

# PickensPlan

## T. Boone Pickens Media Coverage 5.18.10

### Total of 16 Placements

- Print: 4
- Blog/Online: 7
- Broadcast: 5

### Coverage Summary:

A speech and Q&A with R. Emmett Tyrrell, founder and editor-in-chief of *The American Spectator*, was aired on *CSPAN2*. During the Q&A, Tyrrell was asked about energy policy. He responded by saying he is smitten by Pickens' observation regarding the abundance of natural gas. He said natural gas has the opportunity to be a game changer, reducing our reliance on OPEC oil.

*The Dallas Business Journal*, *Houston Business Journal* and *PennEnergy* posted information on the latest oil numbers release showing the U.S. spent \$31 billion on foreign oil in April.

### Highlighted Placements (Full Articles Below)

- **Pickens: U.S. Spent \$31B On Foreign Oil In April** – *Dallas Business Journal* – 5/17/10
  - *Houston Business Journal*
- **US Invested More Than \$30B In Foreign Oil In April** – *PennEnergy* – 5/18/10

### Print Placements (Full Articles Below)

- **Pickens' BP Capital Sells Out Of Devon, Forest Oil, Questar, Cabot Oil – Filing – Dow Jones – 5/17/10**
  - *WSJ.com*
- **Pickens Sells Devon, Cabot Stakes, Buys Halliburton (Update1) – Bloomberg – 5/17/10**
- **Washington Report – Heavy Duty Trucking – May 2010**
- **Powering Up Incentives – Herald Tribune – 5/17/10**

**Blog/Online Placements (Full Articles Below)**

- **Senate Climate Bill Draws Both Praise and Ire from Energy Industry – Solve Climate – 5/17/10**
- **Pickens Opens More Big Energy Bets In Q1 – TickerSpy – 5/17/10**
- **Peak Oil Review - May 17 – Energy Bulletin – 5/17/10**

## **HIGHLIGHTED COVERAGE**

**Pickens: U.S. Spent \$31B On Foreign Oil In April** – *Dallas Business Journal* – 5/17/10

By Kerri Panchuk

America needs to wean itself off foreign oil, but instead, the situation is worsening, says Dallas billionaire T. Boone Pickens, who released a report that shows the United States sent \$31 billion to other countries in April for oil.

“That’s more than \$1 billion dollars a day and a sad step in the wrong direction,” Pickens said. “As the economy recovers, demand and prices will continue to increase.”

Pickens reiterated his support for bipartisan legislation – House Bill 1835 and Senate Bill 1408 – both of which would expand natural gas use in the United States. He also noted that The American Power Act has been put on the table. The act focuses on replacing the nation's dependence on foreign oil with domestic natural gas production, especially when fueling large transportation fleets.

"Instead of enriching other countries, we need to get off OPEC oil and make better use of our own abundant supply of natural gas," Pickens said. "Using natural gas as a transportation fuel is a nonpartisan issue, and now is the time to act.”

Earlier this year, Pickens indicated that in just the month of February, the U.S. sent \$24.6 billion overseas to buy foreign oil. The country also spent \$50 billion in just the first two months of the year. Comparatively, the county paid out more last month, or at least \$7 billion more than the average monthly oil spend recorded earlier in the year.

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## **US Invested More Than \$30B In Foreign Oil In April – *PennEnergy* – 5/18/10**

Source: T. Boone Pickens

In his monthly update on the level of foreign oil imports in the U.S., energy expert T. Boone Pickens said that based on the latest figures from the U.S. Department of Energy's Energy Information Administration (EIA), the U.S. imported 65 percent of its oil, or 369 million barrels in April 2010, sending approximately \$31 billion, or \$719,157 per minute, to foreign countries.

“We spent more—\$31 billion—on foreign oil in the month of April than any other month yet in 2010. That's more than a billion dollars a day and a sad step in the wrong direction,” said Pickens. “As the economy recovers, demand and prices will continue to increase. Instead of enriching other countries, we need to get off OPEC oil and make better use of our own abundant supply of natural gas. Using natural gas as a transportation fuel is a non-partisan issue, and now is the time to act.”

Currently, there is bipartisan legislation in both the House and Senate that would advance the use of natural gas. H.R. 1835 and S. 1408 (The NAT GAS Act) and The American Power Act, unveiled last week, all contain language that would replace foreign oil/diesel/gasoline with cleaner, abundant domestic natural gas in America's heavy duty fleets.

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## **PRINT COVERAGE**

**Pickens' BP Capital Sells Out Of Devon, Forest Oil, Questar, Cabot Oil – Filing – Dow Jones – 5/17/10**

By Joseph Checkler

NEW YORK (Dow Jones)--Billionaire energy investor T. Boone Pickens' BP Capital Management sold out of four of its top 11 positions during the first quarter, according to a Monday regulatory filing.

