



## T. Boone Pickens Media Coverage 5.7.11 – 5.9.11

Total of 3 Placements • Print: 3

### Coverage Summary

The Pickens Plan is mentioned as being supported by President Obama in a piece from Barron's on how natural gas prices are expected to rise in future years.

Additionally, Pickens' prediction that oil prices will soon rise, which he made May 3rd on Bloomberg Television, were included in a Bloomberg Businessweek piece on Goldman's bet that commodity prices will recover.

**Highlighted Placements (Full Articles Below)** • Second Wind For Natural Gas – Barron's – 5/7/11 [http://online.barrons.com/article/SB50001424052970203600104576299280923686672.html?moc=BOL\\_twm\\_mw](http://online.barrons.com/article/SB50001424052970203600104576299280923686672.html?moc=BOL_twm_mw) • Goldman Sees Commodities Recovery as Week-Long Rout Wipes Out \$99 Billion – Bloomberg Businessweek – 5/9/11 <http://www.bloomberg.com/news/2011-05-09/goldman-sees-commodities-recovery-as-week-long-rout-wipes-out-99-billion.html> • After Osama, Energy Sanity? – Wall Street Journal – 5/7/11 <http://professional.wsj.com/article/SB10001424052748703992704576304940901405296.html?mg=reno-secaucus-wsj>

### HIGHLIGHTED COVERAGE

#### Second Wind For Natural Gas – Barron's – 5/7/11

By Matthew Day

Japan's nuclear crisis, a new set of federal regulations and an octogenarian oilman all represent signs o

life on the horizon for the beleaguered U.S. natural-gas market.

Natural gas, the worst-performing widely traded commodity in 2010, has traded below the \$5 mark for the longest stretch since 2002 amid record domestic production. Front-month June gas futures on the New York Mercantile Exchange are down 3.4% this year.

But the market's prices reflect anticipation of much different conditions a few years from now. Gas for June delivery in 2015 is up 6.7%; the same contract for 2016 delivery is up 9.2%.

Most gains came after the deadly earthquake and tsunami in Japan that severely damaged a nuclear-power plant, triggering a release of radiation and casting doubt about the future of nuclear power. Japanese authorities' arduous struggle to control the stricken Fukushima Daiichi nuclear-power plant sparked a review of the safety of U.S. plants. Energy analysts say the increased scrutiny could lead to early retirements of U.S. nuclear reactors and could stiffen opposition to new facilities, plans for which had been gaining steam.

"The reality is that if you scrub through U.S. plants, you're probably going to find some that aren't that great," said Brian Habacivch, a senior vice president of research with Fellon-McCord, an energy-management firm. "The public is going to want them shut down." With renewable energy sources such as wind and solar power expected to remain costly, natural gas and coal are the most likely replacement fuels, he said.

Meanwhile, the Obama administration in March proposed rules that would require coal or fuel-oil power plants to sharply reduce their emissions of hazardous chemicals. That proposal and other environmental regulations are expected to force power companies to decide whether it is more effective to pay billions to retrofit aging coal plants or to retire them early. Again, gas is likely to fill some of the void. The Tennessee Valley Authority last month announced plans to shutter 18 older coal-fired generators, while other power companies are waiting for firmer signals from regulators and Congress before making similar decisions.

With the dramatic increase in U.S. natural-gas reserves in recent years, the fuel is widely expected to be the cheapest option for the power sector for years to come. President Barack Obama this spring also threw his support behind proposed tax credits to convert cars and trucks to run on natural gas, echoing a plan long championed by billionaire energy investor T. Boone Pickens.

Taken together, slowed investment in nuclear plants and early retirements of coal stations, along with increased natural-gas use by the transportation sector, would lift natural gas demand by 30% over the

next 20 years, analysts with Goldman Sachs said last month in a research note. But the biggest increases are still years away; in the meantime, supplies should remain high enough to prevent prices from rising significantly.

"We've had this tremendous [gas] supply advantage" in the U.S., Habacivch said. "And now we're starting to look and see some new demand whales on the horizon."

## **Goldman Sees Commodities Recovery as Week-Long Rout Wipes Out \$99 Billion – Bloomberg Businessweek – 5/9/11**

By Maria Kolesnikova and Yi Tian

The commodities rout that knocked off \$99 billion of market value last week is driving out speculators and leading Goldman Sachs Group Inc., which forecast the plunge, to predict a possible recovery.

The combination of slower growth in U.S. service industries and fewer German manufacturing orders helped drive the Standard & Poor's GSCI Index of 24 commodities down 11 percent in five days, the most since December 2008, and erased all the gains since mid-March. Wheat, zinc and gold rebounded at the end of the week as U.S. payrolls exceeded economists' forecasts, reducing concern that demand will weaken.

