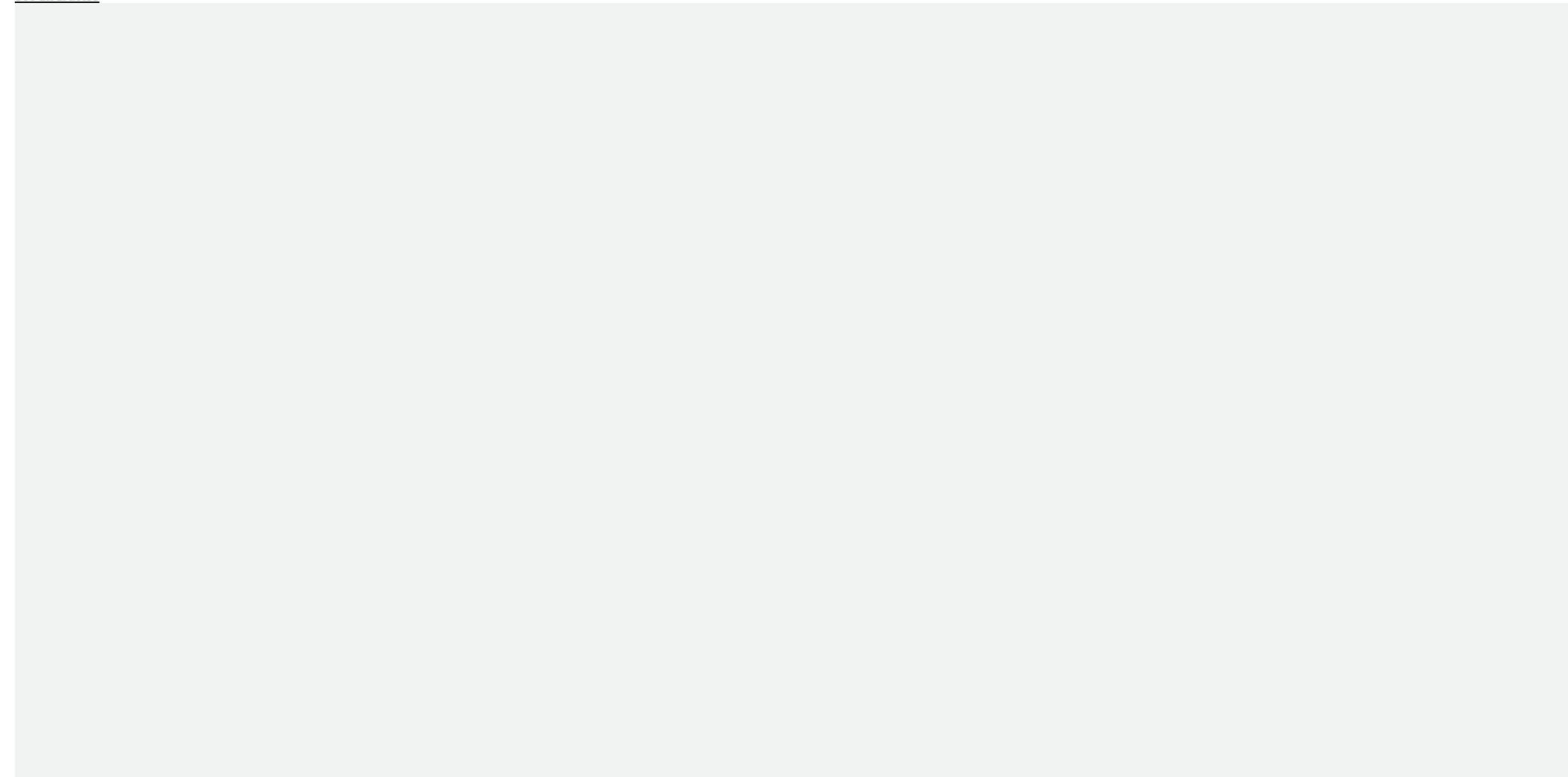


SHALE

[See all articles](#)



Purchasing power: foreign investors hunt for US deals Photo: REUTERS/SCANPIX

Dearth of capital in US shale patch provides 'unique buying opportunity' for foreign investors

International companies scout US shale deals as domestic players find it more difficult to secure capital

6 October 2020 10:07 GMT *UPDATED 6 October 2020 10:07 GMT*
By [Caroline Evans](#) in [Houston](#)

Foreign investors are showing interest in buying US shale assets even as domestic players are finding it more difficult to access the capital they need to secure deals.

"North America is open for business, there's just a dearth of capital for upstream right now," Banpu Kalnin Ventures (BKV) chief executive Chris Kalnin said.

"So, it creates this unique buying opportunity."

BKV, which is backed by Thai utility Banpu, closed its acquisition of Devon Energy's assets in the gassy Barnett shale of Texas last week. The cash deal provides \$570 million for the assets and up to \$260 million in contingent payments over the next four years, based on oil and gas prices.

Net production from the Barnett properties averaged nearly 600 million cubic feet equivalent per day net in the third quarter of 2019.

BKV, which also has assets in the Appalachian basin in the north-east US, said the acquisition puts the company in the top 20 natural gas players in the nation, producing a net 700 million cubic feet per day of natural gas.

'Great timing and a great opportunity'

Kalnin told Upstream the company, which also has a footprint in the Appalachian basin, is already contemplating more acquisitions in the US shale gas sector.

