



T. Boone Pickens Media Coverage 5.15.09

Total of 5 Placements

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

Coverage Summary:

Texas Lawyer has an article on Robert Stillwell, BP Capital's general counsel, highlighting his working relationship with Pickens over the years. The Pickens Plan is mentioned in the piece as a grass-roots movement that has Pickens, and sometimes Stillwell, criss-crossing the country.

Fox Business mentioned Pickens' visit to Las Vegas, including his prediction on the price of oil hitting \$75 by the end of the year.

Highlighted Placements (Full Articles Below)

- * The Man With a Plan: BP Capital GC Robert L. Stillwell Helps Fuel T. Boone Pickens' Empire - Texas Lawyer - 5/18/09

Print Placements (Full Articles Below)

- * Building Design Takes Green Turn - The Oklahoman - 5/15/09
- * Rand Elliott Reveals Idea for Energy-Efficient Skyscraper - The Journal Record - 5/15/09

Blog/Online Placements (Full Articles Below)

- * For Trading Success Be Open to Every Possibility - Trading Markets - 5/15/09

HIGHLIGHTED COVERAGE

The Man With a Plan: BP Capital GC Robert L. Stillwell Helps Fuel T. Boone Pickens' Empire - Texas Lawyer - 5/18/09

By Jenny B. Davis

Robert L. Stillwell still remembers the first time he met T. Boone Pickens. It was 1963, and Stillwell was a junior associate and one of just a handful of lawyers who made up the corporate department at Baker Botts in Houston.

Pickens had been referred to the firm by some friends in the oil business in Midland, Stillwell recalls, and was looking to form his first corporation, Mesa Petroleum. Stillwell was one of the two lawyers assigned to make Pickens' deal happen.

Pickens still heads his own company - an investment management firm called BP Capital - and Stillwell remains instrumental in making Pickens' deals happen. Now 72 years old, Stillwell has served as BP's general counsel since 2001.

Yet at their first meeting so many decades ago, Stillwell says, he had no idea Pickens would one day become a titan of the energy industry or that his own legal career would become so intertwined with the fortunes of the firm's new client.

"He clearly had drive and energy and an engaging style and personality, and it made you want to work with him. That was clear early on," Stillwell says.

Stillwell eventually became a partner in Baker Botts, doing general corporate and mergers and acquisitions work for oil and gas companies and mutual funds. Mesa remained a principal client through his entire career at the firm, he says, and Pickens became a close friend.

In the 1960s, Stillwell says he worked with Pickens on smaller acquisitions; beginning in the early '80s and lasting through the early '90s, there were the major oil and gas company takeovers that catapulted Pickens into the earnings stratosphere and into popular culture as an oilman for the ages.

Mesa and Pickens "were at the forefront of takeover activities, shareholder rights activism," Stillwell says, and Stillwell was on the front lines of these legal deals. One of those early deals was Mesa's acquisition of the Hugoton Production Co. in 1969.

"That's what put Mesa on the map," Stillwell says. Because Garden City, Kan.-based Hugoton was "several times the size of Mesa, it allowed us to grow fast and in a hurry."

Stillwell enjoyed not only the work, but the people he worked with. "[W]e worked with really good lawyers and the best bankers in New York, and that was interesting," he says.

Following his 2001 retirement from Baker Botts at the age of 65, the firm's mandatory retirement age, the still-spry Stillwell turned around and joined Pickens as a full-time general counsel. Since then, Stillwell has been commuting between the Dallas office of BP Capital and his home in Houston, working long hours and dealing with more dissimilar projects at one time than he ever did at the firm.

"I come to work at 7 a.m., and when I was at Baker Botts, I never came to work before 9," he says. "There's just a lot to do, and we need to do it."

Indeed. Immediately upon joining the company, Stillwell formed an equities hedge fund (it's in addition to the existing hedge fund that is part of BP Capital). The purpose of the new fund was to invest in public oil and gas stocks, he says.

