

ALLOCATION POLICY

The Bureau of Land Management (BLM) is proposing to issue a new policy for helium allocations and pipeline pressure. Article I, paragraph 1.3 of the FY 2022-2027 Storage Contract notes that:

The Authorized Officer may, in his sole discretion, change the allocation method when technical or operational considerations make such changes necessary or appropriate, but the Authorized Officer will notify all storage Contract holders before making any such change.

BLM'S MISSION

The primary mission of the BLM is to provide helium to Federal agencies through the In-Kind Program. The BLM contracts with Federal Helium Suppliers to sell refined helium to Federal Users and in exchange sells the Federal Helium Suppliers the same volume of helium at a reduced cost. Monthly allocations allow for delivery of In-Kind helium to each participating company before the remaining storage balance percentages are distributed.

It is also the mission of the BLM to provide delivery of private helium volumes in storage in Cliffside Field to companies with storage contracts. At times when delivery is limited and less than the demand for helium, the allocation process will regulate delivery amounts and priorities.

Although the BLM could take third party transfers of helium into consideration when assigning allocations, third party transfers are not part of the BLM mission or product produced from the reservoir and should not impact the required operating conditions of the pipeline or delivery to other storage holders according to their portion of the allocation.

ALLOCATION

Allocations are used to ensure that BLM produced crude helium delivery is proportional to private helium ownership interests during times of shortage while maintaining the optimum pipeline pressure. See Article I, paragraph 1.3 of the FY 2022-2027 Storage Contract for the definition of allocation.

Allocation transfers are comprised of the following:

1. Refining or Crude plant transfers of allocated helium: A transfer of an allocated volume between plants with active connections to the pipeline. This transfer must not exceed the volume of BLM produced helium that has been allocated to the transferring plant.
2. Non-pipeline storage holder transfer of allocated helium: A transfer by a storage contract holder without an active connection (one who must toll helium) of its allocated volume to one or more plants with an active connection to the pipeline.

A company that is dependent on tolling may not transfer more helium than is allocated to

them as they have no way to inject helium to cover this shortage. They may, however, be a beneficiary of an agreement by a crude plant to inject helium and a refiner to pull the injected volume of helium on their behalf. This situation is covered next under injected volumes.

3. Injected helium transfer: A transfer of an injected volume of helium between plants with active connections to the pipeline.

A plant may choose to inject helium into the pipeline rather than draw their allocation. Any injected amount would be considered an under-draw of the injecting plant's allocation and the injected volume can be transferred to another plant connected to the pipeline so long as the injecting plant's allocation remains balanced or underdrawn after the transfer.

- a. Third-Party Transfers - Crude plants may be honoring third-party agreements [with tollers] to inject helium on behalf of a third-party with no active connection to the pipeline who then intends to withdraw from another refining plant. Although this is not prohibited, the BLM has no obligation to mediate third party transfers. The BLM monitors transfers only to ensure that parties do not overdraw their allocation. The crude plant must inject the same or a greater amount of helium than the refining plant will withdraw in order to maintain a net zero or positive flow of helium (after allocation distributions have been met) into the pipeline during the current production month. The crude plant must inform the Authorized Officer of the quantity of helium to be transferred within the allocated period within the month. Regardless of the time frame for delivery specified in any third-party agreements, the crude plant must identify what amount of transfer is required for the portion of the month that is under an allocation. The BLM will not mediate discrepancies between requests from the third-party toller and will only allow withdrawal by the refining plant the amount of helium that the crude plant has specified will be transferred within the allocated period of the month along with any allocated volume.

If anonymity between the crude and refining plant is required on behalf of the third-party:

- i. The Third Party will report to the BLM the donor and acceptor of the third-party helium.
- ii. The Crude Party will report to the BLM the amount of donated helium to be delivered within the allocated portion of the month.
- iii. The Refiner will report to the BLM their agreement to accept (toll) the helium.

LOWEST OPERATING PIPELINE PRESSURE – 600 PSIA

The lowest operating pipeline pressure will be 600 psia, as measured at Cliffside. The pressure will only be allowed to drop to 600 psia during emergency situations or plant outages. This allows Third Parties the opportunity to withdraw their allocated helium during an emergency or

outage using the Federal Helium Pipeline. The BLM and Third-Party Operators shall respectively report plant outages to the respective parties.

LOW PRESSURE - 600-900 PSIA

When repressurizing from 600 psia to 900 psia, the Government will hold back a minimum 200 Mcf of helium per day of Crude Helium Enrichment Unit (CHEU) production. The BLM will attempt to maintain the maximum production possible to ensure that all customers along the pipeline are able to pull their “allocated helium” from the Federal Helium Pipeline.

