

[Headline #1]

Just in time, a “Rags to Riches” buying opportunity in an overlooked sector...

## **Four Natural Gas Stocks to Power-Up Your Portfolio in These Uncertain Times**

[Headline #2]

Whether Bernanke’s rate cuts rescue the economy and the stock market, or not...

## **These Four Natural Gas Stocks are on Their Way up—Way Up!**

By Elliott H. Gue  
Editor-in-Chief, The Energy Strategist

Will the Federal Reserve’s September 18<sup>th</sup> fed fund and discount rate cuts grant the stock market a permanent reprieve from this summer’s selling frenzy?

Unfortunately, only time will tell... and that’s cold comfort to you as an investor. You need to know the answer to this question—today—not six months from now.

Therefore, I have outlined below what you should do right now to secure—and strengthen—your portfolio and retirement nest egg during these uncertain times.

As you well know, we’ve seen several broad market selloffs during the past few years.

The NASDAQ in the 1990s and gold in the 1970s saw corrections of 35% and more, even as they continued to trend dramatically higher over the longer-term—offering steady and patient investors huge portfolio gains.<sup>1</sup>

And we’ve seen several corrections in the energy patch, too.

The Philadelphia Oil Services Index corrected a number of times. The most severe was a 28% pullback in the summer of 2006.

And yet, energy commodities, and related stocks, are still in a strong, long-term up-trend that will last well into the coming decade.

In fact, in **The Energy Strategist**, my trading advisory for the energy markets, we've picked up a wealth of profitable plays during these corrections—most recently, during the early 2007 energy pullback.

It's easy to see therefore why in a bull energy market these broad market corrections are "Rags to Riches" buying opportunities.

And yes, the volatility can be scary during these buying opportunities, but the potential future rewards more than offset the risk.

- Sub-sea equipment leader FMC Technologies (NYSE: FTI) is up 90% since I recommended it to subscribers on 01/03/07.
- Deepwater drilling specialist Seadrill (OTC: SDRLF) is up 20% since recommending it on 01/03/07.
- Solar power panel giant SunPower (NASDAQ: SPWR) is up 74.5% since recommending it on 01/24/07.
- Wind Power turbine maker Vestas Wind Systems (OTC: VWSYF) up 50.5% since recommending it on 01/24/07.

These are just a few of the picks we made. And now, once again, we have another buying opportunity in the energy patch, this time in the natural gas sector.

### **Natural Gas: A Forgotten Star Shines Anew in the Energy Patch**

Malcolm Brindad, a planner for Royal Dutch/Shell is quoted in the ***Economist*** as saying, "Natural gas will be the fuel of choice for at least the first half of this century ... get ready for a \$100 billion investment boom, the prelude to the "century of natural gas."<sup>2</sup>

[Insert Sidebar #1]

I've already discussed natural gas and the natural gas markets on numerous occasions this summer in **The Energy Strategist**, so I won't rehash all those points here.

Of course, if you're not a subscriber to **The Energy Strategist**, but intend to take advantage of my offer below to become one, then be sure to go to the archives and read the June 20 issue of **The Energy Strategist**, entitled "Europe's Gas" and also the August 1 issue, "Earnings in Review", where I discuss in-depth the natural gas supply-and-demand imbalance.

In the meantime, suffice it to say that there are plenty of catalysts to drive natural gas prices—and related natural gas stocks—even higher, not the least of which is that natural gas demand is rising faster than production.

