

# Interview

## The End of the Gasoline Age

An Interview with Boone Pickens,  
 Founder and Chief Executive Officer, BP Capital LLC, Dallas



Boone Pickens

**EDITORS' NOTE** Although he claims he "always had a lot of self-confidence," Boone Pickens sounds surprisingly modest as he explains BP Capital Energy Commodities Fund's more than 300 percent rise in 2004 by saying, "I got lucky." Yet, however unassuming in certain contexts, Pickens describes himself as "50 miles deep on the subject of oil," and he remains an undisputed energy expert.

Predicting the end of the gasoline age, he forecasts that, "by the middle of this century, we will phase into another fuel." Though reluctant to wager on "what the ultimate alternative fuel" will be, Pickens maintains that, in the meantime, there's no way to fix the oil supply for America within this country, since "there is no way Alaska can take care of the demand." What will meet the U.S. demand for energy, to Pickens's mind, is his "three-legged stool," comprising Qatar's "900 trillion cubic feet of natural gas," the "oil sands in northern Alberta," and Iraq's "150 billion barrels of oil."

Though a veritable well of energy-industry information, straight-talking Pickens attributes "about 50 percent of my success to instinct." Despite what he calls "consistently poor" timing, he concedes that he has done well. And as for the corporate rabble-rouser/stockholder-champion reputation he gained while at

the helm of Mesa Petroleum, he contests "it's not hard to follow the rules" and most people now see him "as a nice old man, not a raider." Still, it is arguable that most businessmen, whatever their age, lack Pickens's tenacity and foresight, for as he testifies: "Everything I'm involved in somehow works. I don't have a loser in the crowd."

A geology graduate of Oklahoma State University, Pickens began his career with Phillips Petroleum before founding Mesa Petroleum in 1956. He served as Mesa's CEO until 1996, at which time he founded his own fund-management company BP Capital.

**COMPANY BRIEF** Dallas-based BP Capital LLC was founded in 1996 by the charismatic entrepreneur Boone Pickens. The company manages the BP Capital Energy Commodities Fund, which has generated more than \$1 billion in profits since its 1997 launch, and the BP Capital Energy Equity Fund, which invests more than \$500 million in publicly owned energy companies.

**You've made more money in the last five years than you did over the previous 70. The BP Capital Energy Commodities Fund was up 300 percent in 2004, and it has had profits of more than \$1 billion since 1997. Is this the work of that famous Boone Pickens Midas touch?**

I got lucky. I always say I'm about a foot wide and 50 miles deep on the subject of oil. I understand it well. Also, I'm a good team builder, and I put together the best team I've ever had. We've gotten results.

**Are you still seeking investors in your funds?**

Yes, we're looking for investors in our equity fund.

**Does the future look as good for the fund as their recent past was?**

I don't know if we can bring the figures up as high and as quickly as we did in these last four years, but I do know that there's a lot of money to be made in the oil-and-gas industry.

**Investing with you seems like a sure thing.**

Well, there are no sure things. We're confident, and we've done well. After I left Mesa, in 1997 and 1998 I was a loser, but I haven't been since. I paid over 75 percent of my taxes after I was 70 years old. So we've had a good run. Can we continue to do it? I think so. I can't be positive, but I think we have a good grasp of the industry and we're realistic people. We know where we are and I think we'll continue to do well.

**Will there ever be an end to the gasoline age?**

Sure. It will only last 200 years, and it started in 1900. By the middle of this century, we will phase into another fuel.

**Which one?**

First, I think we'll remove natural gas from power generation, and some of the natural gas will be used for transportation. We'll stretch our oil by using the shale oil from the western slopes of the Rockies. We'll move toward hydrogen, even though I hate to say it. It's a tough fuel to use, but I know it will work. There's no question about that. I don't know what the ultimate alternative fuel is. We'll use a lot more nuclear power.

**What about the United States' dependency on oil?**

Imports are now more than 60 percent – about 13 million barrels per day. A lot of people believe that Alaska could solve the problem. It can't. The pipeline off from the Arctic coastal plain used to deliver two million barrels a day. It's depleted now to 700,000 barrels a day. So there's no way Alaska can take care of the demand.

**What's going to happen to Saudi Arabia's oil? And what's going to happen to other places in the Middle East like Qatar, with its tremendous natural-gas resources?**

Qatar fits into my three-legged stool. The Bush administration has done great things for America from an energy standpoint. Qatar's north field where ExxonMobil is a major player, contains 900 trillion cubic feet of natural gas. The U.S. put a big airfield and its central command in the

country. That trade for gas was a big plus for the Bush administration.

Second, the reserves in the oil sands in northern Alberta [Canada] – at 250 billion barrels – are equivalent to what the Saudis have. That oil is being upgraded to light, sweet crude, which is very valuable to the United States.

Now, I don't want to cause any confusion about why we went to war in Iraq. We didn't go to Iraq for oil any more than we went to Afghanistan for rocks. It just so happens Iraq has oil. And so third, I think that when we leave Iraq, we'll have a call on its 150 billion barrels of oil at full market price.