BP Capital sold out of its stakes in Devon Energy Corp. (DVN), Forest Oil Corp. (FST), Questar Corp. (STR) and Cabot Oil & Gas Corp. (COG), according to its quarterly holdings report filed on Form 13-F with the Securities and Exchange Commission. Those four stocks represented four of the company's 11 biggest holdings in terms of market value at the end of 2009.

While BP Capital pared its holdings in Transocean Ltd. (RIG) during the period ended March 31, the Switzerland-based deepwater driller remained the fund's single biggest holding in terms of market value. Transocean was the owner and operator of the rig leased by BP PLC (BP) that burned and sank in the Gulf of Mexico in late April, killing 11 and springing a massive oil leak. A spokesman for BP Capital declined to comment. U.K. oil giant BP is responsible for the cleanup of the oil spill and isn't related to BP Capital.

Pickens' fund took new positions in, among others, Halliburton Co. (HAL), Baker Hughes Inc. (BHI) and Dawson Geophysical Co. (DWSN).

In the filing, BP Capital said it had 15 equity positions on March 31, worth \$162.8 million. That's down from 19 positions worth \$224.5 million at the end of 2009. At that time, BP Capital's only three positions with more than \$20 million of market value were Transocean, Devon and Hess Corp. (HES). BP Capital trimmed its stake in Hess during the first quarter, and Transocean was the only security of which it owned more than \$20 million worth of shares.

Many investors that manage more than \$100 million are required to file 13-Fs with their stock holdings 45 days after the end of a given quarter, giving the public its freshest possible glimpse into the portfolios of well-known money managers. Most hedge-fund managers and others wait until the last possible moment to make these filings. Because the 45th day after March 31 falls on a Saturday, the deadline for first-quarter holdings is Monday.

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### **Pickens Sells Devon, Cabot Stakes, Buys Halliburton (Update1) – Bloomberg – 5/17/10**

By Rob Williams

May 17 (Bloomberg) -- T. Boone Pickens, the billionaire energy investor, sold \$21.1 million in Devon Energy Co. shares and a \$14 million stake in Cabot Oil & Gas Corp. during the first quarter.

Pickens's BP Capital Management LP bought new stakes Halliburton Co., Dawson Geophysical Co. and Baker Hughes Inc., according to a public filing. As of March 31, BP Capital had maintained its 345,980 shares of Transocean Ltd., the owner and operator of an oil rig leased to BP Plc that exploded off the coast of Louisiana last month.

BP Capital, based in Dallas, increased stakes in such companies as McMoRan Exploration Co., Smith International Inc. and Weatherford International Ltd. during the three-month period, according to the filing.

Pickens sold entire stakes in Forest Oil Corp. and Questar Corp., while reducing holdings of Hess Corp. The value of Pickens's equity holdings declined to \$162.8 million as of March 31, from \$224.5 million on Dec. 31, according to today's filing.

Jay Rosser, a spokesman for Pickens, declined to comment on the filing.

Money managers who oversee more than \$100 million in equities must file a Form 13F with the Securities and Exchange Commission within 45 days of each quarter's end to show their U.S.-listed stocks, options and convertible bonds. The filings don't show non-U.S. securities or how much cash the firms hold.

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## **Washington Report** – *Heavy Duty Trucking* – May 2010

By Deborah Lockridge

"Sometimes kids say the darnedest things," we say, shaking our heads and chuckling. But when the darnedest things come out of the mouths of influential public officials and billionaires, it's not so funny.

Many in the trucking industry have been pretty peeved by some remarks made by Secretary of Transportation Ray LaHood. In a March 15 post on his blog, "The Fast Lane" ([www.fastlane.dot.gov](http://www.fastlane.dot.gov)), he wrote, "Today, I want to announce a sea change. People across America who value bicycling should have a voice when it comes to transportation planning. This is the end of favoring motorized transportation at the expense of non-motorized." The blog post was titled, "My view from atop the table at the National Bike Summit," referring to LaHood standing on a table to talk to bicycle activists.

The outcry in response to LaHood's remarks was reported on in the national media, on CBS and by the Associated Press, among others.

By his April 6 blog post, LaHood was backpedaling. "People are always going to drive cars. And we are always going to rely on the hardworking trucking community to haul our nation's freight.

We've made a huge investment in our interstate highway system, and that's not going away. ... But ... Why not make room at the table for bicycling and walking?"

Two days later, LaHood was blogging about another tactic to get trucks off the road. The goals of the "America's Marine Highway" program include bypassing congested roads around busy ports and reducing greenhouse gases by putting more freight on short-sea waterways.