## **Fourteen Reasons to Invest in the Natural Gas Sector**

1. Natural gas is the second largest source of energy in the United States providing 24% of the marketable energy consumed in the U.S.
2. Consumption is growing at a faster rate than for any other primary source of energy, and has increased 35% in the last decade.<sup>3</sup>
3. More than 60 million U.S. households use natural gas for water heating, space heating, or cooking.
4. Yet, the nation's existing gas pipeline system is fully utilized, and lacks reserve capacity with which to transport additional supplies.<sup>4</sup>
5. National Petroleum Council estimated that 38,000 miles of new interstate gas transmission lines and 255,000 miles of new gas distribution lines could be required to meet future natural gas demand by 2015, requiring investment approaching \$1 trillion.<sup>5</sup>
6. Natural gas heats more than 50% of U.S. homes.
7. More than 90% of all new electricity generation capacity built in last 5 years in the U.S. is natural gas-fired.<sup>6</sup>
8. Domestic production of natural gas peaked in 2001 due to the mature age and declining production from existing natural gas fields.
9. Yet, offshore areas on both coasts and the Alaskan Peninsula are off-limits to exploration. In addition, approximately 125 trillion *cubic feet* (TCF) of natural gas underlying federal lands in the Rocky Mountains is off-limits or under some type of restriction (such as species habitat restrictions or no surface occupancy).
10. According to the Energy Information Administration's (EIA) most recent forecast, pipeline imports from Canada to the United States reached their peak between 2000 and 2005 and will steadily decline over the next two decades.

11. The EIA further forecasts that the contribution of LNG to overall North American natural gas supply will grow, as it will to other parts of the world such as Japan and parts of Europe where natural gas prices are much higher than in the U.S.<sup>7</sup>
12. And because worldwide demand for LNG is growing, the National Petroleum Council believes there will be increased competition for available supplies.<sup>8</sup>
13. Americans used 21.9 trillion cubic feet in 2006.
14. Yet the United States produced only 18.5 trillion cubic feet of natural gas in 2006.<sup>9</sup>

Yes, the days of low gas prices are rapidly coming to an end. But your chance to play the natural gas supply and demand imbalance to the upside is just beginning.

“The U.S. is in the midst of a very real natural gas crisis,” said Senator James M. Inhofe, Chairman of the Committee on Environment and Public Works.”

The State of California alone consumes approximately 6 to 10 billion feet of natural gas per day. If California were a country, it would rank as the tenth largest user of natural gas in the world.

According to the Industrial Energy Consumers of America (IECA) since June of 2000, consumers have paid nearly \$200 billion more for natural gas than they paid in the previous five years.<sup>10</sup>

If you're an investor you must invest in Natural Gas—it would be crazy not to!

## **Four Natural Gas Companies to Buy Right Now**

### **Company #1: Securing Multi-Year Drilling Contracts Throughout the World**

Let me first state that it's no secret that stocks leveraged to the North American natural gas markets have not been big winners recently. Gas prices are weak, and drilling activity domestically is down. Analysts have slashed their earnings estimates to reflect lower gas prices and weaker activity and sentiment is extremely bearish.

In fact, some stocks in the group are now trading at valuations unseen in years.

Indeed, drilling activity is off more than 50% from last year in Canada—the largest international supplier of natural gas to the U.S.

As subscribers to **The Energy Strategist** already know, for at least two years I've advised investors not to buy contract drillers leveraged to the North American natural gas market.

Nevertheless, I've had my eye on a contract driller that is currently gathering steam. And although I've avoided this stock in the past, I'm now recommending it.

Here's its story in a nutshell...

Back in 2001, the company was almost totally leveraged to the North American market. And so a lot of the bad news surrounding the North American market has been priced into the stock.

And yet, unlike in the US and Canada markets, its international business is booming. This contract driller is sending rigs to North Africa, Saudi Arabia, Russia, Latin America and, just recently, Russia—and all of these are long-term projects at record high day-rates.

The company's international business will see near 80% year-over-year growth rates in 2007 and management expects growth of at least 50% in 2008.<sup>11</sup>

It's important to note that around two-thirds of the company's rigs are "high-specification rigs", and the demand for these "fit-for-purpose rigs" is extremely strong. In fact, it has 81 new rigs under construction right now, all with signed, multiyear term contracts.

And that's important. Because by securing multiyear term contracts before the rigs are even built, the company locks in the profitability of those rigs. It's not forced to speculate—building rigs and hoping that the spot market for day-rates will be strong when the rigs are completed.

It's no surprise then that the company's international operating income soared 30% between the first and second quarter of this year—and profits rose more than 70% over the same quarter a year ago. And management is looking for growth of well more than 50% next year.

**I predict this company will trade in the mid-\$50s within a year.**

And because its price has already been beaten down in sympathy with the rest of the natural gas market, there's limited downside to it, at the most 10%. And a 10% downside for a shot at 80%-plus on the upside... that's exactly the sort of risk/reward proposition I look for in a stock.

