T. Boone Pickens Media Coverage 7.16.11 – 7.18.11

Total of 5 Placements• Print: 2 • Blog/Online: 3

Coverage Summary

There is no highlighted coverage today.

Print Placements (Full Articles Below) • Alternative fuels attract attention – The Journal Sentinel (Milwaukee, WI) – 7/17/11 http://www.jsonline.com/business/125716113.html • $150 million gives natural gas infrastructure a boost – Fleet Owner – 7/18/11 http://fleetowner.com/management/news/150mil-gives-natural-gas-boost-0718/

Blog/Online Placements (Full Articles Below) • Opening Access, Not Subsidies, The Key to America's Energy Future – The Heritage Foundation, The Foundry Blog – 7/18/11 http://blog.heritage.org/2011/07/18/opening-access-not-subsidies-the-key-to-america%E2%80%99s-energy-future/ • Chesapeake Announces Formation of Venture Fund to Accelerate Natural Gas Demand – Morningstar – 7/15/11 http://torontostar.morningstar.ca/globalhome/industry/news.asp?articleid=387349 • Fueling stations key for US shift to natural gas-powered vehicles – Commodities Now – 7/18/11 http://www.commodities-now.com/news/power-and-energy/7047-fueling-stations-key-for-us-shift-to-natural-gas-powered-vehicles.html **PRINT COVERAGE**

Alternative fuels attract attention – The Journal Sentinel (Milwaukee, WI) – 7/17/11

Electricity, natural gas seen as future fuels for cars

By Thomas Content

Electric and gas utilities must plan for the day when electric cars and natural gas-fueled vehicles are available in greater numbers.

A forecast issued last month by Johnson Controls Inc. projected that as gasoline prices rise in the coming years, electric vehicles and plug-in electric hybrids could account for as much as 3% of new-vehicle sales by 2016, and up to 8% by 2020.

And the abundant supplies and lower costs of natural gas are prompting fleet owners to convert trucks to run on compressed natural gas.

Increased production of natural gas from vast domestic reserves of gas that's extracted from shale has helped ease home heating costs and made oil magnates like T. Boone Pickens pitch natural gas as an answer to reduce reliance on foreign oil.

"The shale gas revolution has fundamentally changed our national energy landscape," said Kathryn Clay, executive director of the Clean American Transportation Alliance, an organization that advocates for use of natural gas as a vehicle fuel.

Concerns about energy security, higher oil and gasoline prices as well as government clean-energy incentives will likely lead to a new role for the nation's electric and gas utilities, as they shift from providing energy to buildings to supplying transportation fuels as well.

Wisconsin has an opening to supply a greater share of its transportation fuel from these sources, said Peter Taglia, an environment and energy consultant who helped organize a Wisconsin Public Utility Institute seminar in Madison last week. But the state should have a more coordinated effort to prepare for that change, he said.

"It's apparent that there are other states that are doing a lot more," he said. And doing more would benefit the local economy because Wisconsin imports most of its oil and refined petroleum products, he said.

Helping drive optimism that there will be growth: ample supplies of electricity in Wisconsin, and abundant supplies of natural gas nationwide.

Wisconsin has more than enough power to meet its needs. State utilities have spent billions of dollars to update the state's network of power plants and transmission lines.

An analysis by the state Public Service Commission found that if Wisconsin added 20,000 electric vehicles by 2015 - in line with President Barack Obama's goal to have 1 million such cars on the road by then - there would be little impact on the power grid and utilities would have no problem meeting demand for power, said Eric Callisto, PSC commissioner.

If electric vehicles become more popular - say, 100,000 by 2015 - they could strain power supplies on a hot summer day if they were all charged in the late afternoon when power demand is highest, he said.

Utilities will have to price electricity to discourage drivers from charging their cars during times of peak power use, he said.

That's exactly what Consumers Energy in Michigan is doing today, said utility spokesman Seth Gerber. Consumers would have to pay up to three times as much to charge a car on a hot afternoon than if they charged overnight, he said.