The bikes and the barges are part of the Obama administration's livability initiative, in which alternatives to driving are central to solving the nation's transportation problems (an issue we'll look at more in depth in the June issue.)

T. Boone Pickens is focused more on reducing dependence on foreign oil with his push for more trucks to be powered by natural gas, but many natural gas advocates also share the Obama administration's zeal to reduce greenhouse gas emissions. As you can read in this month's "Clean & Green," the energy tycoon is pushing for a \$65,000 tax credit for buyers of natural gas trucks.

Natural gas offers many benefits to truckers in certain applications, but it's hardly going to be feasible to switch over the entire nation's fleet of medium- and heavy-duty trucks as Pickens advocates.

When it comes to the major stumbling block, fueling infrastructure, Pickens seems to have a reverse "if you build it they will come" approach.

"This is the first question you get in any audience - who's going to pay for the infrastructure," he said in response to a question after his speech to the NGV (Natural Gas Vehicle) Fleet Summit in March. "The people who sell the fuel will build it. All they have to do is have customers."

Reducing dependence on foreign oil is a laudable goal. But dismissing concerns about the refueling infrastructure so cavalierly is nearly as nuts as LaHood's bicycles.

What's a trucker (or a dealer, or a truck manufacturer) to do? How about tooting our horn about what the trucking industry is already doing to help clean up the air and save fuel and reduce our carbon footprint?

That's just what this year's American Truck Dealers/Heavy Duty Trucking Truck Dealer of the Year has been doing. Jack Saum, chairman of the board for Beltway Companies, based in Baltimore, Md., was praised by the judges for his innovative leadership of the "A New Truck is a Green Truck" initiative. The program was designed to stress the environmental and fuel efficiency benefits of current model trucks and educate people, from government officials to the general public, about the societal benefits of new truck design improvements.

After all, today's diesel truck engines, in many polluted areas, actually put cleaner air out the exhaust than they take in. New 2010 engines have improved fuel economy, and some believe we could see 10-mpg trucks in 10 years.

Pass the word.

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### **Powering Up Incentives – *Herald Tribune* – 5/17/10**

Regarding clean energy, we have alternatives available and in development which would allow us to wean ourselves from fossil fuels (oil and coal) within 20 to 30 years. All we need is political will, and clear incentives and rules to allow the investments to occur.

T. Boone Pickens had it right that we must stop building coal plants and use natural gas and nuclear in the interim, while renewables mature. If we are to have any hope of rapid conversion of our auto and truck fleets to hybrids or electrics, we need to have a gas tax escalating over time.

I recommend two articles that appeared in Scientific American. In November 2009 issue, "A Path to Sustainable Energy by 2030" lays out how wind, solar and water technologies could provide all the world's power needs in 20 years. The other article, in the December 2009 issue, discusses 20 more-far-out ideas to build a cleaner, healthier, smarter world. One I really like for Florida is the "No Money Down Solar Plan," which would really push the development of distributed energy, saving the enormous cost and energy waste inherent in big transmission grids.

The benefits of strong efforts for renewables cannot be overstated.

Charles Dulany, Sarasota

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## **BLOG/ONLINE COVERAGE**

**Senate Climate Bill Draws Both Praise and Ire from Energy Industry – *Solve Climate* – 5/17/10**

By Stacy Feldman

The Senate climate bill is dividing the fossil fuel industry, revealing deep fissures among big energy interests over how to tackle climate change while protecting their own interests.

The National Petrochemical & Refiners Association said the "draconian" legislation should be rejected, while Shell, the third-largest U.S oil company, praised it as "a fresh approach" to carbon regulation.

Last week, after eight months of negotiations, Senators John Kerry (D-Mass.) and Joseph Lieberman (I-Conn.) rolled out their long-awaited compromise cap-and-trade package, the American Power Act (S.173). The sprawling, 987-page legislation would impose a cap on greenhouse gas emissions with a mandate to cut carbon pollution by 17 percent from 2005 levels by 2020 and 83 percent by 2050.

While most observers think the bill is unlikely to secure passage, that has not stopped every corner of the energy industry from weighing in to pressure Congress. The positions they've taken expose the fault lines any comprehensive legislation will still have to bridge despite the many compromises and concessions it already contains.

The current bill works hard to regulate greenhouse gas emissions from power plants, factories and transportation with a "tailor-made" approach for each — one "that recognizes the different needs of our different industries."

That's why domestic producers and importers of refined petroleum products get unique treatment: they would not participate in the carbon market, the bill says. Instead, the industry would purchase pollution allowances from the Environmental Protection Agency (EPA) on a quarterly basis at a fixed price from the allowance auction.

