

PickensPlan

T. Boone Pickens Media Coverage 7.7.10

Total of 6 Placements

- Print: 2
- Blog/Online: 3
- Broadcast: 1

Coverage Summary:

NYTimes.com posted a *ClimateWire* piece that looks at the economic boom that has taken place in Williamsport, PA as a result of the natural gas in the Marcellus Shale.

Notable Natural Gas Coverage (Full Articles Below)

- **A Shale Gas Boom Brings Change and Stress to a Quiet Town** – *ClimateWire/NYTimes.com* – 7/7/10

Print Placements (Full Articles Below)

- **Clean Energy Buying Canadian Supplier for \$125M** – *Orange County Business Journal* – 7/6/10
- **Natural Gas Fuelling Infrastructure Manufacturer Purchased By U.S. Oil Tycoon** – *Business in Vancouver* – 7/6/10

Blog/Online Placements (Full Articles Below)

- **5 Superball Stocks** – *The Motley Fool* – 7/6/10

- **Slowly, Slowly, Catchy Monkey** – *NASDAQ* – 7/6/10

NOTABLE NATURAL GAS COVERAGE

A Shale Gas Boom Brings Change and Stress to a Quiet Town – *ClimateWire/NYTimes.com*
– 7/7/10

By Joel Kirkland

WILLIAMSPORT, Pa. -- On a farm north of this old timber town that stretches out along the banks of the Susquehanna River, Perry Landon's 82-year-old mother confronts the promises and trepidation of a new era of energy wealth.

The 150-acre homestead in Tioga County where she lives has been in the family for generations. The dairy farm, apple orchard and streams inhabit Landon's memories and bind the family to northern Pennsylvania's Allegheny Plateau. Trapped in the clay and minerals deposited under his mother's property is a slice of the region's multibillion-dollar bounty of natural gas.

Williamsport (population 30,706) and its neighboring counties are ground zero for gas companies drilling into the deep geological formation called the Marcellus Shale. It stretches across West Virginia, eastern Ohio, Pennsylvania and southern New York, and it contains enough natural gas to meet the heating, electricity and industrial needs of the densely populated Northeast.

Today, as Landon tells it, a new phalanx of the deep-pocketed land speculators many thought left with the lumber barons a century ago are busy poring through land records and knocking on doors. These people aren't after forestland. They're trying to lock up the underground riches in the nation's largest emerging energy basin.

"For Mom, it's just overwhelming," Landon says. "She grew up in the Depression. Her parents were very poor. It's hard for her to get her mind around this amount of money, and that you would get it for doing nothing."

Gas is testing oil's position as the most sought-after energy commodity, as the global hunt for black gold faces technological limits, environmental risk and relentless political instability in oil-rich regions. Gas-burning electricity generators release half the greenhouse gases of conventional coal-burning plants.

For that, the fossil fuel has moved into the foreground of the strident U.S. energy debate, where natural gas has some bragging rights because it can lower power plant emissions tied to global warming.

But the industrial nature of extracting natural gas challenges the faith of conservationists concerned about the impact of the drilling boom. BP PLC's sunken Deepwater Horizon oil rig places in sharp relief the potential for disaster. In Pennsylvania and New York, the deep-sea Gulf of Mexico catastrophe has pumped oxygen into public concern about unrestrained onshore gas drilling and whether water and air quality are adequately protected under federal and state regulations.

Coal mining and timber harvesting ruled northern Appalachia for more than a century. Here, natural gas remains a bit foreign, an energy frontier. In some corners of the energy industry, tapping the shale gas has become every bit as enticing and adventurous as exploring in the Arctic and the deep waters of the Gulf of Mexico.

The gas rush has generated a frenzy in the region over the past two years. The desire to buy land and buy it fast, before the drilling begins, is every bit as strong to some in rural Pennsylvania as the housing bubble was in cities and suburbs across America. That bubble burst. Whether this one will remain part of the adventure.

Weighing the virtues against the risks

Late last month, Massachusetts Institute of Technology researchers said there appears to be about 650 trillion cubic feet of recoverable shale gas under the United States. At today's consumption, that resource could supply the nation for almost 30 years. But the MIT team cautioned against irrational exuberance. The gas exists in hard-to-model subsurface pores, and the kind of historical data and reliable methodology that predict the performance of conventional gas fields don't exist yet for the shale.

