

Exxon's talks to tap Algeria shale gas falter due to unrest – sources



- * Exxon, Sonatrach met in Houston to discuss Ahnet field
- * Exxon opted to suspend process due to violence in Algeria
- * Discussions part of tightening ties between companies

By Lamine Chikhi, Dmitry Zhdannikov and Ron Bousso

ALGIERS/LONDON, March 20 (Reuters) – Talks between Exxon Mobil and Algeria to develop a natural gas field in the North African country have stalled because of domestic unrest, industry sources said.

Irving, Texas-based Exxon entered talks with Algeria's national oil company Sonatrach several months ago to develop a field in the southwestern Ahnet basin, the sources close to the discussions said.

The talks were part of a deepening of ties between the two

companies that followed Sonatrach's acquisition last May of Exxon's Augusta refinery in Sicily, Italy.

Last week, officials from the two sides held talks in Houston, Texas to hammer out details but Exxon opted to suspend the discussions, temporarily at least, due to the recent protests in Algeria over President Abdelaziz Bouteflika's 20-year rule, the sources said.

Exxon and Sonatrach declined to comment.

The refinery acquisition and increased cooperation between the two companies were seen as key for Sonatrach's efforts to modernise its business and reduce reliance on fuel imports under Chief Executive Abdelmoumen Ould Kaddour.

The collapse of the talks follows years of attempts by Sonatrach to attract foreign companies to develop its vast oil and natural gas resources.

Sonatrach hopes to tap foreign experience in fracking, a drilling technique that led to the rapid expansion of U.S. oil and gas production, to develop its own shale reserves, estimated at 22 trillion cubic metres, the world's third largest.

The North African country is a leading gas supplier to Europe, but exports have suffered from delays to several projects and a steep rise in the use of subsidised gas at home as the population has grown. (Additional reporting by Florence Tan and Jennifer Hiller in Houston; Writing by Ron Bousso; Editing by Dale Hudson)