While there is no typical day for Stillwell, he stays busy with myriad projects, from assisting with Pickens' charitable foundations – he has helped the

billionaire give away \$800 million to such entities as the University of Texas Southwestern Medical School – to supporting Pickens' high-profile wind and water projects in the Panhandle and the Clean Energy Fuels Corp., which owns and operates natural gas fueling stations.

Then there's the Pickens Plan, a blueprint for reducing the country's dependence on foreign oil through an increased reliance on alternative energy such as wind power and natural gas. The plan, launched by Pickens in July 2008, has turned into a national grass-roots movement that has Pickens – and sometimes Stillwell – criss-crossing the country to share information with everyone from students to business owners to politicians.

Of course, Stillwell is not alone in handling the company's legal work. There's an in-house legal department with two attorneys, and they send work to several outside firms, including Baker Botts, Vinson & Elkins, Haynes and Boone, and Locke Lord Bissell & Liddell, he says.

While the two staff lawyers supervise their "fair share" of the company's legal work, Stillwell says, he remains "generally aware of all of it."

He's also a natural manager, brilliant at leading projects and people, say lawyers who work with him.

"Bobby listens very well, and he thinks a whole bunch better," says V&E partner H. Dixon Montague. "He understands what it means to compromise, and he's a great deal of fun to boot."

Montague has worked with Stillwell for a couple of years, doing condemnation and eminent domain work in conjunction with land acquisitions for BP Capital's wind and water projects.

"Bobby and the guys at BP are on the forefront" of alternative power, Montague says, "and working with them has been fascinating."

Houston lawyer Steve Massad says working for Stillwell over the past 30 years has had a "bigger effect on my development as a lawyer" than his work with any other lawyer.

Massad, a partner in Baker Botts, does corporate work for BP Capital along with other big names in the energy and oil field services world.

Stillwell is "a quick study . . . very down-to-earth and funny – he's always got a clever line for almost anyone," Massad says.

In the midst of large deals, which "could often be a big circus with lots of people doing lots of things and everyone being talented and having their own ideas on how to do everything," Massad says, Stillwell would display "a tremendous ability to sit back and listen and to distill the best ideas and move the group forward."

Massad relays one instance in particular that shows Stillwell is the type of leader who is "not afraid to take responsibility for things."

It was a deal in the 1980s that involved Mesa Energy, lawyers from Baker Botts and some "major" New York City lawyers, he says. Somehow, a newspaper advertisement for a tender offer was published with an incorrect date in it.

"When the partner at the New York firm heard about it, he said, laughingly, 'Call so-and-so' – the associates working on the case – 'and tell them they're fired.' "

When the New York lawyer looked to Stillwell to make the same move, Massad says, Stillwell looked at the New York lawyer and "with no hesitation, said, 'Well, around here, we start at the top.' "

Stillwell not only manages the legal end of BP Capital, he also assists Pickens in the development of BP's business strategies.

Most of those strategies, he says, are initiated by Pickens, to be "fleshed out by the rest of us," which means he's "in pretty close contact with Boone on a daily basis."

It's work that not only keeps Stillwell busy, but makes him happy.

"I thoroughly enjoy the rewards and challenges of what I am doing," he says. "It keeps me involved and active."

Stillwell recently talked with Texas Lawyer senior reporter Jenny B. Davis about his career in energy law and his work with BP Capital and Pickens. What follows are excerpts of that interview, edited for length and style.

Texas Lawyer: Did you always know you wanted to be a lawyer?

Robert L. Stillwell, general counsel, BP Capital, Dallas: No . . . I really had no particular notion of going to law school, but when I decided to go to law school, I wasn't sure I wanted to practice law. I just thought it would be a good general business background. But as I got more into it, I liked it. . . . At my law firm, Baker Botts, I was able to make a choice, and I decided to do corporate and securities work. I figured if I didn't like it, I could just quit. But it turned out to be something I enjoyed and liked, so I stuck with it the whole time. The business people were my kind of people, and I think I had sort of a knack for it. I understood it. I got involved in the thought process of the business scene, the finance scene. I liked mergers and acquisitions. That was all pretty fast-moving and pretty exciting. . . .

TL: Did you ever consider leaving your firm to join any of Pickens' companies? . . .

