

Reliance poised for US shale gas deal

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India's **Reliance Industries** is expected to announce in New York as early as Tuesday that it will pay \$1.35bn to acquire a stake in a Texas shale gas field controlled by **Pioneer Natural Resources** of the US.

The deal, to be unveiled after "the close of business" in New York on Tuesday, would be Reliance's second **purchase of a US shale gas** interest in as many months, as India's largest private sector oil refining and production group builds a foothold in overseas markets.

Reliance, controlled by **Mukesh Ambani, India's richest man**, will buy a 45 per cent holding in the Eagle Ford shale gas field in south Texas, people familiar with the matter said.

In April, Reliance paid \$1.7bn for a joint venture with **Atlas Energy**, which has a shale gas field on the borders of Pennsylvania, West Virginia and New York states.

The deals by Reliance follow similar agreements between some of the world's largest energy companies and smaller independents with exposure to unconventional gas.

These unconventional deposits have raised estimates for US gas reserves from 30 years to 100 years at current usage rates.

In the biggest deals, **ExxonMobil** has agreed a \$41bn deal to buy **XTO**, the shale gas specialist, while **BP, Statoil** and **Total** have each struck deals with Chesapeake Energy to tap into its US shale assets.

Reliance Industries has been shopping for overseas acquisitions, resulting in the agreements with Atlas and Pioneer. Under the Pioneer deal, Reliance will pay \$300m up front for the stake in the shale field and settle the balance over four years.

Barclays Capital and **UBS** advised Reliance and **Bank of America Merrill Lynch** advised Pioneer.

Reliance and Pioneer declined to comment.

In the Atlas Energy deal, the Indian company took a 40 per cent interest in the shale field owned by the US company and committed funds for development.

Dallas-based Pioneer said last month that it had drilled its fifth successful well in the Eagle Ford field. "To further accelerate Eagle Ford shale development, the company is actively pursuing a joint venture, with an announcement expected by the end of the second quarter of 2010," Pioneer said last month.

Pioneer has another shale gas field, Barnett, near Fort Worth in Texas.

Reliance, whose upstream operations are headed by Walter Van De Vijver, a former **Shell** executive, is keen to gain hands-on experience in developing shale assets.

It operates the world's biggest refinery complex in a single location on India's west coast and the country's largest gas field on its east coast.

It sought to buy bankrupt chemicals group Lyondell-Bassell this year but was thwarted by a management-backed debt restructuring proposal for the company.

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