

PickensPlan

T. Boone Pickens Media Coverage 7.31.10-8.2.10

Total of 8 Placements

- Print: 3
- Blog/Online: 4
- Broadcast: 1

Coverage Summary:

The Atlanta Journal Constitution published an op-ed written by Pickens and Senator Saxby Chambliss discussing the Next Generation Energy Security Act and how it could help reduce our reliance on OPEC oil. Chambliss is a co-sponsor of that bill.

The Washington Post has an op-ed column by Robert J. Samuelson that highlights the abundance of natural gas that exists in shale. The piece notes that the switch to natural gas vehicles will likely focus on heavy duty trucks, quoting estimates from Michael Eaves of Clean Energy that if 500,000 heavy duty trucks changed to natural gas, oil consumption would drop almost half a million barrels a day equaling about 5 percent of U.S. imports.

Highlighted Placements (Full Articles Below)

- **Tap Natural Gas To Sap OPEC's Clout** – *Atlanta Journal Constitution* – 7/31/10

Notable Energy Bill Coverage (Full Articles Below)

- **Shale Gas: Hope For Our Energy Future** – *Washington Post* – 8/2/10

Print Placements (Full Articles Below)

- **Watching Government: The Oil Spill Bill** – *Oil & Gas Journal* – 8/2/10

Blog/Online Placements (Full Articles Below)

- **What Happened To The American Dream?** – *CNN* – 7/30/10
- **Are We Living in the Natural Gas Era?** – *Greentech Media* – 8/1/10
 - *Seeking Alpha*
- **Is Wall Street Undervaluing American Oil Companies?** – *Seeking Alpha* – 8/1/10

HIGHLIGHTED COVERAGE

Tap Natural Gas To Sap OPEC's Clout – *Atlanta Journal Constitution* – 7/31/10

By Saxby Chambliss and T. Boone Pickens

A new energy bill has been introduced in the U.S. Senate – the Next Generation Energy Security Act. It focuses on securing America's energy supply, reducing emissions and investing in our domestic resources and ingenuity.

It will have a real and immediate impact on the generation of electricity through the development of nuclear, wind and solar sources; on advancing the use of battery power for automobiles; and on how we use our enormous natural gas resources to reduce our reliance on OPEC oil.

The effort to move America completely off fossil fuels is a worthy goal, but one that will not likely be reached in the next year, or even the next decade. But this doesn't mean we shouldn't start the process — and this bill does just that. It includes strong incentives to build, buy and operate electric vehicles and directs the appropriate Cabinet departments to study barriers to their continued development and deployment.

On the issue of generating electricity, the bill includes a package of incentives to advance the development of next-generation nuclear power production. It also extends the tax credits already in place for the continued development and use of solar and wind power to augment our growing need for electricity.

That leaves one major issue to be dealt with on the energy side: our continuing, debilitating, economically damaging reliance on Middle Eastern oil to keep our cars and trucks on the road. America imports nearly two-thirds of its oil, and 70 percent of that is used as fuel for 250 million cars and light trucks, and for more than 8 million heavy-duty trucks.

We are sending about a billion dollars per day, every day, out of the country to purchase oil. We import a significant amount of oil from Canada and Mexico, which helps their economies and our own. But the money we are sending to countries like Saudi Arabia, Nigeria, Angola and Venezuela (the other four of our top six oil providers) may well be used to defeat America's broader international goals.

That just doesn't make sense.

This bill is not the first to recognize the importance of a national commitment to advance the use of domestic natural gas in transportation to alleviate the foreign oil dependency crisis. That commitment is embedded in an increasing number of energy-focused legislative initiatives.

It is increasingly clear that any energy legislation Congress passes that does not take this approach fails the need to address the economic and national security risks of our ever-escalating oil dependence on nations that, frankly, don't have our best interests at heart.

We have enough natural gas in North America to last at least 100 years. A battery won't push an 18-wheeler. Neither will ethanol. The only substitute for imported diesel is domestic natural gas.

If we use our heavy-truck fleet to develop a vibrant natural-gas-vehicle industry, we can immediately reduce our reliance on OPEC oil while beginning to build natural gas refueling infrastructure.

Over-the-road trucks tend to run the same routes on a regular schedule. Truckers stop at the same places to rest, refuel and eat. The infrastructure needed to refuel natural-gas-powered heavy-duty trucks can be ready in relatively short order.