"We're in the process and talks with a large capital provider, in addition to Banpu, where we would have a pretty large running room with regards to capital," Kalnin said.

"We see this as great timing and a great opportunity to be bulking up on assets, so we're actively exploring (mergers and acquisitions) and, as we've shown with our pivot to the Barnett, we're very open to looking at attractive opportunities across multiple basins."

Kalnin added that BKV could announce a new deal as early as this year or next year.

Pivot from coal

For Banpu, US shale can deliver on the company's objectives to diversify its portfolio away from coal while making it greener, Kalnin said.

Other Asian firms are keen to follow suit. Japan's Inpex said during a virtual event last week that it was looking to expand its position in the Eagle Ford shale, and Malaysia's Petronas has been [rumoured](#) to be seeking assets in the prolific Permian basin.

SIGN UP FOR OUR NEW
ENERGY TRANSITION
NEWSLETTER

Energy explored: Gain valuable insight into the global oil and gas industry's energy transition from **Accelerate**, the new weekly newsletter from Upstream and Recharge. [Sign up here.](#)

Baku blames Armenian
forces over alleged
attack, but
infrastructure intact

[Rigs And Vessels](#)

[Sembcorp](#)
[Marine hits](#)
[Energean Power](#)
[FPSO milestone](#)
TechnipFMC completes
installation of floater's
mooring lines off Israel

European investors have also splashed out on US shale assets recently. European renewables company IkaV finalised its purchase of BP's San Juan basin assets earlier this year, and London-listed Diversified Gas & Oil, which has a position in the Appalachian basin, [announced on Monday](#) its plans to bankroll \$1 billion in asset deals.

"I think that in terms of the interests and investments to the US shale, in general, it's the time to buy right now," said Hakan Corapcioglu, senior energy analyst at Enverus.

Other market-watchers are striking a more conservative tone on M&A in the US shale space, however.

Wood Mackenzie expects to see more "mergers of equals" akin to the recent Devon Energy-WPX merger, principal analyst Alex Becker told Upstream.

"I don't think we're necessarily expecting to see a tonne of foreign investors coming in at this time, but that could certainly change," Becker said.

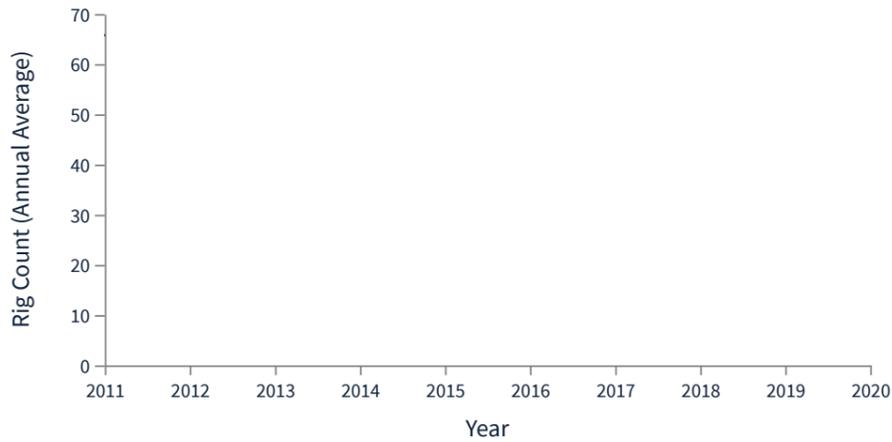
Barnett plans

The Barnett shale in northern Texas has a storied history as one of the first hubs of unconventional gas development in the US.

According to Baker Hughes data, more than 80 rigs were working there at one point in 2011, when the shale boom was in its infancy.

Barnett shale rig count

Steep declines since 2011



Source: Baker Hughes

upstream

A Flourish chart

However, activity fled the play over the years as it matured, production declined and natural gas prices deteriorated. There were no rigs working there as of last week, according to the Baker Hughes data.

"It has been one of those plays (where) the activity went down significantly along with natural gas prices, and they never went back up," Corapcioglu told Upstream.

Enverus tracked six active rigs in the play last week, five of which were vertical instead of horizontal.

That indicates operators are using them to recomplete existing wells to boost production, he said.

BKV's strategy is also focused on managing production to generate cash flow instead of spending more money to drill new wells.

"The gas assets, they are relatively low capex, and if you're not drilling and fracking a bunch of wells, you can actually generate a really decent return," Kalnin told Upstream.

"We think this is the kind of business that's going to make unconventional come back in a big way because there's a lot of profit to be made if you do it

right."

As an example, Kalnin said the company can boost production by automating parts of its plunger lift process and by dropping pressures on gathering lines.

However he added that the company does have a drilling inventory and recompletion candidates it can draw upon if prices improve in the future.

"We have some good options, but this is a business about generating free cash flow, its not about production for production's sake," he said. ([Copyright](#))

DGO buys Core Appalachia in \$183m deal
[Read more](#)

Devon chops \$200 million off Barnett shale deal with Banpu
[Read more](#)

[News](#) [Banpu Kalnin Ventures](#) [Devon Energy](#) [Texas](#) [Barnett Shale](#) [USA](#)

TRENDING TODAY

Energy Transition

Only three oil giants getting closer to 2C target, investor-backed report claims

Transition Pathway Initiative says emissions reduction targets and low-carbon investment plans 'still not quite enough'

Politics

Azerbaijan 'thwarts rocket assault' on oil and gas export pipelines