

## Total to pay \$2.25bn for stake in Chesapeake shale gas assets

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Total of France yesterday became the third big European energy company to buy into Chesapeake Energy's US shale gas assets.

Total will pay as much as \$2.25bn for 25 per cent of Chesapeake's assets in the Texas Barnett shale, paying \$800m in cash and the rest by funding 60 per cent of the project's costs during the next five to six years. In the past 18 months, BP of the UK and Norway's Statoil have signed similar deals.

Total hopes its entry into the US shale gas industry will raise the company's production. The group will enjoy an immediate jump of 175m cu ft per day in current production and hopes to increase that to more than 250m cu ft per day. The joint venture also gives Total the right to buy 25 per cent in any new areas of the Barnett shale that Chesapeake acquires.

The deal comes as natural gas prices remain relatively low, with Henry Hub, the US futures benchmark, trading at about \$5.80 per million British thermal units, down from a high of about \$13.69 in July 2008.

Analysts said the deal's price was largely in line with recent deals, but warned that growth potential of the Barnett shale may prove less favourable than Total hopes.

Christophe de Margerie, Total's chief executive, said the deal would "provide us with a solid position in an attractive long-term resource base under competitive terms".

Mr de Margerie added the venture would also help Total learn about extracting natural gas from shale beds. The method, called fracking, is more complicated and environmentally controversial than conventional production because it involves cracking open the shale.

Ben Dell, analyst at Sanford Bernstein, warned that the Barnett area was mature and declining.

Aubrey McClendon, Chesapeake's chief executive, said: "This transaction will allow Chesapeake to reduce its financial leverage and capital expenditures."

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