

This copy is for your personal, non-commercial use only. Distribution and use of this material are governed by our Subscriber Agreement and by copyright law. For non-personal use or to order multiple copies, please contact Dow Jones Reprints at 1-800-843-0008 or visit [www.djreprints.com](http://www.djreprints.com).

<https://www.wsj.com/articles/kimmeridge-cements-plan-to-build-integrated-natural-gas-company-72747f81>

## COMMENTARY & ANALYSIS

# Kimmeridge Cements Plan to Build Integrated Natural-Gas Company

Backing from sovereign-wealth investor Mubadala helped open the door for a U.S. wellhead-to-water business

*By Luis Garcia*

June 11, 2025 6:00 am ET | **WSJ PRO**



Renderings of Commonwealth LNG's gas liquefaction and export plant near Cameron, La., which is expected to begin operations in 2029. PHOTO ILLUSTRATION: COMMONWEALTH LNG

Private-equity firm Kimmeridge Energy Management expects Abu Dhabi sovereign-wealth manager Mubadala Investment to help it create an integrated, “wellhead-to-water” natural-gas company—a goal that has eluded other industry players.

Kimmeridge and Mubadala subsidiary Mubadala Energy have pledged to collaborate on investments across the natural-gas industry, including production of the fuel and its transformation into liquefied natural gas, or LNG. A preliminary agreement last month followed Mubadala Energy's acquisition in April of a roughly 24% stake in Kimmeridge's SoTex HoldCo, a natural-gas company.

Securing Mubadala's backing has cemented Kimmeridge's plan to turn SoTex into both a gas producer and an LNG exporter.

SoTex owns Kimmeridge Texas Gas, a gas field operator in the state's Eagle Ford Shale region, and Commonwealth LNG, which is building a gas liquefaction and export plant that's expected to begin operations in 2029 with an average daily output of more than 1.2 billion cubic feet. The plant near Cameron, La., is [one of many such projects](#) under construction across the Gulf Coast as investors bet on rising LNG demand worldwide.

North America's LNG export capacity is expected to more than double between 2023 and 2028, reaching 24.4 billion cubic feet a day, according to the U.S. Energy Information Administration. The agency estimates that U.S. LNG exports will rise 19% this year alone.



Ben Dell, managing partner at Kimmeridge Energy Management PHOTO: MIKE SEGAR/REUTERS

Kimmeridge expects Mubadala Energy, based in the United Arab Emirates, to help SoTex expand its LNG sales in different markets worldwide and potentially convert LNG back into fuel locally, said Ben Dell, a managing partner at New York-based Kimmeridge.

Kimmeridge also intends to invest in pipelines that connect SoTex's gas fields to various U.S. transmission hubs, to help the business capitalize on price

differences across regions, he said.

Kimmeridge wants to give SoTex more control over when and where it sells its products by eliminating intermediaries, Dell said. He pointed to commodity traders such as Glencore, Mercuria, Trafigura and Vitol that benefit from their control of storage and other infrastructure linking producers and consumers.

"Historically, a lot of producers sell their gas at the wellhead and then don't think anything more of it. They don't flex sales based on seasonality. They are not involved in the storage business. They don't optimize between different locations," Dell said. "But there's a lot of optimization you can do by delivering your gas to different consumers and in different locations, based on their needs."

A booming domestic market in the U.S. has largely discouraged both gas producers and LNG exporters from pursuing integration strategies, compared with their peers in more export-oriented countries such as Australia and Qatar, said Jason Feer, head

of business intelligence at Poten & Partners. The broker and advisory firm focuses on the energy and ocean-transportation industries.

“The basic model in the U.S. has not been an integrated model,” Feer said. “There’s an alternative market for natural gas and the LNG projects can rely on the grid for gas supply.”

But with the LNG market expanding in recent years, more energy companies have looked to combine gas production and export assets, he said. For example, Australian [Woodside Energy Group](#), which operates offshore oil-and-gas fields in the Gulf Coast, is building an LNG project near Lake Charles, La. Private-equity firm Stonepeak in April agreed to acquire a 40% stake in the plant.

Woodside’s project illustrated the risks of seeking to stretch operations across the natural-gas value chain. Gas producer Tellurian, which began developing the project years ago, nearly failed partly because of its large investment in the plant, according to industry analysts. Woodside took Tellurian private last year.

“If you’re a domestic gas producer, your upside is limited by what you can get on the local market. If you can somehow access international markets, there’s a potential benefit there,” Feer said. “The challenges are that you have to build infrastructure, which is expensive, and you have to take on some of the market risk.”

Building a single “train,” or liquefaction unit, which is necessary for converting natural gas into LNG for shipping, can [cost as much as \\$2 billion](#), while rising prices of raw materials, combined with higher labor and financial costs, can make such projects even more expensive, according to industry consultants. Woodside Energy estimated in April that its Louisiana LNG project, a three-train facility with an estimated daily output of roughly 2.5 billion cubic feet, will cost \$17.5 billion.

The additional costs and complexity of integrating natural-gas infrastructure was likely what kept even large energy players focused on certain areas of the sector, Feer said. He cited [Cheniere Energy](#) as an example. The LNG exporter is one of the largest natural-gas buyers in the U.S., but has never sought to produce the fuel itself.

SoTex also outsources some of the infrastructure it uses. Its Kimmeridge Texas Gas unit nearly two years ago agreed to supply pipeline operator [Kinder Morgan](#) with gas destined for LNG terminals across the Gulf Coast.

“There are a lot of midstream assets in place that we can utilize with major partners such as Kinder Morgan,” Dell said. “There’s no requirement to build a dedicated line.”

The Kimmeridge unit plans to take the same approach to deliver gas to Commonwealth LNG's liquefaction project once it's ready. Commonwealth LNG, which has secured 20-year supply agreements with export buyers such as Glencore, is expected to reach a final-investment decision for the LNG project by October.

Write to Luis Garcia at [luis.garcia@wsj.com](mailto:luis.garcia@wsj.com)