The Next Generation Energy Security Act, also co-sponsored by Sen. Richard Burr, R-N.C., provides strong incentives for public fleets (federal and state vehicles, municipal transit and school buses, and service cars) and private fleets (taxis, express-delivery and utility vehicles). Just about any fleet that goes home to a central location each night can benefit from the lower cost of natural gas while we all benefit from lowered emissions.

This legislation will improve the environment, reduce our dependence on OPEC oil and improve our balance of payments. It joins several other energy bills under consideration, underscoring the need for a debate and for bipartisan agreement and movement on this critical issue. It's time for us to get serious about getting off OPEC oil and using our own resources.

Sen. Saxby Chambliss, the senior GOP senator from Georgia, co-sponsored S. 3535.

T. Boone Pickens is the founder of The Pickens Plan.

NOTABLE ENERGY BILL COVERAGE

Shale Gas: Hope For Our Energy Future – *Washington Post* – 8/2/10

By Robert J. Samuelson

You probably have never heard of oilman George Mitchell, but more than anyone else, he has changed the global energy outlook. In 1981, Mitchell's small petroleum company faced dwindling natural gas reserves. He proposed a radical idea: drill deeper in the company's Texas fields to reach gas-bearing shale rock more than a mile down. Because the gas was tightly packed, most engineers believed it was too costly to extract profitably. But after nearly two decades of trying, Mitchell proved doubters wrong. The result: The world has far more available natural gas than anyone suspected.

The BP oil spill cast a cloud over almost all energy news. Well, shale gas is good news. Here's why.

Until recently, scarce U.S. natural gas reserves suggested increasing dependence on expensive foreign supplies of liquefied natural gas. No more. Also, natural gas emits about 50 percent less carbon dioxide -- the major greenhouse gas -- than coal. Substituting gas for coal in electricity plants could temper emissions. Finally, shale gas in Europe and Asia has huge geopolitical implications. It could reduce dependence on Russian natural gas and frustrate any gas cartel mimicking OPEC.

How much shale gas exists is unknown, but estimates are huge. The Potential Gas Committee is a group of geologists who regularly estimate future U.S. gas supplies. In 2000, the group's estimate equaled about 54 years of present annual consumption; by 2008, it was almost 90 years. "This isn't the end," says Colorado School of Mines geologist John Curtis. Globally, one study estimated the recoverable supply at 16,200 trillion cubic feet, more than 150 times today's annual world gas use.

Some standard drilling techniques, applied imaginatively, liberated shale gas. The first was "fracturing" (also called "fracing"): injecting liquids into reservoirs to create openings that allow the gas to flow up the drill pipe. For years, Mitchell's engineers experimented with different "fracing fluids." All were expensive, and the resulting gas flows weren't profitable. In 1997, engineers tried a less costly mix of sand and water. The economics of shale gas improved dramatically, says Dan Steward, a former geologist for Mitchell.

Devon Energy, which bought Mitchell's company in 2002, improved the economics further by emphasizing "horizontal drilling." In conventional wells, the drill goes straight down and collects gas or oil near the well bore. With horizontal drilling, the pipe is turned sideways when it hits the reservoir and collects gas or oil for hundreds or thousands of feet. Gas flows increase. Fewer wells are needed. Costs drop.

Natural gas provides about a quarter of U.S. energy -- for home heating, electricity generation and factories. This proportion will probably increase, but the emerging shale boom faces two problems. The first is hype.

Shale gas has many virtues, but gains will come at the margin. It isn't a panacea for every energy ailment.

Consider the impact on oil imports. In theory, natural gas -- compressed or converted into a liquid -- could replace oil in some vehicles. But natural gas now fuels only about 120,000 of roughly 250 million U.S. cars, vans, trucks and buses. At today's prices, natural gas is competitive with oil, but there's a chicken-and-egg problem: Drivers won't use it without filling stations; companies won't build stations without drivers.

So fuel switching will likely focus on heavy-duty trucks with regular routes that require few stations. If 500,000 heavy-duty trucks changed to natural gas, oil consumption would drop almost half a million barrels a day, estimates Michael Eaves of Clean Energy, a builder of natural gas filling stations. That's about 5 percent of U.S. imports. The impact is large because trucks travel about 100,000 miles a year and get only about five miles to a gallon, says Eaves.

Similar qualifications apply to the substitution of natural gas for coal in electricity generation. On paper, the potential seems enormous, because many gas generating units are underutilized.