EXTENDED OUTAGES

In Extended Outages (such as emergency situations or plant outages lasting longer than 14 days), the following shall apply: The BLM will declare an Extended Outage and issue a final Extended Outage Burn Down Allocation of BLM produced helium (as determined under Article I, 1.3 and Article II, 2.4(a) - of the FY 2022-2027 storage contracts) from the conservation pipeline that will theoretically lower the pipeline pressure to 600 psia if all parties withdraw their Burn Down Allocation.

At the end of the month of the burn down, the BLM will issue a "zero allocation" to ensure that the pipeline pressure does not drop below 600 psia. At this point, third party transfers may occur as described above (see Third Party transfers). The BLM will not regulate any transfers during a zero allocation but will be monitoring overall pipeline pressure for safety. If the pressure exceeds 1,350 psia a notification will be sent to all companies notifying them not to exceed 1,500 psia.

While under zero allocation, pipeline companies are free to contact each other to transfer volumes of helium input into the pipeline. It is not the intent of the BLM to restrict access to industry produced crude helium. If the pressure falls below the established lower limit of 600 psia, all draw from the pipeline will be prohibited because of this overdraw situation until pressure is restored above the limit.

When the Cliffside plant is brought back online a new allocation will be issued which will include no more than 200 Mcf of under draw carry over from the final burn down allocation. (See Under Draw Monthly Carryover Cap below). The new allocation will carryover all of the final allocation overdraw amount. Deliveries will proceed as normal under the new allocation to maintain pipeline pressure until allocations are no longer needed.

SUBNORMAL PRESSURE - 900-1,200 PSIA

When repressurizing from 900-1200 psia, the Government will decrease the hold back to 50 Mcf per day of CHEU production.

NORMAL PRESSURE – 1,200 -1,350 PSIA

From 1,200-1,350 psia, the Government will decrease the hold back to 0 Mcf per day of CHEU production.

HIGH PRESSURE - 1,350 PSIA

The helium allocation will be released when the pipeline reaches 1350 psia as recorded at the discharge of the helium production into the conservation pipeline at Cliffside. The BLM will allow the pressure to drop from 1350 psia down to 900 psia without intervention. Once helium allocations cease during a month or otherwise, all over/under helium ceases. If helium allocations are begun again during a month, the calculation of over /under helium restarts. However, the 200 Mcf of helium carryover is still in effect, notwithstanding the before stated exceptions.

DECLINE BELOW 900 PSIA

When the pressure at Cliffside declines below 900 psia, the Government will initiate allocations.

ALLOCATIONS COMBINED WITH PLANNED CHEU OUTAGES

The exception to the release of helium hold backs at 1,350 psia will be planned CHEU outages. In these cases, the pipeline pressure will be allowed to build up to 1,500 psia. This enables the delivery of a higher volume of helium from the conservation pipeline while the CHEU is off-line. After the pressure reaches the maximum determined value an allocation will be released allowing draw down to 600 psia as related to the expected days of outage.

UNDER DRAW MONTHLY CARRYOVER CAP

The BLM is placing a 200 Mcf cap on the amount of under draw carryover helium from month to month that can be withdrawn in the next month. Operators may request a waiver of the maximum carryover cap by the first day of the next month and the BLM will review and decide within 2 days. A Force Majeure or other incident may be claimed by sending in an official statement with substantiation on company letterhead. An e-mail will hold your allocations for 48 hours but without the delivery of an official letter within 48 hours, the under draw will be distributed in daily increments among the companies that can produce and deliver the helium.

PERMISSIBLE FLUCTUATING PRODUCTION

Companies may have some fluctuation of helium production throughout the month but must balance to the allocation by the end of the month. The BLM will release a table showing a company's over or under draw of allocated helium, on approximately the 15th of the month; however, it is the responsibility of the company to track daily over and under draws. This provides notice that if the company with an under draw does not withdraw its helium before the end of the month, and does not request an under draw waiver, the under draw (minus the 200

Mcf carryover) will become available to redistribute and cannot be withdrawn if the BLM is under an allocation the next month. Communications between BLM and customers is an integral part of this process.

OVER DRAW

The over drawing of helium will be handled per Article VII, 7.1 (b) and (c) of the FY 2022-FY 2027 contract. “For any month for which companies are under an allocation, if Person over draws more crude helium from the Federal Helium System than Person is allocated for that month, the United States will reduce delivery to Person in the next month by a volume equal to Person’s over drawn volume. Upon notification by the United States, Person shall work to rectify the over draw of the monthly allocation and will not withdraw anymore until the United States notifies Person that Person may resume withdrawal.” If person continues to over draw, the BLM will prohibit withdrawal.

