

Comments on the helium charade

October 2012

At the very least, and assuming the operator and its confederates (which I guess must exercise some kind of control over their 43% share of the \$50 billion business) managed to plan and build the helium plant unbeknownst to ANP but not to the Commonwealth of Australia, the Northern Territory Government, or the press, why did ANP not raise the issue in 2005 when they read the media or inspected Wickham Point?

M.

See the message I just sent. I use cautious words throughout my interpretation. Our job here is to try to get the truth by making a list of all possible options. My main point is: how could the plant be a secret when it was so widely publicized? And how could the operator, and its four partners, conspire to develop the helium plant while keeping it a secret from ANP, but not from the rest of the world?

As I wrote, the cost and income related to the helium plant are either a third party issue and the income (or loss, or none) comes to the Bayu Undan operations, or it's a cost recovered investment by the operator and profit will start coming in in 2016 or 2017.

M.

The probable truth behind the charade

The Wickham Point helium recovery plant was announced officially since 2005. It was opened on March 3, 2010, to considerable fanfare in Darwin, by the Northern Territory Chief Minister and the Federal Minister for Resources, Energy and Tourism. It could hardly be a surprise to anyone paying any attention to the Bayu Undan business. It is very likely that ConocoPhillips informed the ANP repeatedly through their reports but that no one cared. And ANP surely has inspectors at Darwin plant, who could not miss the plant being publicized extensively and then built.

The reason for building the plant, according to a ConocoPhillips' Submission to the "Senate Standing Committee on Economics inquiry into the exposure drafts of the legislation to implement the Carbon Pollution Reduction Scheme" of March 2009, was to minimize venting

from the Wickham LNG plant. I doubt that ConocoPhillips would trouble to build the unit for the reduced potential profit only.

The plant was built by Linde for BOC, a unit of Linde, to remove helium from gas that was otherwise being vented (see below). Its design production is 150 million cubic feet (150 MMCF) per year, which represents 0.08% of the total gas flow. At an 80% load it would produce 120 MMCF per annum.

In 2012, the price of helium sold by the US BLM, the world's largest supplier, was \$75.75 to the public and \$65.50 for federal purposes, per 1,000 CF (MCF). This would translate into \$8.4 million average revenue at Darwin, plus or minus regional differences, etc. Remember the ABC reel at one point mentioned \$12 million.

The cost to build the plant was US \$50. Assuming operational costs of, say, 20% of revenue (personnel plus natural gas to chill helium, could in fact be even more) , it would take 6 years to amortize the plant, which could possibly be cost recovered right now, but the documents I read speak of a third party plant, so it could be that the deal is for BOC to remove the gas for free, or that ConocoPhillips pays BOC to remove the gas from the vent, or that ConocoPhillips gets some payment for it. It would make sense that the cost, or benefit, depending on the case, is being added to or subtracted from operating costs, which are around \$250 to \$300 million a year.

It would be understandable that ConocoPhillips would choose not to worry about such a relatively small business and let a specialist third party take care of it.

The Darwin helium plant is 10% the size of Qatar's new helium plant. The Darwin helium plant "created" 7 long term jobs.

We need to pray that no one is trying to convert garbage from the LNG plant to energy without telling Monteiro, who apparently does not read industry news.

