…SUZI Q'S ESTATE FINDS

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Oil Prices: Heading Back to $100!

I just got off the phone with one of today's top oil experts …

He has been drilling oil for almost 40 years. He's had personal interests*in over 1,000 drilling projects*. He was also a partner in one of the biggest wells found in the Eagle Ford in 2011, which eventually sold to Norway's**Statoil (STO)** for more than $1 billion.

Cactus Schroeder lived through many "boom & bust" cycles in the oil patch. This includes the oil crash in the mid-1980s and the credit crisis in 2008.

Oil prices plunged more than 60% from their peaks during these downturns.

Some oil companies went bust during these volatile periods. And many oil investors — who were highly leveraged (used huge amounts of debt to fund projects) — lost everything.

Cactus was not one of these people.

Over his 40-plus year career, Cactus has found himself on the right side of the trade almost every time. He looks to buy oil assets when markets are depressed and looks to sell his oil assets when prices are high (like he did in 2011).

In short, Cactus has a great track record for timing the oil markets.

And right now, he believes oil prices are heading a lot higher.

To be clear, many analysts believe right now is the best opportunity to buy oil stocks since the 2008 credit crisis.

However, most of these analysts were bullish when oil fell to $80 a barrel in October … $70 a barrel in December … and they continue to be bullish at $50 a barrel today.

Yet, Cactus does not fall into this camp.

In fact, the last time I spoke to Cactus was in November when the price of oil fell from $100 to $75 a barrel.

I thought it would be a great time to start buying some quality oil names. After all, most oil stocks were down more than 30% from their three-month highs.

However, after a 30-minute conversation, Cactus convinced me not to touch oil stocks.

He said most of his friends were highly leveraged at the time — meaning they took out huge loans to buy property and fund drilling programs.

Even at November's prices, most of these companies could not turn a profit drilling for oil.

Plus, with the massive amount of supply on the market — coupled with weak demand from emerging markets — prices would likely decline over the short-term.

In short, his prediction was dead-on.

Oil prices fell another 40% over the next few months.

What's more, most oil stocks fell alongside the price of oil.

Today, Cactus believes oil prices could surge above $100 a barrel again.

This forecast surprised me. After all, Cactus was super-bearish on oil prices less than four months ago. However, he says a lot has changed over this time frame.

Cactus points out that there are massive cuts taking place in the industry. For example, companies have cut billions of capital expenditure dollars from their drilling budgets.

In fact, oil companies **Halcon Resources (HK)** and **Laredo Petroleum (LPI)** have cut their capex for 2015 *by more than 60%!*

Now, oil companies have no choice but to cut spending.

They are generating a lot less cash flow as the price of oil is down more than 50% in the past few months.

The number of drilling rigs used to find oil in the U.S. is at its lowest level since 2011.