At the unveiling of the two-year gas study, team co-chairman Anthony Meggs reminded a Washington audience that only about 1 percent of shale gas potential has been produced. Much of that has been in Texas, where drilling is well established. And there are a lot of open questions: "How much is there? Will it be productive? What are the characteristics that make it productive? What recovery factors will we achieve?"

"There's a lot of upside, but there's also a lot of downside," he said. "The resource estimates assume that wells will last for 30 or 40 years. Well, actually maybe, or maybe not."

But for gas companies operating in Pennsylvania and New York, tapping the potential of these organic-rich shale deposits has become a near-obsession. The industry has spent millions of dollars in 2009 and 2010 raising its profile. TV commercials extol the virtues of "cleaner-burning" gas for power generation and natural gas vehicles.

New industry groups, such as America's Natural Gas Alliance and the Marcellus Shale Coalition, lobby state and federal lawmakers for market incentives. From public relations shops in Washington, Dallas, and Harrisburg, Pa., the gas industry blasts out e-mails that respond to opposition groups protesting industrial air emissions, water use, methane leaks, waste pits, toxic chemicals and explosions that come with extracting gas from 8,000 feet underground.

Opposition to this industrial juggernaut has halted near-term prospects for drilling gas wells in the Catskill Mountains and Delaware River watershed that supplies New York City. In Pennsylvania, public anger about an accident in early June that spewed gas- and chemical-laced wastewater for 16 hours has pushed Democratic Gov. Ed Rendell's administration to toughen its stance against the gas industry.

Meanwhile, a debate rages on in Pennsylvania about the true economic impact of the latest boomtown industry. "This is a billion-dollar industry going after a trillion-dollar asset. Opposing it would be silly," says Jon Bogle, who leads a Williamsport-area citizens group called the Responsible Drilling Alliance. "But people aren't aware of the risks to the environment."

A quiet economic boom has emerged out of the hollows of Tioga, Bradford and Susquehanna counties. Williamsport sits just south of there, and its 31,000 people make up the biggest town in this corner of gas country.

There, real estate and industrial space going for a premium blunt the impact of the worst American recession since the Great Depression. Williamsport and the countryside that hugs the Susquehanna are the regional hub for a growing list of gas producers, contractors, engineers and oil-service companies.

"We want blue-collar jobs, gray-collar jobs and white-collar jobs," says Jason Fink, executive vice president of the Williamsport-Lycoming Chamber of Commerce.

'Mailbox millionaires,' roughnecks and speculators

The Marcellus has changed the fabric of daily life. Language has been created. "Mailbox millionaires" quietly spend their riches. "The influx," which used to describe the emigration of low-income residents escaping Philadelphia's urban decay, now describes the roughnecks and engineers purchasing higher-end downtown apartments.

Hotels in Williamsport fill up during the week with drillers, contractors and businessmen. In the evenings, the out-of-towners line bars at the Bullfrog and the Old Corner Hotel. There, on one Wednesday night in May, two young oil and gas-service workers from Calgary lamented the "act of God" that sent methane gas up the BP well, engulfing the rig in flames on April 20. The blowout preventer at the bottom of the sea failed, the same piece of equipment used to seal off an onshore natural gas well.

One of them, a lanky roughneck, finishes smoking a Marlboro Red out on the patio. He ribs another Williamsport entrant whose boss has recently transferred him here from New York, where opposition to drilling has effectively shut down the shale gas business.

The job of one of the men from Calgary is to carve out a niche and train a small office. "We're not here to take people's jobs," he says in a gravelly voice.

In Williamsport, Chesapeake Energy Corp. is behind many of the land men and the speculators. Rumors abound that Chesapeake has been willing to pay north of \$7,000 an acre for prime acreage in northeastern Pennsylvania. For some companies, that climbs to \$11,000 an acre for areas of central Pennsylvania experiencing their first blush of freewheeling resource capitalism.

Chesapeake and other prominent drillers such as Anadarko Petroleum Corp. have looked for ways to build goodwill in the community. Anadarko, for instance, hired a former Williamsport mayor to act as liaison to landowners and city officials.

