

StatoilHydro, Chesapeake Go Shale-Gas Shopping in Europe, Asia

By Edward Klump

May 21 (Bloomberg) -- StatoilHydro ASA, Norway's biggest oil company, and Chesapeake Energy Corp. are examining more than a dozen shale formations in Europe and Asia to find where they should invest together in unconventional natural-gas projects.

"At this point in time, we are looking at 14 different plays all over the world together with them to try to narrow it down," Oivind Reinertsen, president of StatoilHydro's U.S. and Mexico operations, said today in an interview in Houston.

The plan is to decide by the middle of next year on where the companies can collaborate, Reinertsen said. They're looking in such countries as Hungary, Poland, India, Australia and China, he said. Shale developments, where rock formations are fractured and injected with such substances as water or sand to make gas flow, drove a surge in U.S. production of the heating and power-plant fuel last year.

StatoilHydro agreed in November to pay \$3.38 billion to buy a stake in Oklahoma City-based Chesapeake's acreage in the Marcellus Shale gas formation of the U.S. Northeast and to fund drilling for the venture. The deal gave StatoilHydro access to the expertise it lacked on assembling and exploiting shale-gas properties, Reinertsen said.

There are shale formations around the world that may be at least as prolific as the Barnett and Marcellus formations in the U.S., Reinertsen said. Not enough study and development work has been done to assess their potential, he said. StatoilHydro, based in Stavanger, Norway, will consider such factors as production potential and accessibility.

Study Needed

"You could have picked 20, you could have picked 25," Reinertsen said. "You have to do an evaluation, and you also have to make an evaluation of where it's available."

StatoilHydro said in November that it had an alliance with Chesapeake to develop unconventional gas projects outside the U.S. Such a venture would mark Chesapeake's first overseas development.

Chesapeake Chief Executive Officer Aubrey McClendon declined through a spokesman to comment on the progress of the search with Statoil.

StatoilHydro expects to drill 15,000 to 16,000 wells in the Marcellus Shale, Reinertsen said. He said the company isn't looking at other projects in the U.S. with Chesapeake.

"We have the Marcellus with them, and I think we have to develop that," Reinertsen said.

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