"Given the magnitude of the pullback, it does create an opportunity for more upside potential, particularly in the second half of this year, when fundamentals are expected to tighten," Jeffrey Currie, the London-based head of commodity research at Goldman, said in a May 6 interview. A month ago, Currie told investors they should be "underweight" in commodities. "In the very near-term, we'd be a little cautious," he says now.

The value of all 24 commodities tracked by the S&P GSCI index was about \$805 billion on May 6, compared with \$891 billion on April 29, according to data compiled by Bloomberg on the number of outstanding contracts and prices of futures closest to delivery. Combined holdings of exchange-traded products backed by precious metals fell to \$119 billion from \$132 billion, the data show. Investment Funds

Speculators retreated after investment funds had made near-record bets on price gains last month and the S&P GSCI reached the highest since August 2008. Commodities beat stocks, bonds and the dollar for five consecutive months through the end of April, the longest in at least 14 years, on forecasts for

demand exceeding output in everything from oil to copper to corn.

The most influential analysts and fund managers are divided on where prices are headed. The last time the S&P GSCI fell this much, the index rebounded 12 percent the following week, and by the end of last month, it had more than doubled.

Bulls say the expanding global economy, led by growth in China, India and Brazil, is boosting demand at a time when producers from BHP Billiton Ltd., the largest mining company, to BP Plc, Europe's second-biggest oil producer, can't keep up.

Selling would be "premature," and the rally will resume, said Hussein Allidina, the head of commodity research at Morgan Stanley in New York, reiterating comments made before the rout. "The decline we are seeing is not being driven by any meaningful change in fundamentals," he said. 'Not Turning Point'

"This is not a turning point," said Kevin Norrish, a London-based managing director at Barclays Capital, whose commodities research team is ranked by Bloomberg in the top three for copper and gold. "We'd expect to see a pretty good recovery from these levels before too long."

The S&P GSCI climbed 3.6 percent today, as silver futures jumped 5.2 percent and crude oil in New York added 5.5 percent.

Brent crude should rebound about 3 percent to \$115 a barrel in coming weeks because violence in northern Africa and the Middle East continues, Christin Tuxen, an analyst at Danske Bank A/S in Copenhagen and the most-accurate oil forecaster tracked by Bloomberg over eight quarters, said on May 6. The fighting already curbed supply from Libya and increased concern that it may spread to regional producers including Saudi Arabia.

JPMorgan Chase & Co. raised its oil-price forecasts for this year and next on May 6 because it expects production to fall short of demand. Brent crude will average \$120 in 2011 and 2012, from previous estimates of \$110 and \$114, the bank said. Oil prices should match or top their recent highs by next year, Goldman said in a note to clients on the same day. Global Recession

The bears say that even if the economy grows, speculation is so excessive that prices no longer reflect supply and demand. The S&P GSCI Index is 39 percent higher than a year ago and more than twice where it was in February 2009, when economies were recovering from the global recession.

Commodities are at the start of a bear market that may last as long as five to 10 years, said Michael

Aronstein, the president of Marketfield Asset Management in New York who correctly predicted the 2008 slump that drove the benchmark index down 66 percent in seven months.

The scale of investment means “supply and demand is almost meaningless,” Aronstein said in an interview May 6. “It’s almost like the last days of the tech bubble.”

Oil, which lost 15 percent last week in New York and 13 percent in London, became “detached from fundamentals,” said Oswald Clint, London-based head oil analyst at Sanford C. Bernstein, the joint-most-accurate oil forecaster tracked by Bloomberg in 2010. Brent could drop below \$100 a barrel, he said. That’s about 14 percent lower than now. Commodity Funds

About \$9.61 billion went into commodity funds in the first quarter, more than triple the \$2.77 billion a year earlier, EPFR Global, a Cambridge, Massachusetts-based research firm, said in a report in April. Energy funds attracted \$10.9 billion, compared with a year-earlier outflow of \$367 million.

A rebound in the dollar also dimmed the appeal for commodities that are priced in the U.S. currency. The Dollar Index, a measure against six counterparts, rose 2.6 percent last week, the most since August. The index has a negative correlation of 0.89 to the S&P GSCI Index. A figure of 1 would mean they move in lockstep. The currency gauge may drop to the lowest since July 2008 by the end of the year, estimates compiled by Bloomberg show. Five-Day Slump

“This is probably the beginning of a bear phase, even if it’s temporary, where the dollar and bonds will be more popular than commodities,” said Chris Rupkey, chief financial economist at Bank of Tokyo-Mitsubishi UFJ Ltd. in New York. “It’s fitting hand in glove with the U.S. slowdown story.”

