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Chevron to acquire Atlas Energy for \$3.2B

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NEW YORK (AP) — Chevron will buy natural gas producer Atlas Energy Inc., marking the major oil company's first foray into the rich gas fields in the eastern part of the U.S.

Chevron will pay with both cash and stock, the companies said Tuesday. Including debt of about \$1.1 billion, the deal is worth \$4.3 billion.

Shares of Atlas jumped \$11.73, or 37 percent, to \$43.45 while Chevron shares lost 69 cents, or less than 1 percent, to \$84.11 in premarket trading.

Chevron Corp., based in San Ramon, Calif., is the latest major oil company to make a big acquisition in the natural gas sector, following Exxon Mobil and Royal Dutch Shell. Atlas is a big player in the Marcellus shale of Western Pennsylvania and elsewhere.

Many energy companies have rushed to tap America's large reservoirs of natural gas hidden in shale rock formations, using new drilling technologies that have brought down the cost of production. Chevron hadn't made any significant moves to explore in the shale deposits, until now.

With natural gas prices continuing to languish, analysts say Chevron is striking at a time when it can get a good price for those assets. Natural gas futures settled at \$4.088 per 1,000 cubic feet on the NYMEX Monday, down about 11.4 percent since July 1.

"When the market is weak, that's when it's time to act," Argus Research analyst Phil Weiss said.

Despite enormous supply and weak consumption, natural gas is expected to be in high demand in coming years because it's plentiful throughout the U.S. and produces fewer emissions compared with other fossil fuels.

Chevron said it also has made recent moves to acquire shale gas wells in Poland, Romania and Canada. Its natural gas business spans the globe with holdings in Africa, Australia, Southeast Asia, the Caspian region, Latin America and the U.S.

George Kirkland, Chevron vice chairman, said Atlas was attractive because of its expansive ownership of wells in the Marcellus Shale area, which spreads across parts of New York, Pennsylvania, Ohio, West Virginia and Virginia. He said the relatively low production costs and proximity to natural gas markets in the Northeast make the deal "a compelling investment."

The deal also includes natural gas assets in the Utica shale area. Chevron expects to gain 850 billion cubic feet of proven natural gas reserves that can produce 80 million cubic feet of natural gas per day.

It also will take a 49 percent stake in Laurel Mountain Midstream LLC, a company that owns natural gas gathering lines in the Marcellus region.

Atlas, based in Moon Township, Pa., near Pittsburgh, said that its shareholders will receive a package worth \$43.34 per share, a 37 percent premium to the company's closing price on Monday. The package includes \$38.25 in cash for each outstanding share along with units of Atlas Pipeline Holdings.

Atlas said that it plans to sell its controlling interest in Atlas Pipeline Holdings before the Chevron deal is completed.

Goldman, Sachs & Co. is serving as financial adviser to Chevron, while Jefferies & Company Inc. and Deutsche Bank Securities Inc. are acting as financial advisers for Atlas.

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