PickensPlan

T. Boone Pickens Media Coverage 1.23.10-1.25.10

Total of 14 Placements

&#61623 Print: 6
&#61623 Blog/Online: 5
&#61623 Broadcast: 3

Coverage Summary:

An *Investopedia* piece highlights Pickens' plan to have more trucks run on natural gas, with the writer saying this makes perfect sense. He goes on to quote an analyst's estimate that at current prices, tuckers could cut their fuel costs by 75% if they made the switch.

Highlighted Placements (Full Articles Below)

&#61623 **Pickens' Bullish Natural Gas Call Makes Sense –** *Investopedia* – 1/22/10

Print Placements (Full Articles Below)

&#61623 **Slim Pickens** – *Chicago Sun-Times* – 1/24/10
&#61623 **Economy, Not Transmission, Threatens Local Wind Farms** – *Muncie Star Press* – 1/25/10
&#61623 **Editorial: Turbines Deserve Lengthy Hearing** – *Green Bay Press Gazette* – 1/24/10
&#61623 **Lawrence Solomon: Winds of Change** – *National Post* – 1/22/10
&#61623 **Steven Cole Smith: For Auto Industry, All Roads Lead to Orlando** – *Orlando Sentinel* – 1/22/10
&#61623 **The Big Ones Beyond the Choir; Two Midwest Truck Shows Take Clean Vehicles To the Real-World Users: St. Louis & Louisville; NGVs at MATS 2010** – *Fleets & Fuels* – 1/25/10

Blog/Online Placements (Full Articles Below)

&#61623 **Boone or Bust?** – *CSP Daily News* – 1/25/10
&#61623 **Oil Patch: Rig Counts Rise Despite Falling Oil (BHI, OIH, USO) –** *24/7 Wall Street* – 1/22/10
&#61623 **Yes, It's Perfectly OK to Have a Wind Turbine Near Your House –** *Global Comment* – 1/23/10
&#61623 **Peak Oil Review - Jan 25 –** *Energy Bulletin* – 1/25/10

HIGHLIGHTED COVERAGE

Pickens' Bullish Natural Gas Call Makes Sense – *Investopedia* – 1/22/10

By Eugene Bukoveczky

Well-known Texas oil tycoon and born-again environmentalist T.Boone Pickens was back in the headlines again. Instead of pitching the benefits of wind energy this time, Pickens' focus has shifted to natural gas. In a new TV ad campaign, Pickens is promoting a plan to cut America's dependence on foreign oil by converting trucks to run on natural gas.

Long-Term Pickens

Pickens' bullish view centers around potential legislation providing incentives for a fuel switch as early as this year. He's predicting that the currently depressed price of natural gas will begin to turn around, but not until 2011. Getting truckers to run their fleets on natural gas makes perfect sense. One analyst has estimated that at current prices, they could cut their fuel costs by 75% if they made the switch.

Their cost disadvantage relative to railroads is the primary reason cited by investment guru Warren Buffett for acquiring the remaining shares of railway Burlington Northern (NYSE:BNI) in a merger with his investment company Berkshire Hathaway (NYSE:BRK.A).

Substitution and Legislation Create Demand

Promoting new uses for natural gas, primarily through substitution for other fuels, is the best way to boost overall demand at this point. One big potential conversion-based source of demand is the electric power industry. It could be convinced to switch from coal to natural gas by incentives contained in U.S. climate legislation. Natural gas produces 50% less carbon emissions than coal, and the switch could open up a market for an additional 125 billion cubic feet of gas per year.

While last year's House climate bill, Waxman-Markey, failed to provide sufficient incentives to move the power industry off coal and towards natural gas, the surprise Republican Senate win in Massachusetts has raised the odds that a Senate version of the climate bill will include incentives for utilities to shift. Moreover, the upcoming Environmental Protection Agency rule changes expected by the end of March could further discourage coal use - again favoring natural gas.

Supply Glut May Be Overstated

The main problem for bulls is the massive oversupply of natural gas due largely to huge increases in production from unconventional shale plays. Production from these sources has been a Pyrrhic victory for major gas players like Chesapeake Energy (NYSE:CHK), Devon (NYSE:DVN) and XTO (NYSE:XTO) - XTO is now part of Exxon (NYSE:XOM) after being snapped up last month in a $41 billion surprise takeover. The U.S. is now estimated to have 2,000 trillion cubic feet of recoverable gas. Based on current demand levels, this is enough supply for 90 years.

However, a number of so-called "shale skeptics" continue to point out that production rates from shale wells tend to decline drastically. The decline can be as much as 80% in the second year of production from a shale well, meaning the average shale gas well may actually have a lifetime production that is one-third what the industry now assumes. All this suggests that the current supply glut could evaporate in a couple years.

The Bottom Line

There may not be much in the way of gains for natural gas and natural gas shares this year. That said, the combination of higher expected future demand and the potential for a meaningful decline in future shale gas production, could make T. Boone's forecast of higher gas prices a reality in the long-term. (To learn more, see our Oil And Gas Industry Primer.)

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PRINT COVERAGE

Slim Pickens – *Chicago Sun-Times* – 1/24/10

By David Roeder

T. Boone Pickens has slashed in half his turbine order for his wind farms and is now sending the equipment to Canada and Minnesota instead of Texas, said the Dallas Morning News, explaining that transmission hurdles and a dip in natural gas prices changed his plans. Tickerspy.com noted with disappointment that wind energy has yet to become one of the top 10 holdings in the billionaire's BP Capital hedge fund, which remains faithful to oil and natural gas stocks.

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Economy, Not Transmission, Threatens Local Wind Farms – *Muncie Star Press* – 1/25/10

By Seth Slabaugh

MUNCIE -- Transmission capacity isn't likely to delay three proposed wind farms in East Central Indiana, but the economy could.