The S&P GSCI’s five-day slump, the longest since August, began on May 2 and accelerated on May 5 by plunging 6.5 percent, the most since January 2009.

Silver led the rout after CME Group Inc., the owner of the Comex exchange, increased the cost of making new speculative positions by 84 percent in two weeks. Prices that advanced as much as 61 percent to \$49.845 an ounce this year tumbled 27 percent last week to \$35.287 on May 6. The metal may drop as low as \$30 toward the end of the year before rebounding as gold rallies, said Dan Smith, the London-based analyst at Standard Chartered Plc, which predicted a decline in prices last month. Gold, Soros

Gold also fell, declining 4.2 percent to \$1,491.60 an ounce last week, after the Wall Street Journal reported May 4 that Soros Fund Management LLC, the hedge fund chaired by billionaire investor

George Soros, sold some of its precious-metal holdings.

Bullion will advance to a record \$1,650 by year-end, partly fueled by central banks buying to diversify their reserves, said Andrew Kaleel, chief executive officer of Sydney-based H3 Global Advisors Pty Ltd., which has a commodity hedge fund managing about A\$600 million (\$642 million).

Mexico, Russia and Thailand bought about a combined \$6 billion of bullion in February and March, International Monetary Fund data show. Since the end of 2009, countries including India, Sri Lanka, Mauritius and Bangladesh have bought metal. Central banks are expanding their gold reserves for the first time in a generation as bullion rises for an 11th consecutive year, the longest winning streak since at least 1920.

The killing of al-Qaeda leader Osama bin Laden may have been the catalyst for this week's slide in oil, the biggest exchange-traded commodity by value. Crude had surged as much as 25 percent this year as violence swept through northern Africa and the Middle East, disrupting 1.3 million barrels a day from Libya and raising concerns of shortages from the Persian Gulf. Since bin Laden's death was announced traders shifted their focus to prospects of weaker demand.

## Service Industries

Service industries in the U.S. expanded in April at the slowest pace in eight months, the Institute for Supply Management said May 4. Applications for jobless benefits jumped the most since August in the week ended April 30, the Labor Department said May 5. That was tempered by a report from the department a day later showing payrolls increased last month by the most since May 2010.

Factory orders in Germany, Europe's largest economy, unexpectedly dropped 4 percent in March, the Economy Ministry said May 5. The country's industrial production rose for a third time the same month, the ministry said the next day.

Central bankers also helped drive commodities lower last week by indicating their intention to cool growth to combat inflation. Rates rose in more than two-dozen countries this year, according to data compiled by Bloomberg. 'Extremely Alert'

European Central Bank President Jean-Claude Trichet said May 6 that policy makers are "extremely alert" on inflation after they raised interest rates on April 7, joining China, India, Poland and Sweden in seeking to control consumer prices with tighter monetary policy. Trichet said he may take further

decisions on rates after new economic projections in June.

While every commodity tracked by the S&P GSCI fell last week, some rebounded May 6. Wheat futures rose 2 percent on the Kansas City Board of Trade as drought and flooding threatened crops in North America, Europe and Asia. Cocoa, cattle, zinc, gold, copper, nickel and soybeans also gained.

Lower prices also may spur more demand. Barclays, which told investors in a report May 6 to use the slump to buy, is forecasting shortfalls in production this year for copper, nickel, tin, lead, platinum and palladium. Rabobank expects demand to exceed output in corn and cotton, according to a report last month. 'Strong' Demand

"Ultimately, supply remains weak, and demand remains strong, and that's why they will eventually go higher," said John Stephenson, who helps manage \$2.6 billion at First Asset Investment Management Inc. in Toronto. "Commodities, in the worst case, will start firming by late August, but in the meantime, I would see this as a buying opportunity."

Oil demand will exceed supply this year, the U.S. Energy Department said in a report April 12. Billionaire hedge-fund manager T. Boone Pickens said May 3 that prices will rise.

"If you look at the fourth-quarter projection for oil, that's 90 million barrels a day globally, and I don't think the world can produce more than 88 million," Pickens said in an interview from Los Angeles with Willow Bay and Lisa Murphy on Bloomberg Television's "Fast Forward."

For now, funds are probably still trimming bets on higher commodity prices. Net-long positions held by managed-money funds fell 2.4 percent to 1.45 million futures and options in the week ended May 3, Commodity Futures Trading Commission data show. They reached a record 1.56 million contracts in October.