### Industry at Odds as Big Oil Gets 'Special Giveaways'

While the bill prompted National Petrochemical & Refiners Association (NPRA), a trade association of 450 groups, to call it a "costly" death knell to the nation's economy, Shell — which helped write the bill — said it would "strengthen our economy, create jobs and enhance our energy security."

In turn, other groups blasted the special treatment given Shell and other big oil firms by the bill's primary authors.

The American Council for Affordable and Reliable Energy (ACARE), for instance, a coalition of business groups with ties to the coal industry, said the legislation contains "many special

giveaways" to "certain major energy companies." In particular, ACARE slammed senators for adding a "linked fee" for gas, diesel and aviation fuels that would somehow be tied to the price on carbon.

The measure was supported by oil majors Shell, BP America, ConocoPhillips, ExxonMobil and others. Revenues would be reallocated to consumers to offset potentially higher prices at the pump, according to the bill.

"Senators Kerry and Lieberman have denied that there will be a specific gasoline tax, and so throughout the bill it is called a 'linked fee,'" said Mike Carey, president of ACARE.

"This 'linked fee' will hit the lower and middle income families particularly hard as they pay a disproportionate percentage of their income on energy."

The transportation sector is responsible for nearly one-third of U.S. greenhouse gas emissions, according to U.S. Department of Transportation figures. Most analysts agree that reigning in vehicle emissions is a must for any effective carbon control regime.

But the controversial fee remains a lightning rod for industry groups who say it is nothing more than a gas tax in disguise.

The American Trucking Associations (ATA), which represents some 2,000 trucking companies, said it "cannot" support the bill, calling the measure "a hidden multi-billion-dollar tax."

Shell maintains that the legislation encourages the development of "home-grown energy" in the transport sector and enables refiners to compete against imports of diesel and gasoline.

On natural gas, the oil giant was particularly pleased. The bill calls for "significant" tax incentives to convert trucks and heavy duty vehicles to natural gas.

Texas oil tycoon T. Boone Pickens, creator of the Pickens Plan, which calls on Washington to switch the entire federal fleet to natural gas, commended the senators for its focus on "replacing foreign oil/diesel/gasoline with cleaner, abundant domestic natural gas."

America's Natural Gas Alliance, a group of 34 natural gas companies, was less sanguine. It called the natural gas provisions a "useful starting point" but said "much more could be done right now."

Utilities, Manufacturing See Upside

For major power producer Duke Energy, which gets around 70 percent of its electricity from coal, the bill represents an "extraordinary" effort.

"The legislation can help the U.S. get its economic 'mojo' back," said Jim Rogers, Duke Energy's chairman, president and CEO.

Calling himself an advocate for coal, Rogers said the legislation would help "get our transition right" to clean energy in a manner that protects U.S. families and factories.

Whether that is true or not, however, remains an open question for manufacturing lobbyists.

In that sector, reactions were split between those claiming the extra costs of carbon compliance would send U.S. jobs overseas and those that said it could keep America competitive.

Under the bill, importers from nations that have no carbon-reduction laws would have to pay up at the border to avoid so-called "carbon leakage."

The American Materials Manufacturing Alliance (AMMA), a group of self-described 'trade-exposed' industries that includes the American Iron and Steel Institute and the American Chemical Council, said carbon leakage would continue under the measure.

"We believe that compared with past bills, the legislation released today invests more in U.S. manufacturing competitiveness. However, in several key areas, more must be done to ensure the...retention of American jobs."

To keep U.S. manufacturing alive, AMMA called on senators to boost funding for energy efficiency, renewables, carbon capture and storage and nuclear energy.

In stark contrast, the United Steelworkers (USW) highly praised the bill's "crucial anti-leakage provisions."

Some of the strongest industry support, though, came from the Public Service Enterprise Group (PSEG), a New Jersey utility with annual revenues of more than \$13 billion. The firm heralded the "regulatory certainty" that would come from the law.

"The disastrous spill in the gulf serves as a reminder that we can no longer delay development of a comprehensive energy policy that achieves fuel diversity and puts a price on carbon," said Ralph Izzo, PSEG chairman.

"PSEG is ready to make significant investments that would help combat climate change, but we need the regulatory certainty that the passage of this legislation would provide."

## Nuclear Industry Cheers Loudest

No single industry lavished more praise on the bill than the nation's nuclear energy backers.

The bill lays out a slew of new nuclear handouts, including \$54 billion in loan guarantees, regulatory risk insurance for 12 projects, a new investment tax credit to promote the construction of new generating facilities and faster licensing of reactors.

Marvin Fertel, CEO and president of the the Nuclear Energy Institute, a trade group, said the incentives demonstrate a commitment to building the nation's next wave of reactors.

"We believe there is solid consensus on the need for, and the value of, the nuclear energy provisions in this proposal," Fertel said.

