

PickensPlan

T. Boone Pickens Media Coverage 11.23.10

Total of 4 Placements

 Print: 1

 Blog/Online: 3

Coverage Summary:

CNBC.com published an op-ed by Pickens looking at the report that China is adopting the Pickens Plan. The piece highlights the national crisis that exists because of our dependence on OPEC oil.

A *New York Times* editorial says there is still time to get important energy legislation passed, noting that “one bill worth pressing is a creative measure with bipartisan support in both houses that would ramp up the use of natural gas in heavy-duty trucks.”

Highlighted Placements (Full Articles Below)

 **Pickens: Why the US Needs Natural Gas Now** – *CNBC* – 11/23/10

Notable Natural Gas Coverage (Full Articles Below)

 **Energy and the Lame Duck** – *New York Times* – 11/23/10

Blog/Online Placements (Full Articles Below)

 **The Haynesville Shale: Major Opportunity & Risk** – *24/7 Wall Street* – 11/23/10

 **Natural Gas: Worse Than Coal & Diesel in Greenhouse Emissions?** – *Benzinga* – 11/22/10

HIGHLIGHTED COVERAGE

Pickens: Why the US Needs Natural Gas Now – CNBC – 11/23/10

By T. Boone Pickens

I have spent the past two-and-a-half years promoting an energy plan for America — The Pickens Plan. On Monday, I read that the plan has been adopted not by the U.S. Congress, but by China.

The plan I am advocating has two parts. First, a dramatic expansion of renewables — wind and solar in particular — in power generation, and advancing the use of domestic fuels — most logically natural gas — as a transportation fuel alternative to OPEC oil/diesel/gasoline. You cannot crack the OPEC oil dependency nut without a focus on transportation. It accounts for two-thirds of our oil use.

Our OPEC oil dependence is a national crisis. It threatens our economy and our national security and our environment. How much of a concern is it? Well, eight presidents have now pledged to solve the problem, and none have achieved success. Instead, the dependency problem has only worsened.

Natural gas is a domestic resource that we have to develop and put to work in transportation. I'm convinced that if we don't, we're going to go down as the dumbest generation ever.

A new report by Morgan Stanley has indicated that while we are shuffling along attempting to come to grips with our transportation energy issues, the Chinese have adopted the Pickens Plan and are aggressively changing out their truck fleets from petroleum to natural gas.

According to its research report, Morgan states: “We believe Liquefied Natural LNG-fueled vehicles are fast becoming a reality in China, as China effectively adopts the "Pickens Plan". China is forging ahead with LNG as a transport fuel for heavy trucks and buses, according to industry contacts.”

So, while the U.S. Congress shuffles slowly toward adjournment with a real shot at jump-starting a natural gas transportation industry here, the Chinese have listened to me and are doing just that.

In the Spring of 2009 the Potential Gas Committee, which is affiliated with the Colorado School of Mines, released a report showing we have over a 100-year supply of natural gas. Prior to that report, natural gas was considered a limited resource whose recovery and uses needed to be closely monitored. The chemical and pharmaceutical companies who use natural gas as a feedstock for much of what they produce were especially concerned about yet another component of their cost structure which was destined to cause them to pass along higher prices.

The majority of this “new” natural gas is contained in the enormous shale deposits which lie under Louisiana, Texas, Arkansas, and perhaps the largest of the group, Appalachia. These are known, in order as the “Shreveport,” the “Barnett,” the “Fayetteville,” and the “Marcellus.”

Geologists had known about the gas contained within these shale plays, but until the development of drilling techniques using water and some chemicals to release the gas from within the shale, it was not available for commercial recovery.

According to CNBC, natural gas opened Thanksgiving week selling at about \$4.24 per Mcf. Natural gas is the benchmark which is used to price alternative energy sources — notably wind and solar. When we say they are “priced on the margins” we mean they go up or down with the price of natural gas.