I recommended it to my subscribers earlier this month when it was trading at \$27 a share. It's gone up a bit since, but it's still trading within a few percentage points above its lows. So it's still a buy.

### **Company #2: Maximizing Wells and Profits in the Rich Barnett Shale of Texas**

As I stated above, low and falling natural gas prices has prompted a substantial decrease in North American drilling and production.

But, ultimately, when natural gas inventories are drawn down, especially as we approach the winter heating season, supply and demand will inevitably cause gas prices to rise—and that will positively affect exploration and production (E&P) companies—the companies that actually produce and sell gas.

Indeed, some of the E&P companies I follow are already, for the first time in several quarters, hinting at an upturn in activity levels.

For those unfamiliar with the gas E&P industry, check out the Dec. 6, 2006, issue of **The Energy Strategist**: *Looking for Some Upside*.

Now, consider this: in 1997 there were just shy of 311,000 natural gas producing wells in the US. That same year, US gas production totaled 51.8 billion cubic feet per day. In 2005, US production totaled less than 50 billion cubic feet per day, and there were more than 425,300 producing gas wells.

In other words, US production fell close to 700 billion cubic feet annualized from 1997 to 2005 despite the fact that the number of wells producing gas increased by nearly 37%.<sup>12</sup>

This is solid evidence that there are simply not enough new wells coming on line to offset natural production declines, and producers are now going after more marginal wells, with higher decline rates.

But... not so in the Barnett Shale of Texas. The Barnett Shale is one of, if not the richest land-based gas reserve in the U.S. In fact, it's so big and the natural gas in it is so widely distributed, no one really knows how much gas it holds. It's impossible to measure.

The Barnett Shale is called a resource play. Because the gas is so widely distributed, the risk of any individual well coming up dry is extremely minimal. Indeed, resource plays routinely have well success rates of more than 90%.

And one of the fastest-growing E&P companies in my coverage universe is currently mining the Barnett Shale for all its worth.

But, the Barnett Shale is an unconventional gas reserve. It can't be produced economically using simple traditional drilling methods. Specifically, the Barnett Shale lacks permeability, so the gas won't naturally flow into wells.

To improve permeability, producers perform fracturing (see Company #3). And once those wells are fractured, they're extremely productive and long-lived.

Shale wells produce at a near-constant rate for years. And that steady, predictable production rate is highly attractive to producers—and to you, as an investor.

In a recent conference call, this company's management indicated that, in the second quarter, total company volume topped 208 million cubic feet per day, up 27% over the second quarter of last year, and more than 50% year-over-year growth—far above the company's own guidance.

Plus, its drilling operations are becoming more efficient. The company is experimenting with drilling wells that are located closer together.

Initial results show that these tighter-spaced wells produce just as prolifically as its older, more-widely spaced wells. This is good news, because it means that the wells aren't cannibalizing production from one another. Tighter spacing just boosts the amount of gas the company can produce in the region.

And the company has also streamlined its drilling operation, cutting the time it takes to drill a well by 15% from average 2006 levels. That's allowed the producer to consistently beat forecasts for the number of wells it can drill in a given quarter.

This year it expects to drill far more than the 180 wells it had originally planned to drill in the Barnett. Next year, the company has plans to accelerate drilling even more aggressively in the region. And it still has plenty of acreage left to exploit.

But the company isn't just another Barnett play nor is it just another way to play a turn in gas prices. I see several more key positive catalysts for the stock.

The company has decided to put some of its assets into master limited partnerships (MLPs). I recommended several MLPs in **The Energy Strategist** and we've had some really big winners there including Linn Energy (NASDAQ: LINE) up 35% percent since 11/22/06 and Williams LP (EXCHANGE: SYNBOL) up 38% since the summer of 2006.

I explained the Energy MLP group at length in the Nov. 22, 2006 issue: *Leading Income*.

The appeal of MLPs is that they pay no corporate-level taxation and they pass through the majority of their cash flows to you, the investor, as tax-advantaged distributions.