Nuclear firm Westinghouse, whose AP1000 reactor design is waiting approval from the Nuclear Regulatory Commission, said the bill will further support a "global nuclear renaissance."

The company has customers lined up for its controversial AP1000, with 14 plants under regulatory review at seven sites across the American Southeast. Anti-nuclear advocates say the faulty design could prove more unsafe than the nation's current nuclear fleet.

Westinghouse used the Senate bill as an opportunity to defend the new plant design publicly.

"The new nuclear energy plants that are being built, and will be built, over the next decades are clearly the most efficient and safest electricity-generating plants ever designed," Westinghouse President and CEO Dr. Aris S. Candris said.

"The Westinghouse AP1000 nuclear plant, for example, makes use of naturally occurring, passive safety systems that rely on gravity, condensation and natural circulation to begin cooling the plant in the highly unlikely event of an accident even without human intervention."

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## **Pickens Opens More Big Energy Bets In Q1 – *TickerSpy* – 5/17/10**

By Owen Vater

Legendary oilman T. Boone Pickens is still pushing plans to reduce dependence on foreign oil, though his focus has shifted more and more towards natural gas over wind power, where his efforts have hit some speed bumps.

A March report by Dow Jones indicated that Pickens will finally break ground on his long-anticipated wind farm this year, although it won't be located on the Texas panhandle as originally planned, and its size was slashed to 324 General Electric (GE) turbines. Meanwhile, Pickens has been a vocal proponent of big rig subsidies to help convert diesel-burning trucks to run on cheap, abundant, and domestically produced natural gas.

Looking at Pickens' top, U.S.-listed, equity positions at the end of Q1 shows that his hedge fund BP Capital continues to maintain a tight focus on energy stocks. During the first quarter, Pickens opened new positions in oil and gas equipment firms Halliburton (HAL), Baker Hughes (BHI), and Dawson Geophysical (DWSN). He was also adding to existing positions in Weatherford International (WFT), oil sands player Suncor Energy (SU), natural gas producer SandRidge Energy (SD), and offshore driller Transocean (RIG), which has been under pressure since a rig contracted by BP (BP) exploded in the Gulf of Mexico last month.

Elsewhere, Pickens slashed stakes in oil and gas exploration firm Occidental Petroleum (OXY), natural gas player Chesapeake Energy (CHK), and producer and refiner Hess (HES) by 40% or more in the first three months of 2010.

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## **Peak Oil Review - May 17 – *Energy Bulletin* – 5/17/10**

By Tom Whipple

### 1. Production and prices

In the last two weeks oil prices have fallen from a recent high of \$87.15 on May 3rd to a low of \$70.83 on Friday. The precipitous fall of the Euro to its lowest point since October 2008 was the major factor behind the fall in oil prices. Contributing factors were a continuation of the buildup in US oil inventories, concerns about prospects for European economic growth, a jump in Chinese inflation, and over-production by OPEC. A record build-up of crude stocks at Cushing, Oklahoma is also contributing to unusual pressure on West Texas Intermediate prices as compared to other crudes.

The rapid fall in prices is starting to raise concerns among OPEC exporters who well remember the price plunge two years ago that took oil down to a low of \$31 a barrel. Last week Libya's Oil Minister began talking emergency production cuts if prices fall below \$60. The IEA cut its forecast for 2010 global growth in the demand for oil by 50,000 b/d to 1.62 million b/d.

Last week began with optimism as European leaders agreed to a near trillion-dollar bailout of Greece's economy. Oil prices surged briefly and there was talk of rising oil consumption and increasing prices. T. Boone Pickens was quoted as seeing \$100 oil by year's end. Twenty four hours later the Euro and oil prices were falling again on doubts that the Greek bailout was sufficient and concerns that rapid economic growth and a jump in China's inflation rate would lead to an economic clamp-down.

In the first quarter Beijing's GDP grew by nearly 12 percent year over year. This in turn led OPEC to forecast that China's crude consumption in 2010 would grow by 950,000 b/d. In March, demand was already up by 800,000 b/d over 2009.

Continued growth in US petroleum inventories is due almost entirely due to large imports. Considering the state of the US economy, a growth of 2.7 % in gasoline demand during the last four weeks over 2009 and 2.8 percent growth in total use of petroleum products is considerable. Distillate demand is up by 7.5 percent and jet fuel by 1.8 percent. Although wholesale gasoline prices have been falling rapidly along with crude, so far nationwide retail prices are only down by a few pennies to \$2.87 a gallon. Gasoline analysts are forecasting that in a few weeks prices could be below last summer's peak of \$2.70 a gallon.

