



The Quiet Pivot: Energy Companies Have Figured Out a New Co-Op for the Land They Already Drill On... Building (and Powering) Data Centers

Using Sandow Lakes as a case study, plus who's doing it in Midland/Odessa and what it means for big tech and local economies

'Big Energy' figured it out: put the data center where the power lives

AI and cloud growth have supercharged electricity demand. Last month, a report on CNBC discussing the Foxconn 'deal' mentioned the elephant in the room: "we have plenty of natural gas, just no way to transport it quickly and efficiently. But while the leading players within Blig Tech move next to and tap into gas plant facilities directly to power their users, in Texas, the fuel providers woke up and it's driving a notable shift: instead of plugging massive new data centers into a constrained grid, developers are partnering with energy companies to **build dedicated, on-site natural-gas generation** that feeds the servers directly ("behind-the-meter"). It shortens timelines, sidesteps interconnection bottlenecks, and gives operators a firm, controllable power source. A wave of recent Texas projects—spanning the Hill Country, West Texas, and the Austin–San Antonio corridor—reflects this approach. ([The Texas Tribune](#), [Route Fifty](#))

Case study: Sandow Lakes (Lee County, near Giddings/Rockdale)

What's planned? Sandow Lakes Energy Company (SLEC) is pursuing a 1,200 MW combined-cycle gas plant at its already vast Sandow Lakes property (the former Alcoa complex) in Lee County. Company materials and industry coverage place the plant in service of large private customers, including data centers operating nearby in Rockdale. Construction has been discussed for mid-decade with power by 2028. ([Sandow Lakes Energy Company](#), [PR Newswire](#), [BIC Magazine](#), [CoStar](#))

Why it matters. Permitting records indicate most of the plant’s output would be sold to private buyers; documentation cited by Route Fifty says only ~80 MW would be available to the ERCOT grid—and only temporarily—while the rest serves customers at Sandow’s industrial campus (home to very large crypto/data operations). This underscores the trend: power plants as captive energy islands for compute. ([Route Fifty](#))

But wait... There’s more. The project has drawn organized opposition in the Blue/Lexington area over air, noise, siting, and “industrialization” concerns; permit notices show the plant’s criteria pollutants and greenhouse-gas emissions under review at TCEQ. Reported figures from media reviews of the filing include authorization for millions of tons per year of GHGs and hundreds of tons of criteria pollutants. ([Public Citizen](#), [TCEQ](#), [Route Fifty](#), [news.oilandgaswatch.org](#))

Who’s already tapping into their own fuel lines in Texas (with on-site power-gen)

Scope: Verified examples where the energy supplier and the data center are paired with dedicated on-site generation or announced plans to do so. (Snapshot as of September 10, 2025.)

1. **Midland/Odessa (Permian Basin)**

Texas Critical Data Centers (TCDC) — a JV led by New Era Energy & Digital (Midland-based) and Sharon AI — is developing a 250 MW AI/HPC campus on 235 acres in Ector County (near Odessa), explicitly designed to run on dedicated on-site gas generation with phased delivery (first 100 MW within 12 months of funding; full 250 MW within ~18 months). Land closing and power MOUs were completed this summer. New Era says it will supply the gas and integrate carbon capture to target “net-zero” power. ([Data Center Dynamics](#), [New Era Helium, Inc.](#), [Midland Reporter-Telegram](#))

2. **Lee County (near Giddings/Rockdale)**

Sandow Lakes Energy Company: building a 1,200 MW gas plant at the Sandow Lakes industrial campus, positioned to serve private data-center customers associated with the Rockdale cluster. (See case study above.) ([Sandow Lakes Energy Company](#), [Route Fifty](#))

3. **Comal/Hays counties (San Marcos / New Braunfels area)**

Energy Transfer (pipeline operator) + **CloudBurst Data Centers** — long-term agreement for up to 450,000 MMBtu/day of firm gas via the Oasis Pipeline to feed a private, on-site power plant scaling toward ~1.2 GW for an AI data-center campus after the developer was told grid interconnection wasn’t feasible on the desired timeline. Local reporting shows early-stage entitlements with target operations in 2026. ([Energy Transfer](#), [CloudBurst Data Centers](#), [San Antonio Express-News](#))

