

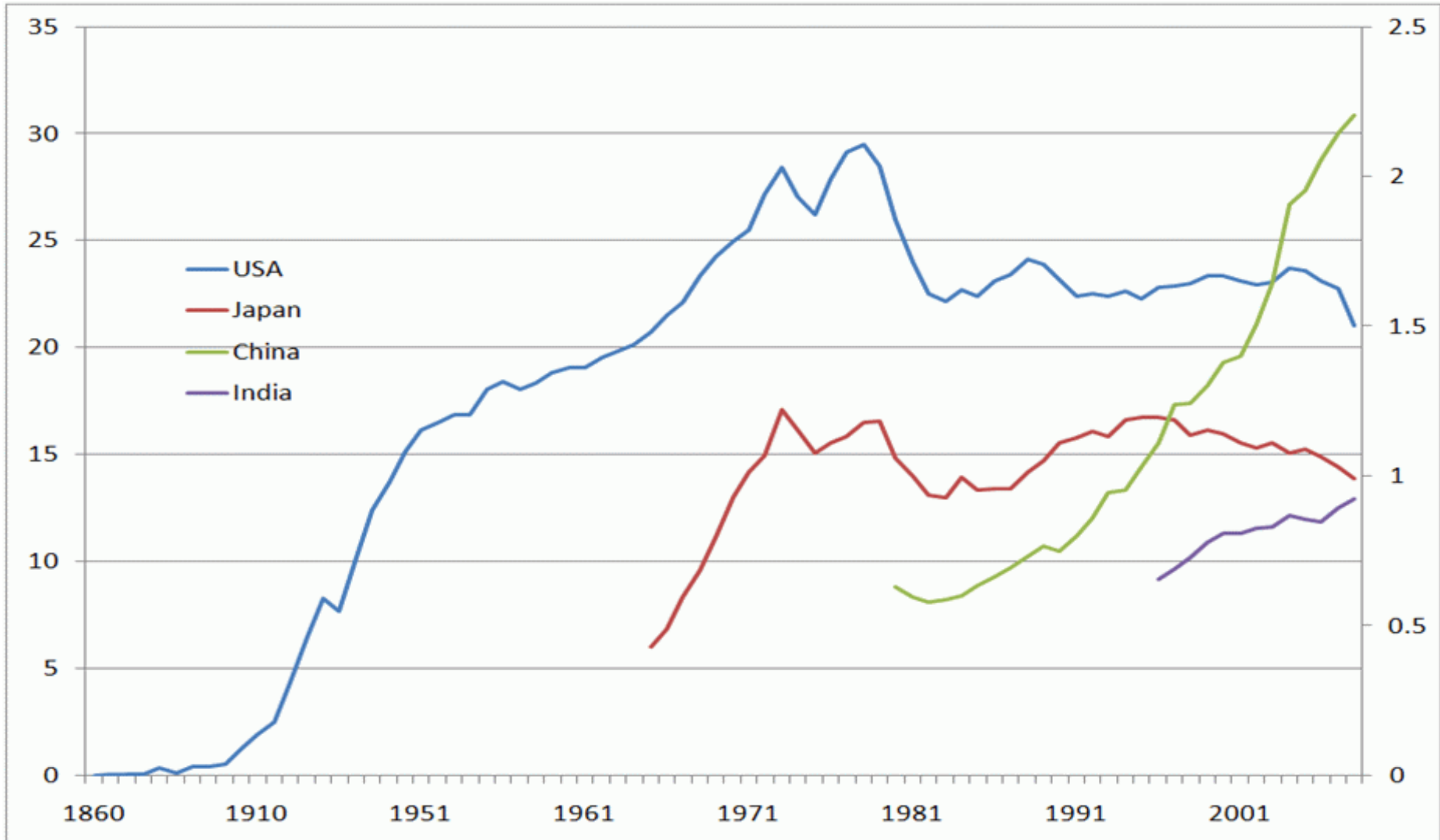
The 21st Century Energy Boom: Top Trends for Income and Growth