A federal study released recently concluded that 20 percent or more of Eastern North America's electricity could be generated from wind power by 2024 -- if there is a significant expansion of the transmission infrastructure.

"We are aware that new technology ... will require new transmission capacity," but in the short-term Indiana has some advantages over other states, said Brandon Seitz, director of the Indiana Office of Energy Development.

"One thing Indiana has an advantage on, and it's why developers are looking here, is that Indiana is split between two regional transmission organizations (RTOs)," he said. RTOs coordinate the movement of wholesale electricity across state lines. "Indiana is the crossroads of transportation and also the crossroads of a lot of transmission."

"Developers also want a friendly regulatory climate to do business in and a willingness of counties to adopt pro-wind zoning codes, which also leads to Indiana's success in bringing in wind companies," Seitz said.

Wind farms have been proposed in Delaware, Randolph and Jay counties by Indiana Michigan Power (I&M), Portugal-based Horizon Wind Energy and German-based E.ON.

Demand for electricity is dropping, however, because of energy efficiency efforts throughout the country and because of the recession, said Mike Brian, a spokesman for I&M.

"As that happens, there is less money available for building infrastructure, not only transmission but wind generation," Brian said.

He referred to The Wall Street Journal's report recently that oilman and clean-energy booster T. Boone Pickens had shelved his massive wind-power project in Texas.

"Cheap natural gas, the lack of electricity-transmission lines and the lingering credit crunch have combined to take the shine off large-scale renewable-energy projects," the newspaper reported.

American Electric Power's industrial load dropped 20 percent in the third quarter of last year. It came back a little during the fourth quarter but was still down 17 percent. AEP is the parent company of I&M.

"It's a difficult time to decide to build," Brian said.

Seitz says the study released last week by the National Renewable Energy Laboratory (NREL), a laboratory of the U.S. Department of Energy, should have no impact on plans for wind farms in East Central Indiana.

"They (wind developers) have already looked at transmission capacity, and we certainly have an advantage there," he said.

Looking further ahead, the NREL report found multiple scenarios through which the Eastern United States can achieve shifting 20 percent or more of its electricity load to wind energy by 2024.

"Whether we're talking about using land-based wind in the Midwest, offshore wind in the East or any combination of wind power resources, any plausible scenario requires transmission infrastructure upgrades, and we need to start planning for that immediately," said David Corbus, project manager for the study.

While the cost of transmission expansion is significant, it would make up a relatively small piece of the total annual power system costs in each scenario studied.

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Editorial: Turbines Deserve Lengthy Hearing – *Green Bay Press Gazette* – 1/24/10

A huge private-public project has been making its way northward into Brown County for several years. As almost always occurs in such cases, some of those who will be affected most are only just now beginning to understand what may be about to happen.

As noted in today's Green Bay Press-Gazette, the Ledge Wind Energy Park would be a grouping of 100 turbines spread across the towns of Glenmore, Morrison, Holland and Wrightstown. The $300 million project would build Wisconsin's largest wind farm.

Wind energy is a renewable resource that will play a major role in meeting America's future electrical generation needs. And it couldn't hurt to give a fair hearing to those who wonder if the future really is now.

It's important to note that no matter where a new power plant is proposed — whether coal-fired, nuclear, wind, solar, natural gas or something else — there will be residents who step forward to say, "Not in my backyard." And yet these facilities need to be built in someone's backyard.

The state plans public hearings later this year, and the developer, Invenergy, hopes to be up and running by 2011. The company says the project will produce enough electricity for 40,000 homes. Meanwhile, supporters and opponents are starting to get organized.

People who live near completed wind farms have assembled Web pages upon pages of information and videos about what it's like. These include videos that depict the noise from the 40-story turbines and the phenomenon of "shadow flicker," a strobe-like effect that occurs on bright days when the shadow of the big spinning machines falls across homes. Homeowners in southern Fond du Lac County and northern Dodge County, where Invenergy built the 86-turbine Forward Wind Energy Center, have contributed to this effort.

These opponents say wind energy companies have downplayed the reality of how the turbines affect everyday life, while the companies say the complaints are overstated.

Local and state officials need to examine all of the potential costs and benefits — including the impact on neighbors — before granting final approvals for this project. And they need to keep an eye on the bigger picture involving wind and other forms of renewable energy.

Nearly two years ago, billionaire T. Boone Pickens announced plans for the most powerful wind farm in the world in the Texas panhandle, but earlier this month he shelved that project because natural-gas prices have fallen sharply since then. The lower prices for natural gas make gas-fired plants a more viable option for electricity generation, Pickens said, and gas still burns more cleanly than coal or oil.

Wisconsin is well on its way to the goal of generating 10 percent of its electricity with renewal energy by 2015. Moving ahead cautiously with the Ledge Wind project would not endanger that goal. All voices must be heard and heeded before the shovels — and the wind blades — start turning. But Wisconsin residents need to be assured that our present and future energy need for affordable energy will be met.

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Lawrence Solomon: Winds of Change – *National Post* – 1/22/10

By Lawrence Solomon

In a signing ceremony Thursday for a $7-billion deal with Samsung to build wind and solar facilities, Ontario Premier Dalton McGuinty said: "This means Ontario is officially the place to be for green energy manufacturing in North America."

Quite right. Texas lost that title last week when billionaire T. Boone Pickens abandoned his plan to build 4000 MW of wind capacity in Texas — twice as much as the Samsung wind plan — when no financier could see how building the things made any financial sense. Other jurisdictions have also seen plans for wind vanish, along with plans for solar and other forms of renewable energy. Stock prices of most players in the wind industry, such as Broadwind Energy, GE's supplier, are heading south.