Consumers Energy is not expecting any problems on the power grid because of EVs, Gerber said. But as homes have added home charging stations, the utility has discovered that it had long-standing problems with its distribution system, such as aging or out-of-date transformers, that needed to be upgraded, he said.

"It wasn't the car that caused us to be overloaded, it was the fact that there was a car that caused us to look at the situation, and so now we recognized that it's overloaded," Gerber said.

So far, sales of the vehicles have been quite small.

General Motors didn't include Wisconsin on its initial rollout for the Chevrolet Volt. As of late last month, 13 Volts had been delivered for sale at state dealerships, though many more state residents have undoubtedly bought them out of state and driven them back here, said Kristin Cunningham of GM.

Including plug-in and electric cars, about 20 customers of Madison Gas & Electric have signed up to use charging stations that the utility has installed around the state capital city, said Laura Williams, market development manager. MG&E is studying the impact of public charging stations on the local power grid as part of a smart grid project funded in part by the federal stimulus package.

More and more models of electric cars are being introduced by automakers, and the Chevrolet Volt is projected to increase in production to 60,000 cars in 2012.

Wisconsin dealerships will begin selling Volts in November.

Some of those attending the seminar voiced skepticism as the nation seeks to reduce reliance on oil.

Consumers will ultimately choose winners and losers, said Michael Moore of Wisconsin Public Service Corp., a member of Michigan's electric vehicle task force. "What I don't think anybody really knows is what the consumer is going to do."

But the technologies won't necessarily be competing against one another, said Matthew Most, vice president at Encana Natural Gas, Inc.

"You've got different technologies serving different markets," he said. Natural gas trucks could be a logical replacement for diesel in trucks, while electric vehicles and hybrids will be replacing gasoline.

"You'll have winners in different segments," he said. "It won't be a Betamax vs. VHS battle."

$150 million gives natural gas infrastructure a boost – Fleet Owner – 7/18/11

By Brian Straight, Managing Editor

The announcement last week that Chesapeake Energy Corp. would be investing $150 million in Clean Energy Fuels is welcomed news to natural gas supporters in this country, particularly in trucking.

The timing of the announcement dovetails with a bipartisan bill introduced in the House of Representatives this spring that would provide significant incentive for the purchase of natural gas vehicles. The “New Alternative Transportation to Give Americans Solutions” Act (HR 1380), dubbed NAT GAS, is intended to provide financial benefits for users of natural gas as a vehicle fuel. This includes tax credits for the purchase of such vehicles, for retrofitting diesel or gasoline vehicles; for the purchase of natural gas; and for the building of fueling stations, including home refueling units.

The bill would offer a tax credit of up to 80% of the incremental cost of buying a natural gas vehicle, with the maximum value ranging from $7,500 for a light-duty passenger vehicle up to $64,000 for commercia vehicles over 26,000 lbs. GVWR. Conversion of a new or used vehicle to operate on natural gas would also be eligible for this vehicle purchase credit. It would also provide a 50-cent per gallon fuel tax credit and an infrastructure tax credit of 50% of the cost of building a fueling station up to a maximum of

$100,000 per station.

But the big drawback has always been infrastructure. Natural gas is viable as a vehicle fuel as long as the vehicles can be refueled conveniently at a central fueling station. According to at least one expert, this move will eliminate that as an obstacle.

“This buildout will effectively eliminate lack of fueling infrastructure as the main limited factor to more widespread fleet adoption of natural gas,” Eric Stine, senior analyst with Northland Capital Markets, told the Wall Street Journal.

Clean Energy said it will use the money, to be distributed in $50 million increments (the first payment was made July 11, with additional investments expected to close in June 2012 and June 2013), to build “America’s natural gas highway.” Approximately 150 liquefied natural gas (LNG) truck fueling stations will be built at “strategic truck-stop locations along major trucking corridors” in the U.S.

Clean Energy said many of the stations will be built at Pilot Flying J Travel Centers. Clean Energy already has an agreement with Pilot Travel Centers to own and operate public compressed natural gas and LNG stations. Pilot Flying J has more than 440 retail facilities in 40 states.

