

BLM Announces Plans For Final Crude Helium Auction & Sale

By Phil Kornbluth, Kornbluth Helium Consulting

The United States Bureau of Land Management (BLM) has announced their plans for their FY 2019 Crude Helium Auction and Sale. This will be the BLM's final auction/sale to private industry because, at the conclusion of the FY 2019 sale, the BLM will have reached the 3 BCF minimum inventory level specified in the Helium Stewardship Act of 2013. After the conclusion of the FY 2019 sale, the BLM's crude helium inventory will be reserved exclusively for government helium users until such time as the BLM's helium assets, including its remaining crude helium inventory, are privatized by no later than September 30, 2021.

The FY 2019 Crude Helium Auction will take place in Amarillo, Texas on July 18, 2018. Bids for the Conservation Sale portion of the auction/sale will be due on August 3, 2018.

Due to the constraint resulting from the 3 BCF minimum inventory level mentioned above, this year's auction/sale will result in the sale of much lesser quantities than in recent years. The table below shows the quantities of crude helium that will be included in the auction or subsequent Conservation Sale:

QUANTITIES EXPRESSED IN MILLIONS OF SCF				
(A)	(B) = (A) * 70%	(C) = (A) - (B)	(D) = (C) * 90%	(E) = (C) - (D)
<u>TOTAL QTY AVAILABLE</u>	<u>AUCTION VOLUME</u>	<u>CONSERVATION SALE</u>	<u>ALLOCATED TO REFINERS</u>	<u>NON-ALLOCATED VOLUME</u>
345	240	105	95	10

Last year, a much larger total of 900 MMscf (2.6X FY 2019) was sold, with 500 MMscf (2.1X) sold via auction and 400 MMscf (3.8X) sold via the Conservation Sale.

The FY 2019 auction will include 6 lots of 25 MMscf each, 5 lots of 15 MMscf each and 3 lots of 5 MMscf each, with the lots expected to be auctioned in that order.

There is widespread speculation that this year's auction could see an even larger increase in the average auction price than we saw with last year's jump from \$107/MCF to \$119/MCF. There are a number of possible reasons for this including:

- This is the final opportunity for private industry to purchase crude helium from the Federal stockpile.
- The BLM auction/sale provides a one-off opportunity for bidders to increase their crude helium inventory within the BLM System, which results in an increased crude helium allocation from the BLM during all of FY 2019. With the BLM seemingly stuck in a state of perpetual allocation, this can have significant value.
- There are expected to be several smaller, potentially aggressive bidders participating in the auction.
- Given the relatively small size of the auction/sale, there may simply not be enough volume available to satisfy the demand.
- Last, but certainly not least, the value of crude helium in commercial transactions has moved up fairly significantly since last year's auction/sale.

If the Crude Helium Auction prices moves up by a significant amount, and the BLM relies on the weighted average auction price to set the BLM's Posted Price for crude helium, as they have after the three most recent auctions, it could have a very significant impact on the cost of helium worldwide. This is because the BLM's Posted Price is used for price indexation in helium sourcing contracts that account for more than half of total worldwide supply.

All in all, this year's BLM Crude Helium Auction should be a very interesting and unpredictable event.

About the author

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