

Marcellus Shale: Shell buys East Resources for \$4.7 billion

By Toby Sterling • AP Business Writer • May 28, 2010, 9:08 am

Royal Dutch Shell PLC said Friday it will buy East Resources Inc., a major owner of shale gas holdings in the northeast United States, for \$4.7 billion from private investors.

Europe's largest oil company said it will pay cash for East Resources, which produces oil and gas equivalents of 10,000 barrels of oil per day, mostly in Marcellus Shale, which extends over large parts of the northeast, including the Southern Tier and Pennsylvania. East Resources is based in Warrendale, Pa.

Shell said it was buying the company from Kohlberg Kravis Roberts & Co., as well as Jefferies & Company and privately-held East Resources itself. The deal must be approved by regulators.

Shell CEO Peter Voser said the acquisition fit with plans to "grow and upgrade the quality of Shell's North America tight gas portfolio."

"Tight" gas is natural gas located in areas that are difficult or expensive to exploit, trapped behind hard-to-drill sandstone or shale.

Shell, like major competitors Exxon and BP, has been expanding its portfolio of tight gas as other options run out and technology improvements make it more feasible to extract.

Gas has the additional advantage that it does not release as much carbon dioxide as oil when burned.

Since Shell began accumulating U.S. tight gas assets in 2001, it has expanded production to 140,000 barrels of oil equivalent per day in 2009, and it expects that figure to reach 400,000 by 2020.

It said the East Resources buy, which also includes substantial assets in the Rockies, and a smaller buy in the Eagle Ford shale area of southern Texas, would add 1.3 million acres of tight gas acreage to its holdings in North America this year, or roughly

2.7 billion barrels of oil and equivalents.

Shell now owns 3.6 million acres of tight gas acreage in North America in all.

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Rough necks insert drilling pipe into a Marcellus well bore at a Chesapeake Energy rig in Towanda Pa. (TOM WILBER / Staff Photo)

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