Energy Windfall Trader

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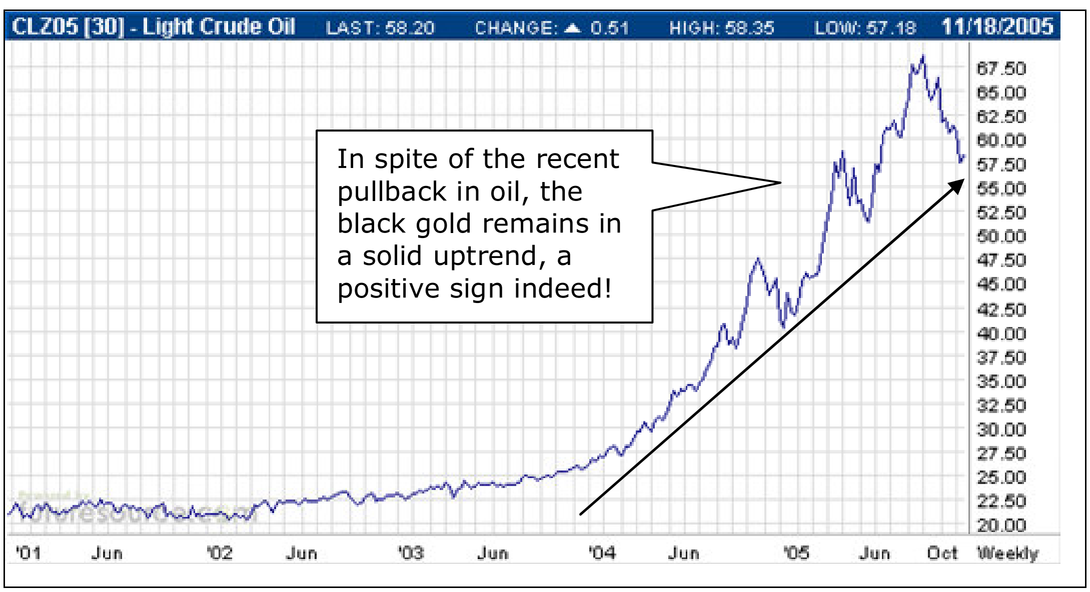
Strong forces continue to support higher oil prices. Here's how to play it ...

No market goes straight up. From time to time, they pull back and make a natural correction. Sure, it can be nerve-racking. But the experienced players know that corrections are a way of life. And they don't mistake the forest for the trees.

The fact is a market correction is a healthy sign: It shakes out timid investors and lowers prices. That creates sizzling buying opportunities for those with rock-solid vision.

Right now the energy markets are in such a correction. Do I know *exactly* when the next leg up will resume? Of course not – no one knows that for sure. What I do know is that the recent action in the oil markets suggests that *oil may be forming a base.* And that could ready the jump-off point for a new leg up.

However, even if that jump off point doesn't happen as soon as I think, the longer term outlook for oil is still extremely bullish. Take a look at this weekly chart of oil …



As this chart clearly shows, the recent pullback in oil hasn't done a thing to break the longer term uptrend line. That tells me that the forces powering oil higher are still firmly in place and that the recent pullback in oil is only a temporary, healthy event.

But that's not the only reason I'm solidly bullish on oil: The fundamental forces are also cranking up …

==> Temperatures along the U.S. East Coast are expected to drop to the 20 degree area by the end of the week. That puts big upward pressure on winter heating fuels along the demand-rich East Coast corridor.

==> China may begin importing oil to fill its strategic petroleum reserve. That's a big shift from previous Chinese policy that figured the oil guzzling giant could manage its oil reserves through domestic sources. In fact, *China's oil imports surged 21.3% in October compared to a year ago.* With China hitting the world markets to fill its gas tank, even more upward pressure is under oil prices.

==> The U.S. government plans to release its first inventory of offshore oil and natural gas resources early next year. The inventory could provide new opportunities for oil company growth down the road, a positive sign indeed.

And don't' forget: Skyrocketing worldwide demand, solid economic growth in the U.S. and Asia, and shrinking energy supplies and refining capacity all point to more upward pressure on energy. The bottom-line is now's not the time to sit on the sidelines …

My next target: Noble Energy!

The recent correction in the oil markets along with rock-solid fundamentals combine to make outstanding buying opportunities. That's why my next target is **Noble Energy**, a Houston-based energy company engaged in the worldwide production, exploration, and marketing of crude oil and natural gas.

* During the third quarter, Noble Energy's oil and gas sales soared 108% to $601 million. Meanwhile, total sales were up a mind-boggling 102% to $645 million! With worldwide demand continuing to surge – and supplies getting tighter by the day – Noble Energy's top-line results bode well for the shares down the road.

* The company's daily production surged 61% during the third quarter compared to the year-ago period. At the same time *realized prices for gas and oil jumped 25% and 34% respectively.* Soaring production and climbing prices tell me that Noble Energy's management is hitting it out of the park, day after day.

* During the third quarter, operating income jumped 119% to $177 million, net income was up 111% to $177 million, and cash flow ballooned 131% to $437 million. That's a dynamite track record, no doubt about it. And that shows me that Noble Energy is a fine-tuned oil and gas operation.

* The company plans to pour a whopping $987 million into capital expenditures during 2005. My take: Noble Energy is investing heavily in its future -- another big plus for the shares.

I could go on, but the picture is clear: Noble Energy's shares are poised for a swing to the upside. Before that happens I recommend you buy **XX shares of Noble Energy.** In order to help minimize downside risk, place a stop-loss order as well.

To place this trade now, call your broker and say:

> **"I want to BUY XX shares of Noble Energy, symbol NBL, at $XX or better.**

> **"Then, I want to place an order to SELL ALL of my shares of Noble Energy, symbol NBL, at $XX, STOP. These orders are good till canceled."**

Get these orders in to your broker right away. I've set the price limits with the goal of giving you a reasonably good opportunity to execute it today or tomorrow.

Here's the scoop on your portfolio

Open position	*Ticker*	*Entry date*	*Estimated entry price*	*Recent Price (at close 11/14/05)*	*Open gain/loss (excluding commissions)*
S&P Select Energy SPDR	XLE (short)	10/13/05	3.70	2.35	-36%
Lufkin Industries	LUFK	11/2/05	49.12	45.17	-8%

The solid fundamentals powering **Lufkin Industries** shares – including outstanding sales prospects and stellar earnings – are still firmly in place. Meanwhile, the company declared a stock dividend payable December 2005. That's a big positive because dividends are a key vehicle for attracting new investors.

The company also reached new three-year contracts with all three of its labor unions. That's another plus because it gives management an outstanding planning tool and helps keep workers productive and satisfied. Hold 'em.

Hold your XLE put option position as well. It provides a good hedge for your positions down the road. And stay tuned: More updates and recos are headed your way shortly!

Best wishes,

Larry

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