Stillwell: No, we really never talked about it. I liked doing what I was doing. I liked my firm. It was a good place to be. . . . It worked well the way it was. . . .

TL: You must have seen some exciting things. Any colorful characters, like J.R. Ewing types?

Stillwell: . . . I didn't see any J.R. Ewings, but that image was kind of appealing, but we said, "That's all contrived." There were a number of colorful characters around the oil patch. Boone was more of a Wall Street-type than he was a J.R. Ewing cowboy hat guy, but there were some of those. . . .

TL: In addition to your work with the company's hedge funds, how much involvement have you had with the water deals?

Stillwell: Boone had gotten involved in a groundwater project in the Panhandle that got started before I got here. I joined and picked up on it. That involves acquiring water rights in the Panhandle . . . and trying to develop a market, be it local up there or a pipeline delivering it to the DFW area. I've been working on that continuously for the seven-plus years. We still haven't sold any water, but we've bought and acquired a lot, and it's an ongoing project. . . .

TL: What's going on with wind energy?

Stillwell: The last thing we've added that we're still working on is wind energy. It's a project we started about two years ago that's also centered in the Panhandle, in the same area [as the water]. We've acquired about 200,000 acres of wind leases for the development of wind power through the installation of windmills. That's a business that is ongoing but sort of on hold now, waiting for the economy and financing to come to life. . . .

TL: Do you think it will?

Stillwell: The stimulus package has a lot of infrastructure spending. Boone and his Pickens Plan colleagues have been instrumental in developing the strategy of independence from foreign oil, another part of which is wind energy. . . . We are not delivering yet, but there are some projects around. They're small, but there are big projects more or less throughout the country, not just wind but solar and hydroelectric and biodiesel – renewable resources that will be key to cleaning up the air and reducing our dependence on foreign oil and rebuilding our infrastructure with transmission hikes and a nationwide grid.

TL: Has the wind energy been a new area for you?

Stillwell: Oh yeah, that's been a brand-new thing for me, as has the water. I've enjoyed learning the law, but also the political side, because that's a big component of each of those – it's equal parts law, business and political. . . .

TL: Have you been involved in stumping for the Pickens Plan?

Stillwell: I have. There have been some town hall meetings, but I am not an everyday player with that group. They, including Boone, travel extensively having those types of meetings. They're very well attended and very well received. Boone is really good in that kind of audience and really enjoys it and really connects. . . .

TL: Does the environmental aspect of the plan resonate with you?

Stillwell: I am less driven by the clean air and the environment. . . . I am a hunter and an outdoors guy, but I am not particularly an environmental activist. . . .

TL: Yet here you are, at the forefront of a major environmental initiative.

Stillwell: Isn't that cool? We're not the only ones doing it, but we were one of the ones doing it early on. . . .

TL: Do you think the attention surrounding the Pickens Plan is attributable to Boone personally or to his acumen in the oil and gas business?

Stillwell: I think it's equal parts of both of those. People clearly look at him and think he's willing to put his money where his mouth is. He's been in business 60 years and clearly knows what he's doing.

TL: How did the plan come about?

Stillwell: It was gradual; it developed over a period of about a year.

TL: How involved were you in the development?

Stillwell: We talked about it a little every day, but Boone was thinking about it all the time. I was thinking about it only when he brought it up. He was the driving force – me and the others here, we helped develop the ideas that may have started small but got bigger. I think it probably started in '07 and became clear in '08 and is being implemented now.

TL: Is it wild to see all kinds of people getting behind the plan?

Stillwell: Oh yeah. You'll find all of the environmental and conservation crowd, not all young people, but predominantly young people. They are extremely interested in the clean-air aspect. [There's] the crowd that's interested in national security and decreasing foreign oil dependence. There are a lot of young people who are energized by Boone. It's my grandkids – your kids – these are the people whose future is at stake. . . . I am 72, Boone is 80 or 81. These are not critical [issues] to us, but it is critical to you guys.

TL: So are you conserving energy? What kind of car do you drive?