“With the advent of new natural gas truck engines well-suited for heavy-duty, over-the-road trucking, it is time to build America’s natural gas highway,” said Andrew J. Littlefair, president & CEO of Clean Energy. “The investment by Chesapeake will help us accelerate the development of this important fueling network.”

The investment is in the form of debt, payable seven years following the issuance, Clean Energy said. The debt carries an interest rate of 7.5% and is convertible into Clean Energy common stock at a 22.5% premium to the volume-weighted average closing price of the 20-day period prior to the initial closing.

Chesapeake NG Ventures Corp. (CNGV), a wholly-owned subsidiary has been created to develop the LNG infrastructure.

“There is clearly ample demand for the benefits of abundant, affordable and American natural gas among consumers who face the high costs of OPEC oil at the fuel pump every day, especially America’s truckers and goods and product shippers,” said Aubrey K. McClendon, CEO of Chespeake. “We are investing our capital in Clean Energy to accelerate the delivery of the natural gas fueling infrastructure needed to assure truck operators that they can transition away from high-priced diesel, the cost of which

is set by foreign oil, and choose a better road powered by American natural gas."

"Deployment of new and innovative heavy-duty natural gas engines by world-class engine manufacturers and original equipment truck manufacturers such as Cummins-Westport, Kenworth, Peterbilt, Navistar, Freightliner and Caterpillar, combined with Clean Energy's LNG fueling station construction expertise through our NorthStar subsidiary, the strategic locations afforded by Pilot Flying J and the investment by Chesapeake, should serve to quicken the transition to natural gas fuel as a game-changer for heavy-duty trucking," added Littlefair.

BLOG/ONLINE COVERAGE

Opening Access, Not Subsidies, The Key to America's Energy Future – The Heritage Foundation, The Foundry Blog – 7/18/11

By Nicolas Loris

Over the years our federal government has implemented a number of bad policies to reduce dependence on foreign oil. The latest flavor-of-the-month policy is the New Alternative Transportation to Give Americans Solutions (NAT GAS) Act, which would give targeted tax credits to produce natural gas vehicles and heavy-duty trucks.

The problem with these plans is that the government picks winners and losers in the marketplace, wastes taxpayer dollars, diverts resources away from more productive use, and does little to reduce dependence on foreign oil.

As Heritage's David Kreutzer points this out, the NAT GAS Act is much of the same:

In the proponents' dreams, the act will save 1.5 million barrels of oil per day … by 2035. Though 1.5 million barrels is nothing to sniff at, 1.5 million either way won't scare any dictators, especially when the impact is spread out over a 25-year period.

These hypothetical savings would cut world demand by only 1.5 percent in 2035. If this is Anti-terror Plan A, let's move on to Plan B, because the threat of cutting revenues by a couple of percent 25 years from now will do nothing to affect behavior in Iran, Venezuela or anywhere else. If the bill's supporters

seriously want to reduce America's dependence on foreign oil, a great place to start is to allow access to our domestic reserves. Opening access and streamlining permits would generate royalties and bonus-bids, creating additional income and government revenue instead of boosting the debt to cover the subsidies.

A good place to start allowing access to our reserves is out west. A new report entitled "The Blueprint for Western Energy Prosperity" from the Western Energy Alliance highlights the important potential of oil and natural gas production, noting that the region is projected to generate 1.3 billion barrels by 2020. The increased supply would create jobs and bring in revenue to federal and state governments and can be accessed without subsidies and targeted tax credits.

What we need, the report correctly argues, is a "moratorium on new and expanded layers of regulation" that would add to the already onerous regulatory regime. Furthermore, we need an end to frivolous lawsuits that needlessly tie up these projects in years of litigation. Environmental activists have a remarkably successful track record of delaying new energy projects—not just for oil and gas but all energy projects—by filing endless administrative appeals and lawsuits.

Instead of restricting access, policies should focus on opening markets. Politicians should worry less about catchy sound clips when talking about energy independence and center more on sound economic policies that grant Americans access to affordable energy. Our policies should not promote protectionism and isolationism, both of which are in opposition to America's long-term interests. If oil is cheaper to import, we should do that, and the resources in the United States could be put to more efficient use.