Shining up the Rust Belt

Late last summer, Sandra Rife received an unexpected phone call from Chesapeake. Would the Lycoming County Historical Society accept a gift of \$5,000 from her boss, a Chesapeake executive? He's quite a history buff, the caller explains. "We scrounge for every penny we get," says Rife, the museum director. "It was vital."

Outside the museum, along the town's Millionaires' Row, a quarter-mile stretch of mansions built by 19th-century lumber industry barons, Williamsport shows signs of aging and renewal. The town has battled the boom-and-bust cycles of the American Rust Belt since the barons stripped the land bare and abandoned their opulent homes a century ago. Manufacturing jobs dried up in the 1990s. Warehouses sat empty as commerce trickled in and out of the rail yard.

Today, sand and equipment travel across northeastern Pennsylvania on the short lines and Norfolk Southern's mainline. Warehouses on the edge of town are larger than big-box Walmarts. People here say gas is going to replace a gradual 30-year decline in manufacturing, but they're cautious.

"Let's do natural gas but make sure we don't ignore our existing industries and don't ignore the need for developing new ones," says City Councilman Jonathan Williamson. "If a problem hiccups, you don't want to be the next coal town or steel town or auto town that just dies."

In the midst of a recession, Williamsport's real estate developers are revitalizing downtown, filling empty shops and rebuilding deteriorating landscapes. Spaces that sat empty for years are becoming upscale restaurants the owners hope will attract older gas industry patrons.

"This is the kind of place you'd expect to find in Georgetown, not the kind of place you'd expect to find here," Williamson says, talking about a first-floor martini bar and second-floor loft development.

Gas companies are making audacious payments to landowners with prime property on top of the shale formation. Through 2011, according to industry figures, payments in the form of upfront bonuses and leases for gas exploration are expected to surpass \$6 billion.

What people talk about over beer

There isn't a lot of flash in Williamsport. People buy new cars and tractors and put the rest in the bank. Still, envy is natural, says Bonita Kolb, a business professor at Lycoming College. If a neighbor leases her land ahead of another, it doesn't go unnoticed. "That's what people talk about over beer," she says.

The land speculator who toured the Landon farm last year offered almost \$400,000 for the property. The offer dwarfed the \$500 per acre paid out by an energy company six years ago for the mineral rights. On the advice of an attorney, the Landons kept the land man at bay, turning down offers to buy the farm.

When production begins, the attorney tells Landon, the gas royalties will be in the millions of dollars. The largesse would pay for college tuitions and for the kind of security still rare in this mineral-rich part of the state.

Landon's father was born on the land, and the large Landon contingent of children and grandchildren still admire the stillness and isolation of Tioga County. When the hunt for gas-rich acreage started, his mother did the natural thing. She walked the friendly land man through the apple orchard and sent him off without a contract. At the time, she thought little of it.

But what he represents is inescapable. Today, the gas boom is a daily story in the local paper. "It has caused people's focus to be on something that it never was before, and it takes people's eyes off of what's really important," Landon laments.

His mother, at times, is overcome with stress. Money isn't the first thing on her mind. Her world has changed too quickly. People who feel the weight of a slow, jobless economic recovery are hopping on the drilling bandwagon. "But the environment, and a runaway industry without regulation, I think that concerns people," Landon says.

The legal hurdles to ensure taxes get paid and the anxiety of financial decisions are daunting. In a fit of frustration, as Landon tells it, his mother has said she might sell the land to the land man just to put it behind her.

For financial reasons and for sanity's sake, Landon wants the family to take it slow.

"None of us are suffering or wanting of anything," he says. "We want Mom to live through this with as much contentment as possible."

PRINT COVERAGE

Clean Energy Buying Canadian Supplier for \$125M – *Orange County Business Journal* – 7/6/10

By Michael Lyster

Seal Beach-based Clean Energy Fuels Corp., which runs natural gas fueling stations for fleets of taxis, buses and other vehicles, is paying \$125 million in cash and stock for a Canadian supplier of equipment to its stations.

Clean Energy is buying British Columbia's IMW Industries Ltd., which provides compressors and other equipment to many of the company's 200 stations.

The deal calls for Clean Energy to pay \$15 million in cash and \$60 million in stock now.

