fu Chengyu.

"This transaction will provide the capital necessary to accelerate drilling of this large domestic oil and natural gas resource, resulting in a reduction of our country's oil imports over time, the creation of thousands of high-paying jobs in the US and in the payment of very significant local, state and federal taxes,"

said Aubrey K. McClendon, Chesapeake's chief executive officer.

Analysts said the deal underscores China's move to use more unconventional energy sources to meet rising demand and to power its rapid economic growth as part of its efforts to grapple with energy shortages and climate change.

Natural gas consumption now accounts for only 4 percent of China's total energy needs, well below the global average of 24 percent. The country aimed to double the weighting of natural gas in its total energy consumption basket to 8 percent over the next five years.

Increasing unconventional gas use could take pressure off strained oil supplies, limit the effect of rising oil production costs and cut carbon emissions, said Hu Wenrui, head of the China Petroleum Enterprise Association.

Besides CNOOC, the country's two other major oil companies, PetroChina and Sinopec, have both quickened their pace in the area.

Sinopec said in May that it plans to increase its annual unconventional gas output to 2.5 billion cubic meters by 2015. Its spokesman, Huang Wensheng, said development of unconventional oil and gas would become an important growth engine for the company's business in the next five to 10 years. PetroChina aims to produce 500 million cu m of shale gas by 2015.