



Chesapeake CEO: Bullish On Natural Gas Long Term

By Ryan Dezember, Of DOW JONES NEWSWIRES

NEW ORLEANS -(Dow Jones)- Even as Chesapeake Energy Corp. ([CHK](#)) shifts nearly all of its capital spending toward finding and producing oil, [Chief Executive](#) Aubrey McClendon said he is bullish on natural gas and sees broad changes in demand increasing the price of the commodity in the U.S.

"It's time to get bullish on natural gas," McClendon told investors at a conference here.

Producers have flooded the U.S. market with gas as they rushed to unlock vast reserves of the fuel from deeply buried onshore shale formations. As a result of the over supply prices have slumped, struggling to stay above \$4.00 per million cubic feet despite an unusually cold winter. As a result many producers are shifting their focus to more profitable [oil production](#). Chesapeake, for example, has set a goal of increasing its oil output to 250,000 barrels a day in 2015 from 30,000 it produced daily in 2009.

But McClendon said Chesapeake still places high value on its natural gas assets and sees sweeping changes in demand that, over the next five years, will absorb excess supply and boost prices.

The head of the second largest U.S. natural gas producer after Exxon Mobil Corp. ([XOM](#)) said he sees "quickening momentum for natural gas in transportation, " growing industrial demand and exports of liquefied natural gas within five years.

Because the U.S. largely supplies all of its natural gas needs, the market is disconnected from the global trade. While international natural gas prices are tied to oil prices, domestic prices are not and are typically lower.

Though natural gas for April delivery ended Monday at \$4.478 a million British thermal units on the New York Mercantile Exchange, its highest price since early February, international prices have recently been more than twice that.

By exporting liquefied natural gas, or LNG, U.S. prices could climb as shipments join the global trade, McClendon said.

McClendon also said the Oklahoma City-based company is working with chemical companies and [venture capital](#) concerns to develop a gas-to-liquids process that would transform natural gas into a transportation fuel that could more easily be assimilated into current distribution systems. He predicted that a gas-to- liquids process would become commercially viable in four to six years.

"Expect Chesapeake to have a role in this," he said. "We do intend to find, seize and enjoy the Holy Grail, which is to convert \$4 natural gas into \$20 a (million cubic foot equivalencies) in the form of a transportation fluid."

International oil companies see the current slump in U.S. gas prices as temporary, shown by recent big [investments](#) by the likes of [BHP](#) Billiton Ltd. ([BHP](#), [BHP.AU](#)), which last month agreed to pay \$4.75 billion for Chesapeake's Arkansas shale gas fields, McClendon said.

"There is a market out there for assets that looks through this year's low gas prices and maybe next year and looks forward to years ahead when gas prices are going to be much higher than they are today," McClendon said. "Our assets are undervalued and there's huge latent value in these massive gas assets that we own."

Chesapeake shares closed down 3.45% at \$33.06 Monday.

-By Ryan Dezember, Dow Jones Newswires, 713-560-6670, ryan.dezember@ dowjones.com