Stillwell: I have a Mercedes, and my wife has a Range Rover. Boone has a large car and a little car. I am part of the problem. I have joined the solution mentally, but I haven't bought into it yet. But I will. We owe it to everyone to do our part. I am thinking my part.

TL: Do you recycle? Does your wife recycle?

Stillwell: She does recycle.

TL: I've heard of a car – a Mercedes in fact – that can run on used cooking oil. Does yours run on any sort of biofuel?

Stillwell: Just regular gas. It's because of people like me, for instance, that we target for starting out . . . [replacing traditional 18 wheelers and garbage trucks with trucks that use natural gas]. Those are the biggest polluters anyway, and it doesn't involve me getting rid of my car. . . . It's a good way to catch hold rather than having Bobby and Boone replace their cars. That will happen over time. . . . One thing that's happened here in the last year that makes that argument resonate is the price of diesel fuel has gone way up. It used to be cheaper than gasoline, which is one of the reasons the big fleets have used it, but it's never going to get any cheaper. All of these fleet people now see the financial side of our program as well as the clean and green side of what we're selling. And having said that, the trucks [that run on natural gas] are more expensive, and that's why a government subsidy or tax credit is going to be necessary to get the truck owners and fleet owners to convert. . . . If we don't start now, in five years we'll still be in the same place we are now, which is where we were five years ago. . . .

TL: When you're traveling with Boone, do you take Amtrak?

Stillwell: We don't take Amtrak. Boone's fortunate enough to have his own airplane. One of the good things about being rich is having your own plane. Since he owns [his company] and doesn't have any shareholders, no one cares how much he uses it. He keeps it extremely busy, and having the plane is one of the things that makes his schedule possible.

TL: Did you ever dream that your career would be like this? That you'd be involved in so many important deals and end up working so closely with a legendary businessman?

Stillwell: No. Who ever knows that? Those kinds of things always develop around you. . . . They just evolve. And hanging around Boone and people like him helps. . . .

TL: Is there any one project that's most important to you?

Stillwell: All these things are important, there's not one thing. They're all worthwhile, all interesting. . . .

TL: Is there something that you've achieved personally that you're proud of?

Stillwell: I have one thing that's happened to me; I've been nominated by the governor to go on the Board of Regents of the University of Texas. . . . That's going to be a significant outside thing – it requires confirmation from the Senate – and one I am pretty interested in and excited to be undertaking. . . . All three of my kids went to UT, and now the grandkids are in the next generation. One is two years away [from college], and I think they're all wanting to go to UT. . . . [Editor's note: The state Senate confirmed Stillwell to the Board of Regents on April 1 and he took the oath of office on April 3.]

TL: Do you have any advice for young lawyers on how to succeed in energy law?

Stillwell: I think people just have to get involved in something or with someone that they really like and go at it 110 percent. And if it's something that suits you, that will be obvious because you'll want to get up and go to work every day at 7 instead of 9. When you know that you want to get up and do what you're doing, you know you're doing the right thing. . . .

TL: Do you think the energy business still holds the same opportunities for the next generation of lawyers?

Stillwell: Sure, I think so. There's new production and drilling techniques, new shale basins that are revitalizing the natural gas side of the oil and gas business. There's a lot of money being spent on this. It's a viable business and will continue to be one. . . .

PRINT COVERAGE

Building Design Takes Green Turn - The Oklahoman - 5/15/09

By Steve Lackmeyer

Rand Elliott denies he's motivated by greed, but he admitted that following the economic crash in September, he's been very motivated by fear.

Speaking to the Commercial Real Estate Council on Thursday, Elliott recalled how the start of the oil bust in 1983 forced him to trim his staff from 22 to four in one day. That memory, fear of what's to come, and a design contest sponsored by Azure magazine all combined to inspire Elliott to dream up a project that drew gasps from developers and realtors gathered to hear his presentation of Turbinomic, a tower designed to generate its own power through a mix of solar and wind power.

"I didn't win (the contest)," Elliott said. "But something more important, something incredible happened as a result of this exploration. The fear made me discover something that is always around us - the Oklahoma wind. And this idea could only happen in Oklahoma, not New York."