Clean Energy then will pay \$5 million in cash and \$7.5 million in stock annually for the next four years, plus a share of profits if IMW meets business goals.

The deal is expected to close in the third quarter.

IMW Industries makes compressors, gas dispensers, control systems and storage tanks for natural gas stations and fleet operators.

Clean Energy develops and runs natural gas stations near airports, utility companies, universities, city yards and other places they're likely to see a lot of use.

The company plans to add about 40 stations this year.

Legendary oilman and corporate raider T. Boone Pickens started Clean Energy as a tiny part of his Dallas-based Mesa Petroleum in the late 1980s. He split it off in the late 1990s.

The company is part of Pickens' push toward alternative sources of energy.

Natural Gas Fuelling Infrastructure Manufacturer Purchased By U.S. Oil Tycoon –
Business in Vancouver – 7/6/10

Chilliwack's IMW Industries Ltd., which makes and services equipment for natural gas fuelling stations and commercial fleets, has been acquired for \$125 million plus a cash earn-out arrangement by a U.S. competitor whose majority owner is oil tycoon T. Boone Pickens.

Clean Energy Fuels Corp. (Nasdaq:CLNE), a California company that owns about 200 natural gas refuelling stations in the U.S., said its acquisition of IMW will help drive expansion of the global natural gas vehicle market.

The purchase price includes \$75 million to be paid at closing (\$15 million in cash and approximately \$60 million in Clean Energy common stock) plus four additional annual payments of \$12.5 million each. The earn-out arrangement will pay IMW's shareholders certain percentages of future gross profits earned by IMW over the next four years up to a maximum of \$40 million providing it exceeds certain minimum thresholds.

Clean Energy Fuels has existing ties to B.C.

It was formed in 2000 through the merger of Pickens Fuel Corp. and BCG eFuels, the latter of which was a joint venture of Westport Innovations Inc. (TSX:WPT) and Terasen Gas.

Pickens, the Texas billionaire oilman turned alternative energy proponent, once owned more than 10% of shares in Vancouver's Westport, which makes natural gas engines.

Clean Energy Fuels' president and CEO Andrew Littlefair is a Westport director and minority shareholder. In turn, Westport is a minority shareholder in Clean Energy Fuels.

Littlefair said in a statement that IMW is a world leader in compression technology with an emphasis on growing markets in China, Southeast Asia and South America.

"During the economic slowdown of the last couple of years, while other companies were retrenching, IMW aggressively expanded its sales and service organization."

He said the success of that strategy is demonstrated by the IMW's recent deal with China Gas to build 120 large-scale compressed natural gas (CNG) stations in China.

IMW will operate independently as a subsidiary of Clean Energy once the acquisition closes, which is expected to occur in the third quarter.

Pickens is aggressively lobbying for U.S. legislation that could accelerate the market for natural gas-powered vehicles. (See "Vancouver-based natural gas engine maker gets the T. Boone Pickens bump" – issue 1069; April 20-26, 2010.)

BLOG/ONLINE COVERAGE

5 Superball Stocks – *The Motley Fool* – 7/6/10

By Rich Smith

In my recurring Fool column, "Get Ready for the Bounce," we search for future winners in a pile of 52-week losers. But do we really need to sit around for a whole year, waiting for a fallen stock to bounce back?

Nope. Sometimes stocks fall hard, in far less time than a year. And like a superball dropped from the balcony, the harder they fall, the higher they bounce. Today, we'll look at a few equities that have suffered dramatic drops over the past week. With a little help from the 165,000 members of Motley Fool CAPS, we hope to find an opportunity or two for you:

Companies	How Far From 52-Week High?	Recent Price	CAPS Rating (out of 5)
Chesapeake Energy (NYSE: CHK)	-31%	\$20.51	*****
Freeport-McMoRan (NYSE: FCX)	-35%	\$58.54	****
PotashCorp (NYSE: POT)	-33%	\$85.41	****
Alcoa (NYSE: AA)	-43%	\$10.00	****
U.S. Steel (NYSE: X)	-47%	\$37.66	****

Five super falls -- one superball

If you had money invested in the stock market last week, chances are, you have less of it today. Rare indeed was the stock that didn't lose value, as nearly 500 brand-name equities dropped 10% or more over the course of the week.