But practical problems intrude. Coal is the low-cost fuel; coal-fired and gas-fired plants often serve different markets. On balance, present gas-fired plants might reduce use of coal-fired electricity by 5 to 9 percent, a Congressional Research Service study estimated. Future gas plants might expand this.

The second threat to shale gas is over-regulation. Environmentalists are split. Some favor shale gas as a desirable "bridge fuel" until use of non-carbon energy expands. Others argue gas drilling will threaten drinking water supplies; that was a theme of "Gasland," a film shown this year on HBO. The charges seem overblown. As the BP spill reaffirmed, all drilling requires regulation. There are environmental issues, especially the safe disposal of "fracing fluids." But onshore drilling, including "fracing," has proceeded for decades without polluting water supplies. In shale gas, thousands of feet typically separate shale deposits from water tables.

George Mitchell's persistence made shale gas a huge geological gift. Only fools would discard it.

PRINT COVERAGE

Watching Government: The Oil Spill Bill – *Oil & Gas Journal* – 8/2/10

By Nick Snow

As US Senate Majority Leader Harry M. Reid (D-Nev.) prepared to unveil oil spill liability legislation, an alliance of Midcontinent producers and national associations representing royalty owners and stripper-well operators warned that the measure could be funded by repealing significant tax incentives.

Repealing exemptions for intangible drilling costs and the percentage depletion allowance would cut domestic production by 30% and irreparably harm US independents, said Mike Cantrell, president of the Domestic Energy Producers Association (DEPA) in Oklahoma City.

The group, which includes oil and gas associations from Texas, Oklahoma, and Kansas as well as the National Stripper Well Association and National Association of Royalty Owners, has been concerned that Reid might try to pay for T. Boone Pickens' proposal to fund \$30 billion of vehicular fleet conversions to compressed natural gas by repealing \$40 billion of oil and gas tax incentives.

Deficit concerns

"That concern grew to a crescendo when Sen. Reid announced his oil spill liability plans on [July 23] and included the Pickens plan," Cantrell told O&GJ. "We question the timing, with the deficits we have and the pay-for rules. The Finance Committee will consider his suggestions. We're focusing on the members there."

He said DEPA's members support Pickens' CNG fleet conversion idea in principal because it would substitute gas produced in the US for imported petroleum products. But eliminating tax

incentives that are vital to so many US independents' survival is not the way to pay for it, he emphasized.

The group especially disputed Reid's characterization of doing this as noncontroversial since it would threaten so many US producers.

If the showdown over what the Obama administration and several US House and Senate members consider outdated tax breaks doesn't take place now, it could come before yearend "because of the sheer number of people there who don't support public investment in oil and gas," Cantrell said.

'Prime target'

"You take a third of the capital away from independent producers who invest in domestic oil and gas, and it would be a wrong decision at a bad time," Cantrell said, adding, "You have to consider very seriously with deficits becoming an issue even for Democrats in the current election, we become a prime target. We have to convince them that these investments have been very well spent."

DEPA is working hard to help congressional Democrats from producing states whose voices have been muffled after the Apr. 20 Macondo well blowout, rig explosion, and oil spill, according to Cantrell.

"We're trying to be solutions-oriented and not draw battle lines we can't cross. We're trying to work with everybody," he said.

BLOG/ONLINE COVERAGE

What Happened To The American Dream? – CNN – 7/30/10

By Jamal Simmons

Editor's note: Jamal Simmons, a former adviser to the Democratic National Committee and several Democratic candidates, is a principal at the Raben Group, a Washington consulting firm.

(CNN) -- Pundits and politicians alike opine that Washington has not been focused enough on jobs, and President Obama sought to expand the jobs agenda Thursday at the National Urban League in a speech on education.

The president is right to do so, but he needs to communicate with the American public in an inspirational way about how Americans can create a better future.

In the national immigration debate, the president offers a "pathway to citizenship" for those here illegally. It is time he also offered a "pathway for citizens" to reclaim the American Dream.

Americans are clearly distressed about an unemployment rate that hovers just below 10 percent, but our anxiety is not just about jobs. In a Xavier University poll, 60 percent of respondents said it has become harder to reach the American Dream than it was for their parents' generation, and two-thirds said it will be even harder for their children.