POLICY REVIEW

This policy will be reviewed and revised as necessary to ensure that it is still applicable to the current helium environment.

Notes:

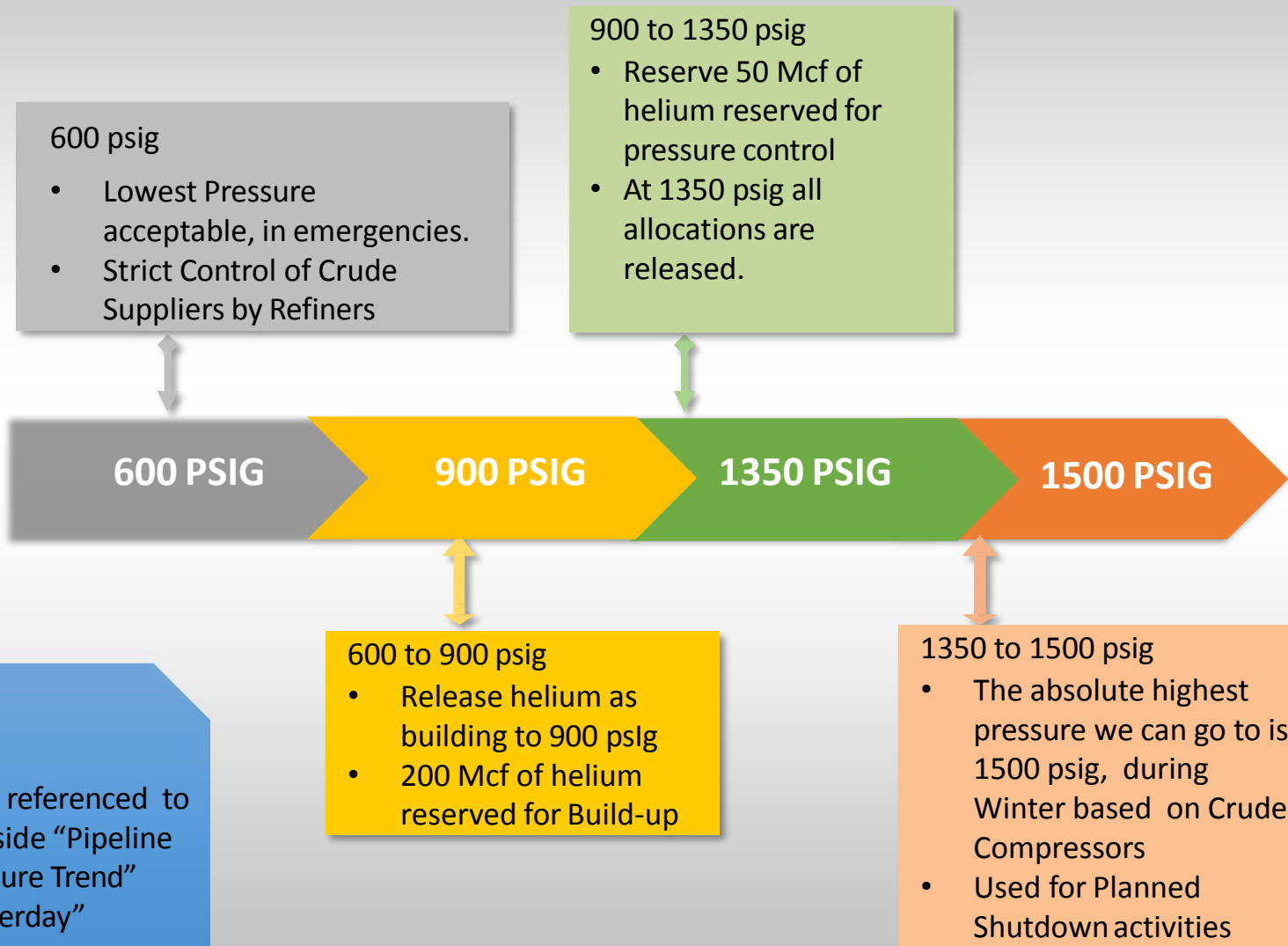
All pressures referenced from the “Yesterday” map on Amarillo Field Office home page.

Home Page - <https://www.blm.gov/programs/energy-and-minerals/helium/federal-helium-operations>

Direct Link to map - https://www.blm.gov/sites/blm.gov/files/pipeflow_yesterday.pdf

Revised: March 2022

Federal Helium Pipeline Pressure Graph



Notes:

PSIG referenced to Cliffside "Pipeline Pressure Trend" "Yesterday"