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UPDATE 3-Chevron sees Atlas natgas output growing seven-fold

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- * Sees Atlas raising output to 100,000 boepd over time
- * Holds majority in top 45 prospects in GoM deepwater play
- * Chevron shares up 1 pct at 2-year high (Adds target vs U.S. output comparison, closing share prices)

By Braden Reddall

SAN FRANCISCO, Nov 11 (Reuters) - Chevron Corp (CVX.N) expects the natural gas production of its pending acquisition, Atlas Energy (ATLS.O), to grow to more than seven times current output, or the equivalent of 100,000 barrels of oil per day.

Chief Executive John Watson, giving no timeline for the production growth from Atlas' Marcellus shale gas properties in western Pennsylvania, said his company had passed up on several shale investment opportunities over the past few years because they did not make sense financially.

"We've waited to get the kind of terms that would give us the control that we wanted in the business," he told the Bank of America Merrill Lynch Global Energy Conference on Thursday, two days after Chevron announced the \$3.2 billion Atlas deal. [ID:nN09162177]

Watson's targeted level for Atlas output would represent about 1 percent of current U.S. gas production.

Chevron expects its own overall daily oil and gas production to grow 3 percent this year, to 2.78 million barrels of oil equivalent, with annual growth of 1 percent projected through 2014, and increases of 4 percent to 5 percent in the three years after that.

Chevron, the second-largest U.S. oil company, will make more acquisitions in the years ahead, Watson said, while adding, "We're not in a position where we have to do a particular acquisition."

Questions had been raised about Chevron's shale gas strategy ever since larger rival Exxon Mobil Corp (XOM.N) made shale the talk of the industry last December when it announced its \$27 billion acquisition of XTO Energy.

The XTO deal more than doubled Exxon's U.S. gas output to 14 percent of its global oil and gas production at a time when U.S. natural gas prices are depressed due to increased output from Marcellus and other shale fields. Eight percent of Chevron's global output is U.S. gas.

Exxon shares have suffered as a result, rising just 5 percent in 2010 versus Chevron's 12 percent gain.

LONG-TERM DEEPWATER COMMITMENT

Affirming Chevron's long-term commitment to the deepwater Gulf of Mexico, Watson said it has equity interests of 50 percent or more in the top 45 Lower Tertiary prospects.

Last month, the U.S. government lifted a moratorium on deepwater drilling imposed after the BP Plc (BP.L) blow-out in April, and the industry is watching for activity to start picking up again in the Gulf of Mexico.

"Everything has been done to get the industry back to work, and we expect more permits to be issued in due course," Watson told the conference in Miami.

San Ramon, California-based Chevron moved ahead last month with a planned \$7.5 billion investment in its Jack/St. Malo facility in the Lower Tertiary trend, and Watson said a final investment decision on the Big Foot project in the Gulf would come by the end of this year. [ID:nN21259958]

Chevron shares rose 1.1 percent to \$86.09, their highest closing level since September 2008. Exxon rose 0.9 percent. (Editing by Lisa Von Ahn, Steve Orlofsky and Richard Chang)

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