Another 58 percent believe that America is now in decline. If the greatness of America is like sand slipping through our collective fingers at the beach, voters might be angry because Washington doesn't seem too focused on stopping it.

The national anxieties are clear. Income disparity is growing, and in addition to the millions of jobs the U.S. has lost, schools are woefully under-preparing American children for global competition.

We spend too much money buying oil from too many places that cause us too much trouble, and our dependence on it is poisoning our environment.

Meanwhile, our government borrows more money from such nations as China, Saudi Arabia and Japan than seems wise. And still we wrestle with the threat of international terrorism and the cost in both precious lives and treasure of remaining in Afghanistan and Iraq.

The solutions are already on the table. For instance, we should declare an end to the foolish consideration in many states of balancing budgets by cutting education spending. Instead, we should focus more intently on classroom innovation, teacher and parent accountability and increasing math, science and foreign language learning. If there was ever a reason for a soda tax, improving educational outcomes would be it.

The oil spill in the Gulf of Mexico should be an opportunity for adopting alternative energy proposals. Democrats such as Al Gore propose that we convert electricity generation to a renewable energy grid, and Republicans such as T. Boone Pickens want to move the truck fleet to natural gas.

Politicians against putting a price on carbon should offer another strategy to free us from foreign oil and the threat of another crisis like the one we face in the Gulf today.

Concern about the national debt is rising; however, many economists believe that pulling back spending or raising taxes now would send us into another recession.

Maya MacGuineas from the Committee for a Responsible Budget sensibly believes that we should delay implementing any policy changes until the economy has recovered but still put the future changes on the books now, to reassure markets and inform the public of the changes to come, including changes to taxes, entitlements, defense and domestic spending.

Health care and the other reforms help deal with many of these problems, but the unemployment rate has not moved, and there is no coherent understanding of how these policies fit into a longer term strategy. It is as if the Democrats have been selling us oatmeal, raisins and flour without describing the cookies coming soon.

Savvy or cynical, American voters appear distrustful of more something-for-nothing deals that promise government action without acknowledgement of the costs to citizens. Instead, politicians should trust the people to rise to the occasion of the challenges we face.

If we were a sports team, this would be the moment for the tough-talking coach to talk straight about the hard work required at training camp to win. After the bank bailouts and bonuses, the nation needs to know that we are all in this together, so the millionaires will need to run just as many laps as those making scale wages.

It is time for a "pathway for citizens" to reclaim the American Dream that focuses on jobs and enlists our efforts, appeals to our creativity and competitive spirit, and inspires us with talk of victory ahead. The politicians who choose this unconventional path might find their political fortunes rise along with the nation.

The opinions expressed in this commentary are solely those of Jamal Simmons.

Are We Living in the Natural Gas Era? – *Seeking Alpha* – 8/1/10

By Dirk McDermott

Why is natural gas now being pushed to top-tier energy prominence? In a word -- 'supply.' Five or so years ago, pundits were predicting a natural gas crisis. Natural gas was declining according to just about every measurable metric. Since then, technology has created a natural gas renaissance, enabling us to unlock vast resources from reserves previously perceived as uneconomic.

Additionally, these new reserves have been exploited by a large group of relatively unknown players, the independents. They approached these new reserves opportunistically, and leveraging new technologies such as horizontal drilling and hydraulic fracturing, they broke the mold. They approached reservoir development from a completely new perspective, by thinking about it in terms of a drilling factory.

The results of the intersection of technology and entrepreneurial spirit caught the oil and gas industry a bit off-balance. But it is through these innovative companies that we ushered in this new regime of abundant, low-cost, secure natural gas.

The impact of these newly unlocked reserves is profound. Natural gas is sure to comprise increasing percentages of the power generation mix, displacing dirtier coal, nuclear, and, of course, challenging high-cost renewables. Gas will increasingly play a role in base-load power generation, not just marginal, peak-load power. It is even conceivable that gas will emerge as a transportation fuel -- not overnight, but it may play a large role in fueling fleets in the future.

The sociopolitical landscape is also evolving. Now that these tremendous reserves are being produced, in areas such as Pennsylvania, the political dynamic will certainly evolve. This is no longer a Gulf Coast phenomenon. Additionally, the industry has also had to respond. Given how fragmented the natural gas business is, it was caught relatively flat-footed politically. Waxman-Markey largely ignored natural gas. The industry responded, organized itself, and is making itself heard and felt through organizations such as the American Natural Gas Alliance [ANGA].