4. **Hood County (Granbury)** — crypto, but instructive for the model

Constellation Energy’s Wolf Hollow II gas station co-hosts a 300 MW Marathon Digital facility behind-the-meter on the plant site; Constellation has sought permits to add eight simple-cycle gas turbines (~352 MW) at Wolf Hollow amid community objections and a contested case. (While this is cryptocurrency, not cloud AI, it’s a clear example of energy-company-owned generation paired directly with compute load.) ([Earthjustice](#), [TCEQ](#), [The Texas Tribune](#))

5. **Abilene (Taylor County)**

Crusoe + Engine No. 1 JV — a “powered data-center real estate” venture that has **secured ~4.5 GW** of natural-gas power to serve AI campuses, with an **Abilene** site under build-out. While the JV spans multiple states and implementations, it is part of the same **co-development** trend linking dedicated energy supply to compute at the site. ([Crusoe](#), [Data Center Frontier](#))

Why big tech cares

Advantages

- **Speed to power:** On-site gas “power islands” let developers scale to hundreds of megawatts faster than waiting in congested interconnection queues. As Sailfish (a Texas developer) put it, “traditional grid interconnections simply can’t keep pace... Our on-site natural gas power islands will let customers scale quickly.” ([Data Center Dynamics](#))
- **Firm, controllable supply:** Private generation reduces exposure to grid constraints or curtailment, which is crucial for high-availability AI training clusters. That’s a central rationale behind the ET-CloudBurst structure and similar projects. ([Energy Transfer](#), [CloudBurst Data Centers](#))
- **Energy-cost certainty:** Pairing with producers enables long-term gas supply structures. In Midland/Odessa, New Era’s JV emphasizes secured gas at fixed pricing and on-site generation to stabilize power costs for compute tenants. ([Midland Reporter-Telegram](#))

Drawbacks

- **ESG and optics:** New gas plants complicate net-zero commitments. For example, TCEQ filings for Sandow Lakes show substantial permitted emissions (GHGs and criteria pollutants), drawing opposition and reputational risk for would-be customers. ([Route Fifty](#), [TCEQ](#))
- **Community conflict:** Projects face organized local pushback over air, water, noise, and land-use. The San Marcos/Comal County campus and Sandow Lakes both triggered intense hearings and organizing, which can delay or reshape projects. ([San Antonio Express-News](#), [Public Citizen](#))
- **Policy and price exposure:** Analysts warn AI-driven demand could push gas and wholesale power prices up for everyone, adding long-term cost risk to fossil-based strategies (and political scrutiny). ([Route Fifty](#))

What it means for Midland/Odessa

The Permian is uniquely positioned: abundant gas, pipeline optionality, open land, and pro-development jurisdictions. The TCDC (New Era) Ector County campus is the clearest, verified example of an energy-company-led, on-site-powered AI data center in the Midland/Odessa area today, with land closed and power MOUs in place. Expect more permutations (gas + CCS, eventual hydrogen blending) as energy firms court AI tenants. ([Data Center Dynamics](#))

Local upsides can include construction and O&M jobs, diversification beyond E&P, new broadband/fiber, and a new market for Permian gas that can reduce flaring and support local price realizations. Local risks revolve around siting impacts (noise, traffic, water for cooling), air emissions, and whether private power islands do little for broader grid reliability. Communities are already pressing for mitigations, transparency, and measurable benefits. ([Midland Reporter-Telegram](#), [Route Fifty](#))

