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Great divide developing in US Natural Gas



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Bentek Energy managing director Rusty Braziel sees a great divide developing in US natural gas. Bentek are one of the leaders in tracking and analyzing American gas pipeline flows. Where gas is flowing, who's using it, and at what price.

Speaking at the LDC Gas Forum Northeast in Boston this week, Braziel told industry professionals that America may have made some mistakes in designing its gas pipeline network over the past several years.

He notes that the boom in shale gas has created a price disparity between east and west. Shale gas plays are located mostly in the east, and carry lower breakeven prices. Between \$3.10 and \$4.00 per mcf, according to Bentek estimates.

By contrast, conventional gas plays are more concentrated in the west. And come with higher price tags, beginning in the \$4.50 per mcf range.

Cheaper gas in the east, expensive in the west. And yet, over the past years pipeline companies have been busy building new pipe like the Rockies Express to take gas from western producing areas to markets in the northeast. As Braziel summed up, "About \$15 billion has been spent on taking gas from where it's more expensive to where it is cheap. It was a mistake."

That's a pricey mistake. And one that's not easy to fix. Several pipeline companies are now looking at reversing directions on pipelines initially intended to run west-to-east. This "backhaul shipping" may become more prominent as shale gas development continues in the east.

Yet another sign of the severe dislocation shale gas has caused in U.S. (and global) gas markets. Dislocations create mis-pricing, and mis-pricing creates investment opportunities.

Here's to the beast in the east.

Ends --

By Dave Forest for Oilprice.com who offer detailed analysis on Oil, alternative Energy, Commodities, Economics and Geopolitics. They also provide free [Geopolitical intelligence](#) to help investors gain a greater understanding of world events and the impact they have on certain regions and sectors.

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