But Ontario is different. Just as it built nuclear reactors into the 1990s after everyone else in North America bailed out to stop the bleeding — Ontario's Darlington Nuclear complex was the last to be completed — Ontario has positioned itself to be the last gung-ho jurisdiction for so-called green technologies.

McGuinty estimates the Samsung deal will create 16,000 jobs, part of the 50,000 estimated jobs that his Green Energy Act aims to create. Here's a better estimate, based on a study last year of Spain's experience: For every green job that governments make happen, two jobs get lost elsewhere in the economy. By this reckoning, the Samsung deal will be costing the province 32,000 jobs while creating 16,000 jobs, for a net loss of 16,000 and the Green Energy Act will be costing 100,000 jobs while creating 50,000, a net loss of 50,000.

McGuinty is also wrong to expect Ontario, on the strength of its to-be-retrained workforce of former auto workers, to become a major exporter of windmills to the North American market. Michigan, with its own out-of-work auto workers, was also gung-ho on this plan — until the Chinese began to export wind technology to the U.S. China, now the world's third-largest wind turbine manufacturer, is expected to soon become #1.

Not that China's entrance into the U.S. wind business is likely to be any more of a winner than Ontario's might have been. Thanks to new natural gas extraction technology, the U.S. is now awash in natural gas for electricity production, and is likely to remain so for decades. Natural gas is much less expensive and much more reliable than wind, blowing wind out of the running.

Not that wind, which can be economic in niche applications, ever was in the running as a major source of economically generated power. Wind power in North America costs several times as much as power produced from conventional sources. Its sole competitive advantage came from climate change fears that presaged cap and trade legislation in the U.S., which was expected to sideline coal and other CO_2-intensive ways of producing power. That cap and trade legislation is now gone gone gone — after Copenhagen's failure, the Climategate emails, and President Obama's loss of grace, there is approximately zero chance that it will now come to pass. Meaning that meaningful U.S. curbs on CO_2 are no longer in the offing.

Meaning that Canadian curbs on CO_2 — seen as inevitable if we were to avoid trade sanctions following the U.S. legislation — are also dead. Now Canada has no trade sanctions to avoid, and no economic rationale to avoid CO_2 emissions by switching to wind. So, too, among America's other trading partners. Meaning that wind, as a large-scale commercial technology, is dead dead dead, even if its obituary has not made it to the official press.

McGuinty is among those who have yet to read the obit. Thinking that wind has a future, he has signed a sweetheart deal with the Samsung consortium that commits Ontario to paying Samsung more than twice the going rate for electricity and more still if it builds its wind and solar plants for export. He will give Samsung preferential access to the provincial grid, at the expense of Ontario's domestic wind producers. And to quell opposition from communities that will object to having transmission corridors and windmills for neighbours, McGuinty has also promised to override local laws that give Ontarians a say in this green economy.

All of which is so crazy that it's hard to see the deal coming to full fruition. McGuinty may not come to his senses but Samsung surely will once the demise of cap and trade legislation gets official standing — Samsung prudently gave itself the option to back out of the Ontario deal, just as Boone Pickens did in Texas when he saw which way the wind was blowing.

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Steven Cole Smith: For Auto Industry, All Roads Lead to Orlando – *Orlando Sentinel* – 1/22/10

By Steven Cole Smith

For a couple of weeks, Central Florida will become the center of the automotive universe — for two very different reasons.

Speed Weeks at Daytona International Speedway, starting with the Rolex 24 Hours endurance race this Saturday , through the Daytona 500 on Feb. 14, will draw top executives from the automotive world. Yes, the NASCAR portion includes only Ford, Chevrolet, Toyota and Dodge, but the 24 Hour endurance race and its preliminaries will bring representatives from all over the world, as that series has competitors from almost every manufacturer, from Ferrari to BMW to Subaru to Porsche.

The other draw occurs Feb. 13-15 in Orlando, when the National Automobile Dealers Association annual convention is here. And it should be a fascinating event, given the turmoil in the automotive industry.

Example: General Motors recently announced that it will severely curtail its participation. Why? Depends on whom you believe. GM says it's because of budgetary reasons, and that only a handful of its executives will attend. Really? The AirTran flights I booked to go to the North American International Auto Show earlier this month were $35 each way.

Others suggest it is because GM is miffed at the NADA's role in spearheading federal legislation that requires binding arbitration before the company can dump the 1,300 or so dealers that got their walking papers last year.

Automotive News reports that 168 dealers have already filed for arbitration, with more expected. GM denies any hard feelings against the NADA, but the fact that the company will not have a display, or attend most of the dealer meetings, seems severe and ill-advised. Granted, these are not happy times for GM – between this show and last year's convention in New Orleans, it has effectively killed off Pontiac, Saturn, Saab and likely Hummer, so it isn't as though they wouldn't face some hostile dealers.

Still, at the NADA the show must go on, and it appears it will be as much of a huge support group for surviving dealers as it will be a chance to for liaisons with manufacturers. The organization is going to extreme lengths to attract dealers, by extending the registration deadline to next Wednesday, and providing an "NADA Stimulus Package," which will give each dealer and manager that attends $200 vouchers that can be redeemed for goods and services from any convention exhibitor.

"We're really excited about coming to Orlando," said Stephen Pitt, NADA's executive in charge of the convention. "Registration is ahead of last year, and we may see 15,000 attendees."

Pitt said the scheduling of the convention on the same weekend as the Daytona 500 is causing no problems with housing – "There are plenty of rooms available in Orlando," he said – and he thinks that the race may actually be a draw for some motorsports-minded dealers.