On the demand side of the equation, natural gas usage will be driven by prices and price stability. These new reserves have flattened the supply curve, bringing with them a new level of reduced volatility. Prices will still be volatile, but perhaps at levels much lower than has historically been the case. Additionally, production profiles lend themselves to long-term price contracts, muting volatility issues to some degree.

Fundamentally, the lower cost and practical aspects of natural gas will drive usage. Natural gas-fired power generation is more competitive than ever. Its role as a supplement to intermittent renewable sources is sure to grow. The clean-burning nature of gas will also drive demand, as generators seek to lower their carbon profiles.

What's the upside -- and the downside -- of the natural gas revolution that's currently unfolding?

The advantages of low-cost, clean power will certainly drive increased natural gas-fired power generation. The low costs will also drive increased usage of natural gas as a transportation fuel, although it will be incremental for the foreseeable future, despite the growing popularity of the Pickens Plan.

However, natural gas will continue to face challenges. Overdrilling, dumping of excess LNG cargoes on U.S. shores, and continued economic weakness may continue to depress prices. Volatility may return, challenging unsophisticated buyers of natural gas. Fracking legislation may create obstacles to production in the short term, necessitating technological solutions that are still in the early stages of adoption. On that same note, given the newness of this resource, technological challenges are sure to emerge. But from our vantage point, the solutions are close at hand. The oft-repeated reference, 'energy technology revolution,' is not limited to cleantech alone.

Who stands to win, and who stands to lose, in the natural gas markets over the next few years?

It depends on the scenario, but for the sake of brevity, let's assume a likely set of circumstances that will manifest as a long-term, low-to-mid-price natural gas price regime. Winners will be producers who can secure advantaged acreage and execute the 'drilling factory' approach to unconventional gas development. Additionally, this vast reserve has been unlocked through new technologies such as horizontal drilling, hydraulic fracturing, and microseismic monitoring. Advantaged technology providers such as MicroSeismic Inc. and others will succeed as they allow producers to lower their costs and recover more of their reserves.

The economy and consumers will benefit from the low-cost, secure source of energy provided by natural gas, as will the environment. Natural gas has long been considered 'clean burning' due to its lower levels of particulate, mercury, and other emissions relative to coal and fuel oil. Now,

given the world's concerns around climate change, the lower CO2 profile of natural gas also provides a benefit versus other fossil fuel options.

Losers will be few, but will include much of the world's LNG market that expected to land shipments at U.S. regasification facilities when prices were much higher. Renewable energy, on one hand, will be challenged by a low-cost natural gas regime, but on the other hand, renewable energy may be supported, given the role gas plays in smoothing out the intermittency issues of both wind and solar. Lastly, competing fossil fuel sources will certainly be incrementally displaced.

Can natural gas blend and bring together the old and new energy economies?

For Altira, this is an unnatural distinction. It's all one big sandbox. BTU parity is not yet here, but the 'either-or' debate between renewable and traditional energy serves no purpose. There is no one answer. We need a variety of solutions, so we can pursue all energy options that provide sound economics while delivering cleaner power generation.

No matter how you frame the challenge, natural gas will play a big role. Our energy needs have proven to be insatiable. Renewable sources, while growing rapidly, still face many technical and economic challenges. Natural gas can play a key role in building a bridge to a carbon-free future.

Is Wall Street Undervaluing American Oil Companies? – *Seeking Alpha* – 8/1/10

By Michael Fitzsimmons

The top 3 US oil companies (Exxon Mobil (XOM), Chevron (CVX), and Conoco Philips (COP) respectively) announced earnings this week and all three significantly beat the Street estimates. It's no surprise earnings were much higher than a year ago considering that oil is now trading

around \$78/barrel versus the \$50-\$60 range in the relative period last year. Natural gas is now trading around \$4.85/MMBtu versus \$3.65 a year ago. Crack spreads were also much improved and all three companies had very profitable downstream refining results. It was an excellent quarter for all three companies.

The following table summarizes current valuations with data from Google Finance as of the market close on July 30, 2010.

COMPANY	SYMBOL	PRICE	P/E	YIELD	Q2 Net	Q2 Net Per Share	Q1 Net Per Share
Exxon Mobil	XOM	\$59.68	13.57	2.95%	\$7.56 B	\$1.60	\$1.33
Chevron	CVX	\$76.21	11.56	3.78%	\$5.41 B	\$2.70	\$2.27
Conoco Philips	COP	\$55.22	14.51	3.98%	\$4.16 B	\$2.77	\$1.40

Chart Notes:

1) B = Billions \$

2) Not sure if Google Finance's metrics include Q2 yet.