So you and the company benefit. The company gets cash to fund its drilling and expansion program and you, the MLP holder, own the pipelines and processing facilities hooked up to the company's wells.

And the more gas flowing through the MLP's pipelines and processing facilities, the higher the distributions to you, the owner of the MLP.

In my opinion, this company is a win-win gas play. Buy the MLPs and you get income. Buy the stock and you get growth.

To wit, I recommended this company to subscribers of **The Energy Strategist** on August 22<sup>nd</sup> and as of this writing it's already up 15% in just 27 days.

And it still has a long way to go before it reaches what I believe to be its fair market value. Buy it now.

### **Company #3:<sup>13</sup> Using Space-Age Ceramics to Prop Open Russia's Gas Wells**

Oil and gas exist of course in the pores and crevices of "reservoir rocks".



But if the pores in a rock aren't well connected, there are few channels through which the gas can travel. And though there may be plenty of gas in the ground that gas is essentially locked in the rock, and unrecoverable.

But with "fracturing", operators pump a gel-like liquid under tremendous pressure into the ground. That gel enters the reservoir and actually cracks the reservoir rock. By cracking or fracturing the reservoir rock, the operator creates channels through which gas can flow.

But, once a reservoir is fractured and the operator reduces the pressure of the fracturing liquid, those channels and cracks typically begin to close again.

That's why operators tend to put small particles into the gel-like fracturing liquid. These particles enter the reservoir and get stuck in the channels opened during fracturing, essentially propping open the channels (hence, these particles are called proppants).

There are many types of proppants out there. But I found one company that makes a highly specialized proppant made from a space-age ceramic.

Without going too deep into technicalities, suffice it to say that ceramic proppants work far more effectively than other types.

Accordingly, on February 1, this company reported blowout earnings for the fourth quarter.

But what's interesting is that while the US rig count rose about 16% in 2006, the actual volume of proppant sold by this company rose 24%. In other words, this company is growing at a faster pace than the market.

In fact, the biggest problem this company faces is building manufacturing capacity fast enough to meet demand.

And, in addition to proppant sales, the company has a service arm. It "models" fracturing jobs in individual reservoirs to help operators decide how best to fracture a given reservoir (of course this business dovetails rather nicely with its proppant sales).

And finally, the company's business is booming in Russia which sits on the world's largest known natural gas reserves.

Sales of proppant there rose nearly 40% in the fourth quarter.

The company's first Russian manufacturing facility opened earlier this year and management says sales are already increasing. Yet, fracturing is still in its infancy in Russia—so there's obviously a huge opportunity for tremendous growth there.

But, despite strong operational performance, the company is down, close to 40% from its 2006 highs, and is trading at less than 18 times earnings—all because of unfounded market concerns that the company will be hurt by a slowdown in gas drilling here in the U.S.

Nevertheless, because of its low price, the combination of its rising market share, rising pricing power and its expansion opportunities in Russia, I recommended this company to subscribers on 02/21/07, and as of this writing it's already up 15%.

And there's a lot more upside to come. Buy it now.

#### **Company #4:<sup>14</sup> Seizing the Future of Gas Transportation and Delivery**

The U.S. is neither the only nor the most gas hungry market in the world.

Gas consumption in Europe is increasing far faster than in the US.

Since its discovery in the 1970s, the North Sea has been an excellent source of natural gas for the UK and Norway. However, some of the more mature reservoirs are beginning to dry up, causing a decline in supply.

According to the Energy Information Administration (EIA), Europe's demand for natural gas is projected to increase by more than 72% between 2003 and 2030.

And by far the biggest contributor to growth in EU gas demand is the electric-power-plant sector. Demand for gas to fire Europe's electric plants is set to jump to more than 180% by 2030—totaling 11.9 trillion cubic feet annually.

Given that the EIA estimates that the US will only consume about 6 trillion cubic feet annually of natural gas in power plants by 2030, it's not hard to see how important Europe is becoming to the global natural gas market.

Although it's important to note that these are just projected figures, there are some compelling reasons to expect strong growth in European gas

demand. One of the most obvious is carbon emissions and global warming.

Now I'm not here to save the world or make judgments about whether global warming is for real or to what extent it will affect the global climate.

