



T. Boone Pickens Media Coverage 02.03.12 – 02.06.12

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- **Rev up the tapping of our own natural gas – T. Boone Pickens Op-Ed in Chicago Tribune – 02/05/12** <http://www.chicagotribune.com/news/opinion/ct-perspec-0205-energy-20120205,0,636959.story>

Blog/Online Placements (Full Articles Below)

- **Boone Pickens Outlook for Oil and Natural Gas Prices – GuruFocus.com – 02/03/12**
<http://www.gurufocus.com/news/160142/boone-pickens-outlook-for-oil-and-natural-gas-prices>
- **Bubblenomics and the Shell Game: Is the Pickens Plan a Weapon of Mass Distraction? – NeighborsofEaston.com – 02/04/12**
http://www.neighborsofeaston.com/wordpress/archives/2525?utm_source=rss&utm_medium=rss&utm_campaign=bubblenomics-the-shell-game-is-thepickens-plan-a-weapon-of-mass-distraction
- **Let's put the brakes on the NAT GAS act – HotAir.com – 02/04/12**
<http://hotair.com/archives/2012/02/04/lets-put-the-brakes-on-the-nat-gas-act/>
- **Political and environmental hazards of natural gas – VOXXI News – 02/01/12**
<http://voxxi.com/2012/02/01/the-political-and-environmental-hazards-of-natural-gas-politics-environment/>

Rev up the tapping of our own natural gas

By T. Boone Pickens

February 5, 2012

If you are going to transform American energy to address the national security and economic risks associated with our OPEC oil dependence, there is only one solution: move our natural gas reserves into transportation, with an emphasis on the heavy-duty truck and fleet-vehicle markets.

Free-market advocates argue that's bad public policy. They fail to understand that OPEC is far from a free market. They'll tell you we shouldn't pick winners and losers in the transportation fuel segments. I say it's time to pick America over OPEC. Let's go with anything American. I'm fine with the battery, but remember, it won't move an 18-wheeler.

Imagine the impact natural gas could have in solving our energy problem. Targeting heavy-duty trucks and fleet vehicles — about 8.5 million in all — could cut our OPEC oil dependence in half in 10 years or less.

Fortunately, while we wait for Washington policymakers to lead, the move to replace more expensive, dirtier OPEC oil, diesel or gasoline with cheaper, cleaner domestic natural gas is gaining private-sector support. At an event in Chicago last week, two leaders in the natural gas vehicle industry — Navistar and Clean Energy Fuels — announced a plan to aggressively develop a comprehensive system to build natural-gas truck engines and provide the infrastructure to fuel them.

Over-the-road trucks tend to run the same routes on the same schedule. Drivers stop in the same places to rest, eat and refuel. Putting natural-gas refueling stations along the major travel routes is a relatively minor logistical issue. Building natural-gas engines for those trucks will be a major job creator.

We're a country awash in natural gas. Since 2008, the biggest shift in energy resources has been the enormous reserves of natural gas in the vast shale deposits in Texas, Louisiana, Arkansas and Appalachia. New deposits are being tested in places like Iowa and Ohio, but even now, we have a 125-year supply of domestic natural gas literally under our collective feet.

On the world market, natural gas is selling from \$12 per million cubic feet in Europe to \$16 in the Middle East. The price in the United States? Less than \$3 because of our massive reserves.

Getting that natural gas out of the ground and into our rolling stock is another major job creator. A recent study by PricewaterhouseCoopers LLP suggests that by utilizing America's shale gas resources, "U.S. manufacturers could employ approximately 1 million more workers by 2025."

America is sending nearly \$1 million a minute out of the country to pay for foreign oil. We're paying about \$100 per barrel for foreign oil and, in the case of OPEC oil, often to nations that are hostile to our best interests.

With gasoline at the pump climbing toward \$4 per gallon we might have thought energy would have emerged as a top-tier election year issue. In spite of the lingering threat to our economic recovery and our national security, it has not.

For more than four decades, every presidential candidate has said something to the effect of "Elect me, and we'll be energy independent." That's four decades of failed promises.