As the table above shows, valuations remain very cheap indeed. As a gross measurement, if all three companies were to duplicate earnings in Q3 and Q4 to match what they did in Q1 and Q2, XOM would earn close to \$6/share, CVX close to \$10/share, and COP over \$8/share. Doing so and slapping on a PE of 10 would put CVX at \$100/share and COP at \$80. Further, one could argue that a PE of 10 on a big oil company is way too low when we live in an era when worldwide oil supply very soon won't keep pace with worldwide oil demand.

It's as if the Street believes:

The US is making significant headway into "alternative fuels."

Middle class Americans will be able to afford the electric cars that aren't yet available.

US big oil isn't worth investment dollars because they cannot grow production.

Oil wars (both military and economically competitive wars) are over.

That congress will finally realize that natural gas is the only fuel that can significantly replace foreign oil (that is, gasoline derived from foreign oil) in the transportation sector.

Nothing could be further from the truth. Arguably the US is as addicted to foreign oil today as ever. The only meaningful energy policy development has not been government led, but is Boone Pickens' efforts in converting some of the nation's large truck fleet over to natural gas.

However, when a country consumes 25% of the entire world's oil production and imports 65% of that oil, converting a few thousand 18-wheelers is a drop in the bucket. Don't get me wrong, I strongly support Pickens and his push to adopt natural gas transportation.

But the fact is, if the entire US long-haul trucking fleet were converted to run on natural gas tomorrow, the US would still have a huge foreign oil import problem. While we wait for congress to get it (don't hold your breath), don't look for the NGVs being made by Ford (F) and GM to be available in your USA hometown anytime soon – they prefer to sell them outside the US. Meanwhile, we continue to use gasoline refined from oil.

Electric vehicles? Well, where are they? With real unemployment rates arguably in the 15% range, how many Americans can afford \$40,000 for a new electric vehicle that will give them range anxiety? Again, don't get me wrong... I think electric cars make sense (in some areas) and support Project Better Place.

However, if we are going to burn coal to recharge them, where is the environmental payoff with that strategy? Each electric car to me just looks like a little coal plants spewing CO2 and heavy metal toxic particulates into the air we breathe and water we drink. Meanwhile, we continue to use gasoline refined from oil.

Biofuels? In general, biofuels are a failed strategy and one quietly supported by big oil in order to keep Americans addicted to liquid fuels (i.e. gasoline) instead of gaseous fuels (i.e. natural gas and hydrogen). Biofuels also suck up precious fresh water resources and cause huge dislocations in the food sector. With the exception of importing Brazilian ethanol made from sugar cane, biofuels are a failed long-term strategy. Meanwhile, we continue to use gasoline refined from oil.

With respect to the “production growth issue,” why is it that Wall Street doesn’t seem to understand that there are two components to oil revenue: oil production volume and price? This is so simple to understand... but I guess only derivatives are complicated enough to invest in.

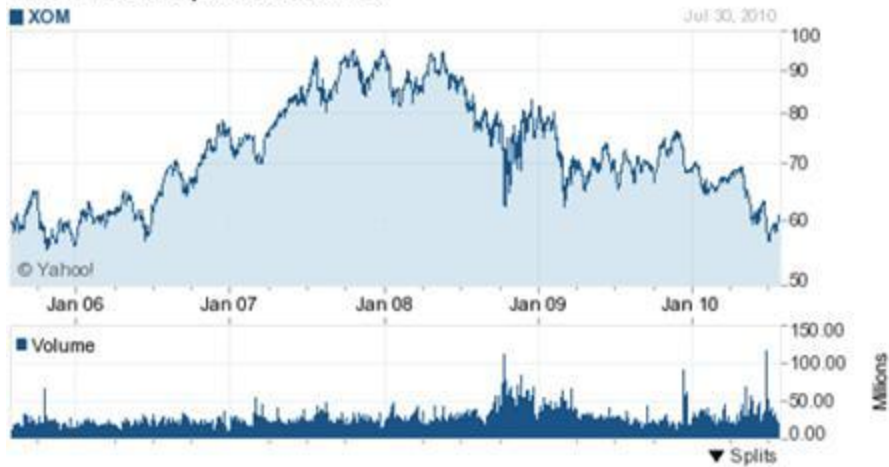
The fact is, production growth at all three American big oil companies was flat or even negative during most of the 2007-2008 timeframe when all their stocks were on fire. Why? It was the price of oil, of course. Does anyone believe the long-term price of oil is on a downward trend? Of course not. These companies will be printing money for at least the next 15 years, assuming the oil crisis doesn’t cause the entire world economy to collapse into chaos. But if that happens, it won’t matter what you own, so you might as well own oil.

