

***Expiration Date: September 30, 2012***

**INVITATION FOR OFFER – FEDERAL (OPEN MARKET) CRUDE HELIUM  
IFO NO. BLM-2012-OMCHS-001  
October 2011 – September 2012**

**Introduction**

The purpose of this IFO is to continue implementation of the terms of the Helium Privatization Act (HPA) of 1996 dealing with the disposal of the Conservation Helium Reserve. The HPA requires the Department of the Interior (DOI) to offer for sale, beginning no later than 2005, a portion of the Conservation Helium stored underground at the Cliffside Field, north of Amarillo, Texas. The DOI, in consultation with the private helium industry, has determined that private companies, with refining capacity along the crude helium pipeline, will need a supply of helium in excess of that available from their own storage accounts and that available from crude helium extractors in the region. Given the current market, Conservation Helium sold in this sale will cause minimal market disruption.

This is the tenth in a series of sales that the Department will conduct to dispose of the Conservation Helium stored underground at the Cliffside Field. The annual sales are being conducted in a manner intended to prevent pure helium market disruptions from occurring to end users; shortages of crude helium to pure helium refiners; and an oversupply of crude helium on the market for crude helium extractors. Subsequent sales may be adjusted as needed.

The volume of helium available for this sale is 2,100 MMcf and will be offered in four equal quarterly increments of 525 MMcf. In accordance with the HPA, this volume was determined by dividing the total volume of stored Conservation Helium after reducing the total amount to reflect the required reservation of 600 MMcf for Government purposes and a percentage of the estimated In-Kind Crude Helium transfers covering 12 years. This volume represents a straight-line basis for offering the helium for sale in accordance with the HPA.

The Conservation Helium will be sold at \$75.75 per Mcf at 14.65 psi and 60 degrees Fahrenheit. In accordance with the HPA, this price covers helium debt repayment and interest since the helium debt was frozen in 1996 and includes administrative and storage costs associated with the Conservation Helium calculated on a per Mcf basis.

Before submitting an offer, you will need to know the definitions of certain terms used in this IFO. These terms are defined at the end of the IFO.

The first request for purchase of helium and other documentation as required in this IFO must be sent by certified mail to:

Bureau of Land Management, Amarillo Field Office  
801 S. Fillmore, Suite 500  
Amarillo, TX 79101-3545  
Attention: Crude Helium Sales Analyst

You may call Libby Conner, (806) 356-1027 with questions about this IFO.

Subsequent requests can be emailed to libby\_conner@blm.gov.

### **Term**

Submit your request for purchase and other documentation, as required, according to the following schedule:

- First Quarter Offering – September 15, 2011 through September 30, 2011
- Second Quarter Offering – December 1, 2011 through December 31, 2011
- Third Quarter Offering – March 1, 2012 through March 31, 2012
- Fourth Quarter Offering – June 1, 2012 through June 30, 2012

On the next business day after the request to purchase Conservation Helium for the Quarter is received, it will be opened and evaluated. Upon evaluation of all offers, volumes of this Conservation Helium Sale will be apportioned and allocated according to the sale rules described in this IFO.

Successful requestors will be notified in writing by BLM no later than one week after the end of the request period.

### **Offers**

You must submit the following information to the BLM, Amarillo Field Office:

- Billing address information and name(s) of principle officers of the company.
- Proof of being an entity qualified to purchase Conservation Helium at this sale as defined in Consideration of Offers. Documents such as invoices for sale or purchase of helium, Helium Storage Contracts, or other relevant documents may be submitted as proof of qualification.
- The amount (in Mcf) of Conservation Helium requested.
- Check, Credit Card, or money order in the amount of \$1,000 made payable to the Bureau of Land Management. This money will be used to cover administrative expenses to conduct this sale and is nonrefundable.
- The above information only needs to be submitted the first time a prospective purchaser submits a bid.
- Prospective purchasers are not required to submit bids every quarter and may participate in only the quarterly sales they deem appropriate.

### **Consideration of Offers**

Any person, firm, partnership, joint stock association, corporation, or other domestic or foreign organization operating partially or wholly within the United States who meets one or more of the following requirements is qualified to submit a purchase request:

- Operates a helium purification plant within the U.S., or
- Operates a crude helium extraction plant within the U.S., or
- Is a wholesaler of pure helium, or
- Purchases helium for resale within the U.S., or
- Is a consumer of pure helium within the U.S., or
- Has an agreement with a helium refiner to provide its helium processing needs, commonly referred to as a “tolling agreement.”

All entities participating in the Allocated sale agree, as a condition of purchasing helium in this Annual Conservation Helium Sale, to provide data on the previous fiscal year’s sales (October 2010 through September 2011) and tolling activities. The data provided shall include the 1) average annual price of sales (FOB) for liquid totaling in excess 1 million cubic feet by buyer (aggregated), 2) the number of tolling agreements in place during the previous year, and 3) the average amount of helium tolled for those same contracts. The data shall be provided prior to the transfer of any helium into the buyers helium storage account. All data is confidential and will be used to determine the future price differential between the In Kind and Open Market Helium Sales price. All entities requesting participation in the Non-Allocated Sale must submit proof of being qualified to purchase Conservation Helium and must either have a Helium Storage Contract with the BLM or have a third party agreement in place with a valid storage contract holder so that all Conservation Helium sold to the Bidder will be properly covered by a Helium Storage Contract (including associated storage charges).