Elliott H. Gue

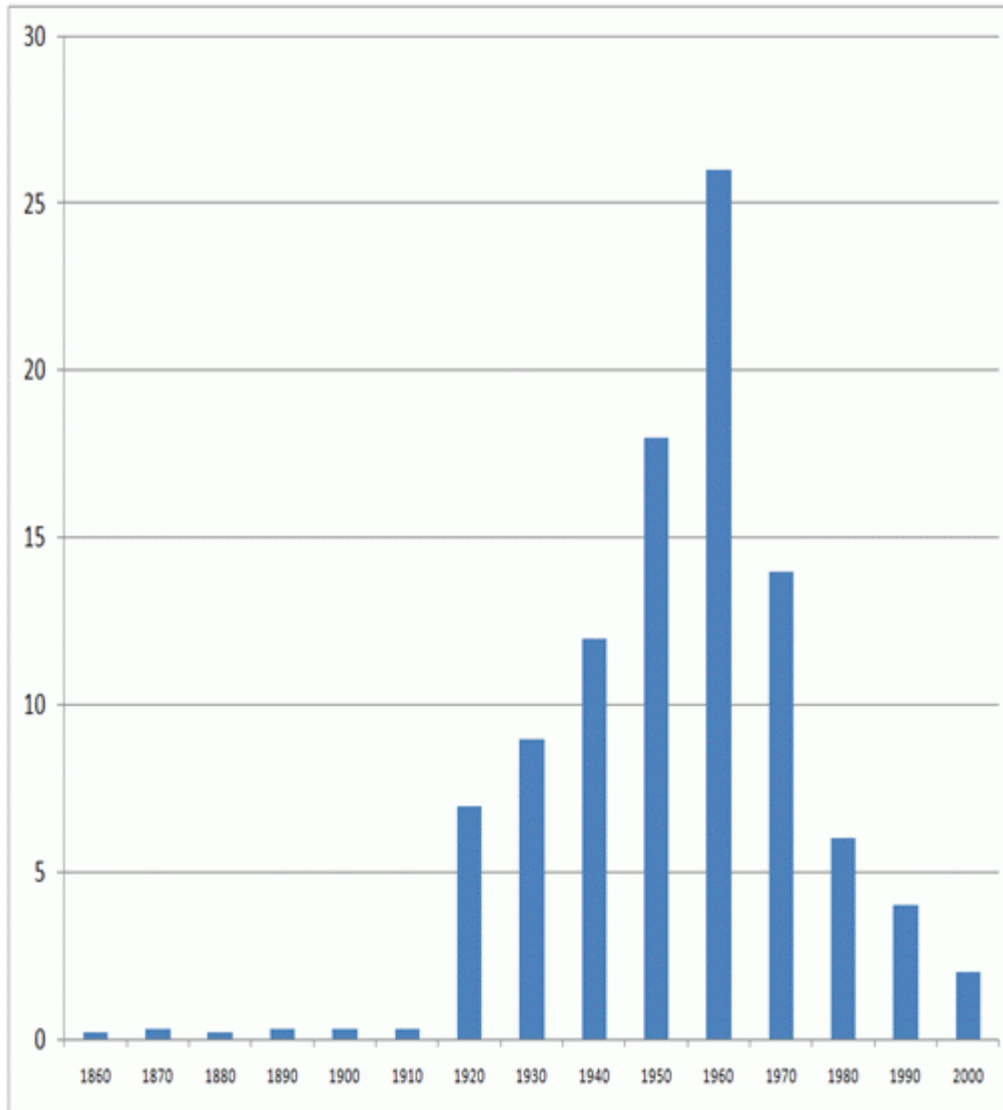
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January 15, 2011

