Sinopec buys $1bn US shale stake from Chesapeake

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China Petroleum & Chemical Corp. (Sinopec) will buy a 50 percent interest in Chesapeake's 850,000 acres in Mississippi Lime shale in northern Oklahoma, they said in a joint statement.

The two companies will share the costs of all future exploration and development, while Chesapeake will be in charge of leasing, drilling and operations and marketing activities.

Oklahoma City, Oklahoma-based Chesapeake, the second-largest producer of natural gas in the United States, has been shedding assets to pare down massive debt.

The Mississippi Lime joint venture with Sinopec "moves us further along in achieving our asset sales goals and secures an excellent partner to share the capital costs required to actively develop this very large, liquids-rich resource play," said Steven Dixon, Chesapeake's chief operating officer.

Chesapeake produced on average 34,000 barrels of oil equivalent per day from the Mississippi Lime assets in the 2012 fourth quarter, and at the end of last year proven reserves were estimated at 140 million barrels of oil equivalent.

The transaction was expected to be completed in the 2013 second quarter.

Analyst Paul Ausick of 24/7WallStreet.com noted that Chesapeake already had sold more than $3 billion in assets to China's energy giant CNOOC.

"The interesting thing that could develop from this is a sale of a US producer—not necessarily Chesapeake, of course—as a result of the recently approved $15 billion acquisition of Nexen Inc. by CNOOC," he said.

"The US approved the sale of the Canadian-based firm and may have opened the door for more aggressive bidding by China's big state-backed oil firms."

The United States approved the takeover in early December, its green light needed because of Nexen's oil assets in the Gulf of Mexico.

Chesapeake shares tumbled 4.5 percent to $19.58 and Sinopec's US-traded shares were up 0.4 percent at $113.16 in morning New York trade.

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