

The heart of the HSA is the sale of federally owned crude helium to buyers who do not have helium refining plants on the BLM pipeline system. Such non-Refiner buyers can only convert crude helium to marketable pure helium if they acquire tolling services from one or more of the Helium Refiners who control the 6 helium refining plants connected to the federal crude helium pipeline, in sufficient volumes, at commercially reasonable prices, and with commercially reasonable terms related to delivery schedules, payment, notification, and the like. Without such access, crude helium will be worthless to non-Refiners, and the pool of interested buyers of the BLM's crude helium will shrink. The situation will revert to what it has long been, wherein 3 companies have near-exclusive access to federally-owned crude helium, and the price that buyers are willing to pay the BLM for crude helium will likely be reduced.

Thus far, in Matheson's experience, the HSA has not provided access to reasonably priced, secure and timely tolling services. With the crude helium Reserve a finite and shrinking resource, we think it is critical to correct the problems with the administration of the law prior to the planned June auction and July crude helium sale, or there will be little federal crude helium left to be sold under any corrected rules in the future.

During the debate over helium legislation in 2013, Matheson shared in public testimony our experience of trying and failing to secure tolling deals with helium Refiners dating back to 2009. Since providing that testimony in early 2013, we have solicited tolling services from all of the Refiners in 2 subsequent rounds of RFQ's, with a cumulative total of 5 NO BIDS and 1 bid with such high pricing and restrictive terms that we consider it the equivalent of a NO BID.

What are the problems that need to be addressed? In short, the two fundamental problems are:

1. Determining how much capacity will be made available from each Refiner for tolling by non-Refiners.

2. Determining the price that non-Refiners will pay to secure such tolling services.

We see two alternative ways to address these issues:

1. The federal government can mandate action by the Refiners, or otherwise compel them to act in a manner consistent with the intentions of the HSA through the imposition of penalties, or
2. The federal government can administer the HSA in such a way that the Refiners are incentivized to offer tolling at commercially reasonable prices in order to maximize their earnings from their helium plants under the rules established for the allocation and sale of BLM crude helium.

Matheson would prefer an approach that minimizes the imposition of government mandates and maximizes the use of commercial incentives.

Consistent with this preference, we recommend a periodic dual auction for tolling services. In such an auction, helium Refiners would offer tolling services up to a stated maximum volume at a price no lower than a stated minimum price. Non-Refiners would offer to buy tolling services up to a maximum stated volume for a maximum stated price. The BLM would act as a market-maker, matching high-priced Buy offers with low-priced Sell offers, with the price offered by each successfully matched Buyer being the price paid in that Buyer's matched transaction. There are several provisions in our proposal that we believe would provide sufficient motivation to prospective Buyers and prospective Sellers to create a functioning market for helium tolling services at reasonable commercial rates.

Time this afternoon does not permit further discussion of this plan, but Matheson will submit a detailed explanation in writing for consideration by the BLM and other interested parties.

Thank you for the opportunity to provide our perspective on this important topic.