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Texas Energy: Crude isn't the only commodity seeing price decline

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Jordan Blum, Special to the Texas Business Journal

A rendering of Cheniere Energy Inc.'s planned LNG export terminal at the Port of Corpus Christi.

As energy prices have plummeted during the past several months, all attention has rested on crude oil and the drop from $100 oil to $50 oil.

However, natural gas has seen a similar drop during the same timeframe, falling more than 40 percent from last summer. Gulf Coast natural gas pricing has declined from about $4.50 per million Btu to less than $2.60 MMBtu by mid-April.

"Natural gas dropped as much, if not further than the price of oil," Houston-based EnerVest Ltd. CEO John Walker said.

That hurts producers, many of which are based in Texas, but leads to cheaper energy costs for consumers and cheaper feedstock for manufacturers.

While oil was riding high until the end of the summer, natural gas has seen a steady decline since the shale boom initially ramped up in 2008. Although there are plenty of ups and downs, natural gas prices have steadily sunk since selling for more than $10 MMBtu for much of 2008.

“It’s an amazing performance on behalf of our industry that caused this,” Walker said of the unconventional production that led to the shale gas boom.

First in Louisiana’s Haynesville Shale and now more in the Marcellus and Utica shale plays in the Northeast, natural gas production is still surging. However, natural gas production in the major shale plays is expected to drop by 23 million cubic feet per day from April to May to a total of about 46 billion cubic feet per day, according to the U.S. Energy Information Administration.

The difference, though, is that global and domestic demand for natural gas is growing faster than the demand for oil, said Pearce Hammond, managing director in the Houston office of Simmons and Company International.

Later this year, the U.S. will begin exporting more liquefied natural gas, while crude oil exporting is still banned.

Houston-based Cheniere Energy Inc. (NYSE: LNG) is planning a $12 billion LNG export terminal at the Port of Corpus Christi, the first at that port. Meanwhile, Texas LNG, Annova LNG and Rio Grande LNG have submitted pre-application paperwork with the Federal Energy Regulatory Commission to build export terminals at the Port of Brownsville.

More U.S. manufacturing plants are being built that plan to rely on cheap natural gas. Also, power generation is switching more quickly from coal-fired plants to gas-fired plants.

“If natural gas prices go lower — in the power generation industry — it can still increase market share instantly,” Hammond said. “There’s a lot of (natural gas) demand coming in the upcoming years, led by LNG.”

Stabilis Energy recently built a natural gas liquefaction plant in George West, where it can produce up to 100,000 gallons of liquified natural gas per day. The company says its LNG fuel and engines are cleaner and more cost-effective than their diesel counterparts in the oil field.

Among their clients is San Antonio-based Green Energy Oilfield Services, whose president and CEO, Joe Monroe, said its was a guinea pig for Stabilis.

Monroe said that after some fine tuning to the LNG equipment, they were able to work out the designs for use in the oil field.

“Fuel savings have been real,” he said. “Emission savings are real.”

The U.S. is projected to become a net exporter of natural gas by 2017, according to the EIA.

As such, Hammond said, the expectation is that natural gas prices will increase at some point in the second half of the year and potentially finish 2015 near $3.50 MMBtu.

Sergio Chapa, energy reporter with the San Antonio Business Journal, contributed to this article.