The tower concept developed with Jamey Jacob, an engineer at Oklahoma State University who specializes in turbine and wind design, would generate all of its own power and even run a surplus on days when wind speeds exceed 28 mph. On days with average Oklahoma wind speeds of 13 mph, the turbines would generate 10 percent of the tower's energy.

"We've had in the past few weeks wind speeds in excess of 50 mph for extended periods of time," Elliott said. "This is a building that could generate cash on its own."

The design calls for carbon fiber turbines between each floor that would operate independently at different speeds at each level. The skin would consist of transparent solar film and polished stainless steel to deflect the heat.

"Based on our current research, this has never been done before,"

Elliott said. "What makes this unique is that we integrate the turbines into the facade. What people are typically doing is they are putting these turbines on the top. We are changing that."

Would it work?

Elliott insists the building design, for which he has a patent pending, can work, though construction and operation costs have yet to be broken down. He said the design already has been reviewed by T. Boone Pickens, who has won national recognition for his efforts to promote alternative energy sources, and Ray Harris, president of Mesa Power.

Both men, Elliott said, were impressed with what they saw.

Those attending the presentation were unsure whether it could ever become a reality.

"It's amazing," broker Tim Strange said. "Wow, very cool."

Strange, whose company Sperry Van Ness is one of downtown's busiest leasing firms, believes the design will capture somebody's imagination.

"I'm just not sure about its feasibility," Strange said.

Dick Tanenbaum, a developer who has built residential, office and warehouse properties throughout the city, said the project's feasibility will rest on whether energy savings can outweigh increased construction costs.

"I have no idea, nor does he. It's exciting, but nothing happens without financing. I'm not sure this doesn't happen more in a place like Dubai or New York. It's absolutely a magnificent design," Tanenbaum said.

Elliott said the next step in development will be creation of a model for wind tunnel testing. He believes the concept will become a reality.

"Change causes change," Elliott said. "These changes in the economy and the changes going on environmentally caused us to seek new ideas and find new ways to solve problems. And the very best ideas are those reacting to the conditions all around us. They are within arms' length. Are we paying attention?"

Rand Elliott Reveals Idea for Energy-Efficient Skyscraper - The Journal Record - 5/15/09

By Kelley Chambers

OKLAHOMA CITY - Rand Elliott has plans for a new downtown Oklahoma City skyscraper that looks like a top. And it spins.

But right now it's just an idea. Elliott is calling the building plan Turbinomic. His renderings show an office tower with spinning turbines and a stainless steel skin that would derive much of its power courtesy of the Oklahoma wind.

The idea came about from an international skyscraper design competition Elliott entered in January. Elliott did not win, but he said something better happened.

The design contest motivated Elliott to start looking more seriously at an office tower that could generate some or all of its own power. He said most office buildings are energy hogs and in planning future buildings those projects must be more energy-efficient. His tower would be energy-efficient from top to bottom.

Working with him on the design elements is an engineering team at Oklahoma State University. Research from OSU showed the average wind speed in Oklahoma is 12.2 miles an hour. With 13 mph winds hitting the tower, Elliott said it could generate 10 percent of its own power. Wind speeds of 28 miles per hour would generate all of the building's power.

“It will be energy-neutral,” Elliott said.

The tower plan was unveiled at the monthly Oklahoma City Commercial Real Estate Council luncheon. It was hypothetically set on vacant land along W. Sheridan Avenue, which is controlled by Urban Renewal. Elliott said the building would likely span an entire city block and that he used that site only because it is currently vacant.

“I was blown away,” said CREC President Tim Strange. “The fact that it could be energy-neutral is just amazing.”

Strange said based on Elliott’s track record he wouldn’t be surprised to one day see the proposed tower as part of the downtown landscape. Elliott stressed it was just an idea and he does not have a timeline or budget for the project if it comes to fruition.

Elliott said every architect dreams of designing a skyscraper, but few ever actually get the chance. He has also presented the building plan to oilman T. Boone Pickens, who is working on wind energy initiatives. Elliott said he received positive feedback from Pickens.

If the tower is one day built, Elliott said, he wants it to be in Oklahoma City.