In the coming week, attention will be focused on the course of the Euro. As more austerity packages – implying lower growth -- are announced by European countries, the possibility that the Euro will continue to fall from the \$1.23 close against the dollar on Friday increases. For the immediate future, European economic developments may play as big a role in the determination of oil prices as the usual factors of supply and demand.

## 2. The Deepwater Horizon

The tragic explosion aboard BP's drilling rig in the Gulf of Mexico nearly a month ago is shaping up to be one of the most important events determining the course of oil production in coming years. The effects, which could be felt for decades, are likely to lead to lower oil production and higher prices as the petroleum industry is forced to delay projects and adhere to significantly harsher regulation.

### Recent developments

BP announced Sunday afternoon that it had successfully tested inserting a siphon tube into the blow-out well to capture some of the leaking oil and gas. The company claims this is an important step in efforts to contain the flow. So far the oil slick appears to have had minimal impact along the coast although oil debris and tar balls are beginning to wash up in at least a dozen places in Louisiana, Alabama, and Mississippi.

The New York Times reported on Saturday that researchers have discovered huge oil plumes below the surface of the Gulf. One such plume is 10 miles long, 3 miles wide and 300 feet thick. The discovery of multiple large subsurface plumes suggests that the oil leak may be far worse than the 5000 b/d announced by BP and the government. BP seems to be stonewalling requests to utilize equipment that could establish a better estimate for the actual size of the leak.

The government is asking BP for specifics relating to the company's offer to pay costs – which are likely to run in billions – related to the leak. Federal law currently limits oil spill claims to a maximum of \$75 million, though legislation to substantially expand that liability limit may eventually pass.

### The path ahead

In the coming week, BP will continue efforts to use a siphon tube to stem the oil leak and will begin dispensing dispersants directly into the leaking oil stream. If this effort does not work, there will be an attempt to install the smaller “top hat” containment dome over the leak, or alternately fire bulk particles such as gulf balls and pieces of tire rubber into the voids below the malfunctioning blow-out preventer. Flotillas of shrimp boats continue to string containment booms in front of sensitive coastal areas.

Efforts continue to drill a relief well into the seabed to stem the flow but this will take at least two more months to complete. The drilling of a second backup relief well is due to start this week. In a regulatory filing for the two new wells, BP says that a second blowout could release as much as 240,000 b/d into the ocean, again suggesting that the current 5000 b/d estimate is way too low.

### Revelations

As the drama in the Gulf unfolds, information continues to surface about cozy and unequal relationship between the oil companies and federal regulators. The federal Minerals Management Service has been issuing drilling permits without first receiving the necessary environmental

clearances. It has been the oil industry and not the regulators who have been setting safety and environmental standards for drilling in the Gulf.

Federal law limits industry liability from oil spills to \$75 million. The API is already saying that any increase in this limit would force smaller drillers out of business. BP's CEO admitted the obvious – that the company did not have the necessary technology to stop the leak and that the company should have done more to prepare for an emergency.

### US government actions

In the wake of the disaster Washington has already taken steps to stiffen regulation. President Obama has blasted the “cozy” relationship between the government regulators and the oil industry and has ordered increased scrutiny of drilling permits. The President said that the days when Washington regulators would routinely grant drilling permits based on little more than vague assurances of safety are over. On May 6th the government temporarily suspended offshore drilling permits until the completion of a report on the causes of the BP accident.

The administration has announced plans to split the Minerals Management Service into two agencies so that safety regulation will be a separate agency from the one leasing drilling tracts and collecting royalties.

Plans by Shell to begin exploratory drilling in the Arctic Chukchi and Beaufort seas this summer are drawing increasing fire from critics who maintain the permits have been issued without adequate environmental and safety reviews.

Secretary of Energy Chu signaled his lack of confidence in BP by appointing his own panel of distinguished and innovative scientists to look for ways to stop the oil leak.

In the meantime API, the IEA, and the Times of London all warned the Obama administration that the world still needs Big Oil to continue drilling deep water and that any new regulation should not be too onerous.

## In the Congress

Last week the House and Senate held hearings on the oil spill during which executives from the companies involved each claimed their organization was not responsible for the explosion. Each attempted to shift the blame onto the other companies.

Of more significance will be the oil spill's effect on the prospects for Senate passage of a compromise climate bill that contained more offshore oil and gas drilling and revenue sharing for the states. Last week efforts were under way to rewrite portions of the climate bill to raise new hurdles for any future drilling off the Atlantic and Pacific coasts. Supporters of offshore drilling admit that the prospect for their position was bleak.

Despite the backlash against deepwater drilling, the realists point out that deepwater oil has grown from 2 to 8 million b/d in the last ten years and that further growth will be necessary to even partially offset coming declines in both onshore and shallow water production.