But the simple fact is that global warming is receiving plenty of attention all over the world, and governments are starting to regulate and tax carbon emissions. This is nowhere more evident than in Europe. Therefore, as investors, we can't ignore the issue or the global political climate.

However, we can certainly find ways to profit from it.

Europe regulates carbon-dioxide emissions using a cap-and-trade system. In other words, firms that pollute more than their allowed maximum must buy credits to cover excess pollution.

And in the next two years, it's going to get a lot more expensive to emit carbon in the EU.

So put yourself in the shoes of a European utility firm for a moment. Carbon-dioxide regulations are becoming increasingly stringent and the cost of buying carbon-dioxide credits is rising, yet you still need to try to meet the EU's demand for power.

Burning natural gas in a power plant emits around 40 to 50% less carbon dioxide than coal. And gas is also cleaner than coal in terms of other types of emissions, such as sulphur dioxide, nitrous oxides, mercury and particulate matter (ash).

Nuclear plants emit no carbon dioxide or any other pollutant, so you could go out and build more nuclear plants. But building nuclear plants is time-consuming, and despite the benefits, there's still a powerful anti-nuclear contingent in Europe, particularly in Germany.

Therefore, in the short to intermediate-term, the EIA is totally correct about Europe. It's going to rely far more heavily on gas for its power needs.

And with EU demand for gas rising, the obvious question is: Where will it all come from? This is an increasingly large problem, one that's politically touchy to say the least in Europe.

The biggest source of domestic EU gas production is from the North Sea, shared primarily by the UK and Norway. But since its peak in 2000, UK natural gas production has declined by more than 26% despite relatively

high gas prices during most of the period.

To finance its gas gap, the EU looks east to Russia, with an estimated one quarter of the world's known natural gas reserves. Russia is far and away the world's largest producer of natural gas.

### **The EU is Highly Dependent on Russian Natural Gas**

At the current time, the EU imports more than 4 trillion cubic feet (tcf) of gas annually from Russia by pipeline. That works out to more than 11 bcf per day or around half of EU gas imports.

But Russia isn't very reliable. On several occasions during the past two years, supplies of Russian gas to the EU have been cut, typically because of a pricing dispute with key countries located along pipeline routes from Russia to Europe.

In early 2006, Russia cut gas supplies to the Ukraine because of a pricing dispute. Because a key pipeline to Europe runs through the Ukraine, that cut resulted in a massive drop in EU gas inventories. There were legitimate worries of a major shortage in countries particularly dependent on Russia, namely Germany and Italy.

### **Liquid Natural Gas (LNG) to the Rescue**

Fortunately, a technology exists to facilitate the movement—and the trade—of natural gas over great distances—without depending on a land based pipeline, or one particular source.

Natural gas can now be purchased and delivered from anywhere in the world.

Natural gas, when cooled to minus 260 degrees Fahrenheit, turns into a liquid known as liquefied natural gas (LNG). Even better, by converting gas to LNG, the gas shrinks about 610 times. That's roughly equivalent to shrinking a full-sized beach ball to the size of a ping-pong ball.

The liquid can then be transported in tanker ships in a similar fashion to crude oil and then converted back to a gas near its end markets.

### **Here's a Low-Risk Way to Play the Fast-Growing LNG Industry**

It's a Master Limited Partnership (MLP)<sup>15</sup> that owned and operated a fleet of four LNG tanker ships at the end of 2006.

But unlike many companies in the tanker business, it doesn't trade its ships on the "spot" market. In other words these ships are not leased out on short-term contracts.

Instead, this company leases its ships out at fixed fees for 15- to 20-year periods. The MLP's cash flow, therefore, is stable and dependable.

That makes these LNG tankers ideal assets to hold in an MLP structure. They generate stable cash flows that can be used to pay generous distributions to you as a shareholder.

In fact, the MLP just boosted its dividend to \$0.53 per quarter, or \$2.12 per year. That's a yield of 6.3%. But what's really interesting is the MLP's growth potential.