**A lot of people say you're the world's foremost energy-market expert. Are they right?**

I'd like to believe that, but I won't say, "Yes, I am." I think I'm in the top 10 for sure.

**Talk about luck: You have an aquifer under your ranch in Texas and have founded Mesa Water Inc., which stands to make a lot of money by delivering water to the drought-prone areas of San Antonio and Dallas-Fort Worth.**

I knew that the ranch was located on the aquifer when I bought it, but I didn't have the foresight to realize its value until many years later. In 2005 the water will probably be put under contract. It's a huge amount of water, spanning some 400,000 acres and involving 200 other ranchers. Those ranchers have permits to sell their water. So it's really a joint effort of the ranchers in Roberts County, Texas.

**In the '80s you were known as an advocate for shareholder rights. What do you think of the relatively recent corporate scandals, especially those in Texas?**

Looking back in corporate history, there have always been bad guys. Some think they can break the rules and get away with it. That won't happen very long. I don't think this is the end of it, but I don't think we need any more laws. We have enough laws.

**You've remained above all that stuff, haven't you? Is that hard?**

It's not hard to follow the rules. I find it somewhat easy. I don't want to cheat at something anyway. It's no fun to win if you have to cheat.

**How much of what you do depends on instinct?**

A lot of it. I'm training my team to develop that instinct. Knowing when to pull the trigger has served me well. I'd say I could attribute about 50 percent of my success to instinct.

**Are you among the wealthiest men in the world?**

I was number 389 on the *Forbes* 400. That's pretty good for an old guy.

**Do you have trouble determining whom you can trust?**

No, I'm good at that, but I did miss

on a couple of guys. People won't stick with me unless all of the necessary ingredients are there. No one I work with "plays up to Boone." Our purpose is to make money. Someone once said, "If you and Boone stick together for two years, you'll probably be there for life." I have people working with me who have been here for more than 30 years.

**As a businessman, you've always been straightforward. You always tell it like it is. Your success doesn't seem to have spoiled you.**



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I've learned plenty of lessons as I've gone along. No one really doubts where I stand on any issue. And I like that.

**What do you make of the "corporate raider" label the media attached to you during the '80s? Is that still on people's minds?**

I don't think so. Hardly anyone mentions it anymore. They just see me as a nice old man, not a raider.

**But you're not that old.**

I'm 76.

**You look so fit and young.**

I have a good tailor.

**We first interviewed you about 20 years ago, and you haven't changed a bit. What else keeps you young?**

I was told: "Aside from smoking, you can do anything you want, son, if you do it in moderation. Smoking is the only thing you have to completely avoid." It worked.

**And you never smoked?**

No. I don't even drink Scotch or vodka anymore. I drink a couple of glasses of wine a night. I do everything I want to do, but I do it in moderation. Is that clean living? I don't know. I have always exercised, and I can actually bench-press more today than I could 20 years ago.

**What do you do for fun?**

I love to hunt quail. I used to golf and play cards, but I don't much anymore. I'm into my projects. We have built the commodities fund and the equity fund, and I'm very much involved in them on a daily basis. I also bought more than 100,000 acres of cattle ranches and developed the wildlife habitat and recreational areas. I'm involved with Clean Energy [North America's largest provider of gas for transportation fuel] and Mesa Water Inc. Everything I'm involved in somehow works. I don't have a loser in the crowd.

**You're never going to retire?**

No, I don't think so. This is too much fun.

**You've had wonderful times in your life, but you've also had some troubles. What advice would you offer young people as they face difficult times and need to overcome them?**

Number one, you have to stay in there and keep pitching. Someone once said to me, "Pickens, you just like to get your back against the wall to demonstrate that you can get off the wall." Of course I don't, but I don't find it all that uncomfortable to be up against the wall. I always know I'll pull it off.

Second, don't let anything overcome you. In the '90s I had a bout with depression. I never thought it would happen to me, but it did. But I wasn't depressed for very long. I was able to overcome it, and without any recurrence. I cleared up some things in my life. If I couldn't fix something, I just moved on. I don't spend a lot of time working on things I can't fix.

Young people have to have self-confidence, especially if they get into a spot that requires a lot of fortitude to overcome. I've always had a lot of self-confidence. The thing I think I've been consistently poor at is timing. My timing was off at times, and that sometimes caused me problems.

**And yet you haven't been consistently wrong.**

Well, I've been right a lot of times and a lot of my decisions have been good.

**Your average has been pretty good.**

I've been right enough to do well. I can think of three or four things that would have made a lot of difference had my timing been better.

**Do you give a lot of money to charity?**

I've been generous with the money I've made. I once gave away \$4 million in 48 hours. I love to do it, and if it's for a good cause, I don't hesitate. I'm convinced that I was put on this earth to make money and give it away.

**How do you think people will react to this interview?**

Do *LEADERS'* readers admire me? I don't know. Do they wonder about me? Probably, yes. Maybe they'll be surprised I'm still alive and doing an interview! ●