## In the states

In Florida, Governor Crist said he is close to summoning the legislature to consider a constitutional amendment for the November ballot that would ban oil and gas drilling in state waters.

Governor Schwarzenegger withdrew his support for expanding exploration off California's coast. The Governor is coming under increased pressure to abandon California's commitment to the 2006 Act to reduce emissions by 25 percent by 2020.

## The economic impact

Whether it takes days or months to plug the leaking well, its economic impact is likely to be felt for many years or perhaps decades in the form of higher prices for oil and gas derived from

offshore wells. There are currently some 75,000 offshore jobs in the Gulf of Mexico. Many of these will be threatened by lengthy delays in obtaining drilling permits or by the manufacture of new and hopefully more effective safety equipment.

It is likely that practices regulated for drilling in US waters will be expanded to include all deepwater drilling around the globe. BP has already announced that it will postpone work on the 3 billion-barrel Tiber field in the Gulf until new equipment and procedures are ready. As BP prepares to open new fields in sensitive cod-spawning areas off the northern Norwegian coast, politicians are already raising flags. Even the Koreans are concerned that the oil spill will eventually result in higher prices damaging their prospects for economic recovery.

Ottawa has announced that it will review safety requirements for offshore drilling projects in an effort to avoid a similar mishap. The opposition is already calling for a moratorium on offshore drilling until new rules are in place.

The industry is already claiming that the suspension of new permits in the Gulf is already stranding billions of barrels of oil and Total is saying that the European credit crisis will slow new oil projects by making borrowing more difficult.

### Environmental impact

So far the known impact of the spill has been minimal as most of the leaked oil seems to be concentrated in large plumes well beneath the surface. However, the hurricane season starts in two weeks and all indications suggest that it could be an unusually active one. Should efforts to contain the spill still be underway when a hurricane enters the area, there is no telling what environmental damage could result from the roiling waters.

Environmental scientists are becoming concerned about the effects on marine life of the massive amounts of oil that has already been leaked and the dispersants that are being released deep under water. Even if the spill is contained soon, at least some if not most of the oil is likely to end up somewhere along the Gulf coast where it will have a major impact on tourist and seafood industries.

### 3. Venezuela

It was a busy week in Caracas with government entering an agreement with India's Oil and Natural Gas corporation to develop a \$20 billion oil project in Venezuela; the signing of a second set of agreements, worth \$40 billion, with groups led by Chevron and Respol to develop heavy oil reserves in the Orinoco belt; and the sinking of an Indian-owned drilling rig off Venezuela's coast.

Enough rain is falling in southern Venezuela to just replace the water consumed in power generation. Unless the rains increase markedly, Venezuela's main reservoir will not have enough water to get the country through next winter's dry season, thereby shutting down 70 percent of the country's generating capacity. This possibility is already being discussed openly in the press.

One of the Guri dam's generators apparently began to vibrate violently last week and was taken out of service after causing significant damage to its concrete supports. Some observers are warning that the hydro dams are being over-worked and that a catastrophic failure of a generator, thereby shutting down the dam completely, is becoming increasingly likely. In the meantime, the loss of yet another hydro-powered generator adds to the country's electricity shortage and increases the possibility that oil exports will eventually be affected.

#### Quote of the Week

“The Barnett remains important as the only shale play that has been developed to maturity. We believe that the Barnett largely dispels the belief that modern shale production is a „manufacturing process,“ or that shales constitute „gas factories.“ That belief is premised on the idea that shales have large cores that are uniform, that each well is similar, and that over time wells get better. Our data from the Barnett shows that all three of these premises are wrong. The core areas are small, wells vary considerably even in close proximity, and over times wells have gotten worse, not better.”

-- Ben P. Dell and Noam Lockshin, for Bernstein Research

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## BROADCAST COVERAGE

### 1. World Business Today

CNN International, National | DMA: 0

05/17/2010, 09:00 AM - 10:00 AM

00:43:16 (guest is Ted Turner)...he is building one of the country's largest solar farm in New Mexico right next to his own property. We sat down with him in Washington to talk about **energyoil** and a lot more .Take a listen ... Do you think Ted, that our **energy** policy in this country is too reactive? ...I don't think we have an energy policy. At all ? That is what **BoonePickens** says. That is why we are trying to get a bill passed and get one . We don't have one, we are just floundering around. Why do you think that is? It is a very complex issue...  
00:46:10