Once we have serious fuel competition, we can control our energy destiny, have a better grasp on our energy costs and achieve what we've been promised for decades. To make that happen, we have to get on our own resources and in this case natural gas is an obvious winner.

Boone Pickens Outlook for Oil and Natural Gas Prices

Feb. 03, 2012

GuruFocus.com

Main points from Pickens on Bloomberg TV:

- U.S. oil industry doing a great job of finding oil; we have the cheapest oil in the world (referring to WTI discount).
- On top of that natural gas at \$2.50 in the U.S. compares to \$13 in Europe and \$15 in the Middle East.
- U.S. uses 19 million barrels of oil a day and produces about 8.8 million barrels, still heavily reliant on OPEC.
- Sees oil down a month from now, but he can't foresee \$75 per barrel any time soon.
- Also thinks oil prices will be down 6 and 12 months from now.
- Obama's State of the Union closely resembles the Pickens plan, the question is whether he will actually do anything.
- In 2008 Obama said in ten years we would never import oil from the Middle East again. Not another word since 2008.
- Thinks with some help from Washington, we can convert the nation's truck fleet to natural gas within 7

years.

Bubblenomics and the Shell Game: Is the Pickens Plan a Weapon of Mass Distraction?

Posted on February 4, 2012

by Noel Jones

On Thursday, Feb. 2nd, I had the great opportunity to attend a speaking event featuring [Deborah Rogers](#), former advisory committee member for the Dallas Federal Reserve, and a former stockbroker for Merrill Lynch. The event took place in a small church in Kutztown, PA, and was hosted by [Berks Gas Truth](#), a citizens' group against [fracking for natural gas](#). Hydraulic fracturing or "fracking" is an unconventional method of natural gas extraction that involves horizontal drilling and exploding shale formations underground with millions of gallons of water, sand and toxic viscosity agents. Rogers' presentation "Shale Gas or Shell Game?" focused on the economic risks of fracking, an issue that often gets overlooked by the public and the media, whose interest tends to center (understandably) on the health risks of fracking.

Rogers opened her presentation by saying, "I have never seen a story hyped more than the discovery of shale gas. Working in finance, I learned a long time ago, that when a story is this hyped, you'd best beware."

Rogers lives in Ft. Worth, TX, on a farmstead within city limits that she inherited from family. After leaving the finance industry, she became an artisanal cheese-maker, and became concerned with the effects of nearby fracking on her farm. Ft. Worth sits atop the Barnett Shale, where fracking began in 2005, once the gas industry was exempted from the Safe Drinking Water and Clean Air Acts. One of many disturbing statistics on health risks that did emerge from the presentation was that the cumulative air toxins from fracking in Ft. Worth is equal to the total air toxins of all cars, trucks, and airplanes combined (keeping in mind that Dallas/Ft. Worth is a major airport) and that children's asthma rates have grown to double the national average in the last six years that fracking has been taking place.

But this presentation was not focused on health risks, rather, it focused on deliberate over-projections in the industry, and the economic bubble that unconventional gas drilling is causing on the market, putting an economy that is already in recession, in even greater risk. Rogers is no longer the lone clarion on this risk. The term "bubblenomics" was coined by John Dizard of the Financial Times in an article on Jan. 29,

2012. "When I read that, I did a little dance in the Starbucks, I was so happy," said Rogers.

The Bubble

How is the bubble created? Several ways:

1. Over-projected production forecasts: industry predictions have been made using conventional natural gas drilling reserve data, with no evidence that unconventional drilling (fracked wells) will produce at the same rate. In fact, recent evidence shows that they do not. The Barnett Shale was predicted to produce for 30-40 years, but fizzled out after just six years of production. Some wells in Texas are producing at only 1/10 of projection.
2. Replacing pursuit of conventional drilling with fracking. Speculation in the industry has assumed that fracking production will be in addition to the continued pursuit of conventional gas drilling, when in fact, conventional drilling has almost disappeared in the shale gas rush.
3. Projections have not included subtracting the costs of getting the gas out of the ground. Fracking is far more expensive than conventional gas drilling, and drillers owe tremendous debt to the banks that they borrowed capital from to invest. This, Rogers says, is referred to in the industry as "the drilling treadmill," which now has drillers who are not reaping the amount of gas that they expected from each well, madly scrambling to drill wherever they can, just to cover their debt. In fact, says Rogers, many drillers are literally on the verge of "debt breach." What is often not taken into account, is how many "dogs"—wells that don't produce, or underproduced—there are for each productive well. For instance, in the Barnett Shale, reports of revenue from 2008 – 2010 were \$50 mil, down to \$19 mil, and back up to \$38 mil per year, which merely looks like a healthy recovering from the crash in 2008. What the industry didn't tell anyone is that there were four times more wells drilled in 2010 than in 2008 to get those results, and each one of those wells cost drillers a lot of money—a lot of unpaid debt.
4. Hype—by drillers, by our media, and by our government. Rogers admits to voting for President Obama in 2008, but describes the President's claim in his recent State of the Union Address that the U.S. has enough gas in its shale to power the nation for the next 100 years, as an erroneous disappointment. "If he had just been updated by his own administration, he would have known that they had published contradictory numbers within 48 hours of his speech. The EIA (Energy Information Administration) [had just downgraded natural gas production projections](#) nationwide by almost 50%." With regard to Pennsylvania, the USGS (U.S. Geological Survey) had just slashed Marcellus Shale projections to just six years at an 80% reduction from original

projections.

5. The SEC changed its rules in 2009, to allow drillers to claim reserves previously not allowed, and they decided that no independent audits were needed to manage overly optimistic projections. Once the SEC rule change passed, the energy companies reported “costs” plummeted by 85%. “The majors (Exxon, Shell, etc.) did not get hot on shale gas until the SEC rule change.”

The Pickens Plan

In 2008, Texas oil baron, T. Boone Pickens began touting what he called “[The Pickens Plan](#)” for energy independence. The concept involved his developing giant wind power farms in Texas, with the federal government footing the bill for building the transmission infrastructure to bring power into American homes. He estimated that over 20% of the nation’s electricity could be provided by wind power, freeing up natural gas reserves to be used to power semi-trucks, thus reducing our dependence on foreign oil and reducing overall emissions. Pickens also enlisted the help of his spokesperson Jay Rosser and political ad firm [Joe Slade White](#) & Co. and spent \$58 million dollars on a media blitz to promote his plan, including appearances on news programs and talk shows, such as [The News Hour with Jim Lehrer](#), [Good Morning America](#), [The Tonight Show with Jay Leno](#), [Larry King Live](#), [Fox News](#) and [The Daily Show with Jon Stewart](#), which carried him favor among liberals—a rare coup of public opinion for an oil and gas magnate.

On the political front, Pickens planned to organize supporters by Congressional districts. He met with the main party candidates for the 2008 United States Presidential election to discuss the plan. He met with John McCain on August 15, 2008, and with Barack Obama on August 17, 2008. Soon after, Obama began touting the benefits of natural gas drilling as a “bridge fuel,” that would bring hundreds of thousands of jobs, and energy-independence to America.

In October 2008, Pickens announced that the one millionth person had signed up to support his plan, and that 37 U.S. Congressmen, two U.S. Senators, and nine governors had pledged to support the plan. Within a year of that pledge, another 600,000 people had signed up to support the Pickens Plan.

But in 2009, [he announced that he would no longer be pursuing wind power](#), and was looking to sell his wind turbines.

Even so, support among liberals remained strong. The environmental group Sierra Club endorsed the plan and hailed Pickens as a hero. Just today on [Democracy Now!](#) the Sierra Club admitted to accepting \$26 million dollars from the natural gas industry while the Sierra Club was promoting natural gas as an

alternative to coal. They stopped accepting the money in 2010.

