

China and France target US shale oil

Sinopec in \$2.5bn deal with Devon Energy

Total to invest \$2.3bn in Ohio venture

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Chinese and French companies have announced large investments in US shale oil and gas projects as they seek to benefit from the country's controversial boom in "unconventional" resources.

Yesterday Sinopec, China's second-largest oil company by market capitalisation, unveiled a \$2.5bn deal with Oklahoma-based Devon Energy to invest in five new development areas from Ohio to Alabama. Separately, Total of France said it was investing \$2.3bn in an Ohio oil and gas joint venture with Chesapeake Energy and EnerVest of the US.

International groups are keen to increase exposure to unconventional US energy resources despite the environmental concerns over "fracking", the injection of water, sand and chemicals into wells to crack rocks and release oil and gas.

The exploration technique has been banned in France. Nicolas Sarkozy, the French president, has expressed fears about the process "massacring" the French landscape.

On Sunday, concerns about fracking's environmental impact were highlighted when the state of Ohio ordered a halt to well operations in an area near Youngstown for fear they were linked to a series of small earth-

quakes. Yves-Louis Darricarrère, Total's head of exploration and production, said he was "conscious of the environmental aspects linked to developing shale acreage" but was confident in "Chesapeake's capacity to manage the operations in a responsible manner".

Foreign companies have been shifting their focus from gas, prices for which have plunged, to oil. Devon's deal with Sinopec also reflects Chinese companies' hopes that techniques pioneered in the US could be used to develop China's own resources. Sinopec is taking one-third of Devon's stake in the five oil projects but will pay 80 per cent of the development costs, or up to \$1.6bn, as well as \$900m in cash.

Devon has a strong balance sheet with \$6.8bn in cash, but most is held offshore and liable for tax if repatriated to the US. That makes it more attractive for the company to seek other funding for its American projects.

Total's deal has a similar structure. It is taking 25 per cent of a new joint venture in Ohio's Utica formation with Chesapeake and EnerVest and committing to pay 60 per cent of its partners' future development costs of up to \$1.63bn, as well as paying \$700m in cash.

Two years ago, Total and Chesapeake agreed a joint venture in which the French company took a 25 per cent stake in shale assets in Texas for up to \$2.25bn. Total believes the Utica development could contribute 100,000 barrels a day to its oil and gas production by 2020, or 3.5 per cent of its overall production.