Audience: N/A Spot Cost: N/A

### 2. CSPAN-2 Schedule

CSPAN 2, National | DMA: 0

05/17/2010, 06:00 AM - 08:00 AM

[CC] 01:26:36 (guest is R. Emmett Tyrell).....Who has the first question? Yes. I was wondering what you thought about **energy** policy as a staple of the conservative movement as it moves forward. And how high it would rank in the conservative movement? Well, in "After The Hangover" I have a section off various policies that I think would assure us of success in the years ahead. And I do deal with **energy** policy. I'm very smitten by the observation of **BoonePickens** that as the years go by --Actually the months go by, more and more **naturalgas** is found. So much for so that we have more **naturalgas** in this country right now than the saudis have in terms of **energy** and the **oil** that they have underground. The proper use of **naturalgas** would be of a game-changer. Had reliance we now have on opec, if properly used with **naturalgas** alone we'd no longer be so reliant. And if we're so reliant on opec, we're in a position to set the price of **oil**, not opec. And, of course, I favor nuclear **energy**. And what Sarah Palin says, drill, baby, drill, and all of that. I favor all of that. But there's no question as the word goes on, we're going to face an **energy** crutch. --Crunch. And what always surprises me that 30 years into a worldwide discovery of markets in places like china and india and all over the world practically, back home in the democratic party they don't recognize the value of markets. And one of the values of markets is that markets are informing us that in the years ahead, **energy** is going to be dearer, and we're going to have to develop alternatives, not crash courses in government programs but alternatives through the free market. ...01:28:49

**Audience: N/A Spot Cost: N/A**

### **3. Imus In The Morning**

**Fox Business Network, National | DMA: 0**

**05/18/2010, 06:00 AM - 07:00 AM**

[CC] 00:04:25 Make the tree look like an **oil** pump. Imus: **oil** pump look like a tree. No, we should keep, imus: quarter until the hour, bowing down to the sued arabian kings and all these other guys -- how about, how about doing --Doing what **BoonePickens** suggests and develop alternate **energy**. We can talk about that, it is a two ply thing, first tell'em to stick their **oil** and then we'll be self sufficient and don't have to suck up to nobody and take our troops out of the middle east and let them blow each other up ...00:05:54

**Audience: N/A Spot Cost: N/A**

### **4. Fox Business Morning**

**Fox Business Network, National | DMA: 0**

**05/18/2010, 05:00 AM - 06:00 AM**

[CC] 00:11:03 ..... Dagen: it was absolutely rivetting. He talks about a rush to finish the well and also one of the two control pipes that control the blow out preventer, one appeared to be malfunctioning. Bernie: and the life boats left without him and two other people and a chick and he jumped and left the chick behind and never said what happened to her. Dagen: he didn't. I know. Bernie: wondering at this point. Imus: I'm glad, I told you a friend of mine when this first happened, said, another onef your rich friends F-Ing up the world and they thought it was **BoonePickens**, you know, and thank god, it's not.00:12:11

[CC] 00:23:20 Why not. Imus: we're not. Make a tree look like an **oil** pump. Imus: what! Shut up. Make the tree look like an **oil** pump. Imus: you mean make the **oil** pump look like a tree. Bowing down to the saudi arabian sings. Imus: do what **BoonePickens** suggest and develop alternate **energy**. We can talk about that. It is a two ply thing, first tell them to stick their **oil** and make cars that go 40 miles a gallon and we'll be self-sufficient and have to suck up to nobody and take our troops out of the Middle East and let them blow each other up and on top of that, speaking of that, how about the U.S. Citizen that wanted to blow the bomb up over times square, you know what we should do, he's a U.S. Citizen, what do you do with a traitor, you hang him, hang him from the tallest tree in Times Square, he wants to blow up bombs, he's a U.S. Citizen, hang the son of a gun00:24:36

**Audience: N/A Spot Cost: N/A**

## **5. The Morning Briefing With Tim Farley**

**Potus (Sirius XM), National | DMA: 0**

**05/17/2010, 07:00 AM - 08:00 AM**

00:36:45 .... the US, in terms of solar power and wind power, is only deriving about eighty eight thousand barrels of **oil** equivalent per day from all solar and all wind ... here's one coal mine that employs three hundred or four hundred people that is producing a quarter as much of all the **energies** , of all the **energy** produced by all of the solar panels and wind turbines in the country ... and again it's a question of scale and we have a fourteen trillion dollar economy much of which is driven by power....all of which is driven by power The book again is "Power Hungry" by Robert Bryce. You mentioned **T. Boone Pickens**.. we had a whole ad campaign about natural gas . You write **PickensPlan** does not pencil. Why not?.. **Pickens** is a very gracious guy . I met him ... I've debated him in January on John Stossel show in New York and he is a very courtly guy and very friendly..... . but what amazed me was when I talked to him before we went on the air I said look I understand what you are doing but your numbers don't work because in the **Pickens Plan** he says he can reduce **oil** imports by one third in ten years ... 00:39:45

**Audience: N/A Spot Cost: N/A**