Bottom line

Texas is becoming the “new boom” for energy-anchored data-center development. The Sandow Lakes plan near Giddings/Rockdale shows how an energy asset can be repositioned to directly serve compute, and why that raises hard questions for neighbors and climate goals. In Midland/Odessa, New Era’s TCDC is the leading local instance of this “power-at-the-rack” strategy. For big tech, the trade-off is obvious (enough for this writer to research and report on): speed and certainty now versus sustainability and community rub later. ([Sandow Lakes Energy Company](#), [Data Center Dynamics](#))

Verified projects & sources (selected)

- **Sandow Lakes Energy** 1,200 MW plant & emissions context. ([Sandow Lakes Energy Company](#), [BIC Magazine](#), [Route Fifty](#))
- **Energy Transfer–CloudBurst** on-site gas supply for San Marcos/New Braunfels AI campus. ([Energy Transfer](#), [CloudBurst Data Centers](#), [San Antonio Express-News](#))
- Midland/Odessa: **New Era Energy & Digital** (TCDC) land closing and on-site generation MOUs. ([Data Center Dynamics](#))
- **Constellation/Marathon at Wolf Hollow** (behind-the-meter crypto + peakers permit). ([Earthjustice](#), [TCEQ](#), [The Texas Tribune](#))
- Trend reporting on gas-powered data centers in Texas. ([The Texas Tribune](#), [Route Fifty](#))

While there isn't a single definitive count on "Big Energy" building these massive centers, based on public announcements and interviews alone, it's sitting around *at least* 8–12 U.S. energy companies that are openly signaling plans to place AI/data-center load on or immediately adjacent to acreage they control (production sites, midstream corridors, or power plant sites tied to their gas). Only a subset explicitly say "on producing leases," but the posture is obvious across supermajors, E&Ps, and midstream.

Here are the clearest public signals (not exhaustive):

- **Chevron** – launched a JV with Engine No. 1 and GE Vernova to deliver up to **4 GW** of behind-the-meter gas power for data centers; execs say it's "moving very quickly." [chevron.com+1Axios](#)
- **ExxonMobil** – designing a **~1.5 GW** gas-fired plant dedicated to data-center load; positioning gas to serve AI growth. [POWER MagazineExxonMobil](#)
- **EQT** (largest U.S. gas producer) – contracted to supply massive AI campuses (e.g., a **4.4 GW** Pennsylvania build), highlighting AI as the biggest new gas demand source. [Pipeline & Gas JournalNatural Gas IntelBloomberg.com](#)
- **Energy Transfer** (midstream) – first contract to supply a Texas data-center+gas-plant campus; says more deals are coming. [The Texas TribuneGrist](#)
- **Tallgrass** (midstream) + **Crusoe** – announcing an AI campus in Wyoming with on-site generation tied to Tallgrass infrastructure (and potential CCS via its CO₂ pipeline). [E&E News by POLITICOCrusoe AI](#)
- **New Era Helium** – JV to develop a **250 MW** Permian data-center campus using producer-supplied gas plus on-site gas plant and CO₂ capture. [Midland Reporter-Telegram](#)
- **NRG** (power producer) – bulking up gas fleet (18 plants) explicitly to serve data centers, signaling broader gas-to-data buildouts (often adjacent to gas assets). [Houston Chronicle](#)
- **Williams** (midstream) – reports being "overwhelmed" with data-center gas supply interest across its system. [S&P Global](#)

Fine print you should know:

- Legal/finance shops and trade press are now treating collocation at oilfields (using stranded/associated gas) as a real trend, not a one-off. [American Bar AssociationProject Finance Law](#)
- Texas examples (Lockhart, New Braunfels, West Texas) show projects pairing private gas generation directly with data centers, sometimes on acreage controlled by energy firms or next to pipelines/power assets they own. [The Texas TribuneProject Finance Law](#)

So, "how many?"

- **Minimum publicly evident:** about 8–12 energy companies (supermajors, E&Ps, midstream, IPPs) have **publicly** signaled intent or taken steps.

- **Explicit “on producing leases” disclosures:** only a few are that specific in filings/press; most say on-site/behind-the-meter/adjacent to infrastructure they control (practically similar for permitting and logistics). [American Bar Association](#)