"It's been a tough year for everyone," said John McEleney, chairman of the NADA. "Now it's time to focus on the future. We've got a strong lineup of expert speakers and outstanding workshops. We already have 440 exhibitors and more are signing up every day."

The more than 100 workshops range from "Advance Online Thinking" to "Update on Federal Regulatory Developments Impacting Automobile Dealerships." Speakers include energy magnate T. Boone Pickens, and Mike Jackson, chairman of the Fort Lauderdale-based AutoNation, the country's largest new-car dealer network, with 266 stores. Jackson has taken a controversial stand in favor of a tax that would maintain gasoline at $4 a gallon, making it easier for manufacturers to plan products and dealers to plan inventories. Expect that idea to get a solid airing at the convention.

"This is easily the most important event of the year for dealers and manufacturers," Pitt said. "especially in these economic times. This is really unprecedented – we've never been through a period like this – and this is the sort of event where problems can be solved."

Let's hope.

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The Big Ones Beyond the Choir; Two Midwest Truck Shows Take Clean Vehicles To the Real-World Users: St. Louis & Louisville; NGVs at MATS 2010 – *Fleets & Fuels* – 1/25/10

Call them the Louie Louie shows. Advocates of energy efficient and alternative fuel vehicles are gearing up for two Midwest trade shows in March, seeking to bring their message of energy independence and low life-cycle costs to an audience of commercial operators.

The shows are the National Truck Equipment Association’s Work Truck Show 2010 and 46th Annual NTEA Convention March 9-12 at America’s Center in St. Louis, and MATS 2010, the Mid-America Trucking Show, March 25-27 at the Kentucky Exposition Center in Louisville.

This year the NTEA Work Truck Show’s associated Green Truck Summit will incorporate CHDV, Calstart’s Clean Heavy Duty Vehicle meeting. NGVAmerica is exhibiting, and notes that Clean Energy and Westport will exhibit as well. Trillium USA is a supporting sponsor.

Jack Roush of Roush Industries and Roy Willis, who heads the Propane Education and Research Council, are among the keynote speakers.

MATS 2010, this year’s Mid-America Trucking Show in Louisville, will be preceded on Wednesday, March 24 by a National NGV Fleet Summit natural gas vehicles conference, organized by California’s Gladstein, Neandross & Associates.

NGV advocate Boone Pickens will speak, and new OEM offerings are expected to be unveiled.

National Truck Equipment Association, Sheree Campbell, 248-489-7090 or toll-free 800-441-6832; fax 248-489-8590; sheree@ntea.com or Kathy Swartzentrover, 248-489-7090, ext 108; kathy@ntea.com; www.ntea.com

Calstart-Green Truck Summit, Debbie DuBose or Susan Romeo, 626-744-5600; ddubose@calstart.org or sromeo@calstart.org; www.calstart.org

MATS 2010, Chris Rockwell, 502-899-3892; clrockwell@truckingshow.com; www.truckingshow.com

GNA, VP Anne Hellwig, 310-573-8558; anne@gladstein.org; www.ngvsummit.com

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BLOG/ONLINE COVERAGE

Boone or Bust? – *CSP Daily News* – 1/25/10

NEW YORK -- FOX Business' John Stossel featured a segment last Thursday on his show, Stossel, concerning energy independence that included an interview with investor, oilman and billionaire T. Boone Pickens, who championed his Pickens Plan that focuses on natural gas. Offering counterpoint was Robert Bryce, author of Gusher of Lies: The Dangerous Delusion of Energy Independence.

Stossel concluded that America does not need energy independence and that there is nothing wrong with energy "interdependence."

A CSP Daily News poll last week asked, "Where do you stand on U.S. energy independence?" Most (62%) of the nearly 200 respondents answered that energy independence is "desirable and achieve"; 30% said it is "desirable but not achievable"; and more than 11% said it is "desirable but not worth the cost." Meanwhile, only slightly more than 1% said that energy independence is "not desirable," and only about 4% said that it was "not necessary" (about 1% answered "other").

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Oil Patch: Rig Counts Rise Despite Falling Oil (BHI, OIH, USO) – *24/7 Wall Street* – 1/22/10

By Jon C. Ogg

The rig counts are still heading in the right direction for stable oil and a steady flow of oil and gas supplies according to the Baker Hughes Inc. (NYSE: BHI) weekly rig counting data. This is actually surprising considering how much oil has come off since its recent highs. We are watching the Oil Services HOLDRs (NYSE: OIH) and the United States Oil (NYSE: USO) as the two key ETFs on the news.

U.S. Rig Count is up 34 from last week at 1282; down 233 year over year.

Canadian Rig Count is up 29 from last week at 495; up 69 year over year.

The US Offshore rig count is 42, up 1 from last week; down 23 year over year.

T.Boone Pickens is still looking for $90 oil this year, or at least he was before this lat huge leg-down came. Too bad the refining business is so bad for any refining players.

The Oil Services HOLDRs (NYSE: OIH) is down 2% at $124.00 and the United States Oil (NYSE: USO) is down 1.5% at $36.69. Unfortunately, this is not likely to have any severe impact on the price of oil as it is already down $1.28 per barrel at $74.80.

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Yes, It's Perfectly OK to Have a Wind Turbine Near Your House – *Global Comment* – 1/23/10

By Erik Loomis

No one wants "unpleasantness" in his or her backyard. For nearly as long as Europeans have lived in the Americas, the wealthy have tried to separate themselves from industry, people, and environments they consider uncouth. What has moved Americans to escape undesirables has changed over time. Wealthy Spanish colonists tried to avoid living near the massive pollution of Potosí's silver mines. Mid-nineteenth century New Yorkers moved north in order to flee neighborhoods clogged with immigrants and garbage-strewn streets. Growing African-American migration to northern cities combined with racism to encourage all-white suburbs after World War II. Not In My Backyard ideologies help explain much of American history.