This is because natural gas is used for about 20 percent of our electricity generation. It is largely used as a “peak” fuel — when the major sources like coal and nuclear — can’t supply enough energy during a peak period, then the natural gas-fueled plants are fired up to meet the higher demand.

At \$4.24, wind farms and solar ranches are not economically feasible. In fact, at that price it is barely profitable to drill, treat, and ship natural gas domestically. When oil prices spiked in the summer of 2008, natural gas was selling at \$11.32. But, because of these enormous new supplies, natural gas prices have not followed oil back up to its current price of about \$85 per barrel.

We can artificially raise the price of natural gas by simply taxing it. I'm not sure I know anyone in the industry who thinks that is a viable idea — it wasn't prior to the mid-term elections and it certainly will not be viable when the new Congress opens on January 5th. The better solution is to expand the uses of natural gas.

We are importing nearly two-thirds of the oil we consume. The majority of that oil is used as the principal transportation fuel for our 250 million cars and light trucks and our 8 million heavy trucks — 18-wheelers.

We have an abundance of a natural resource which is selling at the bottom of its replacement price. The Chinese need that resource. Anyone who has seen me on Squawk Box has heard me say over and over again: "It's cheaper, it's cleaner, it's abundant, and it's ours."

If we adopt the Pickens Plan here in the United States, we can make a huge dent in the amount of oil we import, we would lower our trade imbalance, we would create jobs, we would have a cleaner environment, and we would not be at the mercy of OPEC nations for our economic and security future.

Legendary oil and natural gas executive T. Boone Pickens is chairman and CEO of Dallas, TX-based BP Capital. You can follow him on Twitter @boonepickens

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Watch Haynesville: A Nation's Hunt for an Energy Future, exploring how a historic natural gas find could affect the nation's energy picture, tonight at 9p ET.

NOTABLE NATURAL GAS COVERAGE

Energy and the Lame Duck – *New York Times* – 11/23/10

This Congress's record on energy and environmental issues is shameful. The Senate, paralyzed by Republican opposition and indifferent Democratic leadership, could not muster the 60 votes to pass legislation to reduce carbon emissions. It even failed to respond to the gulf oil spill.

The next Congress is sure to be worse. The Democratic majority in the Senate will be smaller. And the House — which has led the way in recent years — and its committees will be dominated by Republicans who are loudly skeptical about the science behind climate change and determined to cripple President Obama's authority to use regulation to tackle the problem.

There is little chance of a major breakthrough in Congress's remaining weeks, but it is still possible to get some important legislation through.

One bill worth pressing is a creative measure with bipartisan support in both houses that would ramp up the use of natural gas in heavy-duty trucks and create a pilot program for building a network of recharging stations for electric vehicles. Converting trucks to natural gas could save 1.2 million barrels of oil by 2035; electric cars could eventually be a real game-changer.

The bill would spend \$5.5 billion over 10 years in tax credits and other incentives to encourage manufacturers to produce natural gas vehicles and companies and consumers to buy them. The bill would also encourage research and development on electric cars. It would be paid with a small increase in the per-barrel fee oil companies pay into the oil spill liability fund. Oil companies are screaming, even though it would mean a tiny, one-thirteenth-of-a-cent increase in the price of a gallon of gasoline. Big Oil should not be allowed to kill off this bill.

Both houses must also renew tax subsidies for renewable energy sources like wind and solar power. Unless Congress acts, they will expire at year-end. Here, the big enemy is sloth, not any special interest.

Renewable energy sources are not yet ready to compete with cheaper and dirtier fuels like coal, oil and natural gas. But there has been real progress in recent years, and past experience shows that when the tax credits are allowed to expire, investors disappear.

Then there is the oil spill bill, languishing in the Senate. A series of reports in recent weeks have highlighted a host of failures by both industry and regulators.

Like the House version, a Senate bill would require the oil industry to adopt new safety measures on deep-water rigs and would also upgrade training of rig workers and government inspectors. It would mandate independent inspections of drilling operations and reorganize government agencies, with a goal of ending, at last, the conflicts of interest that led the Interior Department to fast-track drilling projects at the expense of safety.