What went wrong? At the risk of oversimplifying, investors seem to have realized the world is a risky place. Between a lousy June jobs report and fears of slowing growth, they sold off stocks in general last week, and commodities stocks in particular -- hence the five names up above.

But aside from general investor jitters, there really wasn't a whole lot in the way of bad news for any of these companies. In fact, the only real news I can find on any of them was that of Alcoa's purchase of a little window and door maker named Traco -- not a big enough deal to drive Alcoa down 10%, and no reason at all to sell any of these other companies. Perhaps that's why, even as the rest of the world is selling them, CAPS members remain optimistic about all five companies on today's list ... and about Chesapeake Energy in particular.

The bull case for Chesapeake Energy

Regular Fool readers are already more than familiar with this energy large cap. Fact is, we've been singing Chesapeake's praises for over three years now -- and not just us. CAPS member Boom603 is convinced that natural gas "is sure to be the fuel of the future." Fellow investor BiggDude points out that Chesapeake is the "Biggest Nat Gas producer in America."

Why might gas be the fuel of the future? davfoo explains: "Coal is too dirty. Oil is imported and too expensive. If T. Boone Pickens, is correct, then the Energy mix in the near term is going to shift to windpower for electric and domestic [natural gas] for electric and vehicles. The big slow down up for the change over is mainly political and not economic. when that happens, [natural gas] prices will go up."

... and Chesapeake will be there to profit from it.

Digging for value

Granted, at 26 times earnings Chesapeake may not look like much of a bargain today, but consider what tomorrow might look like. In particular, check out the company's sub-7 forward price-to-earnings ratio, which values Chesapeake on what it's expected to earn by year-end 2010.

For that matter, take another look at the valuation today. For while the company's P/E may not look attractive, if you view Chesapeake as a play on its assets, the picture shifts substantially. Consider: With 14.25 trillion "cubic feet equivalent" of proven natural gas reserves on its balance sheet -- gas currently priced at \$4.71 per million British thermal units in energy value -- Chesapeake's in-the-ground assets are worth \$69.1 billion. Yet investors today are valuing Chesapeake's enterprise at a mere \$25.6 billion, a 63% discount to its asset value.

By way of comparison, other major gas players such as ConocoPhillips (NYSE: COP) and ExxonMobil (NYSE: XOM) sell for less and more (respectively), relative to their asset value. Conoco, with roughly 62.0 trillion cfe in proven reserves, possesses assets worth \$378.6 billion and sells for an enterprise value of \$106.9 billion (a 72% discount). Exxon's 137.9 trillion cfe should be worth \$669 billion, but the enterprise value there is discounted by 57%.

Time to chime in

Granted, the comparisons here are not perfect. Both Conoco and Exxon possess reserves heavily weighted toward higher-priced oil, as opposed to Chesapeake's gas-heavy balance sheet. But if you think about it, this could actually work to Chesapeake's benefit. If you agree with our CAPS members, if you agree with T. Boone Pickens, and if you agree with me that natural gas prices are bound to rise, that makes for one fine bull argument in favor of buying Chesapeake today.

Not that you have to agree with any of us. In fact, in the wake of the BP disaster, maybe you're of the opinion that the whole concept of drilling for our energy is an enterprise fated to "go the way of the dinosaurs" (so to speak).

Slowly, Slowly, Catchy Monkey – NASDAQ – 7/6/10

Hydrocarbons have been flowing from the blown-out Macondo well since April. The Obama administration responded to the disaster by instituting a moratorium on deepwater drilling, though a judge recently struck down the ban. When we spoke with Tim Guinness, the London-based manager of Guinness Atkinson Global Energy (GAGEX), the moratorium was freshly minted and a major topic of conversation. Although that situation has changed, Guinness' unique take on the spill's impact and the future of the US energy sector remains valid.

How will the spill in the Gulf of Mexico affect oil prices?

Let's start with the world's oil supply. Much of the 40 million barrels a day of growth in non-OPEC [Organization of Petroleum Exporting Countries] output has come from deepwater activity, primarily in Brazil, West Africa and the Gulf of Mexico.