Oil Demand: Following a Well-Worn Path

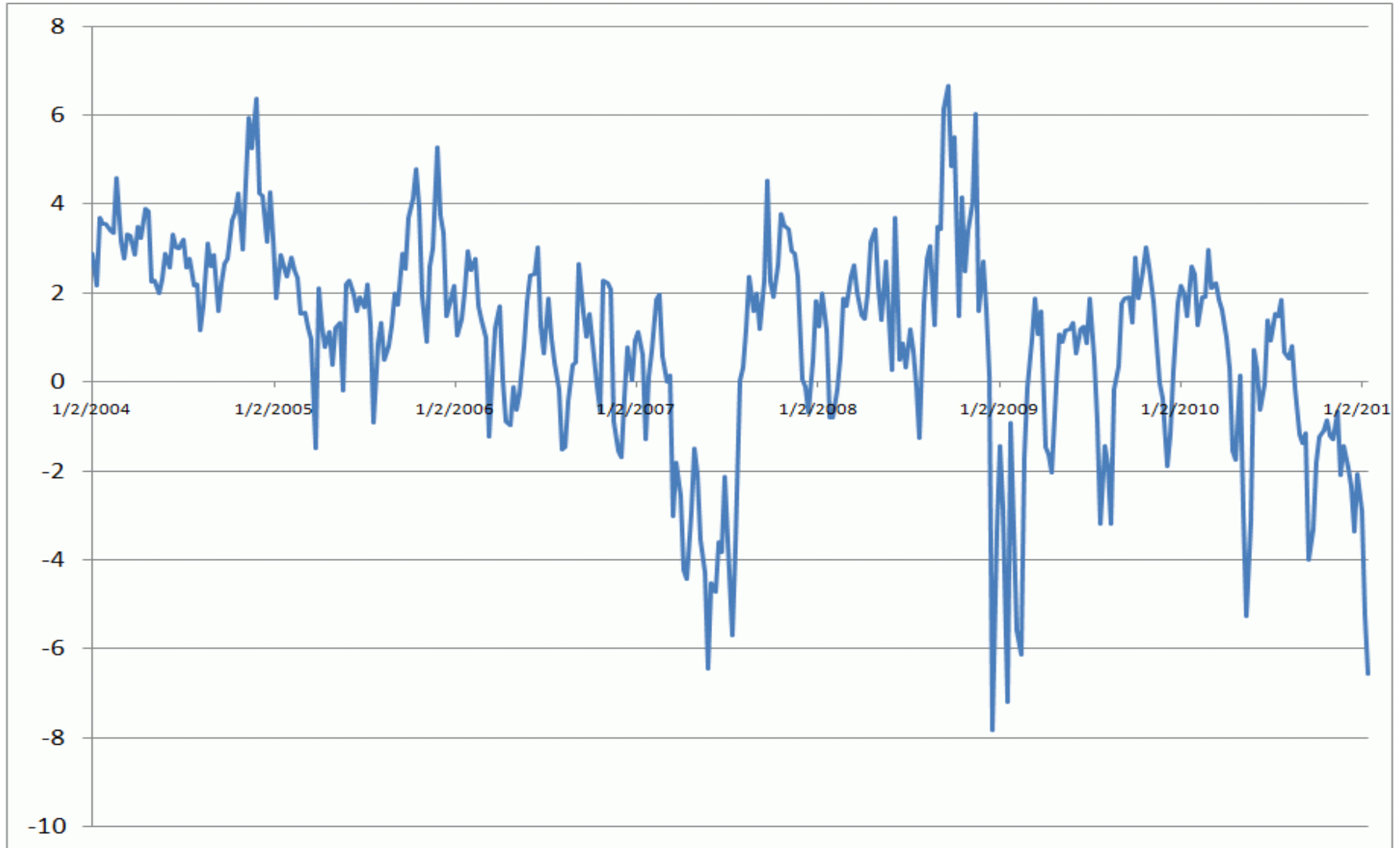


Oil: The Supply Side



All Giants	Mean	Median
Depletion-at-Peak	8.10%	7.20%
Decline Rate	-6.50%	-5.30%
Cum. Production/URR-at-peak	38.60%	38.30%
Discovery-to-first oil	5.2 years	3.0 years
First oil-to-decline	17.7 years	13.0 years
Non-OPEC Fields		
Depletion-at-Peak	9.10%	8.00%
Decline Rate	-7.50%	-6.30%
Cum. Production/URR-at-peak	42.20%	41.40%
Discovery-to-first oil	5 years	3.0 years
First oil-to-decline	19.1 years	14.0 years
OPEC Fields		
Depletion-at-Peak	6.30%	5.90%
Decline Rate	-4.80%	-4.10%
Cum. Production/URR-at-peak	32.40%	31.60%
Discovery-to-first oil	5.6 years	3.0 years
First oil-to-decline	15.6 years	12.0 years