The department has issued rules that seek many of these same ends, but Congressional action would give the force of law to reforms that could be reversed by future administrations.

This does not relieve the White House and the Democrats of the responsibility to press forward with broader legislation to combat climate change. The threat is too big to allow the ideologues and professional skeptics to stop the country from doing what it needs to do. Even so, there is time in the remaining weeks of the lame-duck session to take small but still important steps.

BLOG/ONLINE COVERAGE

The Haynesville Shale: Major Opportunity & Risk – *24/7 Wall Street* – 11/23/10

By Paul Ausick

US shale gas deposits were known to have existed for decades. The problem was how to turn them into flowing wells. The natural gas was tightly compressed into small pockets in virtually impermeable rock. In the late 1990s, a small company called Mitchell Energy figured out how to fracture the rock and get the gas flowing. That happened in the Dallas-Fort Worth area in a gas deposit known as the Barnett shale.

Another deposit off to the northeast was known as the Haynesville shale, most of which is located in northwestern Louisiana with related deposits into southwestern Arkansas and east Texas. As exploration developed in the Haynesville shale, the estimated size of the resource was calculated at more than 250 trillion cubic feet of natural gas. That's more than enough to supply the entire US consumption of natural gas for 10 years at current rates. The Haynesville shale is believed to be the largest natural gas reservoir in North America.

Drilling began in the Haynesville shale in about 2008 and the area is now dotted with wells drilled by more than two dozen companies. The following list names the 15 largest publicly traded companies by their net acreage holdings in the Haynesville shale as reported on their 2009 annual reports. Net acreage is equal to wholly-owned leases plus participation shares in jointly held leases.

Chesapeake Energy Corp. (NYSE: CHK) – 514,425 net acres

EnCana Corp. (NYSE: ECA) – 429,000 net acres

EOG Resources, Inc. (NYSE: EOG) – approximately 370,000 net acres

Petrohawk Energy Corp. (NYSE: HK) – 360,000 net acres

Forest Oil Corp. (NYSE: FST) – 250,098 net acres

Exxon Mobil Corp. (NYSE: XOM) – 166,000 net acres

EXCO Resources Inc. (NYSE: XCO) – 155,945 net acres

Plains Exploration & Production Co. (NYSE: PXP) – 111,000 net acres

Goodrich Petroleum Corp. (NYSE: GDP) – 84,859 net acres

Comstock Resources Inc. (NYSE: CRK) – 72,638 net acres

St. Mary Land & Exploration Co. (NYSE: SM) – approximately 41,000 acres

El Paso Corp. (NYSE: EP) – approximately 40,000 net acres

Continental Resources Inc. (NYSE: CLR) – 24,200 net acres

Cabot Oil & Gas Corp. (NYSE: COG) – 5,852 net acres

Plains also owns 20% of Chesapeake's interest in the Haynesville shale. Exxon got its share of the play with its purchase last year of XTO Energy.

Three pipeline companies also have extensive operations in the Haynesville play. Kinder Morgan Energy Partners, L.P. (NYSE: KMP) owns a 50% share of a joint venture with PetroHawk, which owns and operates a pipeline and gathering system that will handle more than 800 million cubic feet/day by the end of 2010. Energy Transfer Partners L.P. (NYSE: ETP) is completing the Tiger Pipeline, a 175-mile, 42-inch interstate pipeline that will interconnect with other interstate pipelines to haul the gas to the east and northeast US. DCP Midstream Partners LP (NYSE: DPM) owns and operates some 4,660 miles of gathering and transport pipeline in the Haynesville play.

Oil field services companies also participate by providing the high pressure pumping systems and fluids that break up the shales and allow the gas to flow to the surface. Halliburton Co. (NYSE: HAL), Schlumberger Ltd. (NYSE: SLB), and Baker Hughes Inc. (NYSE: BHI) are among the players here.