### **Payment**

The purchaser is required to pay for the full amount of the quarterly helium purchase according to the following schedule:

- First Quarter request by December 20, 2011
- Second Quarter request by March 20, 2012
- Third Quarter request by June 20, 2012
- Fourth Quarter request by September 20, 2012
- 

Partial payments will be accepted as long as full payment is made according to the above schedule. After receipt of payment, the BLM will transfer the helium to the purchaser’s account on the first day of the month following receipt of payment.

Make checks payable to BLM using the address above.

### **Allocated Sale**

Those who meet the definition of Crude Helium Refiners are allowed to purchase Conservation Helium in the allocated sale portion of this sale. An allocated sale is that portion of the annual sale volume of Conservation Helium that is set aside for purchase by the Crude Helium Refiners. The amount of conservation helium available for the allocated sale will be 94 percent of the total volume of the Annual Conservation Helium Sale - 1,974 MMcf, or 493,500 Mcf per quarter.

The apportionment of the Conservation Helium will be apportioned to each Crude Helium Refiner based on their percentage share (rounded to the nearest 1/10<sup>th</sup> of 1 percent) of the total refining capacity as of October 1, 2000 connected to the BLM crude helium pipeline.

If a refiner or refiners request an amount other than their share of what is offered for sale then:

- Any helium not sold during the First, Second, or Third Quarter sales will be carried over to the succeeding Quarter and reallocated.
- If one or more refiners request less than their allocated share, any other refiner(s) that requested more than their share will be allowed to purchase the excess volume based on proportionate shares of remaining refining capacities.
- Requests by the Crude Helium Refiners that are in excess of the amount available above will be carried over to the Non-Allocated Sale and considered a separate bid under the Non-Allocated Sale rules. Any excess volume not sold to the Crude Helium Refiners will be added to the Non-Allocated Sale volume.

Below is a hypothetical example of how an Allocated Sale would be conducted.

525,000 Mcf available for total sale with 94 percent available for Allocated Sale (493,500 Mcf).

Bidder - Allocated Sale	Installed refining capacity	Refiner bid volume*	Allocated volume*	Excess volume requested*	Proration percent	Excess Allocated*	Total Allocated *	Carry over to Non-Allocated Sale*
Refiner A	10 %	56,250	49,350	6,900	20 %	6,900	56,250	0
Refiner B	50 %	187,500	187,500	0	0 %	0	187,500	0
Refiner C	40 %	256,000	197,400	58,600	80 %	52,350	249,750	6,250
Total	100 %	499,750	434,250	65,500	100 %	59,250	493,500	0

\* All volumes in Mcf

After the initial allocation, Refiner B has received all requested. However, 6,500 Mcf is deemed excess of the total in the first iteration of the Allocated Sale and reallocated to the two remaining refiners based on the refining capacity between them. With the reallocation, Refiner A gets all requested, but Refiner C is still short by 6,250 Mcf, which is posted into the Non-Allocated Sale. All percentages used in the calculation will be rounded to the nearest 1/10<sup>th</sup> of 1 percent. All volumes calculated will be rounded to the nearest 1 Mcf.

### Non-Allocated Sale

The non-allocated sale is that portion of the annual sale volume of Conservation Helium that will be offered to all qualified Bidders. The minimum volume that can be requested is 5 MMcf. The total volume of Conservation Helium available for the non-allocated portion of the quarterly sale is 31,500 Mcf per quarter plus any additional helium that is not sold as part of the Allocated Sale.

The ratio of Allocated to Non-Allocated Sale volumes are determined according to the terms of the HPA. The BLM must conduct the Annual Conservation Helium Sales in a manner not to cause undue helium market disruptions; and therefore, the majority of the Conservation Helium is being offered as part of the Allocated Sale. Currently, the Crude Helium Refiners have refining capacity roughly double what can be supplied through the Annual Conservation Helium Sales. Although there are other crude helium supplies available to the Crude Helium Refiners, these supplies are declining each year. The BLM must be sensitive to the Crude Helium Refiners requirements while maintaining a balance with other helium industry requirements. The exact ratio of Allocated to Non-Allocated Sale volumes may change for subsequent Annual Conservation Helium Sales.

The Conservation Helium will be apportioned equally in 1 Mcf increments among the Bidders with no prospective Bidder receiving more than its request.

If a request is made for more than what is made available for sale then:

- If one or more Bidders request less than their apportioned amount, any other Bidder(s) that requested more than its apportioned amount will be allowed to purchase equally apportioned amounts of the remaining volume available for this sale.
- If all Bidders request more than their apportioned amount each Bidder will receive at least its apportioned amount.
- Any bidder requesting less than the calculated apportioned volume will receive the amount of their request and amounts remaining will be reapportioned.