“I couldn’t imagine doing this anyplace else than in my hometown,” he said. “This idea can only happen in Oklahoma.”

BLOG/ONLINE COVERAGE

For Trading Success Be Open to Every Possibility - Trading Markets -

5/15/09

By Kurt Eckhardt

Most of us are discretionary traders. That goes for you system's guys too. After all, do you take every signal in every market? Probably not. Instead you impose discretion upon what products or time frames you're most comfortable trading. To use discretion means to filter. This filtering out process--regardless if enforced by mathematical rules or discovered through empirical observations--involves the favoring--even subconsciously -- of one set of circumstances over another. If I'm positioned long, then either my system or my beliefs encouraged me to outweigh contrary, bearish information.

In futures and options for every long there's a short. So if my trend following system issues a buy your trend fading system may say overbought. If I'm thinking inflation, you might be considering deflation. If I'm speculating prices will improve because of a shortage, simultaneously a commercial or institutional hedger could be selling off excess inventory. Computer or person -- each enters the market with an ax to grind.

Proper discretion is the offshoot of correct decision making. Still, calling the highest percentage play can't hardly predict if our normally accurate quarterback will throw a drive killing interception. Good traders, like coaches, reduce signal calling to a series of probabilities. Yet, we all know that any individual trade, no matter how high percentage it tests, can still have a horrible outcome.

For many traders and systems, making the mean reversion bet is playing the percentages. Even traders who are constructing positions with favorable risk to reward targets, i.e. risk \$1 to make \$3, are not immune from uncommonly deep draw downs after multi-consecutive losses from trying to pick tops and bottoms. Too often we fail to account for the asymmetrical distribution of prices in runaway trending markets.

We've seen a litany of "blow out" moves in the past year. The break in S&P's from 1580 to 666, Crude Oil from 140 to the low 30's, not to mention a few noted financial stocks disappearing from our quote screen altogether. An undisciplined leveraged long in any of those aforementioned markets lost much, if not all of their trading capital.

Persistently fading an outsized move can turn into a major disaster unless you're prudently risking small amounts of capital per trade. The speculator's handbook

states a major component in your trading plan should be a contingency to not lose everything in a single market move.
Not always easy. Let's discuss.

It's not just your risk "per trade" but you're risk per campaign.

Primarily, discretionary traders enter the market with a directional mindset based on a technical or fundamental view. It goes without saying that some opinions are better validated than others. When oil was at \$140 you'd rather have shorted thinking "bubble" than bought thinking "next stop \$200." So for starters, it's of paramount importance to identify what price action invalidates your predicted scenario.

Let's briefly examine the mindset of traders on the oil reversal. At \$140, retail gasoline prices averaged north of \$4 per gallon. Most traders—even many bulls—were not shocked that the oil rally could have a brief respite on the highs and sag back to the 115-120 area. Eventually, even the strongest of markets will print a "tradable" high and fill in some of the prior spike. The rotation lower is considered neutral activity. It could either be an opportunity to get long on a pullback or it could be the first warning of a trend change.

What was your thinking when the price you pay for gas quickly went from \$4.10 a gallon to \$3.45? Some of us thought, "one last tease before it's \$5" others thought "it's still too high, gas should be in the high 2's." Very, very few of us considered at that time the possibility that we'd ever again, let alone just months later, be buying gasoline for well under \$2 a gallon. The notion seemed far-fetched, eh?

Among many discretionary oil speculators, including Boone Pickens -- the prevailing viewpoint was that huge dips can be bought because it's virtually impossible for oil to negate the entire length of its 4 year rally. Wasn't there a great deal of fundamental information supporting that opinion? New all time lows in the dollar, new all time highs in grains and gold, an environmental lobby intent on banning both Alaskan and off shore exploration and continued political uncertainty with several nations in OPEC. I heard one oil trader say last year, "oil will trade under \$60 again when there's peace in the Middle East which means never." For practical purposes we can assume that most retail oil traders, even if they'd been bearish at 140, 120 and 100 were now bullish at 80 thinking the break was overdone.