The fracturing techniques and the fluids used to force the cracking have come under some scrutiny. The services companies have long held that their fluid formulas are proprietary, and they have refused to give up the exact formulas for the fluids. Some localities and environmental groups are trying to force the companies to release the formulas in order to determine if the chemicals are making their way into local drinking water supplies.

General Electric Co. (NYSE: GE) has recently introduced a new mobile fracking solution in what appears to be a giant opportunity in what the company called “energy efficient, fully transportable, cost effective and that it will enable onsite frac water recycling.”

Haynesville and other natural gas regions have been highlighted in many documentaries and many articles of late. Some are favorable, some are very critical. T. Boone Pickens and others are also touting natural gas as the bridge fuel that can get America off of foreign energy dependence. This is work in progress with an unfinished outcome. There are billions upon billions of dollars at stake.

Natural Gas: Worse Than Coal & Diesel in Greenhouse Emissions? – *Benzinga* – 11/22/10

By Dian L. Chu

Natural gas

has long been touted as a cleaner alternative because natural gas releases about half as much of the greenhouse gas carbon dioxide as coal does. Although the natural gas market is in the doldrums right now due to supply glut, with advocates like T. Boone Pickens pitching as the fuel of the future, many market players are betting on increasing natural gas demand from transportation fuels and the generation of electricity to continue for years to come.

Well-to-Wheel: 25% CO2 Reduction

Indeed, the U.S. Congress is considering a bill--Natural Gas Vehicles (Division B, Title XX)-that would push to replace diesel with natural gas in heavy vehicles. Part of the argument is that natural gas is substantially cleaner than diesel--about 25 percent less greenhouse gas emission.

In fact, a working paper by the International Energy Agency (IEA) says this much - On average, a 25% reduction in carbon dioxide equivalent (CO2-eq) emissions can be expected on a well-to-wheel (WTW) basis when replacing gasoline by light-duty vehicles (LDVs) running on compressed natural gas (CNG).

Lifecycle Analysis: 60% More CO2

However, not everyone is that certain about natural gas' green prospect. Dr. Robert Howarth, professor of ecology and environmental biology at Cornell University, indicates that using natural gas rather than diesel in vehicles could actually increase climate change, according to his preliminary finding of a research paper to be under peer review.

“Using the best available science, we conclude that natural gas is no better than coal and may in fact be worse than coal in terms of its greenhouse gas footprint when evaluated over the time course of the next several decades.”

His preliminary analysis includes not only the amount of carbon dioxide from the combustion emission, but also the impact of natural gas leaks from Methane. By adding methane into the “lifecycle” calculation of climate impact, natural gas could be significantly worse than diesel and coal.

Howarth's results show that using natural gas would emit the equivalent of 33 grams of carbon dioxide per megajoule vs. just 20 grams of carbon dioxide per megajoule using petroleum fuels.

Separately, MIT also came up with a study that on a CO2 equivalent grams per megajoule basis, diesel scored at 10.7 and gasoline at 14.4, with natural gas smacks in the middle at 12.5.

The two studies make different assumptions and therefore yield significantly different results. Although natural gas is the focus for both papers; they illustrate there's a need for a more thorough study to fully assess the potential full impact before passing legislations promoting any fuel source.

Part of Natural Gas Vehicles (Division B, Title XX) U.S. Senate bill would incentivize the development of natural gas vehicles by providing \$3.8 billion in rebates. The rebate costs is to be offset by increasing the amount of money that oil companies pay into the Oil Spill Liability

Trust Fund, from 8 cents per barrel to 21 cents per barrel. And this 13 cents delta most likely will end up in our gas tank.

So, in short, in a rush to meet the emission goal, we could be subsidizing something that might or might not yield the climate change result as expected. It is standard practice in business decision process to look at the “total cost of ownership” (TCO) of a new product or service. Legislation should undergo a similarly vigorous evaluation process as well.