While one can certainly understand this line of thinking, it also has real and negative consequences. We might not want a chemical plant overlooking our house, but we still buy those chemicals. We might not want a train rattling our windows at three in the morning, but we need those railroads to move products around the country. If I have power and I can get stop that factory from going up in my neighborhood, where does it go? To the neighborhoods of the poor and people of color, of course. Chemical plants line the Gulf Coast, causing high cancer rates. Companies seek out African-American and Latino communities for toxic waste dumps. Freeways and railroads split urban black neighborhoods, skirting white homes and their high property values.

This Nimbyism directly feeds into environmental inequality. Environmental justice movements have fought against this unfair distribution of hazards for years, with moderate success. But unequally enforced property rights laws in the United States mean that the rich and powerful can influence the political system to place unwanted industries more or less wherever they want.

Today's Nimbyism has taken on a new form. People around the country are outraged that wind turbines might go up near their homes. Sightlines have become the new battlefront. Infuriated that their clear views of distant mountains might soon include turbines, Americans in many parts of the nation have protested wind farms. Kittias County, Washington passed a law requiring turbines to remain 2500 feet from any homes. This would have killed a wind project had a judge not overruled the county. Wealthy whites who have purchased homes in majority Latino northern New Mexico have proposed an eight-mile setback for all turbines, which would also make such projects unfeasible.

Ironically, Wyoming residents are using environmental arguments to undermine the most important environmental technology of our time. Claiming that wind turbines will damage wildlife populations, including the endangered sage grouse, Wyoming residents have attempted to halt the many projects planned for their state. Working closely with local residents are petroleum companies, worried that Wyoming might reduce its dependency on their industry. Wyoming could potentially produce an incredible amount of wind energy so this protest deserves very close attention.

I too worry about unintended effects of wind energy on wildlife populations, particularly birds. We clearly need to minimize these impacts as much as possible. However, to limit wind production in a core wind-producing region because corporations and landowners worry the state will change makes no sense in the face of an urgent energy and climate change crisis. These localized concerns have far-reaching implications that affect national and international events, from funding for wind projects in Congress to rising sea levels and growing numbers of climate refugees in Bangladesh.

While I do have some sympathy to these complaints, these protests' effectiveness suggests the difficultly the United States has had in creating an alternative energy policy. The decentralized nature of the government gives states and localities a great deal of control; corporate donations and small groups of angry constituents easily sway these entities. The massive power petroleum-dependent state senators hold in the Senate makes it difficult to pass far-reaching climate legislation, as President Obama is finding out. Meanwhile, the climate continues to heat up and the window of opportunity to fix the problem closes.

Unbelievably, pro-energy, anti-environmentalism Texas has led the way on wind production. My state has seen energy developers like T. Boone Pickens look past their normal disdain for environmentalists to recognize the potential money in wind energy. Using devalued land with consistent winds, west Texas has turned into a giant wind farm over the last five years. One can hardly drive in much of the state without seeing trucks loaded down with a turbine, heading to another energy site.

Compare the United States to Europe. Europeans have at least as much concern for environmental issues as Americans. Yet they welcome wind energy as the answer to many of these problems. New off-shore wind energy production rose 54% in 2009 compared to the year before, and is estimated to rise an additional 75% over last year's numbers in 2010. That's a remarkable growth rate and suggests Europe can achieve clean energy sustainability in the next generation. Denmark now receives 20% of its energy from wind, while the United States lags at 1%.

Without a national wind energy policy, Americans continue to use fossil fuels at unsustainable rates. Most Americans don't think about where that energy comes from because they don't have to see it. Like other dirty, loud, and undesirable industries, energy is produced far away from our homes. It's on the remote mountains of rural West Virginia and Kentucky, in the oil fields of Saudi Arabia and Nigeria, and in the petroleum processing plants of impoverished sections of Texas and Louisiana. In these places, people suffer every day from the byproducts of energy production. Nimbyism continues to have its insidious, far-reaching, and largely unrecognized effects, forcing the impacts of energy production on those who can least fight back against it.

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Peak Oil Review - Jan 25 – *Energy Bulletin* – 1/25/10

By Tom Whipple

1. Prices and Production

Oil prices have now fallen by $10 a barrel from a recent high above $84 reached the week before last to close on Friday at $74.54. The usual factors of falling OECD demand, prospects for warmer weather in some regions, a stronger dollar, weaker equity markets, lower seasonal demand and fears that Beijing may be putting brakes on its rapid growth are thought to be behind the slump. The US weekly stocks report showed much lower refinery runs and falling demand for petroleum products in the US.

The IEA is now saying the OPEC will not need to raise production in 2010 as sluggish growth outside of Asia, improvements in non-OPEC production plus an 800,000 barrel/day increase in natural gas liquids should cover any growth in demand.

There is still much uncertainty as to the future course of the oil markets. Chinese demand remains strong as does demand from India and Korea. Goldman-Sachs is still talking of $100 oil, but says this will not come until 2011. Threats to global oil production due to dwindling electricity supplies in Venezuela and the threats posed by the Iranian nuclear standoff continue.

President Barack Obama's proposal last Thursday to limit commercial banks' size and their ability to participate in some types of risky markets was generally not well received by oil market players. Commercial banks are some of the largest participants in oil markets and might be required to change their trading roles.

Natural gas prices rose for a second day in New York, to $5.82. The move is likely weather-driven, as sharply colder weather forecast for the Midwest next week should boost heating demand. Yet a sharp drop in natural gas in storage could be factoring in as well.