Oil Prices

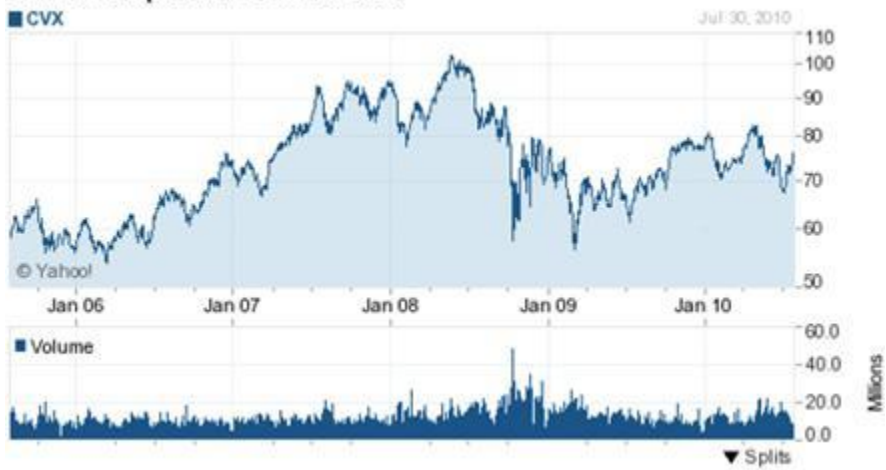
Not investing in big oil because of production growth concerns is to ignore the long-term trend in oil prices, which is up. You don’t believe me? Today we have oil prices at near \$80/barrel while oil demand in the US is down, we have unemployment at near 15%, and the economy is barely limping along after just emerging (“emerging” might be a stretch...) from a near depression and total financial meltdown.

Hmmm... what would the price of oil be if the world economy was actually functioning nicely and growing? It would easily be over \$100/barrel. If the big 3 oil companies were so profitable with oil around \$80 in this Q2-2010, what would their profits be with oil at \$125 in 2011 even if their natural production declines were in the range of 5%/year? Answer: enormously profitable... just as in 2007-2008. How were these companies priced in 2007-2008? Let’s have a look.

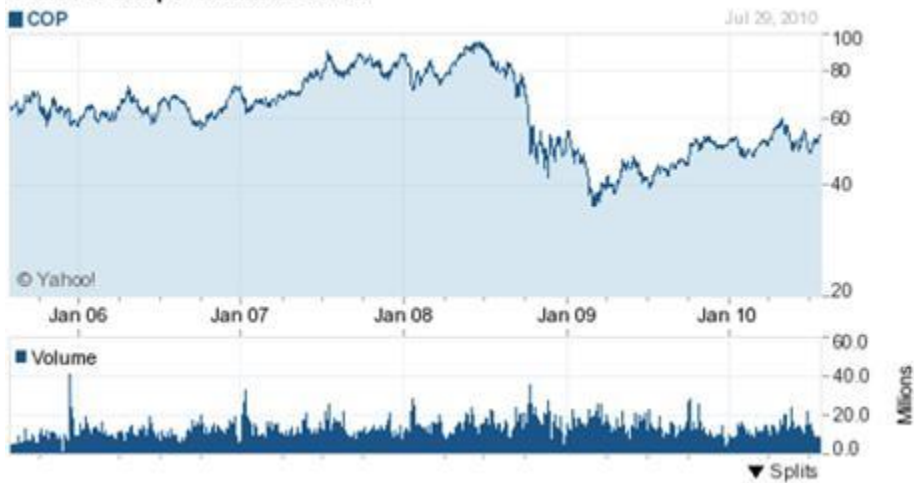
Exxon Mobil Corporation Common



Chevron Corporation Common Stoc



ConocoPhillips Common Stock



It won't be long before these companies' earnings will push their stock prices back to 2008 levels.