Oil: Brent vs. WTI



The End of Easy (and Cheap) Oil

- 30% of US oil production from deepwater
- 2% Global Production from Deepwater in 2002, 12% in 2015
- 75% of all new discoveries over past 2 years
- Macondo slows US development but doesn't change the importance of deepwater



Playing Oil

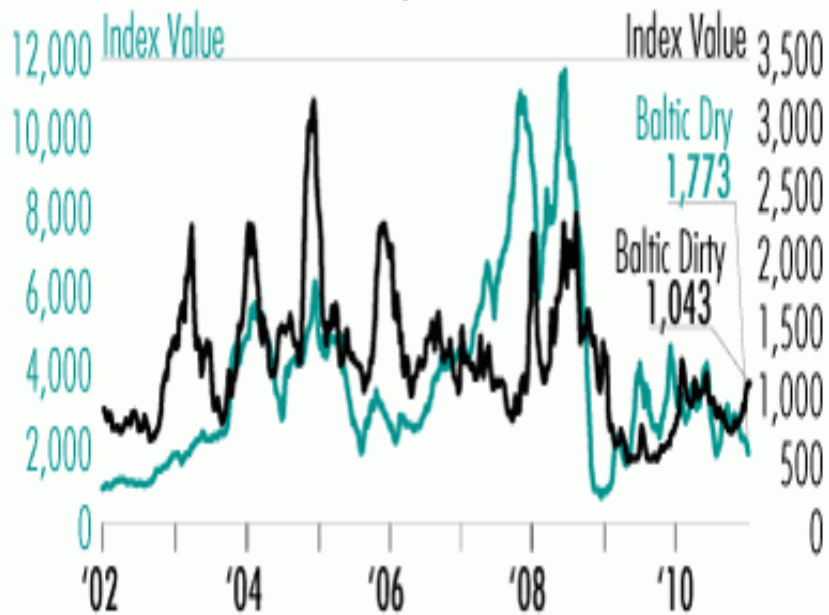
- Seadrill (SDRL) – Owns a fleet of 16 rigs, all relatively new and under long-term contract. 7%+ yield
- Oil Services: Schlumberger (SLB) and Weatherford (WFT)
- Equipment: Cameron International (CAM)
- Exploration: Seismic and Petroleum GEO-Services (PGSVY)