Let's say you put \$10,000 in the MLP today, you would earn \$630 a year in distributions. But the MLP is actually growing its yield at 15% per year. So, after just five years, your annual distributions would be closer to \$4.25 (\$1,250 per year) for a yield of 12.5% on your initial investment.

And next year, the company is adding three LNG tanker ships to its fleet, nearly doubling its existing LNG tanker fleet.

These three new ships are already leased out on long-term contracts to serve the RasGas II project in Qatar's massive North Gas Field.

Then, in 2008, the MLP plans to add an additional four LNG carriers destined for the third phase of the RasGas project. And in 2009, the company will add yet another two LNG tanker ships, and these ships are destined for long-term contracts in the Tangguh LNG project in Indonesia. And by 2011, the MLP is planning to add still another 4 LNG tanker ships.

All of these LNG projects are huge, multi-billion dollar deals. And because these contracts are all long term in nature, I see it as a low-risk play on LNG's growth.

I know of no other MLP that can boast this level of growth—expanding their fleet from four LNG tanker ships in late 2006, to 13 in 2009, and to 17 LNG tanker ships by 2011.

This company is one of my strongest buys.

## **Profit From America and the World's Growing Dependence on Natural Gas**

I invite you to learn more about the four companies I've mentioned above and a host of other companies that I'm following in the Natural Gas sector...

Join me, Elliott Ghue, and become a charter subscriber to **The Energy Strategist**.

[Insert Sidebar #2]

**The Energy Strategist** trade and advisory newsletter was started for one reason only: to help you unearth profitable investment opportunities in the lucrative energy markets.

As a charter subscriber you'll receive **The Energy Strategist** twice a month. And each issue will be filled with complete, in-depth analyses of the most opportune energy investment picks—companies that explore, drill, produce and service every energy sub-sector, from oil and gas to coal and nuclear power to alternative energy.

Below are just a few of the recent gains you could have received as a subscriber to **The Energy Strategist**...

- **109%** on integrated energy giant ENI
- **96%** on refiner Valero Energy
- **118%** on deep-water driller Transocean Inc.
- **52%** on international driller China National Offshore Oil
- **77%** on integrated U.S. player ConocoPhillips
- **102%** on independent gas and oil explorer KCS Energy
- **128%** on energy-resources specialist Mission Resources<sup>16</sup>

And as a subscriber to **The Energy Strategist** you'll also be given complete access to the three energy related portfolios that I personally manage for your benefit:

**The Proven Reserves Portfolio:** offers you income investments that pay out strong dividends with a minimum of risk.

It's up 8.4% in the second quarter, bringing its year-to-date 2007 return to just below 18.2%.

**The Wildcatters Portfolio:** offers you long-term growth with maximum returns. These are the stocks that take will advantage of the most powerful trends in the energy markets over the next 12-18 months.

It's my second best-performing portfolio in the quarter. It's up just shy of 15%, bringing the year-to-date return for the Wildcatters Portfolio to 26.7%.

**The Gushers Portfolio:** offers you highly aggressive growth investments. It goes after the really big triple-digit returns—100%, 200%, or 300% or more. It carries more risk because it buys smaller and more volatile stocks. I therefore monitor this portfolio like a hawk, updating the picks and shooting you *Flash Alerts* as needed.

Slightly ahead of the Wildcatters in the second quarter, Gushers returned 15.2%. But, the Gushers is far ahead on a year-to-date basis, up a solid 40.1% so far in 2007.<sup>17</sup>

All told, over the trailing 12 month period, these three portfolios are up 33.8%, 56.7% and 82.1% respectively.<sup>18</sup>

### **Plus, as a subscriber...**

Whenever you have a question or a concern you'll always be able to call me direct—using my personal, private phone number. And you'll also have my personal email address. And, by the way, when you call me, you won't talk to a receptionist. I answer all my phone calls.

Of course you'll also receive my *Flash Alerts*, informing you of new buy recommendations whenever I see a hot opportunity, or warning you of a major event that could affect your holdings.

I'll also provide you with "Risk Management Techniques". For example, when appropriate, I'll explain how and when to use options and other hedging techniques to reduce your portfolio risk, and protect your gains.