That being said, there are plenty of opportunities to produce oil onshore and offshore here at home at its current price (and well below it), and it should be a priority for our government to allow companies to explore and drill for oil and natural gas.

Chesapeake Announces Formation of Venture Fund to Accelerate Natural Gas Demand – Morningstar – 7/15/11

By Mark Hanson

Earlier this week, Chesapeake Energy CHK announced its intention to invest $1 billion or more during the next decade in infrastructure and technologies that will accelerate demand for domestic natural gas, primarily in the transportation sector. As part of its announcement, Chesapeake highlighted the first two

of its investments, worth $305 million, in Boone Pickens-backed Clean Energy Fuels CLNE and privately held Sundrop Fuels. The investment in CLNE will take the form of convertible debt and will fund the build-out of highway-based liquefied natural gas (LNG) fueling stations, while its preferred stock investment in Sundrop will give the company an equity stake in a gas-to-liquids technology company.

Chesapeake framed its move as one that will reduce dependence on foreign oil while creating jobs and helping to clean the environment, and should also help the company save $250 million annually through the conversion of its fleet vehicles and certain of its equipment to run on compressed natural gas (CNG) and LNG. While we applaud Chesapeake's bold move, which will be funded by redirecting a small portion of its budgeted drilling capital each year, we suspect that implicit in its announcement is a belief that the natural gas market will remain depressed for the foreseeable future unless someone like Chesapeake catalyzes demand in a bold way. We continue to believe that over the medium term natural gas fired power generation and the exploration & production industry's transition toward more liquids-rich drilling opportunities will play a much bigger role in the correction of natural gas prices.

We note that adoption by fleet vehicles of natural gas in favor of diesel faces an uphill climb, in part because purchasers depend heavily on government subsidies, as long-haul natural gas vehicles can cost twice as much as diesel models. A federal bill currently being debated could provide the necessary funds to accelerate switching, although strained budgets represent an additional hurdle. Pushback from other large-scale users of natural gas, such as the chemicals industry, could also derail conversion efforts. In any event, if we assume that all tractor trailers in the U.S. ultimately converted to natural gas (supplanting 1.75 million gallons per day of diesel consumption), this would still represent less than 1% of current U.S. natural gas production, or 220 million cubic feet per day. Over the longer term, the use of GTL processes (such as that used by Sundrop) to create tank-ready fuels that wouldn't require vehicle conversion is more compelling, although these processes still appear to be far from commercialization.

Accordingly, we don't think Chesapeake's efforts will do much to impact the natural gas industry over the medium term, nor will it have much effect on the company, for which a 1%-2% diversion of its drilling budget should be easily absorbed. Our fair value estimate remains unchanged at $29 per share.

Fueling stations key for US shift to natural gas-powered vehicles – Commodities Now – 7/18/11

Energy executives, politicians and others who are pushing to create a prominent role for natural gas-powered cars and trucks in the US have long pondered a “chicken-or-egg”-type question: should they focus on building the vehicles first, or the fueling stations and other specialized infrastructure they need

to thrive?

“We think the most important thing right now is to get the infrastructure in place,” Aubrey McClendon, CEO Chesapeake Energy, the U.S.’ second-largest gas producer, said Sunday on the Platts Energy Week, an independent, all-energy television news and talk program that airs in the United States.

The head of a major U.S. gas producer says America could begin to sharply reduce its need for imported oil by building a relatively small number of compressed natural gas and liquefied natural gas fueling stations across the country.

There are currently more than 120,000 convenience stores and other retailers in the U.S. that sell fuel for conventional gasoline-powered cars and trucks, according to the U.S. Census Bureau. But McClendon said the U.S. would only need about 1,000 compressed natural gas (CNG) and liquefied natural gas (LNG) stations to form a “reliable national grid” for gas-powered vehicles across America’s 47,000-mile-long interstate highway system.

“When you get to that point, we believe the trucking industry can make a full transition away from diesel made from imported oil, and toward a domestic resource like natural gas,” McClendon said, speaking from his company’s headquarters in Oklahoma City.