If the US and other governments' reactions to the spill substantially increase the cost of deepwater exploration and production-South Africa has indicated it will significantly slow the development of offshore resources -the level of non-OPEC production would shrink. Currently, non-OPEC supply isn't growing at all; rather, deepwater production expanded at the expense of shallow-water and onshore output.

We've long been in the camp that non-OPEC supply was due for a decline; with OPEC delivering more of the world's supply, this process will accelerate.

This trend will translate into higher oil prices. Increasing the world's reliance on OPEC for oil ensures the member nations receive a good price for their oil. On the whole, OPEC has played a fairly sensible game over the last 10 years and appears to realize that extraordinarily high crude prices aren't necessarily good for business.

For better or worse, this increases the likelihood that oil will trade at \$70 to \$85 a barrel over the next three years, before slowly edging higher.

Will other governments crack down on deepwater drilling activity?

The impact will vary widely.

Norway, for example, has already announced that it won't permit any deepwater drilling in the upcoming 21st licensing round until more information is available on what transpired in the Gulf of Mexico.

On the other hand, I expect the governments of Angola and Equatorial Guinea to react less severely- though I could be wrong. The logic is simple: These nations and other developing economies depend on royalties from oil production and are unlikely to enact drastic measures that would threaten this important revenue stream.

At the margin, I expect more oil to come from less-stable parts of the world.

Is a moratorium on deepwater drilling a sustainable policy over the long term?

Regulators could decide to slow offshore production, though that would be a mad decision. An extended ban would damage US oil and gas companies significantly and would be bad news for employment in Texas and Louisiana.

I feel terribly sorry for Louisiana, as the state suffered a painful double whammy: Not only did the oil spill wallop the tourism and fishing industries, but the subsequent drilling moratorium also hit businesses that support offshore oil and gas operations.

At the same time, unemployment in Louisiana has decreased because of the cleanup operations.

But the moratorium damages a number of fine US businesses at a point in the economic cycle when the economy is recovering from a deep recession-not the best time to crack down on an important growth industry.

On a positive note, the disaster and moratorium could prompt the US to improve energy security by expanding the use of natural gas in transportation or encouraging the adoption of electric cars.

Such a transition would increase energy costs; this is a case of slowly, slowly, catchy monkey. President Obama's decision to stand on his head about oil drilling in the deepwater Gulf of Mexico is risky business.

Which companies stand to benefit from the situation in the Gulf of Mexico ?

The problems in the Gulf of Mexico are probably good news for non-US service companies that have a strong presence in the Middle East. Kentz Corp (London: KENZ), for example, does a great deal of business in OPEC countries and should do well.

And because questions remain about how the Gulf situation will play out, companies with exposure to the region are more difficult to value; in stock market terms, names such as PetroChina (Hong Kong: 0857, NYSE: PTR) and Petrobras Energia (PZE) should attract additional interest from investors. Tullow Oil (London: TLW) is another name that offers exposure to emerging markets.

I also expect outfits that operate in Canada's oil sands to do well. We had a big position in some of these names four or five years ago and have gradually taken profits. We're definitely not lightening our exposure now.

The best opportunity is in US natural gas. Prices for the commodity remain low, but the market is rebalancing slowly.

We've been adding to our exposure to US natural gas for about a year and expect the problems in the Gulf to help this calculated bet. There's real traction behind the move to generate more electricity from natural gas and improve energy security in the US.

Over the past five years, fracturing and horizontal drilling have evolved to a point where significant amounts of natural gas can be extracted from shale deposits. It takes roughly six times longer to drill a horizontal well than a vertical well, but this approach yields 10 times the gas and offers attractive economics.

These developments have transformed North American natural gas from a sunset industry to a sunrise industry with a 30- to 200-year life ahead of it. For a while it appeared as though many of these companies would struggle to replace their reserves; now these outfits will be around much longer.

And the stocks aren't too expensive. We like Newfield Exploration (NFX), Chesapeake Energy Corp (CHK) and Forest Oil Corp (FST).

How easy would it be for the US to increase the profile of natural gas within its energy mix?

It will be a knotty process and won't happen overnight.

If the government shuts future development in the deepwater Gulf of Mexico, the US likely would need an extra 1 million barrels of oil per day by 2013.

