

McClendon forms unit with eye on Rogersville shale



New frontier: American Energy Partners chief executive Aubrey McClendon

Reuters/Scanpix

By Noah Brenner Houston 11 September 2015 00:00 GMT

AEP chief executive incorporates American Energy – Rogersville in order to target emerging play in West Virginia and Kentucky

US oilman Aubrey McClendon has formed a new unit of American Energy Partners (AEP) to target the emerging Rogersville shale play and has begun approaching legacy operators to acquire the rights to drill below their shallow conventional fields.

McClendon incorporated American Energy – Rogersville earlier this summer in Oklahoma City, where AEP has its headquarters.

Industry sources familiar with the play said McClendon's representatives have already approached conventional producers with significant acreage positions in what is believed to be the most prospective area for the Rogersville along the border between West Virginia and Kentucky.

However, as with many deals in the industry, low oil and gas prices are seen as a potential stumbling block to closing a transaction at present.

McClendon has a successful history of partnering with conventional producers in the Appalachian basin to gain access to shale plays underlying their acreage, during his time as chief executive of Chesapeake Energy and in his more recent role leading AEP.

However, competitors are also circling the legacy producers AEP is targeting.

One source familiar with the play confirmed that some outfits have already been approached by public companies over and above those that already have positions in the play.

Among the existing players, Continental Resources last year snapped up deep rights on acreage held by Nytis Exploration and then earlier this year picked up deep rights to acreage held by Hay Exploration.

While such an arrangement can be more expensive than leasing individual parcels, it can be the only way to gain access to core areas, especially in Appalachia where large blocks of acreage are held by shallow gas production or by coal mining companies.

It can also reduce the need for the large-scale drilling programmes to hold leased acreage.

Industry sources said they had not seen evidence of American Energy – Rogersville leasing

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directly from landowners. However, in the past, McClendon has used a litany of shell companies and land management organisations to hide his lease activity.

While McClendon's interest adds fuel to the growing interest in the Rogersville play, there is no guarantee that it will join the ranks of the Permian, Utica, Marcellus or Woodford plays, where AEP has established companies.

Oklahoma records show a number of companies within the AEP group set up to target plays where McClendon has not taken a meaningful interest, including the Haynesville shale, California and the Powder River basin in Wyoming.

The Rogersville formation is a deep Cambrian-aged dark-grey shale member of the Conasauga group that lies at depths ranging from 9000 to more than 15,000 feet at the base of the Rome Trough.



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