Opponents to the Pickens Plan argue that Pickens would benefit personally if the plan were implemented. Pickens owns the water rights to a huge aquifer in the Texas Panhandle—in fact, he owns more water than anyone else in the U.S. Increasing drought raises the demand for water in the cities in the Great Plains. Implementing the Pickens Plan would give Pickens rights to build electric transmission lines, funded by the federal government, and the ability to obtain a wider right of way it via eminent domain, through which Pickens could build water pipelines. This already occurred with wind farms that Pickens was building to bring electricity to Dallas, Texas. He proposed a water pipeline would have followed the same 250-mile corridor as the electric transmission lines from the wind farms. Texas landowners and legislators denounced the plan and in September 2008, the water pipeline was suspended. T. Boone Pickens continues to acquire water rights in the Great Plains and plans to build more small wind farms. Pickens hedge fund, BP Capital, is heavily invested in natural gas, and water. The troubling corollary between the two investments is that fracking for natural gas requires millions of gallons of fresh water for each fracking of each well, depleting rivers and aggravating existing drought conditions. And bad drought conditions means that water can be sold at a higher price.

Pickens is also the majority stockholder of Clean Energy, the largest supplier of natural gas for vehicles in America.

Flipping the LNG Ports

LNG stands for Liquefied Natural Gas. It is natural gas that is temporarily liquefied so that it can be easily stored and transported. It takes up 1/600 of the volume of natural gas in gaseous form. In the 70s, the U.S. built [10 LNG import terminals](#) on America's coasts, built so that they are situated to take in gas from over seas, so that it could then be transported into our country. Only one, in Kenai, AK was designed to export LNG to Asia. What America did not produce domestically, it was importing. Recently, according to Rogers, the gas industry obtained approval from the government to “flip the ports”—to build new ports designed to export LNG to other countries. Furthermore, the industry has been granted permission to sell 20% of all natural gas produced in the U.S. to foreign markets, primarily in Asia and Europe. The U.S. Federal Energy Regulatory Commission as of Jan. 10, 2012 has [approved the construction of 10 new LNG import terminals](#), and is [considering 12 more](#)—seven of them for export. Out of 22 new LNG ports, 32% are for exporting natural gas to foreign countries.

Because America has outsourced most of its manufacturing overseas, China is now contending with a burgeoning middle-class that is buying more and more cars, and consuming ever higher amounts of

electricity—so much so that [China's consumption of fuel is expected to double by 2020](#). According to [The Montréal Gazette](#) yesterday, “Shell and other North American LNG proponents want to cash in on oil-linked prices Asian buyers will pay for liquefied natural gas, \$12 or more per thousand cubic feet versus the less than \$3 per mcf North American buyers are currently paying.” In other words, there is a desperate and growing market in China that is willing to pay quadruple what Americans pay for natural gas, making it much more attractive to sell natural gas to the Chinese, than to Americans.

Stockpiling Reserves

According to Rogers, last year the U.S. consumed less than one quarter of the natural gas it produced, meaning that the federal government has approved an amount of natural gas for export, equal to what the U.S. is consuming. The other 50% is being stockpiled, ostensibly, as reserves “to supply America with natural gas for the next 100 years” as proclaimed by President Obama in his State of the Union address—except that it has already been determined that shale deposits in the U.S. do not hold that much gas.

The Crystal Ball

A member of the audience asked Rogers what her predictions were for the future of the industry. She responded that she believed that the major gas companies like Exxon and Shell would deliberately keep prices artificially low in the U.S., long enough to put the smaller drillers out of business, and then quickly gobble them up in mergers, whereupon they would eliminate most of the competition, dominate the market, and raise natural gas prices. In her opinion, the Pickens Plan is strategy to get American consumers addicted to natural gas in the same way that oil companies succeeded in getting us addicted to oil, and then they will raise prices tremendously.

I thought about this for a few minutes, but something didn't make sense. The cost of converting America's infrastructure to natural gas—even if subsidized by the government—would be quite expensive, and take at least a decade to complete, but probably longer. The flipping of LNG ports has already been approved. The sale of natural gas overseas, where gas companies can get four times the money, has already been approved. Why would Pickens want to invest all that money over here, where he must sell it at a lower price, rather than make it over there?

I raised my hand and asked the question: “Is it possible that the Pickens Plan is just a ruse, to garner liberal support and soften regulations obstructing the massive expansion of wells that has been proposed nationwide? What if it's all just to distract us and get us debating over 'bridge fuel' and 'alternative energy,' when what he and other in the gas industry really intend to do is push for approval

to sell ever higher percentages of our natural gas to China?”