Obtaining this extra oil wouldn't be a challenge, though these supplies would come from a less secure place and would cost more. But the government wouldn't have a crisis on its hands.

If energy security is a priority, the US has an abundance of natural gas that could serve as a replacement fuel. Policymakers don't need to decide right away whether electric- or natural gas-powered vehicles are the way to go. The best approach is to encourage the development of a few options and see how the economics look.

I also run Guinness Atkinson Alternative Energy (GAAEX). Our modeling didn't forecast that electric cars would make a huge dent in the US market before 2020; we still expect the US to consume more oil in 2020 than it does today.

It's impossible for the US to stop consuming 14 million barrels of oil for transportation in just a few years. That's at least a 30-year goal.

The bottom line is that there's a growing awareness about the country's huge natural gas reserves and a lack of viable alternatives. I won't pretend to know what policies the US should put in place to encourage the use of natural gas-you should probably talk to T. Boone Pickens about that-but these changes are coming.

What's your best piece of advice for investors?

I would draw investors' attention to two facts: Our portfolio has a price-to-earnings multiple of 10.7, and consensus estimates project that this ratio will decline to 8.5 percent next year. That's remarkable in a world where energy prices are low but are poised to climb.

And don't ignore the alternative energy space. Our alternative energy fund has performed atrociously, but its time is coming. The space will be booming in 2013; now is the time to invest.

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We've been adding to our exposure to US natural gas for about a year and expect the problems in the Gulf to help this calculated bet. There's real traction behind the move to generate more electricity from natural gas and improve energy security in the US.

Over the past five years, fracturing and horizontal drilling have evolved to a point where significant amounts of natural gas can be extracted from shale deposits. It takes roughly six times longer to drill a horizontal well than a vertical well, but this approach yields 10 times the gas and offers attractive economics.

These developments have transformed North American natural gas from a sunset industry to a sunrise industry with a 30- to 200-year life ahead of it. For a while it appeared as though many of these companies would struggle to replace their reserves; now these outfits will be around much longer.

And the stocks aren't too expensive. We like Newfield Exploration (NFX), Chesapeake Energy Corp (CHK) and Forest Oil Corp (FST).

How easy would it be for the US to increase the profile of natural gas within its energy mix?

It will be a knotty process and won't happen overnight.

If the government shuts future development in the deepwater Gulf of Mexico, the US likely would need an extra 1 million barrels of oil per day by 2013.

Obtaining this extra oil wouldn't be a challenge, though these supplies would come from a less secure place and would cost more. But the government wouldn't have a crisis on its hands.

If energy security is a priority, the US has an abundance of natural gas that could serve as a replacement fuel. Policymakers don't need to decide right away whether electric- or natural gas-powered vehicles are the way to go. The best approach is to encourage the development of a few options and see how the economics look.

I also run Guinness Atkinson Alternative Energy (GAAEX). Our modeling didn't forecast that electric cars would make a huge dent in the US market before 2020; we still expect the US to consume more oil in 2020 than it does today.

It's impossible for the US to stop consuming 14 million barrels of oil for transportation in just a few years. That's at least a 30-year goal.

The bottom line is that there's a growing awareness about the country's huge natural gas reserves and a lack of viable alternatives. I won't pretend to know what policies the US should put in place to encourage the use of natural gas-you should probably talk to T. Boone Pickens about that-but these changes are coming.

What's your best piece of advice for investors?

I would draw investors' attention to two facts: Our portfolio has a price-to-earnings multiple of 10.7, and consensus estimates project that this ratio will decline to 8.5 percent next year. That's remarkable in a world where energy prices are low but are poised to climb.

And don't ignore the alternative energy space. Our alternative energy fund has performed atrociously, but its time is coming. The space will be booming in 2013; now is the time to invest.

BROADCAST COVERAGE

1. Squawk Box

CNBC, National | DMA: 0

07/06/2010, 08:00 AM - 09:00 AM

[CC] 00:59:25 Stock of the day, British Petroleum, BP. There is no British in BP. It's not **BoonePickens**. There were people asking me if BP Capital is related to BP. There are reports of Sovereign Wealth Fund interest in the company. And the Royal Bank of Scotland is upgrading the stock to buy from hold.01:00:00

Audience: 423,752 Spot Cost: \$3,333