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Japanese firm to invest \$1.4 billion in Marcellus operation

By Andrew Maykuth

Inquirer Staff Writer

In the latest signal that global money is flowing into Pennsylvania's natural-gas fields, Japanese giant Mitsui & Co. is investing \$1.4 billion in Marcellus Shale gas drilling - and may sink in billions more in the next decade.

Mitsui yesterday agreed to buy a 32.5 percent stake in the Marcellus Shale natural-gas operations of Anadarko Petroleum Corp., the Houston global energy firm that has interests in 712,000 acres in seven Pennsylvania counties. Anadarko is the largest leaseholder in Pennsylvania state forests, with 128,000 acres.

The Mitsui investment will fund all Anadarko's development costs in 2010, and 90 percent of its remaining costs through 2013. Mitsui also has an option to buy a 32.5 percent share of Anadarko's existing wells and to fund additional acreage acquisitions.

The Tokyo company expects to invest up to \$4 billion over 10 years in the partnership, which would produce up to 460 million cubic feet of natural gas a day at its peak.

"We continue to ramp up our activities in the Marcellus and anticipate drilling more than 4,500 wells over the coming years," said Anadarko chief executive Jim Hackett.

There were a total of 768 Marcellus wells drilled in the entire state last year.

The investment is the latest indication that large oil and gas investors, which abandoned Pennsylvania in recent decades, are rushing back to exploit the Marcellus boom. In December, ExxonMobil agreed to buy XTO Energy, a Texas gas producer with substantial acreage in the state.

Mitsui, Japan's second largest trading company, says its investment is a 60-year play and is looking at expanding its shale-gas business in other areas in the United States.

"The U.S. will be a major gas market in years ahead, and it needs vast investment in production infrastructure," Hiroshi Sakurai, an analyst at Mizuho Investors Securities Co. in Tokyo, told Bloomberg Business News.

Anadarko's acreage is concentrated in Centre, Clinton, Lycoming, Sullivan, Bradford, Tioga, and Potter

Counties.

Contact staff writer Andrew Maykuth at 215-854-2947 or amaykuth@phillynews.com.

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