And you'll have complete access to my easy to navigate, subscribers-only website. There you'll find everything I've ever written about the energy markets: information and data about all three of my portfolios, and an archive of all past issues, past *Flash Alerts*, periodic special reports and guest commentaries.

All this is yours for a yearly investment of just \$499—that's less than \$1.37 a day (far less than a tall Starbucks coffee). This is an opportunity you can't

afford to miss. Pass on the Starbucks if you must, but subscribe to **The Energy Strategist**.

**The Energy Strategist** will bring you face-to-face with fast-paced money-making opportunities that come to light every single day in the Energy markets.

### **Try it! Completely Risk-free!**

I'll send you six issues over the next 90 days, and if you're not completely thrilled with the money you've made based on my buy recommendations in **The Energy Strategist**, or if you're not satisfied or happy for any other reason—you just let me know within 90 days of the start of your subscription and I'll immediately and cheerfully return every penny of your money.

That is my solemn 100% Full Money-Back if You're Not 100% Satisfied Guarantee.

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With Saudi Arabia and the Persian Gulf's dwindling oil supplies, and with the promise of natural gas, nuclear energy and alternative fuels about to blindsides mainstream energy investors, you, as a subscriber to **The Energy Strategist**, will stand ready to profit from the next big leg up in the energy market boom.

Subscribe right now, within the next 3 days, and I'll also send you these four free special reports, a combined \$XXX value, as a quick response bonus:

[Elliott, do you have those 4 special reports ready?]

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Sincerely,

[Signature]

Elliott H. Ghue  
Editor-in-Chief, **The Energy Strategist**

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## Read What Enthusiastic subscribers are Saying About The Energy Strategist

[Elliott, do we have testimonials from enthusiastic subscribers?]

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[Sidebar #1]

### **Paying Through the Nose at the Gas Pump... Why?**

As subscribers to **The Energy Strategist** already know, the US is awash in crude oil. Crude oil inventories are far above average for this time of year; in fact, inventories are at a five-year record high.

However, as I've pointed out on several occasions, these inventories aren't high because of a lack of crude oil demand. Rather, a wave of refinery outages and shutdowns this year [Elliott, can you supply me with some backup info on this] meant that US refiners weren't able to refine crude into gasoline as quickly as normal. The crude just welled up in storage even as gasoline inventories sunk to multiyear record lows, and that is precisely...

#### **Why you're still paying dearly for gas at the pump.**

Of course, the conventional wisdom has been that once the refinery bottlenecks begins to clear gasoline inventories will begin to rise; refiners will start working through the overhang of crude oil; and inventories of crude will drop.

Indeed, crude inventories have been dropping during the past few weeks, and at a far faster-than-normal pace. But...

Although crude oil inventories are dropping, gasoline stores are *not* growing. In fact, current US gasoline stores are close to record lows.

#### **So yes, you will continue to pay higher prices at the pump.**

But, for you as an investor there's a silver lining.

Because gasoline inventories are perilously low, refiners are working over time to convert oil into gasoline—and not into that other important and necessary crude oil by-product—heating oil.

In a normal year the peak demand for heating oil is in the winter. Refiners therefore tend to build up their heating oil stores from April through September, ahead of the heating season.

But heating oil stores have yet to begin their normal seasonal build, and heating oil prices are now on the rise. And if inventories continue to fall, we could see a rather dramatic spike in pricing as the winter heating season kicks in.

And because natural gas is another common commodity used to heat homes... when the price for heating oil rises, the demand for "cheaper" natural gas also rises.

And thanks to last year's shake out in the natural gas sector, quite a few "quality" gas stocks are, even today, trading at bargain basement prices.

Add them to your portfolio—now!

In the main article to the left, I'll tell you about four of the best.

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### [Sidebar #2]

For the past **XX** years, Elliott H. Gue has focused his impressive analytical skills on the energy markets, and in 2005 he launched **The Energy Strategist**. As of this writing, **The Energy Strategist** is the country's premier trading advisory dedicated solely to the energy industry and all of its many lucrative sub-sectors.

Prior to taking the helm of **The Energy Strategist**, Elliott's investment background in the broader global markets and his superior options strategies earned him the coveted position of editor-in-chief of the award-winning **Wall Street Winners** advisory.

