

# Reliance to pay \$392 mln for 60 pct in US shale JV



Reuters - Thursday, August 5

- \* JV with Carrizo Oil & Gas in booming Marcellus Shale region
- \* Deal marks Reliance's 3rd U.S. shale gas buy this year
- \* Reliance to pay \$340 mln cash; \$52 mln drilling costs
- \* Reliance shares flat in steady Mumbai market

By Pratish Narayanan

MUMBAI, Aug 5 - Reliance Industries <RELI.BO>, India's biggest-listed conglomerate, will acquire a 60 percent stake in a joint venture with Carrizo Oil & Gas <CRZO.O> at the booming Marcellus Shale region, marking its third shale gas purchase in the United States this year.

Reliance has been investing in new areas such as shale gas as it seeks a foothold overseas and seeks to expand its businesses beyond petrochemicals, refining, oil and gas exploration, and retail.

The conglomerate, controlled by billionaire Mukesh Ambani, the world's fourth-richest man, recently bought significant stakes in the shale gas assets of U.S. firms Atlas Energy Inc <ATLS.O> and Pioneer Natural Resources <PXD.N>. [ID:nSGE65N06C]

"Why Reliance is going so aggressively into shale gas is because reports indicate shale gas output will replace about 25 percent of conventional gas production in the U.S. over the next decade," Sonam Udasi, head of research at IDBI Capital, said on Thursday.

"This is a longer-term plan to be one of the key five to six companies in the shale business in the world's biggest energy market, the United States," he said.

Oil companies including BP Plc <BP.L>, Total <TOTF.PA>, Statoil <STL.OL> and Mitsui & Co <8031.T> have bought into shales, rock formations that could hold vast amounts of natural gas.

Under the latest deal, Reliance will pay \$392 million, comprising of \$340 million of cash and \$52 million to develop assets in the Marcellus Shale gas project -- one of the most promising natural gas deposit regions in the United States.

The region, according to some geologists, could hold enough natural gas to satisfy U.S. demand for a decade. [ID:nN18229665]

Under the deal with Carrizo, Reliance is paying about \$6,200 per acre for its share of the Marcellus acreage. The company, at the forefront of India's push in shale gas, had paid around \$14,000 an acre under its deal with Atlas.

Reliance shares traded flat on Thursday in a Mumbai market <.BSESN> up 0.2 percent. Carrizo shares closed flat at \$20.1 on Nasdaq on Wednesday.

While the shale formations have proven to be lucrative, they are also very expensive to develop and environmentally sensitive.

Joint ventures have given the independent oil companies, who own much of the acreage in these areas, access to capital and should allow foreign oil firms to pick up expertise in new drilling techniques developed for the shales.

## COSTS

Reliance's \$52 million contribution to drilling costs will provide for 75 percent of Carrizo's share of development costs over an anticipated two year development program, the Indian company said in a statement on Thursday.

The deal is expected to close by mid-September.

The joint venture will have about 104,400 net acres of undeveloped leasehold in the core area of the Marcellus Shale in Central and Northeast Pennsylvania, of which Reliance's 60 percent interest will represent about 62,600 net acres.

Reliance will buy 20 percent of Carrizo's interest in a JV the U.S. company has with an affiliate of private-equity firm Avista Capital Partners. Reliance will buy all of Avista's interest in the JV.

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Carrizo will serve as the development operator for the joint venture and Reliance has the option to act as a development operator in certain regions in the coming years as part of the joint venture.

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