

Statoil secures pipeline capacity to deliver Marcellus Shale gas to US markets

March 2, 2010

Statoil has recently entered into transportation agreements in the US ensuring the right to transport and deliver natural gas produced in the Northern Marcellus shale gas area of Pennsylvania to the New Jersey and New York City areas.

Statoil's US subsidiary Statoil Natural Gas (SNG) has concluded transportation agreements with Tennessee Gas Pipeline (a subsidiary of El Paso Corp), and Texas Eastern Transmission (a subsidiary of Spectra Energy Corp), ensuring Statoil the right to transport up to 2 billion cubic metres (bcm) per year/200 000 mcf/day directly from the Northern Marcellus production area to New York City and the surrounding areas.

“This is an important breakthrough for Statoil's gas marketing position in the US,” said executive vice president for Natural Gas, Rune Bjørnson.

“These agreements secure access to some of the main pipeline systems for gas in the New York City area and thereby help maximize the value of our gas produced in the Marcellus shale. We expect that this will create attractive sales opportunities in New York City, New Jersey and surrounding areas in what is regarded the most attractive gas market in the US,” Bjørnson added.

Hilde Nafstad, heading up SNG, said: “The Manhattan area of New York City is in our view a particularly interesting market with strong underlying gas demand growth due to its large and growing population, commercial growth and the environmental benefits due to increased fuel switching from heavy oil.”

The transportation capacity contracts are expected to commence in November 2013 after an anticipated project permitting and construction period.

The total capacity of the Tennessee Gas Pipeline project is approximately 6.2 bcm per year (620 000 mcf/day) and the Texas Eastern project's capacity is approximately 8 bcm per year (800 000 mcf/day).

Statoil's Marcellus partner Chesapeake Energy Corporation through its subsidiary Chesapeake Energy Marketing has reserved 4.2 bcm (419 000 mcf/day) and Statoil 2 bcm (200 000 mcf/day) in the case of the Tennessee project, and 4.3 bcm (430 000 mcf/day), Statoil 2 bcm (200 000 mcf/day), and Consolidated Edison 1.7 bcm (170 000 mcf/day) in the case of the Texas Eastern project. Consolidated Edison is a local distribution company serving over one million customers in New York City.

Statoil acquired a 32.5% interest in Chesapeake's Marcellus shale gas acreage in November 2008. Statoil's equity production from the Marcellus shale gas play is expected to increase to at least 50,000 boepd in 2012 (approx. 3 bcm) and at least 200,000 boepd (approx. 10 bcm) after 2020.

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