From a record 3.837 trillion cubic feet of natural gas in storage at the November start of the heating season—15 percent above the five-year average—inventories fell to 2.607 trillion cubic feet by mid-January; that's slightly below the five-year average. Further, the rapid drop happened despite the recession-induced 10 percent drop in demand from factories, chemical plants and steel mills. Now it appears that demand from the industrial sector may be on the rise. If so, analysts anticipate that next week's cold snap could drive gas in storage well below the five-year average by month's end.

2. Venezuela

Last week the news about Venezuela's on-going electricity crisis took a turn for the worse. For weeks the power output from the drought-suffering Guri Lake hydro dam—the supplier of nearly three-fourths of the nation's electricity—has been operating at just over 50 percent of capacity. Now output from Planta Centro, the nation's largest fossil-fueled power plant, has declined from its rated 2,000 megawatt capacity down to just 267 megawatts and hasn't hit 500 megawatts during the last three months. Insiders say it has not been properly maintained for years. To compensate in the short term, President Hugo Chavez has cut back on steel and aluminum operations that use up to 20 percent of the country's power. Rolling blackouts currently impact much of the nation. If Chavez diverts power from the 940,000 b/d Paraguana refinery to more pressing uses, some analysts think that the ensuing price spike could drive oil above $100 a barrel.

A natural gas project with estimated reserves of nearly 15 trillion cubic feet of natural gas had been put out for bids that were supposed to close on Friday, January 15th. Last week the government should have announced winners of the bidding process. Despite last-minute efforts to improve conditions for potential bidders, apparently no bids were submitted.

Venezuela's oil ministry announced that it had failed to agree on the details of a deals with Norway's Statoil and France's Total to develop some extra-heavy crude in the Orinoco belt. While discussions have been ongoing since 2007, the ministry's hope for a 300,000 barrel/day production project isn't going to happen. The government hopes for much better results from its Carabobo oil-drilling auction later this week.

None of these long-term projects will change Venezuela's immediate oil production prospects which are steadily sinking. According to OPEC data, Venezuela's oil exports fell during December by over 50,000 barrels per day, declining for a fifth straight month. Production during the Chavez era remains roughly 25 percent lower than the years preceding his era.

Over the weekend, Chavez's critics staged a large protest march. In addition to the electricity rationing problem, opposition politicians hammered away at the country's high crime rate and the recent 50 percent currency devaluation. Hard times in Venezuela may not be ending soon.

3. China continues to grow

The economic numbers reported by the Chinese government remain impressive. On Beijing announced that its economy grew by 8.7 percent during 2009, surpassing the 8 percent target set early last year. Fourth quarter growth climbed 10.7 percent from a year earlier, a reflection of recovering global trade plus stimulus investments in infrastructure. Other reports indicated that Chinese bankers still were issuing loans at a rate several times the level needed to reach economic targets. China is clearly on track to surpass Japan and become the world's second-largest economy soon. The U.N. expects that China's economy will grow four times faster than the US economy this year. Finally, inflation came in at 1.9 percent for December 2009 vs. 2008, up from a year-over-year 0.6 increase in December that was preceded by nine months of deflation.

In response to this suite of news, and fearing an overheating economy, Chinese regulators reined in their banks. They told banking officials to temporarily shut down lending amid growing worries about inflation and asset bubbles. Such a clamping down on growth would have broad implications, including supply and price forecasts that assume increased Chinese demand for petroleum products.

But China's energy consumption keeps moving ahead. The nation's electricity production capacity increased 7 percent during 2009, barely keeping ahead of a 6 percent growth in consumption. The production of refined oil products increased nearly 8 percent to reach a new high of 7.5 million barrels/day.

Throughout the past decade, China has invested a substantial portion of its net earnings in US debt instruments. But 2008 appears to have ended that trend. Chinese holdings of Treasury securities declined between July and November, the first extended decline since they became a major purchaser back in the early 2000s. In 2006, China bought nearly half the US debt; last year they bought less than 5 percent. If this trend continues, mid-term impacts on inflation and the price of oil may be quite notable if not extremely painful.

Quote of the Week

“We’ve gone from record [natural gas] storage to under the five-year average in two months, which is really astonishing. Before this winter season started, most traders thought it to be incomprehensible storage would evaporate so quickly.”

-- Chris Jarvis, president Caprock Risk Management; Hampton Falls, New Hampshire
The Briefs (clips from recent Peak Oil News dailies are indicated by date and item #)
•The Atomic Energy Organization of Iran said Wednesday his country's first nuclear power plant in the southern city of Bushehr will come on stream by the next autumn, the semi-official Fars news agency reported. (1/21, #4)

•Average global liquid fuels production in 2009 was 84.97 million barrels/day versus 86.6 and 85.32 million b/d in 2008 and 2007. (1/22, #16)

•Of the 10 top offshore oil and gas discoveries during 2009, two were made in the Gulf of Mexico, two were found off Australia, and one each off Brazil, China, Israel, the UK, Venezuela, and West Africa. (1/23, #15)

•The next ten years in Nigeria will be the years of China's dominance in Nigeria's multi-billion dollar oil industry according to analyst Mark Dominic. Royal Dutch Shell, the largest oil international oil company operating in Nigeria, no longer looks to its Nigerian operations to drive growth in its oil and gas output. (1/19, #11)

•In Venezuela’s Orinoco oil belt, the volume of technically recoverable heavy oil is 513 billion bbl, making it one of the world’s largest accumulations of recoverable oil according to the USGS. This new assessment implies nothing about rates, costs, or timeframes of production. (1/23, #4)

