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## Chinese Company Is Near First Deal to Buy Stake in Oil Drilling Leases in Gulf of Mexico

By [CLIFFORD KRAUSS](#)

HOUSTON — Trying to acquire a foothold in the American oil patch, a Chinese company is closing in on a deal to buy stakes in a few drilling leases in the Gulf of Mexico from a Norwegian company, an executive close to the talks said.

The prospective purchase would not do much to quench [China's](#) huge and growing thirst for energy, which makes it the second-leading consumer of oil after the United States. But such an oil acquisition would be symbolically important as the first by China in the United States, coming four years after the Chinese company's \$18.5 billion bid for the American oil company Unocal collapsed under pressure from Congress.

Executives at [StatoilHydro](#), the Norwegian national oil company, would neither confirm nor deny their negotiations with the Chinese, which were first reported Friday by [Dow Jones](#) Newswires. Zongwei Xiao, a spokesman for the Chinese company, known as Cnooc, said on Saturday morning that the company has a policy of not commenting on "rumors in the market."

But the negotiations between the companies are at an advanced stage, and a formal announcement could be made soon, according to the executive close to the talks, who said it was company policy not to discuss the negotiations. The executive cautioned that the talks were at a delicate stage.

The deal would include about 20 of StatoilHydro's 451 leases in the Gulf of Mexico. But oil analysts said they saw symbolism in the move, particularly when Chinese companies were striving to acquire much larger oil reserves in Africa and Latin America.

"By dipping their toe, they are attempting to see if it's politically safe to get into our waters," said Larry Goldstein, a director of the Energy Policy Research Foundation. "There's still a hangover from Unocal."

With an expanding economy and a car fleet mushrooming with its middle class, China has been searching far and wide for oil reserves. In recent years China has formed alliances and joint ventures in Venezuela, Russia and Brazil to produce oil, and Chinese companies are competing to obtain large-scale contracts for exploration and development of fields in Nigeria and elsewhere in Africa.

Cnooc has increased its capital expenditures for exploration, development and production to a planned \$6.8 billion this year, from \$3.8 billion in 2007 and \$5.7 billion in 2008, according to the company's 2009 strategy preview report.

Several large American oil companies, including [Chevron](#), [ConocoPhillips](#) and [Devon Energy](#), have wide-ranging investments in China, from exploration and production offshore to marketing fuels and lubricants to Chinese consumers.

But China has had a rocky time investing in the United States energy patch. Cnooc, China National Offshore Oil Corporation, tried to make an \$18.5 billion offer to buy Unocal Corporation in 2005. The Bush administration did not oppose it, but an array of powerful Democratic and Republican members of Congress strongly objected on national security grounds.

The purchase of a small stake in the Gulf from a Norwegian company is not likely to produce as large a reaction, especially when the Obama administration is trying to strengthen economic ties with the Chinese.

China National Petroleum Corporation held talks in March with Chevron to buy a minority interest in the Big Foot oil field in the Gulf of Mexico, but the Chinese company dropped out of the talks, apparently unhappy with the terms the American company offered.

The Gulf of Mexico accounts for about a quarter of the nation's oil production, and its deepwater potential makes it the most exciting arena for oil exploration in the United States. Foreign oil companies like [BP](#), Shell, StatoilHydro and the Brazilian company Petrobras have been investing heavily in the area.

Areas in the Middle East and Africa have more oil, but they can be challenging to explore because of political upheaval and because oil-rich countries are reluctant to cede control of their resources.

Amy Myers Jaffe, an energy specialist at [Rice University](#), said it made sense for the Chinese to enter a partnership with a more experienced Western oil company in the Gulf to learn the advanced seismic and drilling technologies required to work in deep waters. She predicted little or no political opposition.

"It's completely unthreatening," she said. "There is no reason why any American should be concerned about a Chinese company taking a small stake in the Gulf of Mexico."

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