

Aubrey McClendon back on call



Back in business: Aubrey McClendon

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Controversial former Chesapeake Energy chief executive Aubrey McClendon is getting back into the oil and gas business and is staking his comeback on the US play he described as the best thing to happen to Ohio since the plough — the Utica shale.

Sources suggested McClendon is close to buying at least one major acreage package and may have wrapped up another, and is already deploying his signature army of landmen leasing under the names of shell companies to hide their tracks.

The co-founder of shale giant Chesapeake was ousted from his own company by activist investors, but has reportedly raised \$1 billion in a matter of weeks to back his new privately held operator American Energy Partners (AEP).

Offset and legacy operators, landowners, leasing agents and industry sources painted a picture of McClendon lodging high bids for major parcels to put together a strong position in counties such as Guernsey, Belmont, Harrison and Noble — an area south of Chesapeake's focal point that has boasted some of the best wells in the play.

McClendon won the bidding for about 50,000 acres put on the market by Shell, which appears to be unloading most of its acreage in Ohio to concentrate its efforts on the Marcellus and the Utica in western Pennsylvania, where the Anglo-Dutch supermajor has looked at building an ethylene cracker to process production.

Sources who screened the Shell package, which included parcels in Jefferson, Guernsey, Harrison and Belmont counties, characterised the acreage as fragmented and trending toward the still unproven oil window of the play and said the supermajor was unwilling to piecemeal out the more prospective blocks.

Those sources suggested McClendon had reached an agreement to buy the entire package but had not closed the deal yet.

Shell declined to comment, other than to say its Appalachian basin “portfolio and strategy is unchanged” and it did not comment on ongoing commercial matters.

Ohio sources suggested Shell’s Ohio leasing programme was never able to capture a solid contiguous position to economically develop and state records indicate the company never drilled a horizontal well in Ohio.

McClendon’s name has also been tied closely to an announcement that US independent Enervest and sister company EV Energy Partners sold 22,500 acres in Guernsey, Harrison and Noble counties for more than \$280 million.

Rival bidders said AEP had screened the package and many believed McClendon was the ultimate buyer, but said they confessed the link was still speculation. (This was confirmed)

Two other sources suggested McClendon had been in talks with privately-held Red Hill Development for the company’s deep lease rights covering the Utica but had not been able to reach a deal. Besides bidding on major asset packages, landowners and competitors’ leasing teams said AEP was leasing organically as well.

One representative leasing for Great River Energy told landowners at a public meeting that Great River was backed by money from AEP and was planning to transfer the leases to AEP when they passed due diligence.

Great River, which has existed for a little more than a month, lists employees from respected Dallas leasing firm Orange Energy Consultants among its ranks, according to state records.

Orange representatives involved in Great River would only say the company was backed by deep-pocketed investors that requested confidentiality.

Others competing with McClendon for leases said AEP-backed landmen were upping acreage prices particularly in Guernsey County but also in neighboring counties such as Noble in an effort to build a significant contiguous position. Chesapeake, under McClendon, is credited with discovering the Utica play, where it quickly amassed a massive land position and then sold a 25% stake in 619,000 acres to French giant Total for \$2.3 billion in cash and drilling carries.

McClendon appears to be concentrating much, if not all, of his financial firepower directly on the Utica.

Upstream understands he recently walked away from a deal to buy a substantial acreage package in an emerging tight oil play. He is said to have left a significant amount in earnest money on the table, in order to put more funds into the Utica.

Nobody from AEP was available for comment as Upstream went to press.