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Driftwood project would move gas from Haynesville, Permian to the world

By Ken Hedler khedler@news-journal.com May 12, 2019

John Howie, president of Tellurian Production Co.

Michael Cavazos/News-Journal Photo

KILGORE — His Houston company is close to a final decision on a $30 billion project to carry liquefied natural gas from fields in East Texas and West Texas to a terminal proposed in Lake Charles, Louisiana, John Howie told attendees at an energy conference here this past week.

And after the Driftwood pipeline and terminal are operating in 2023, gas would be shipped to overseas markets such as China, said Howie, president of Tellurian Production Co.

“We are building a global natural gas company,” he said of the company founded in 2016 by Charif Souki and Martin Houston. “We are going to acquire and produce natural gas in East Texas and Louisiana.”

The project, which takes its name from a town in Hays County, envisions a 700-mile pipeline carrying LNG from the Permian Basin in West Texas and New Mexico and another of about 200 miles from the Haynesville Shale in East Texas and Northwest Louisiana.

Howie, who started his career in the energy field in 1982 as an engineer with Amoco in Longview, discussed the plans during the 10th annual East Texas Energy Symposium at Kilgore College.

He also used the podium at the Devall Student Center to call for investors to help finance a project that will cost an estimated $30 billion to $35 billion. He said the minimum investment is $500 million.

The project is moving through the regulatory process, as well.

In late April, Tellurian said its Lake Charles terminal was cleared by federal regulators, a major hurdle in the company’s three-year quest to build the export facility.

The Federal Energy Regulatory Commission gave the green light to its Driftwood project and to build a 96-mile pipeline carrying natural gas from the major pipeline hubs at Gillis and Eunice northeast of the project to the proposed gas liquefaction and export facilities on the west bank of the Calcasieu River, south of Lake Charles.

Tellurian still has to receive a U.S. Army Corp of Engineers permit and a Department of Energy order for non-Free Trade Agreement exports.

The company has said its final investment decision will then depend on the result of negotiations with potential investors and partners, as well as the terms it can negotiate with banks on financing.

The Driftwood project, which is expected to support 6,400 construction jobs and 300 permanent jobs once complete, won a controversial tax concession last year worth as much as $2 billion over its first decade, the largest industrial tax break in Louisiana’s

history.

Tellurian has said it aims to raise $7 billion by selling stakes in its LNG throughput to partners, another $1 billion from private equity investors and $20 billion in project debt financing.

In Kilgore, Howie said the market for LNG is growing about 9.3 percent a year, fueled by population growth and industrial development.

The proposed terminal near Lake Charles would cover about 1,000 acres that could handle 27.6 million tons per year.

Tellurian already has a stake in the Haynesville, and aims to grow that.

In a presentation to investors in April, the company said it owns nearly 11,000 acres in the Haynesville formation, which gives it control over 1.4 trillion cubic feet of natural gas reserves. It aims to grow its Haynesville gas reserves to 15 trillion cubic feet.

Howie's talk was followed by presentations from two college professors whose research has benefited the oil and gas industry in Texas.

Mukul Sharma, professor of geosystems and petroleum engineering at the University of Texas in Austin, talked about computer software programs and computer modeling that has helped people in the field with hydraulic fracturing of well sites.

"All this requires understanding what you are doing in the field," Sharma said.

He said the computer modeling can simulate the flow of sand where fracking takes place.

"We run hundreds of these simulations," Sharma said. He added he has done a lot of work on fractures and injection wells.

William Ambrose, a research scientist at the Bureau of Economic Geology at UT Austin, talked about the oil and gas supply in Texas.

He said the state provides the bureau $4.5 million a year to do research to benefit the energy industry.

He displayed data from February showing Texas has 186,841 active oil wells and 101,084 active natural gas wells.

But Ambrose said the most recent study of East Texas took place about 10 years ago.

He described the East Texas oil field as being “mature” because oil was first drilled in the Longview and Kilgore area in 1930 and drilling now has to be more than 3,000 feet deep to find oil and gas.