Unfortunately if you were stuck in the mindset that gasoline couldn't swiftly trade below \$2 or if your trading system relies on buying "over sold" markets, there was little you could do other than lose money as an oil long. While most traders with a hypothetical \$20,000 account wouldn't dream of risking 50-100% of their balance on single trade, many did in fact blow out trying to pick a bottom in oil because they lost 20% or more on several consecutive trades.

A friend of mine likens the oft revisited price action of a choppy market to that of a soap opera. No matter how many days of missed viewing, the plot/prices repeat themselves over and over. How can't a degree of recency bias persist? Or harder yet, how does someone segue from trading an oil rally that squeezed shorts into oblivion straight into an oil implosion that sent a few billionaire longs into bankruptcy?

Yes we already know we must be open to every possibility, but are there not scenarios impossibly difficult to imagine?

The phrase, "there's nothing new under the sun." doesn't ignore that specific new things are happening all the time. Instead it's the emotions and chart patterns produced by organically derived price that repeat with stunning frequency. Suffice to say if your excuse for losing big money is because you were wrapped in a trade situation that "never happened before" you better think again. Dramatic boom-bust scenarios have occurred for centuries. The problem isn't the market but rather our lack of recognizing/accepting new information and in turn lacking an exit strategy.

The next time you or me get stuck in a dogmatic mindset that says gasoline can't go to \$1.70 or interest rates can't go to zero, we'll try to enforce some dreaded rules to avoid a blow out. We'll pick at least one of these.

Three strikes and you're out: Unless you're only risking minimal amounts of capital per trade, you simply can't allow yourself 8 straight losses from picking the same tired direction in one market or group of correlated markets. Tell yourself you're only going to accept premium entry levels and give it your best three shots.

Consider Spreading: A spread between two option months in the same commodity, or an intra-market spread between correlated classes is an excellent way to play direction and lower your exposure from a naked long or short.

Cut back your size: I'm the type who imprudently says if you like them at 8 you should love 'em at 4. Think about this though. Not only does common sense say bet smaller when you're cold and out of sync but the market will reward you when the elusive turn finally comes. In a run away bull or bear the ultimate reaction off a high or low is usually going to offer a volatile enough retrace that even on smaller size you'll have a home run opportunity.

Don't just pay lip service and nod your head to the reality of anything happening but actually develop an iron clad will to deal with the unexpected.. Your trading survival depends upon it.

While on the sports analogy: In the early 1980's at the height of Hagler, Hearns, Leonard and Holmes -- if someone told you that a decade later boxing would be virtually irrelevant with the sporting public or that stock car racing would be bigger than the Indy 500-you'd have thought the prediction was crazy. Just think how safe selling that far out of the money put on boxing popularity would have seemed. The point I'm trying to make is that we don't set out to make wrong decisions and we're not necessarily biased toward an outcome because of personal likes or dislikes but instead we most often fall into bias for seemingly strong deductive reasons. Think of it this way: We're fooled into complacency and narrowness.

Kurt J. Eckhardt began his trading career in 1982 as an active floor trader in the Treasury Bond pit at the Chicago Board of Trade. Today Kurt is president of Eckhardt Research and Trading which offers the first ever futures pool to trade live on line while educating clients.

Please go to Ecktrade.com for details and contact information.

BROADCAST COVERAGE

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1. Fox Business

DMA: N/A

Fox Business Network (---) National

05/14/2009

03:00 PM - 04:00 PM

[CC] 00:20:01 Sean, give me a sense of oil. I was with Boone Pickens in Vegas with a fireside chat in front of private equity guys and he said we would see the \$75 minimum per barrel before the end of the year and 70 before 50. Do you get the sense from the trading action? It dates back to Friday when we have the conversation and S&P is up to 9:30. I said it would be a short-term high until the fourth quarter and S&P.

Because of that, crude oil and natural gas were going to be lower because of it. This was a perfect week for it because we saw bullish news all week. We saw extremely bullish crude oil and gasoline numbers yesterday. We saw moderately bullish natural gas number today. All of the energy prices are lower now than they were closing last Friday. I think the broader market is going to sell off more. 00:23:01