Rogers looked surprised for a moment, and then replied, “well, sure, it could be—but I think what he really wants to do is get Americans addicted to natural gas so that they can pay higher prices later.”

Then another member of the audience said, “but you said we don’t have that much gas—it would take over 10 years to convert the infrastructure natural gas, so I don’t see how they are planning on selling it to us, when they can make four times as much money selling it overseas.”

Rogers responded that she thought that the infrastructure could be converted in less than 10 years, and T. Boone Pickens himself claimed that it could be done in ten years, “with the right leadership.” However, according to Chuck McGowin, senior project manager at the [Electric Power Research Institute](#), the timetable was unrealistic. Dave Hamilton the Senior Washington, D.C. Director for the Sierra Club’s Global Warming and Energy Program agreed, “That is extremely aggressive.”

I thought again about Pickens’ media blitz roster: all programs that appeal to independents and liberals, with the exception of Fox News. 37 U.S. Congressmen, two U.S. Senators, nine governors; President Obama. After all, what’s \$58 million and a few mothballed windmills to a man whose [net worth is \\$3 billion](#)? It seems a small price to pay to gain the support of those who might normally oppose loosening regulations that currently obstruct the proposed drilling of tens of thousands of new wells in Pennsylvania alone, never mind Texas, and 32 other states. What if he never intended to implement the Pickens Plan at all?

Debra Rogers is also the creator of the [Energy Policy Forum](#). The lead article today is entitled “Land Use: Solar Provides Electricity Longer Than Shale Gas.” Below is an interesting excerpt about solar power as an alternative to natural gas:

“Shale gas, due to the fracture stimulation, uses vast tracts of land so land consumption becomes a very real issue. To date, I have never seen any comparisons between land use for shale gas and land use for alternatives. Until now...

The European Union (EU) has released a report on hydrofracking and just such a comparison is included. It is an interesting contrast noted on page 20 of the report. They consider a typical pad site in PA, which is about 3 acres in size to using the same amount of land for a solar power plant (i.e. 3 acres). According to their calculations, solar would generate electricity for at least twice as long as a shale gas well.”

Which makes sense. After all, shale wells eventually run dry, as they have all over Texas; the sun shines forever. If T. Boone Pickens had any real intention of using natural gas as a “bridge fuel,” he would be developing that which would be at the other end of the bridge, not mothballing windmills and ignoring solar altogether while his fracking activity drives up the price of water for drought-afflicted Texans.

I say Pickens never intended to implement the plan—it was simply a \$58 million investment to obtain delayed and lenient regulation for the gas companies so that they can keep drilling. The Pickens Plan is a ploy, a ruse, a weapon of mass distraction, so he and the gas companies can get richer destroying what’s left of our land and water while they sell gas to the Chinese and leave us in the cold and dark.

Let’s put the brakes on the NAT GAS act

February 4, 2012

by Jazz Shaw

Insanity: doing the same thing over and over but expecting different results.

Apparently we didn’t learn much, if anything, from the ethanol boondoggle, Solyndra or Washington’s other adventures in meddling in the markets. If we had, perhaps Congress would not currently be considering passage of [H.R. 1380](#), the New Alternative Transportation to Give Americans Solutions Act. (Or NAT GAS) In it, the tax code would be amended to provide a series of credits and breaks to benefit the production and expanded adaption of natural gas, both liquefied and compressed.

Not everyone is buying into the enthusiastic hype, however. A [group of conservative leaders](#) have come together to remind us precisely what’s happened in the past when the government attempts this sort of market manipulation.

Today AFP joined a group of 16 conservative coalition partners in renewing their strong opposition to the NAT GAS Act and urging Members of Congress to reject the legislation in 2012.

H.R. 1380, introduced by Representative John Sullivan (R-OK), and S. 1863, introduced by Senator Robert Menendez (D-NJ), would create new and expand existing special tax treatments for the production, conversion, and sale of natural gas-powered vehicles — all at a time when Congress

should be simplifying the tax code instead of adding more special handouts for favored interests.

You can read their full letter at the link.

Now, some of you may already be wondering about why I'm not supporting this. "But Jazz, I thought you liked natural gas!"