Below is a hypothetical example of a Non-Allocated Sale.

525 MMcf available for total sale with 6 percent available for Non-Allocated Sale (31,500 Mcf).

Bidder - Non-Allocated Sale	Bid volume*	Apportioned volume*	Excess volume requested*	Proration percent	Excess Apportioned *	Total Apportioned *	Amount requested not received*

Refiner C	6,250	6,250	0	0 %	0	6,250	0
Company D	20,000	7,875	12,125	50 %	2,750	10,625	9,375
Company E	15,000	7,875	7,125	50 %	2,750	10,625	4,375
Company F	4,000	4,000	0	0 %	0	4,000	0
Total	45,250	26,000	19,250	100 %	5,500	31,500	13,750

\* All volumes in Mcf

In this example, three companies submit a request and there is a carryover amount from one of the Crude Helium Refiners in the Allocated Sale that is considered as a separate request. Each Bidder would be apportioned 7,875 Mcf, (i.e.,  $31,500 \text{ Mcf of Non-Allocated Conservation Helium} \div 4 \text{ Bidders} = 7,875 \text{ Mcf per Bidder}$ ).

After the initial allocation, Companies C and F have received all the helium they requested. However, 5,500 Mcf is deemed excess in the first iteration of the Non-Allocated Sale and reallocated to the two remaining Bidders. With the reallocation, Company D and E each receive an additional 2,750 Mcf. No more helium is available, Company D and E do not receive all that they requested, and the sale is complete. All percentages used in the calculation will be rounded to the nearest  $1/10^{\text{th}}$  of 1 percent. All volumes calculated will be rounded to the nearest 1 Mcf.

### **Liquidated Damages**

The BLM must receive payment for helium purchased by a company during a quarterly offering before the company is allowed to purchase additional helium under the rules of this IFO. Additionally, the company will be assessed penalty interest in accordance with the Debt Collection Act of 1982, 31 U.S.C. 951-953 for payments received after the due dates for full payment listed in the "Payment" section.

### **Definitions**

Allocated Sale – That portion of the annual sale volume of Conservation Helium that will be set aside for purchase by the Crude Helium Refiners.

Annual Conservation Helium Sale – The sale of a certain volume of Conservation Helium to private entities conducted annually beginning no later than 2005.

Bidder – Any entity or person who submits a request for purchase of a volume of the Annual Conservation Helium Sale and has met the qualifications as defined in this notice.

BLM – The Bureau of Land Management.

Conservation Helium – The crude helium purchased by the U.S. Government under the authority of the Helium Act of 1960 and stored underground in the Cliffside Field.

Crude Helium – A partially refined gas containing about 70 percent helium and 30 percent nitrogen. However, the helium concentration may vary from 50 to 95 percent.

Crude Helium Pipeline System – Approximately 450 miles of high-pressure, underground pipeline extending from Amarillo, TX to north-central Kansas, including the

Crude Helium Enrichment Unit near Amarillo, crude helium extraction plants and crude helium refiners' plants.

Crude Helium Refiners – Those entities with a capability of refining crude helium and having a connection point on the crude helium pipeline and a valid Helium Storage Contract as of the date of a Conservation Helium Sale.

Excess Volumes – Allocated sale volumes not requested by the Crude Helium Refiners.

Helium Storage Contract – A contract between the BLM and a private entity allowing the private entity to store crude helium in underground storage at the Cliffside Field.

HPA – The Helium Privatization Act of 1996.

In-Kind Contract Holders - These Federal helium suppliers agree to insure Federal In-Kind users will have priority over all other customers in times of shortage. The In-Kind Crude program requires proof of tolling agreements to insure ability to deliver to Federal end users.

In-Kind Crude Helium – Conservation Helium purchased by private refiners in exchange for like amounts of pure helium sold to Federal Agencies and their contractors in accordance with the HPA.

In-Kind Helium Program – The In-Kind Helium Program is currently being re-evaluated and updated to reflect needed changes to insure ability of Federal helium providers to perform contractual obligations and calculate In-Kind volumes on a quarterly basis. In-Kind Helium allocation assigned to a Federal helium supplier can only be sold to other Federal helium suppliers as In-Kind helium. The purchasing Federal helium supplier must provide proof of a tolling contract to the BLM to insure ability to deliver to Federal end users. Failure to supply Federal helium customers shall result in cancellation of In-Kind Contracts.

MMcf – One million cubic feet of gas measured at standard conditions of 14.65 pounds per square inch (psi) and 60<sup>0</sup> F.

Mcf - One thousand cubic feet of gas measured at standard conditions of 14.65 psi and 60<sup>0</sup> F

Non-Allocated Sale – That portion of the annual sale volume of Conservation Helium that will be offered to all qualified Bidders.

Toll or tolling – As used herein, an agreement between a helium refiner and another party to process their helium at an agreed upon price.