Tankers: A High-Yield Niche

Spotty at Best

Eight-Year History of Baltic Dry Index
and Baltic Dirty Tanker Index



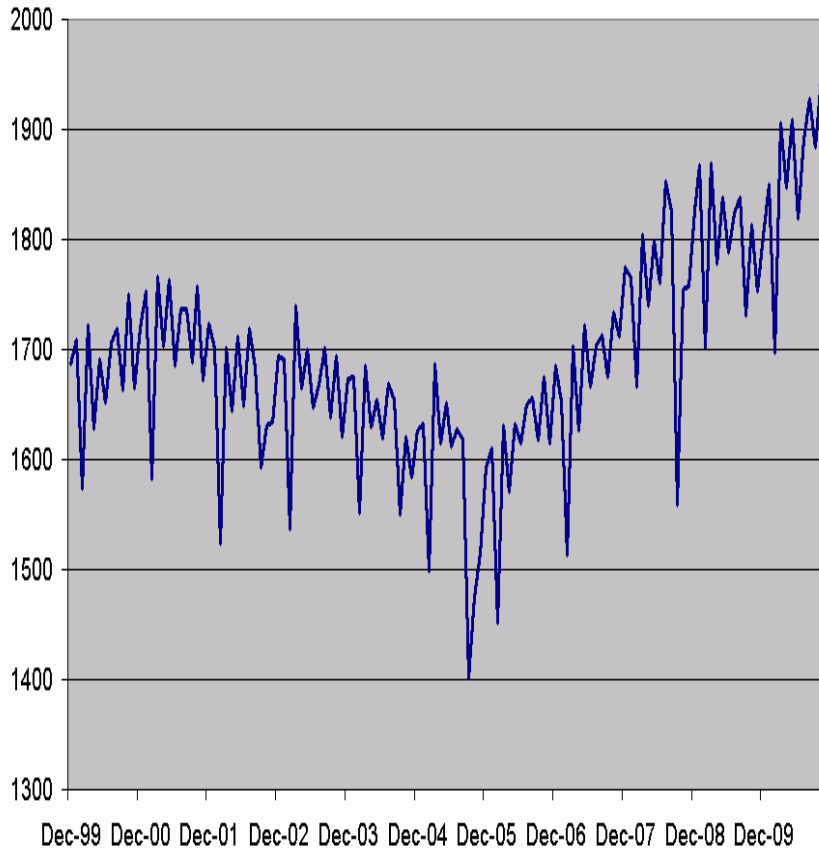
Source: Bloomberg

- A glut of ships near term
- But growth in oil demand and higher production from OPEC later in 2011
- Single-hull phase-outs, scrapping and slow-steaming
- My favorite: Knightsbridge Tankers (VLCCF) – four double-hulls and 4 dry bulks, no expirations until mid-2012

