



# Resources Stocks Down Under

🗨️ *When things get too heavy, just call me helium, the lightest known gas.* 🗨️

- Jimi Hendrix (1942-1970), Hard rock artist

**GRAND GULF ENERGY**

Headed higher on helium

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Stocks Down Under rating: ★★☆☆

ASX: GGE  
Market cap: A\$51.1M

52-week range: A\$0.009 / A\$0.063  
Share price: A\$0.03

Grand Gulf Energy is going places with its Red Helium Project in Utah. The Jesse#1A well is potentially company-making in terms of the helium that may show up and the market for helium is promising, because demand is strong and there isn't much supply around.

## Share price chart



Source: Tradingview

## Helium's ballooning demand

Traditionally when the University of Nebraska's football team, the 'Cornhuskers', score their first home game touchdown of the season the fans release red balloons into the air above the stadium. Not in 2022, however. This year the tradition has been temporarily abandoned because of a serious worldwide shortage of helium, the gas that makes those balloons fly.

Forget balloons at football games...helium has much more important uses these days. You need it, for example, to cool the superconducting magnets in MRI scanners. You can't make today's guided missiles without it. It's needed to keep air bubbles out of optical fibre when it is being made. And so on.

Helium demand has been running hot for years. That's not good when supply is limited to just a few sites around the world where Element No. 2 shows up in economic concentrations in natural gas deposits and when a few of those sites have suddenly gone offline. There have been plant shutdowns in Texas, Qatar and Algeria. A new helium plant in the Russian Far East shut down in January 2022 after an explosion. And then Russia went offline to most of the world from April because of Ukraine. There have been a couple of other helium shortages over the past two decades and when that happens, suppliers like Air Liquide and Linde end up in 'force majeure', meaning they simply cannot fulfil supply contracts for reasons that are out of their control.

One beneficiary of this unusual situation is Blue Star Helium (ASX: BNL – [see our 25 March 2021 article](#)). Another is Grand Gulf Energy with a project in Utah, only acquired last October, called the Red Helium Project.

## The Hunt for Red Helium

The Red Project covers around 250,000 acres in San Juan County of southeastern Utah, in the so-called 'Four Corners' region where Colorado, Utah, Arizona and New Mexico come together. The Paradox Basin here has a long history of helium production and all the requisite infrastructure.

Near Grand Gulf's acreage there's a large field called Doe Canyon where the helium grade in the natural gas is a very juicy 0.5%. Grand Gulf reckons it has identified at least one other Doe Canyon and, with its 315 km of 2D seismic, it's picked out four interesting drill-ready prospects. Drill under Grand Gulf's ground and after about 8,000 feet, where 1,700 feet of salt and anhydrites provide the perfect seal, you hit the same dolomite formation, called Leadville, that acts as a reservoir for Doe Canyon. Grand Gulf believes the structural closure it has identified is about four or five times bigger than Doe Canyon, with a Prospective Resource estimated in December 2021 at 10.9 billion cubic feet (bcf) of helium.

Mind you, that's on a 'P50 unrisks' basis, meaning only the middle of a potential range of helium resources, but without adjusting for the risk of hitting a dry hole. Grand Gulf currently owns 55% of the Red Helium Project and has the right to earn up to 85%, so its share of that Prospective Resource is a cool 6.3 bcf. That's about the size of annual global helium supply, which is valued in the billions of US dollars.

## Thank you Jesse

Grand Gulf's first well to test this potential helium bonanza is Jesse#1A, spudded in late April. The previous month Grand Gulf had signed an offtake agreement with Paradox Resources, a privately held Houston-based operator whose Lisbon Helium Field, near the town of Moab, has an associated processing plant. The offtake made sense because Jesse#1A is right next door to a currently unutilised pipeline connected with the Lisbon plant and the well will be completed for production in a success case. The Leadville Formation may be 8,300 feet down, but the Jesse#1A well cost is relatively low, with Grand Gulf's shareholders only having a US\$1.5m carry in a US\$3.3m well, because this is a conventional gas play in a low-cost part of the United States.

Jesse#1A is not yet completed, but mass spec monitoring of the mud coming up from the well showed helium levels up to 37 times when the drill bit exited the salt seal formation above the Leadville. On 30 May Grand Gulf was able to tell the market that its logs indicate Jesse#1A has gone through a gas column measuring 203 feet, with reservoir development analogous to excellent producers at Doe Canyon and helium shows while the reservoir was being drilled. None of this tells you there's an economic helium field here, but it does bode well for when the well is completed and the flow testing begins. It's a good reason to be watching carefully while Grand Gulf goes through these steps over the next few weeks.

If Jesse#1A is a success, Grand Gulf is very well placed. The company recently raised \$11m at 4.4 cents, which will fund the next couple of wells. At the time the Red Helium Project acquisition was announced the company estimated that helium was changing hands at around US\$300 per mcf. It's more like double that now given the supply constraints for low grade helium, whilst the 'research grade' (>99.999% He) spot market is more like \$2,000–3,000 per mcf.

The only hassle from an investor's point of view is that helium is one of those commodities where there's no open futures or spot market where one can check the price daily. That's a risk companies like Grand Gulf can counter by publishing their price estimates in, say, their own quarterly reports. Ahead of Jesse#1A's completion, investors comfortable with that lack of pricing transparency can regard Grand Gulf as a four-star opportunity, in our view, as Jesse#1A can potentially start to produce later this year.

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