

Chesapeake to invest \$1B in natural gas technology

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OKLAHOMA CITY – Chesapeake Energy Corp. has unveiled plans to invest \$1 billion to help develop new natural gas technologies over the next 10 years and spark new demand for the fuel.

The company announced on Monday that it is creating a \$1 billion private equity fund for natural gas technology.

Chesapeake will invest 1 percent or 2 percent of its annual drilling budget into the fund over the next 10 years to help spur the adoption of compressed natural gas and liquefied natural gas fuels through developing new technology.

Demand for natural gas has not kept up with advances in production technology like hydraulic fracturing and horizontal drilling, resulting in low, stagnant natural gas prices.

"It's been clear to me now that we have been part of the supply revolution, we need to talk about a demand revolution," Chesapeake Energy CEO Aubrey McClendon said during a conference call with reporters on Monday. "We're providing the acceleration to the marketplace where the marketplace has already gradually been accepting of the solution."

The new fund, called Chesapeake NG Ventures Corp., will invest \$150 million in Seal Beach, Calif.-based Clean Energy Fuels Corp. to provide a cheaper, lower-carbon alternative to diesel fuel for heavy-duty trucks.

Clean Energy will use Chesapeake's investment to speed up building LNG fueling stations at truck stops on interstate highways.

Calls to Clean Energy Fuels were not immediately returned on Monday.

Chesapeake has also struck a \$155 million deal for a 50-percent stake in Louisville, Colo.-based Sundrop Fuels Inc.

The company uses natural gas and plant waste material to make alternative fuels. Chesapeake's investment will fund the development of a "green gasoline" touted as the largest of its kind in the world. The plant will be capable of producing more than 40 million gallons of gasoline each year made from natural gas and plant matter. Sundrop has not chosen a site yet for the gasoline plant, but is considering a handful of states in the Midwest and Southeast for the plant, including Oklahoma, said Steven Silvers, a spokesman from Sundrop.

The company needs access to a source of plant waste material and good energy infrastructure for the project, he said.

The green gasoline Sundrop wants to produce at the plant has the same molecular structure as regular gasoline, only it is made out of natural gas and plant matter.

"People have a hard time putting their heads around it, but it's completely and totally compatible with the transportation fuels we have now and distribution network and filling stations we have," Silvers said.