Southwestern Energy bucks trend with budget hike

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Jonathan Fickies/Bloomberg
Steven Mueller, chairman and CEO of Southwestern Energy Co., is betting big on gas in 2015.

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Reporter-Houston Business Journal

Even with low commodities prices, Houston-based Southwestern Energy Co. (NYSE: SWN) is betting big on gas in 2015 by increasing its capital expenditures while expecting gas prices to rise.

Southwestern spent much of 2014 on a spending spree buying up gas and natural gas liquids acreage in the Marcellus and Utica shale plays, and Southwestern Chairman and CEO Steven Mueller said Dec. 30 that he expects gas prices to rebound when demand increases.

Southwestern plans to hike its capital budget from $2.4 billion in 2014 to $2.6 billion next year at a time when most exploration and production companies are scaling back. With gas prices hovering just above $3 per million BTU now, Mueller said Southwestern is poised to profit big at $3.75 prices.

"The demand growth has match the supply growth" since 2009, he said, and that should continue at least through 2020 with more demand. Unlike many other growing nations, the U.S. has sufficient natural gas resources, he said.

"This creates a permanent advantage for us," Mueller said.

In 2015, Southwestern plans to invest $1 billion in growing and developing in the Fayetteville Shale, while also spending about $740 million to continue growing in the Northeast Appalachia areas, including midstream growth.

In October, Southwestern made a $5.4 billion deal to buy Marcellus and Utica assets from Oklahoma City-based Chesapeake Energy Corp. (NYSE: CHK). Mueller said Southwestern has hired about 80 Chesapeake employees to help operate those assets.

Southwestern followed that up with a much smaller $300 million deal to buy more Marcellus acreage and transportation assets. Then Southwestern bought into some Norway-based Statoil ASA (NYSE: STO) assets in the Marcellus and Utica shales.