

# Peak Oil Pundit Predicts Rally to \$500 a Barrel

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Crude oil futures zoomed more than \$16 a barrel Monday - and traded as high as \$130 a barrel - thanks to a steep decline in the U.S. dollar and speculation that the Bush administration's plan to bail out the financial sector might actually jump-start the U.S. economy.

The record single-trading-session gain came on a day when *CNNMoney.com* republished a brand new *Fortune* magazine [story](#) in which author and noted "peak oil pundit" [Matthew R. Simmons](#) stated that crude prices were headed for \$500 a barrel.

At that price level, gasoline would cost more than \$10 per gallon.

Crude oil for October delivery soared \$16.37 a barrel, or 15.7%, to close at \$120.92 a barrel on the New York Mercantile Exchange. The gain surpassed the previous price-gain record for a single day of \$10.75, a move that occurred on June 6. The highest percentage gain in a single day - 20.9% - was recorded on Jan. 3, 1994, according to [FactSet Research Systems Inc.](#)

[Trading was halted for five minutes](#) after the October crude contract reached the daily price-movement limit of \$10 per barrel, *MarketWatch.com* reported. Under trading rules, the price-change limit is increased by another \$10.

The October contract expired on NYMEX at the end of trading Monday, a factor that fed into Monday's volatility.

"I never expected a move that big in one day without some real news, but I'm past the point of saying there are any absolutes in a market like this one we're in presently," Neal Ryan, a managing partner at the New Orleans-based [Ryan Oil & Gas Partners](#), told *MarketWatch*. The move "underscores that energy is the only place to expect outsized profits these days and the money is flocking into that market."

Simmons is the chairman of the Houston-based investment bank [Simmons & Co. International](#). And like *Money Morning* Investment Director Keith Fitz-Gerald, Simmons is a longtime oil bull. Indeed, back in February, Simmons actually predicted that [oil prices could climb as high as \\$378 a barrel](#) - characterizing current prices in the \$100 range as "preposterously cheap."

What he doesn't understand, he told *Fortune*, is why so few others see what is so obvious to him.

"I find it ironic that here we have the biggest industry on earth, and I'm one of the few people to figure out that we have a major problem," he told the magazine. "And I did it all in my spare time. How stupid and tragic is that? I shouldn't be one of the only folks that actually has a handful of ideas of how we can keep from blowing each other up and get through this."

Once just an "influential industry expert," Simmons was transformed into an "A-list pundit" by the 2005 publication of his book "Twilight in the Desert: The Coming Saudi Oil Shock and the World Economy," *Fortune* reported. In the book, Simmons argues that Saudi Arabia's oil supplies are much more limited than everyone thinks.

Today he's viewed as a guru of the "peak-oil" movement, a group of experts who believe that world oil production is near - or actually at - an "inflection point," after which production will no longer be enough to meet growing future demands.

As Simmons, Fitz-Gerald and a relatively small number of others generally predicted, oil zoomed from below \$20 a barrel in 2002 to an all-time high of more than \$147 earlier this year, before dropping back under the psychologically significant \$100 a barrel level.

But with the financial crisis, oil prices have surged anew, making prognosticators such as Simmons look very smart.

"Like most people who ignore conventional wisdom, he was scoffed at, ridiculed, and denied," commodities guru Jim Rogers told *Fortune*. "And now, of course, people are starting to say, 'Oh, well, I thought of that.'"

Billionaire oil and gas investors Richard Rainwater and T. Boone Pickens are two other high-profile billionaire oil-and-gas investors who both speak highly of Simmons.

U.S. Sen. Susan Collins, R-Maine, who recently began consulting with Simmons on energy issues, told the magazine that the expert is "issuing a clarion call that policymakers need to listen to."