•RBS says the opening up of Iraq — or rather the unprecedented production commitments the majors have signed — threaten to pull long-term oil prices steadily lower. Their new analysis says the rehabilitation of Iraq may dominate oil markets and weigh on prices for much of this decade. (1/23, #5)

•Eni SpA and partners plan to spend $1 billion a year to boost production at Iraq’s Zubair oil field by 1 million b/d after winning rights to develop the deposit. The partners agreed to raise production to 1.2 million b/d within six years and to maintain that level of output for seven years. Zubair may hold 4.2 billion barrels of crude. (1/23, #6)

•Iraq’s Ministry of Oil has signed a 20-year contract with Shell and Malaysia’s Petronas to provide technical assistance in the development of the Majnoon oil field. The consortium targets a production plateau of 1.8 million b/d of oil, up from a current level of 45,000 b/d. Majnoon, which lies in southern Iraq, is one of the world’s largest oil fields. (1/19, #9)

•Two major oil sands projects received funding this week. The Canadian arms of ConocoPhillips and Total said they are funding an expansion of their Surmont joint venture, and Calgary-based Husky Energy Inc. said Thursday it will spend C$2.5 billion (US $2.4 billion) on the first phase of its Sunrise project. (1/22, #15)

•Nexen Inc's CEO said on Friday his company won't rush into an expansion to double the size of its $5.8 billion Alberta oil sands project, saying he needs a longer record of production and confidence in the economy following the meltdown of 2008 and 2009. (1/23, #7)

•In an industry famous for being opaque, Total’s CEO Christophe de Margerie speaks openly about the nightmare scenario — oil shortages — that most energy firms prefer to avoid or deny. De Margerie says the possible effects on the world economy of dwindling oil supplies are so great "I am not prepared to shut my mouth." De Margerie now says increasing world oil production to 90 million barrels a day is "optimistic." (1/20, #18)

•Chevron told employees this week that it will cut jobs in its refining business and consider exiting some markets, capping a series of similar actions by big oil producers and refiners amid widespread pain in the gasoline-production business. Refiners in North America and Europe are racking up losses and trying unsuccessfully to sell plants. (1/20, #13)

•US drilling activity climbed for the fourth consecutive week, up by 34 rotary rigs to 1,282 working, compared with 1,515 occupied rigs in the same period last year, Baker Hughes Inc. reported. Of the US rigs working, 833 were drilling for natural gas and 437 were drilling for oil, with 12 rotary rigs unclassified. Half were drilling horizontally. (1/23, #9)

•North Dakota raised its forecast for oil output in and around the Bakken Shale formation. Output may reach 300,000 to 400,000 barrels a day by mid- 2011 and stay at that level for 10 to 15 years. The state's previous estimate was 220,000 to 280,000. The USGS estimates the formation to hold as much as 4.3 billion barrels of recoverable oil in North Dakota and Montana. North Dakota has 1,700 completed oil wells, with another 705 permitted, and room for as many as 60,000 in a productive area believed to encompass 20,000 square miles (1/23, #11)

•The recent Davy Jones well in the shallow Gulf of Mexico has cost almost $200 million so far, and development drilling is expected to cost $1.5-2.0 billion. Production facilities will add to that cost. There are few rigs in the world that are capable of drilling to 28,000 feet and such high temperatures, so Davy Jones will have to stand in line with all of the deep-water Wilcox discoveries in the Gulf of Mexico and the pre-salt fields in Brazil's Santos Basin for rig availability. The earliest estimates for first production are in 2013. (1/19, #22)

•One month after world leaders fashioned a tentative, nonbinding agreement at the summit meeting in Copenhagen, the deal already appears at risk of coming undone. Major countries have yet to submit their plans for reducing emissions of climate-altering gases.(1/21, #2)

•A bipartisan group of US senators introduced legislation Thursday to block the EPA from regulating greenhouse gases under the Clean Air Act, a move that could undercut one of the Obama administration's top domestic priorities. (1/22, #9)

•The Air Transport Association of America said total passenger revenue for the major U.S. carriers fell 18% in 2009 versus the year before. It was the largest drop on record, exceeding the 14% decline in 2001. The revenue decline was due to a 6% drop in passenger volume, and a 13% plunge in the average price paid to fly one mile. (1/22, #14)

•GS Engineering & Construction Corp. will build the world's largest tidal power plant in South Korea as the country boosts renewal energy investments for environmental concerns.(1/20, #20)

•Europe is set to add about 1,000 megawatts of new wind power capacity in 2010 but tight credit could limit further investment in the low-carbon technology, the European Wind Energy Association (EWEA) said on Monday. (1/19, #25)

•U.S. legislation with new incentives for natural-gas-powered vehicles will pass by late May because Democrats need to gain a bipartisan victory, T. Boone Pickens, founder and chairman of Dallas-based BP Capital LLC, said. (1/22, #12)

•A key supplier of Toyota moved to secure a long-term source of lithium in Argentina, in one of the first global natural-resource plays of the electric-car age. Edging out Chinese buyers, Toyota Tsusho Corp., which is 21.8% owned by Toyota Motor, secured low-cost loans from the Japanese government to take a stake in a lithium project that could begin commercial production by 2012. (1/20, #21)

•Plug-in electric vehicles will represent nearly 20% of the global market for light vehicles in 2030, according to findings in a study by automotive industry analysts at IHS Global Insight. (1/23, #14)

•Pakistan faces a catastrophic energy crisis in the midst of a severe winter, a dire financial crunch, and a weakened government whose president is facing an insurmountable credibility conundrum. (1/19, #24)

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BROADCAST COVERAGE

1. Power Lunch **DMA: N/A**
CNBC (---) National **Spot Cost: $3,937**
01/22/2010 **12:00 PM - 01:00 PM** **Est. Audience: 478,696**