Open interest in 17 of 19 commodities tracked by the Thomson Reuters/Jefferies CRB Index dropped 0.6 percent to 8.15 million contracts, data from the CFTC show. That compares with an all-time high of 8.6 million on Feb. 18.

"I don't think the commodities boom is over," said Robbert Van Batenburg, an analyst at Louis Capital Markets in New York, who correctly predicted a 2007 rebound in oil. "We may see a pause in the rally, and that's OK. Past the summer doldrums, I think the rally picks up where we left off."

## **After Osama, Energy Sanity? – Wall Street Journal – 5/7/11**

By Holman W. Jenkins, Jr.

With President Obama, the gift of the left, having gone to considerable lengths and invested his political capital to hunt down and kill Osama bin Laden, maybe the time is ripe to clear away certain myths about hidden agendas behind America's antiterror policies.

The U.S. didn't invade Iraq for its oil, though perhaps some remain hopelessly beyond reason on this point. Their view of the world is deduced from the covers of news magazines they haven't opened and from Hollywood movie plots, in which oil is vaguely implied to be infinitely valuable, and oil companies therefore infinitely potent behind the scenes of American policy.

Oil is not infinitely valuable. Invading Iraq was a far more expensive way to get its two million barrels a day than by buying them. True, Iraq is believed to have huge, unmapped reserves—no less a figure than Donald Trump now complains of our refusal to get our hands on these reserves, a failure President Trump presumably would remedy.

Mr. Trump is right about one thing. If we were after Iraq's oil, we've yielded with remarkably little fuss. U.S. companies have had little interest in the profitless terms the Iraqi government is offering. Many of the contracts have gone instead to the likes of the state oil companies of India, China and Angola. The winners will spend billions to develop new fields in return for a meager \$1.40 for every barrel lifted, and then only after meeting a minimum production hurdle.

Mr. Trump is participating in a great American political tradition since the 1970s, saying silly things about energy. Apropos of nothing except \$4 gas and political ructions in the Middle East, back on the media's agenda is the Boone Pickens plan, the Texas billionaire's recurrent campaign for Congressional tax credits to encourage natural-gas vehicles.

There is no end, of course, to people promoting the use of the tax code to support nice-sounding things. That's why we have the tax code we do.

In his recent energy speech, President Obama said the world is running out of oil and higher gasoline prices are foreordained. If so, higher gas prices will provide a bigger incentive for natural-gas cars than any puny tax subsidy. And if Mr. Obama is wrong, the tax benefit will have done nothing but create stranded investments in natural-gas vehicles that will require endless subsidies to remain viable.

Lo, this is no accident but a product of the bounded logic of our political system, as Peter Z. Grossman of Butler University has aptly laid out in various papers:

Voters want cheap gas. They also want things that are antithetical to cheap gas, like "energy independence" and environmental purism. Rather than choosing between conflicting goals, politicians offer happy talk and boondoggles to reconcile these opposites. That's how we got Mr. Obama's electric-car subsidies, Jimmy Carter's "synfuel" disaster, and Bill Clinton's now-forgotten 80 mpg family-car project.

Nor do you have to look further than the New York Times editorial page to find some who think the answer to events in the Middle East is to throw even more money at magical thinking on energy.

Mr. Pickens is no more regrettable than the various big names in national security who've been willing to associate themselves with the ethanol scam. The proclivity of such former high-ranking officials to transition to energy rent-seeking ought to be alarming to Americans.

Here's another example of energy madness: We've lately received the imperfect blessing of the shale gas boom, which some oppose as environmentally hazardous to the towns and farms and watersheds of upstate Pennsylvania and New York. But why did our enterprising wildcatters go hunting hard-to-reach gas in exurban backyards across the Northeast in the first place?

One answer is to be found in a 2004 Argonne National Lab report, which described huge amounts of conventional gas in U.S. wilderness lands placed off-limits in unthinking fashion. To give one instance, a Forest Service bureaucrat in 2001, with the wave of a pen, foreclosed access to 11 trillion cubic feet of gas by decreeing an end to road building on federal lands.

Writ small here is the dynamic that now has greens—rightly—in despair. The price mechanism works to deliver the energy we want even despite our own worst efforts, and it continues to be fossil energy.

Now we are ready to appreciate an irony: With his Iraq invasion, President Bush was accused of setting off a grenade in a china shop—destabilizing a part of the world we depend on for precious oil. Mr. Obama, in contrast, looks like a reversion to form: the hapless wasting of taxpayer dollars on symbolic energy escapism like electric cars; meanwhile, in the face of revolution in the Mideast, a barely concealed priority of stability above all, to keep the oil flowing.

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