Over a five-year period, which included the vicious bear market of 2000–2002, he led **Wall Street Winners'** to an impressive 18.2% average annual return (while the S&P 500 *lost* 7.8% a year over the same period).

His performance earned **Wall Street Winners** the #1 ranking among the 121 investment advisories rated by the *Hulbert Financial Digest*.

Elliott has a Bachelor of Science and a Master's of Finance degree from the University of London, where he graduated in the top 3% of his class. He was the first American student to ever complete a full degree at that prestigious university.

Elliott is the co-author of **On the Silk Road to Riches: Discovering Wealth in a Changing World**, released in 2006 by Prentice Hall.

Besides running **The Energy Strategist**, Elliott is also the editor of **Traders Talk**, a long/short trading service, and is the associate editor for **Personal Finance** where he writes about the energy markets. He is also a frequent speaker on the national investment conference circuit.

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<sup>1</sup> [http://www.energystrategist.com/post/archive\\_content.html?pg=137](http://www.energystrategist.com/post/archive_content.html?pg=137)

<sup>2</sup> [http://www.economist.com/business/displayStory.cfm?story\\_id=3136036](http://www.economist.com/business/displayStory.cfm?story_id=3136036)

<sup>3</sup> [http://fossil.energy.gov/programs/oilgas/publications/naturalgas\\_general/gas\\_fundamentals.pdf](http://fossil.energy.gov/programs/oilgas/publications/naturalgas_general/gas_fundamentals.pdf)

<sup>4</sup> [http://www.naturalgasfacts.org/what\\_others/NGReport.pdf](http://www.naturalgasfacts.org/what_others/NGReport.pdf)

<sup>5</sup> [http://fossil.energy.gov/programs/oilgas/publications/naturalgas\\_general/gas\\_fundamentals.pdf](http://fossil.energy.gov/programs/oilgas/publications/naturalgas_general/gas_fundamentals.pdf)

<sup>6</sup> [http://www.naturalgasfacts.org/factsheets/nat\\_gas\\_facts.html](http://www.naturalgasfacts.org/factsheets/nat_gas_facts.html)

<sup>7</sup>

[http://www.naturalgasfacts.org/factsheets/UNDERSTANDING\\_NATURAL\\_GAS\\_MARKETS.pdf](http://www.naturalgasfacts.org/factsheets/UNDERSTANDING_NATURAL_GAS_MARKETS.pdf)

<sup>8</sup> [http://fossil.energy.gov/programs/oilgas/publications/naturalgas\\_general/gas\\_fundamentals.pdf](http://fossil.energy.gov/programs/oilgas/publications/naturalgas_general/gas_fundamentals.pdf)

<sup>9</sup> [http://www.naturalgasfacts.org/factsheets/nat\\_gas\\_facts.html](http://www.naturalgasfacts.org/factsheets/nat_gas_facts.html)

<sup>10</sup> [http://www.naturalgasfacts.org/what\\_others/NGReport.pdf](http://www.naturalgasfacts.org/what_others/NGReport.pdf)

<sup>11</sup> [http://www.energystrategist.com/post/TES\\_7457.htm](http://www.energystrategist.com/post/TES_7457.htm)

<sup>12</sup> [http://www.energystrategist.com/post/archive\\_content.html?pg=165](http://www.energystrategist.com/post/archive_content.html?pg=165)

<sup>13</sup> [http://www.energystrategist.com/post/TES\\_2222.htm](http://www.energystrategist.com/post/TES_2222.htm)

<sup>14</sup> [http://www.energystrategist.com/post/TES\\_3759.htm](http://www.energystrategist.com/post/TES_3759.htm)

<sup>15</sup> [http://www.energystrategist.com/post/TES\\_2266.htm](http://www.energystrategist.com/post/TES_2266.htm)

<sup>16</sup> <http://www.kci-com.com/lp/tes/default/index.asp?ad2=5A9D8BF5B7A4B35F3110DDE8673BDDA2>

<sup>17</sup> [http://www.energystrategist.com/post/archive\\_content.html?pg=168](http://www.energystrategist.com/post/archive_content.html?pg=168)



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