To that end, McClendon announced last Monday that Chesapeake would invest $150 million in Clean Energy Fuels, a California-based company that is building LNG fueling stations at truck stops across the U.S. Chesapeake’s investment, which will bankroll about 150 new LNG fueling stations, is part of a larger, $1-billion initiative to significantly ramp up its production of gas and oil from deep shale, tight sands and other “unconventional” geologic formations.

McClendon hopes that Chesapeake’s increased gas production, along with its investment in LNG and CNG fueling stations, will trigger a “tipping point” that will give automakers the confidence they need to bolster their production advanced, gas-powered vehicles. He said he expects truck stops, convenience stores and other gas drillers to make additional investments in LNG and CNG infrastructure because the cost of the domestically produced fuel will be half that of gasoline and diesel refined from imported oil.

“The guy who’s the first guy to say to his customers, ‘I can save you 50% on your fuel’ is going to be a pretty popular guy,” McClendon said. “It needs someone to take the lead, and we’re going to do that.”

Notably, McClendon said the U.S. can build a gas-centered transportation infrastructure largely through private investment, without new financial incentives from the federal government. That puts him at odds

with well-known Texas oilman T. Boone Pickens, who supports legislation pending on Capitol Hill that would provide tax credits to boost sales of gas-powered cars and trucks, among other things.

Still, McClendon said his approach is “compatible” with that legislation, known as the Nat Gas Act (H.R. 1380).

“The private sector is going to take the lead here,” he said. “I’ve hoped for the last three years the government would take the lead, but for various reasons, they’ve chosen not to. So if the government does come in and passes the Nat Gas Act, which I believe they should, then it will simply accelerate what we are attempting to do.”

McClendon also rejected the notion that shifting the U.S. transportation fleet from gasoline and diesel to natural gas would hurt the chemical industry, which uses gas as a feedstock for countless manufactured goods. The CEOs of 11 major chemical companies made that claim last week in a letter to U.S. lawmakers, saying such an approach would “inject volatility” into the gas markets.

“I’ve seen the letter; I think it’s a little narrow thinking,” McClendon said. “My personal view … is that there’s plenty of natural gas out there, and that the chemical companies – fertilizer, plastics companies, people who have been our traditional consumers over the years – don’t need to worry about additional markets opening up for natural gas. I believe there will be plenty for everybody.”

Appearing separately on Sunday’s program was Mario Lugo, president of Trendsetter Engineering, who explained how his company has built a 165,000-pound piece of equipment that has the potential to prevent future disasters like BP’s runaway Macondo oil well in the Gulf of Mexico. Capped this month a year ago, the 2010 Macondo deepwater oil rig disaster is deemed the biggest marine oil spill in U.S. history.

On this week’s “Energy Watch,” a segment that offers an update on prominent topics in energy, Roger Ballentine, president of the consulting firm Green Strategies and an adviser to the American Council On Renewable Energy, discussed renewable energy investments, innovations and government aid.

During the “Market Spotlight” segment, Platts Associated Editor, Samantha Santa Maria, talked about the bidding war for the natural gas pipeline company Southern Union, with intense competition between two would-be buyers, Energy Transfer Equity and Williams Companies.

Platts Energy Week airs weekly at 8 a.m. Eastern time on Sunday mornings on W*USA TV 9 in greater Washington, D.C. The program is also available online beginning 9:00 a.m. ET on Sundays at

http://www.plattsenergyweektv.com. In greater Houston, CBS affiliate KHOU airs the program on Sundays at 6:30 a.m. Central time on channel 11.1 (available on Comcast on channel 611) and on Mondays at 7:30 p.m. via channel 11.2 (Comcast channel 310). KHOU programming is also available via channel 11 on DIRECTV and DISH Network.

The program follows an interview format featuring guests from the energy industry Obama administration, Congress, government agencies, think tanks, and the investment community. Host Bill Loveless is the long-time editor of Platts' Inside Energy and brings nearly three decades of energy journalism experience to the anchor chair.

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Guest booking for Platts Energy Week and related inquiries should be addressed to this email box: plattsenergyweektv@platts.com

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