Available formats: QuickView, DVD, CD, digital link, videotape, transcript, NewsBoard

[CC] 00:37:24 (guest is Greg Ebel from Spectra)...the great thing about Spectra .We don't produce the gas, we ship it...we are making that return on just having the capacity. Can natural gas be a national savior , energy wise? it is triple E threat . From an environmental perspective has half the carbon footprint of coal, a third of oil ..it happens from an economic perspective-producing jobs. We didn't lay off one person at Spectra **Energy** during the recession and then obviously, just from an **energy** security perspective, when you hear **Boone** and other ands saying it. It is domestic, it is available What about cap and trade? Well, I don't think cap and trade is the way to go.... 00:38:43

2. Stossel (Rebroadcast) **DMA: N/A**
Fox Business Network (---) National
01/22/2010 **10:00 PM - 11:00 PM**

[CC] 00:00:27 The future of human civilization is at stake. John: I am told at the dollars I spend here wind up in the Middle East so by doing this I'm apparently funding dictators and terrorist. We know we can power America's future energy controlled by foreign dictators. John: so what am I doing? I'm sorry, I'll stop, I won'**t** do this anymore. But wait a second, I need the gas, need to drive. I need electricity to power my appliances and keep the lights on. So what can I do? Is their alternative? Yes, there is, I'm told. What if we can use fuels that are defensive, don'**t** cause pollution and are abundantly available here at home. We have such fuels. Yes, we do. We have the wind and the sun and heat trapped beneath the earth. We can start right now using solar power, wind power and geothermal power to make electricity for our homes and businesses. In 10 years he could get all the electricity from the carbon free sources. I am **T**. **Boone Pickens** and I have a plan. John: this billionaire says the vce president Al Gore is partially right. We can save billions of American dollars. John: we can save billions by using the wind and natural gas? Wow. But if that is true was a billionaire and the vice president need our tax dollars? ... John: a year later he still did not have that action. I'm back again and we haven'**t** done anything to lower our dependency on foreign **oil**. The president has made a good start on **wind** and solar, that is only half the problem. **Natural gas** can power big trucks and lower the dependency, creates jobs and save billions of American dollars. John: sounds good, so I'm honored now to be joined by **T**. **Boone Pickens**. I admire you spending your own money on these ideas, so don'**t** understand why you need my money, but we will get to that. Before I talk about that I must disclose I have a little history with **T**. **Boone Pickens**. Last year he was on Meet The Press. He talked about **oil** falling. If you think all will stay down to 50 and 60, I will make a $10 bet on that but we will be back to 108 years now. I bet you $10,000. John: I attended a speech after that ran tended to raise the dead. Will you take that it? A year from the "Meet The Press" high price of **oil** will be over $100 per barrel. John: it is daunting to bed with **T**. **Boone Pickens**. . John: he demanded a later deadline. I will take that bet if you move it out the first quarter 2010. Put it on my birthday, May 22nd. Have we got a $10,000 bet ? .... We're importing 13 million barrels of **oil** per day in the United States. John: we will talk about that, and **T**. **Boone Pickens** says **wind** power can create jobs. Cby that logic can I create jobs by breaking a pane of glass? 00:10:15

[CC] 00:11:48 We're back with **oil** billionaire **Boone Pickens**. And you wrote a recent book You know when I made 1 billion I was 70 years old. Can you imagine how many guys if they would stay and work past 70, we would have a lot of billiomaires. John: ilook forward to that and I'm glad you're making us money because you're spending your own money on these commercials promoting **natural gas** as a solution to **energy** dependence. Here's his solution begin with words in Arabic. Go back to sleep, America. The **oil** crisis is over. I don't think so .Our economy is bleeding billions in for nearly 70%. Most from countries who don't like it, billions we should use to create American jobs. We have plenty of American **natural gas**. It is cheaper, cleaner, abundant and ours. We have had our wake-up call, it is time to act. John: what does that mean? We have to put pressure on congress to pass HR 1835, that moves you to **natural gas** as a serious transportation **fuel**. ... 00:13:45

[CC] 00:20:00 We're back now with **oil** billionaire **Boone Pickens**. One reason he says he runs ads for **natural gas** and wind is because America is in danger because of our dependence on foreign **oil**. An area where you and Vice President gore are in agreement. So vice President Al Gore, I still have my green phone, if you ever want to talk about global warming. Someday he will call you. John: I hope he does. If Al ever invites you to lunch, go. John: I absolutely will. He said I will order lunch, what would you like? I said whatever you eat will be great with me. It was great with me. I opened the door, and it was overwhelming.Odor of cheeseburger and fries. I will not order it, but I sure will eat it. John:Mr. Gore, I would love the cheeseburger and I would love to talk to you because I know the subject is important to you because you say. " The survival of United States of America as we know it is at risk." This is conventional wisdom, everybody seems to agree our dependence is a horrible problem. The last election every big candidate campaigned on it. Barack Obama will make **energy** independence a priority... 00:22:07

3. Newschannel 10 Nightcast	**DMA: 131**
KFDA-TV CH 10 (CBS) Amarillo	**Spot Cost: $309**
01/22/2010 10:00 PM - 10:35 PM	**Est. Audience: 29,454**

Available formats: QuickView, DVD, CD, digital link, videotape, transcript, NewsBoard

[CC] 00:02:15 A former deputy secretary of **energy** for the US. White was one of the first to push for **wind energy**. But now he agrees with T. **Boone Pickens**'s recent statements that **natural gas** development should take priority over **wind**. " We shouldn'**t** oversell **wind**. It's not going to have half the **energy** being **wind energy** because you need that peak power for when people put those heaters on. "