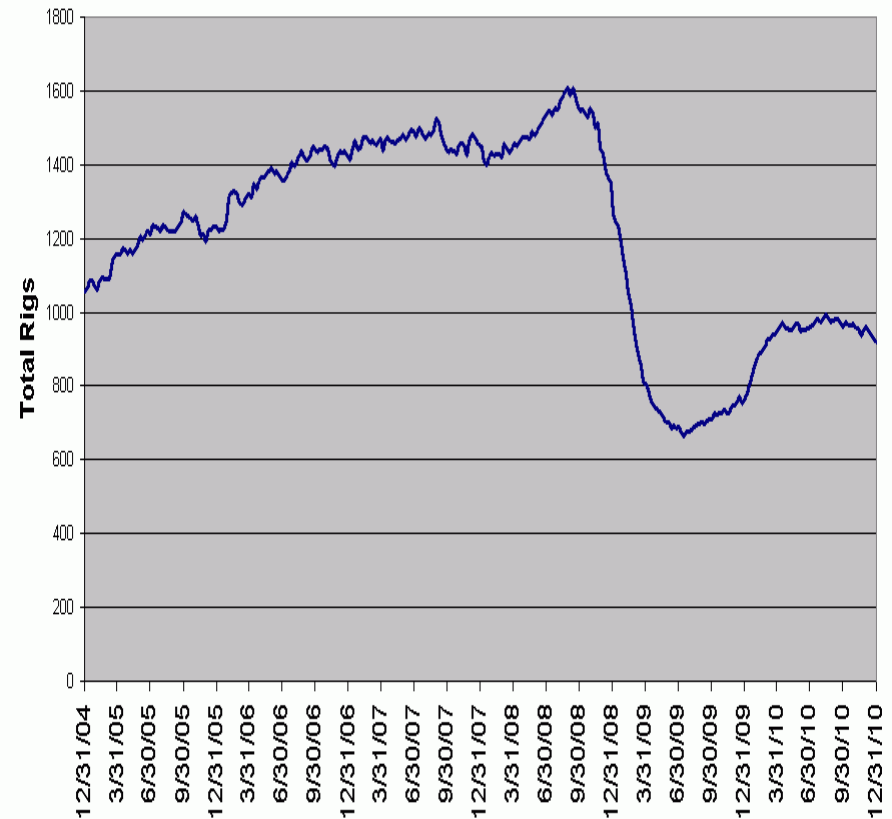
Natural Gas: Not A Pretty Picture

Short-term

US Natural Gas Production

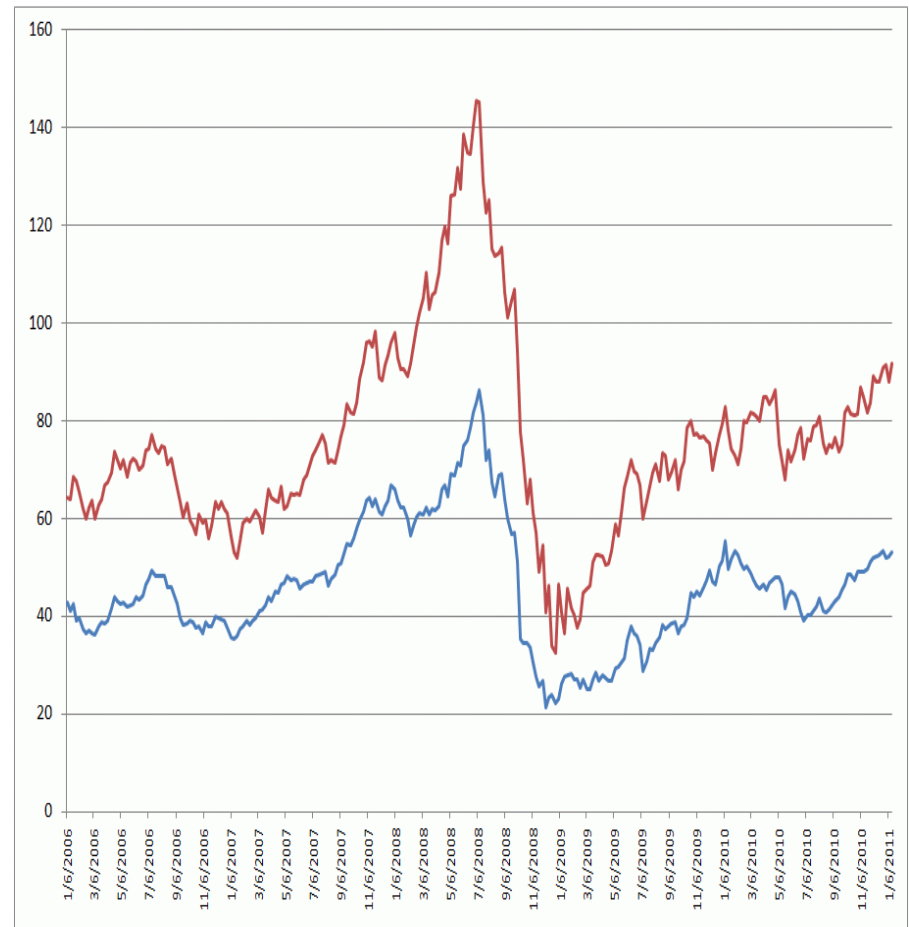


US Gas-Directed Rig Count



Playing US Shale Gas, NGLs and Oil with Tax-Advantaged MLPs

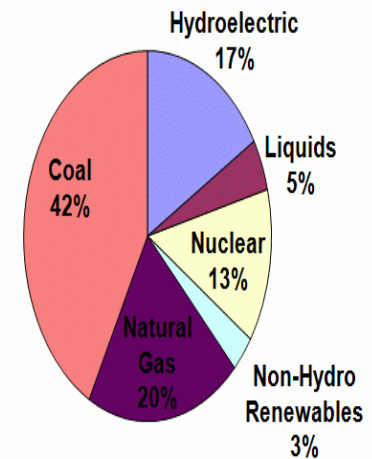
- Conservative: Kinder Morgan Energy Partners (KMP) and Enterprise Products Partners (EPD)
- Growth: Targa Resources Partners (NGLS)
- More Aggressive : Navios Maritime (NMM), Linn Energy (LINE) and Legacy Reserves



Buy Coal and Sell Sunshine

- Solar costs about 5 times more than gas
- Integrating solar (and wind) into the grid is tough
- Solar is totally dependant on government subsidies
- EU feed-in tariffs (FiTs) are the most generous
- Tariffs coming down and austerity means more cuts to come
- US carbon cap and trade is dead for now
- Big capacity glut
- Short First Solar (FSLR)

Global Electricity Generation by Fuel, 2010



Coal is Still King

- A big difference between thermal and metallurgical “met” coal
- Met coal in the US strong, thermal weak
- Both thermal and met coal strong in Asia
- Buy Peabody Energy (BTU); International Coal Group (ICO) and Joy Global (JOYG)
- For Income buy coal-focused MLPs : Penn-Virginia Resource Partners (PVR) and Alliance Holdings GP (AHGP)