

## **PF, Chevron Sign Argentina Shale Pact**

BUENOS AIRES, Argentina (AP) — Argentina's cash-strapped state energy company signed a partnership deal Wednesday with Chevron Corp. for a "massive development" of the South American country's vast nonconventional oil and gas resources.

YPF President Miguel Galuccio and Chevron's Latin America and Africa chief, Ali Moshiri, signed a letter of intent to start on a shale pilot project by drilling more than 100 wells within 12 months in the Vaca Muerta area of Patagonia. YPF hopes the effort will help it boost production to meet Argentina's growing energy demands.

The companies said the pilot project will cost a shared \$1 billion, while it could take more than \$15 billion for full development of the Vaca Muerta ("Dead Cow") formation that was discovered in Neuquen province in 2010.

Argentina expropriated a majority stake in YPF from Spain's Grupo Repsol in April after accusing the Spanish company of bleeding YPF dry and forcing Argentina to import record amounts of energy by failing to invest in Argentine operations.

Galuccio, who was picked by President Cristina Fernandez to lead YPF shortly after the company was nationalized, said he was delighted by the agreement with Chevron. Since taking charge, Galuccio had insisted on the need for YPF to find wealthy partners willing to make long-term bets on developing Argentina's energy potential.

The preliminary accord is key to YPF's plans to develop what experts believe are the third-largest shale resources in the world and boost the company's output, which dwindled under the control of Repsol.

Argentina needs billions of dollars to exploit its energy reserves, and until now major oil companies had failed to commit. Analysts blamed the government's heavy hand in the market and Repsol's threat to sue any partner for the \$10 billion investment that Argentina seized when it took over YPF.

Repsol followed through on its threat by suing Chevron in New York earlier this month seeking to prevent the U.S. oil giant from developing energy assets in Argentina.

The Spanish company has asked a judge to block Chevron from partnering with YPF in developing Argentina's shale reserves as long as Argentine government officials are managing the company.

Moshiri said there is no legal basis for the lawsuit.

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"What (Repsol) did is completely irrelevant and doesn't harm the relationship we've had with YPF," he told reporters in Buenos Aires via a teleconference from Houston, Texas. "Whatever happens, it won't block progress."

The federal lawsuit follows other legal claims that Repsol has filed in Madrid and Washington demanding compensation from Argentina.

An Argentine judge embargoed Chevron's assets in Argentina in November to carry out an Ecuadorean court order that awarded \$19 billion to plaintiffs in an environmental damage lawsuit in the Amazon.

Moshiri said the embargo will not affect Chevron's partnership.

"It's a legal action of Ecuador's government against Chevron ... an issue between lawyers trying to sue everyone and not benefitting anyone," Moshiri said.

"We can continue our investments in Argentina. ... YPF is top-notch when it comes to technology and human resources," he said, adding that the companies plan to come up with a definitive agreement as soon as possible.

Chevron, based in San Ramon, California, has had a collaborative relationship with YPF since the early 1990s. The companies signed a memorandum of understanding in September to jointly develop Argentina's shale reserves, which trail only the U.S. and China in potential.

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