I do. Quite a bit, actually. Not only do we have a lot of it, but it burns pretty cleanly and we can produce vast quantities with far less disruption to the surrounding lands with new technologies. As increased supply has driven prices down, other industries are turning to natural gas for their energy needs, spurring further economic development. Also, additional transportation segments are looking at converting, [such as with trains](#).

So why would I not be embracing H.R. 1380? Because if natural gas is to continue to succeed as a viable, mass market energy source – which I fully believe it shall – it needs to be able to do it on its own and prove that it's viable. If the demand is there, the market will respond. If it isn't, then it wasn't meant to be. Washington has repeatedly proven that it has zero clue when it comes to picking winners and losers in the free market. Let's not allow them to stick their noses even further into the energy industry.

Political and environmental hazards of natural gas

By Kim Piston

VOXXI News

Wednesday, February 1, 2012

The call for a cleaner and cheaper alternative to oil may have been answered when President Barack Obama announced his support for natural gas production in the U.S. – a way to wean the country off its dependency of foreign oil.

In April of 2011 Rep. John Sullivan (R-OK) introduced a bill titled "The New Alternative Transportation to Give Americans Solutions Act" or NAT GAS Act. Sullivan, the primary sponsor of the bill in the House, got support from the Senate. Senators [Robert Menendez, \(D-NJ\)](#), Richard Burr (R-NC) and Harry Reid, (D-NV) co-authored the bill.

The bill would give tax breaks to subsidize primarily the manufacture and purchase of natural gas vehicles. The stated purpose of the bill is to develop an energy source that is clean, cheap and abundant while reducing the nation's dependence on foreign oil.

[Obama, in his State of the Union](#) speech earlier this month, pledged total support for the bill.

“The development of natural gas will create jobs and power trucks and factories that are cleaner and cheaper, proving that we don't have to choose between our environment and our economy,” Obama said.

Obama contended that 100 years of subsidizing oil companies is long enough and he specifically called on government to develop a plan for [shale gas production](#).

North America is a global leader in the development and production shale gas. Shale gas is a natural gas produced from a sedimentary rock composed of mud and various minerals. The huge economic success of the [Barnett Shale Play](#), a geological formation in Texas that is estimated to create over 108 thousand by 2015 has prompted a boom and more searches for natural gas drilling opportunities in similar formations like the Bakken Shale Play in the Williston Basin of North Dakota. The Williston area has less than a 2 percent unemployment rate and boasts 2 to 3 thousand current job openings. It has been referred to as an area that “skipped” the recession.

The Obama administration has supported shale gas production as part of its commitment to clean energy, but experts urge caution. Shale gas may be cleaner than other fossil fuels, but is not without controversy.

Obama's original backing for this North American-made energy source was based on the belief that it released fewer greenhouse gas emissions. The [Environmental Protection Agency's](#) (EPA) reports and studies by other organizations have suggested that extraction and use of shale gas may aggravate global warming due to the greenhouse gases that result from higher levels of methane emissions, a characteristic of shale gas.

Other studies point to flaws and overstatements in the EPA reports and assert that while shale gas may have higher methane emissions than conventional natural gas, it is far less than that of coal and oil.

But Obama's proposal calls on government to create a “roadmap” for safe and “responsible” production of an energy source he claims would create more than 600,000 jobs by the end of the decade. The roadmap would require, among other things, full disclosure of chemicals used by extraction companies.

“America will develop this resource without putting the health and safety of our citizens at risk,” Obama said.

While the conversation about the safety, sustainability and viability of American-made energy is of enormous relevance, the growing debate surrounding the politics and economics of this bill will inevitably take center stage. The characteristic rumble about government interference in the free market, pork barrel spending and crony capitalism is already taking shape and will soon have a life of its own.

This country has a long and often murky history of government investment in the energy sector and the oil and gas industry is simply the most profitable on the planet. It begs the question; is the NAT GAS Act just a relocation program for Big Oil subsidies or can this government really “support” a free market enterprise without ruining it?

This article is part of a three part series on the environmental pros and risks of natural gas, and the politics surrounding governmental support of clean energy. The series will discuss who the political players are, who stands to gain or lose and the government’s involvement in the enterprise.

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