Perhaps the Street believes US domination of Iraq and its oil will bring oil prices down drastically. I suppose this is possible – in the short-term. However, existing mature reservoir depletion rates as well as oil consumption growth in China, India, the rest of Asia and the Middle East means that even Iraqi oil hitting the market will have only a short-term and probably limited affect on the long-term trend of much much higher oil prices.

One thing we can be sure of, the biggest single entity oil consumer (the US military) will continue to use a lot of oil implementing the failed strategy of nation building and oil conquest. (Yet another reason to buy gold and silver.)

Wall Street simply doesn't get all this. I like COP the best over the next 12 months because of their plans to sell assets, retire debt, and increase shareholders dividends. It's as if CEO Jim Mulva was shamed into action due to his company's severe underperformance against its peers during the recent "financial crisis."

CVX is a very close 2nd place and is simply way undervalued and a very competently run company.

XOM is getting no respect because of their paltry dividend and the recent dilution of shareholder value because of the XTO takeover using stock. XOM under \$60 should be a alarming call to fire some of the overpaid executives running that company and for their past decisions to direct so much cash flow toward share buybacks instead of raising the lowest dividend in its peer group.

The management at XOM appears to be running the company for themselves instead of their shareholders. Hopefully, their yearly bonuses will be tied to share performance. If that is the case, they will need to give back 17% of their salaries because that is how much XOM has dropped YTD. That said, XOM too is way undervalued. Its credit rating is better than that of Uncle Sam. That is, I'd buy XOM before a 5 year T-bill and the yield is better (miserly as it is).

Meantime, I also like Petrobras (PBR) in spite of the supposed “political risk.” (I think there is much more political risk in the US than in Brazil!) I also like Murphy Oil (MUR) and Suncor Energy (SU) at current prices. Hell, I like almost all the oil companies! What the heck was the huge hedging loss at StatOil about (STO)? I like STO, but I need to look into this loss.

I also like gold and silver as perhaps the best way to store wealth for what is coming our way. President Obama, like Bush before him, has done absolutely nothing to solve the main economic problems in the US:

Lack of an energy policy to address America's oil crisis

A broken congress

An un-constitutional Federal Reserve acting with no congressional oversight

Government “regulatory” bodies that are completely corrupt and controlled by industry

Lack of a fair and balanced income tax policy (i.e. flat tax)

Buy oil. Buy gold and silver.

Lastly, I recently viewed the GasLand documentary on one of the cable channels. This was a very disturbing show yet matches some of the information I have been hearing from acquaintances in Colorado, Louisiana, and Pennsylvania. The Natural Gas Lobby had better be proactive in addressing these issues and regulating themselves. It does no good to burn cleaner natural gas if we destroy our water resources to obtain the natural gas.

My gut tells me that the natural gas industry is cutting corners (i.e. saving money) and doing a poor job of protecting our air and water. I'm going to investigate this issue further. If there is fire behind this smoke, my energy policy will have to be modified. Off the top of my head, the big change will be to move away from both coal and shale gas toward nuclear and conventional natural gas via the trans-Alaskan pipeline (which the country cannot seem to build). China would have built it a decade ago.

Disclosure: Author long COP, PBR and STO

BROADCAST COVERAGE

1. Land Line Now

Road Dog Trucking (Sirius XM), National | DMA: 0

07/30/2010, 07:00 PM - 08:00 PM

00:38:00certain algae produce oil when squeezed to make biodiesel and they still have carbohydrate content after that to make ethanol as easy as corn. Do you think that this doesn't apply to you--Guess again .Every single thing that takes pressure off the oil and diesel market reduces demand for the fuel you use and as we all know from basic economics --reduced demand with the same supply equals lower prices .So why aren't our leaders doing all this .Why do we not have a simple plan like this? **T BoonePickens** has proposed some of this in a seriously simple plan ... As far as I can tell outside of us and a few other folks, no one's listening to him. Me? ... I'm not saying I am some big brained smart guy ... I read magazines and I read newspapers ... So what our policy people reading? Recipes , romance novels, comic books, smut? Well that may be entertaining reading but none of those things solve our problems. I don't know what happened to leadership in this country but it has been absent from both political parties for a long time. We could solve this without creating economic havoc, without radically increasing costs for truckers or anyone else... 00:39:59

Audience: N/A Spot Cost: N/A