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Unique helium reserve sale benefits nation

DENVER-Extracting natural gas from government helium reserves and selling that gas on the open market is just one example of the Minerals Management Service's commitment to secure economic value and energy for American taxpayers and consumers.

In March, MMS successfully completed its fourth natural gas sale from the Bureau of Land Management's Cliffside Helium Enrichment Unit located in Potter County, Texas, near the city of Amarillo. The contract for the approximately 9,000 million British Thermal Units of gas per day was awarded to Cinergy Marketing & Trading, LP, with offices in Houston, Texas. The contract provides for a 12-month term with delivery of the gas beginning April 1, 2005.

Proceeds from the sale will be returned to the Bureau of Land Management, which uses revenue from its helium and gas sales to fund its Cliffside helium operations. Remaining revenues not used to fund operations are returned to the U.S. Treasury for the benefit of all Americans.

"Recovering this gas provides an important energy resource to consumers," said MMS Director Johnnie Burton. "An added benefit of these unique sales is the additional revenues generated for the American taxpayer."

The approximately 9,000 MMBtu per day of gas now entering the consumer market is enough to supply the gas needs of approximately 36,000 average homes in Colorado.

45-year history

Since World War I, it was recognized that helium was lost to the atmosphere if not separated from natural gas and somehow captured and stored. Helium loss was avoided when passage of the 1960 Helium Amendment Act allowed for the storage of helium at the Cliffside gas field, which today continues to hold much of the gas extracted during the last 45 years.

Helium is used in a variety of applications, including in space, defense and energy programs, as well as in the medical, computer and fiber optics fields.

It was considered a strategic resource until 1996 and passage of the Helium Privatization Act. That legislation directed the government to reduce the crude helium resource through periodic sales on the open market, without market disruption. Working with a partnership of helium refiners and others, the BLM built the Cliffside Helium Enrichment Unit facility over the Cliffside Gas Field in 2003. The unit was designed to process helium-bearing gas and produce crude helium, which contains 75 to 85 percent helium which can be placed in a pipeline for sale and distribution, or placed back into the storage field depending upon demand.

As part of the operation, pipeline-quality residual natural gas is produced and made available for sale through an interagency agreement between the Minerals Management Service and the BLM. It is this residual natural gas, separated from the helium, that was offered for sale in March and in the three previous gas sales conducted by the MMS.

While all natural gas contains at least trace quantities of helium, a small number of specific fields produce natural gas with a helium concentration high enough for economical helium extraction. Those states where helium extraction occurs are limited to Texas, Oklahoma, Kansas, Colorado, Utah and Wyoming. It is currently anticipated that the government's efforts to process and extract the helium from the Cliffside field will continue until the 2015 timeframe or beyond.

The government gas sales from the Cliffside facility are made easier by the infrastructure already in place, including pipelines that can distribute the gas to the market and eventual consumer use.

MMS, part of the U.S. Department of the Interior, oversees 1.76 billion acres of the Outer Continental Shelf, managing offshore energy and minerals while protecting the human, marine, and coastal environments through advanced science and technology research. The OCS provides 30 percent of oil and 23 percent of natural gas produced domestically, and sand used for coastal restoration. MMS collects, accounts for, and disburses mineral revenues from Federal and American Indian lands, with Fiscal Year 2004 disbursements of approximately \$8 billion and more than \$143 billion since 1982. The Land and Water Conservation Fund, which pays for cooperative conservation, grants to states, and Federal land acquisition, gets nearly \$1 billion a year.

MMS Website: www.mms.gov

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