

**Statement of Wheeler M. “Bo” Sears, Jr.**  
**President**  
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**Testimony on “America’s Helium Supply: Options for Producing more Helium from Federal Lands” before the U.S. House of Representatives Committee on Natural Resources, July 11, 2013**

Chairman Lamborn, Ranking Member Holt, and Members of the Subcommittee, I want to thank you for the opportunity to testify today about securing America’s Future Helium Supply and provide some ideas how this can become reality. My name is Bo Sears and I am President of Weil Helium, LLC (a subsidiary of Weil Group Resources, LLC) based in Richmond, Virginia. Weil’s primary objective is to explore for, and produce helium resources in the United States and Canada.

We successfully drilled a well exclusively for helium last year in northern Montana where development plans are currently underway. We have also begun testing on another significant project in southern Saskatchewan, Canada. These projects, like all of the other helium projects in our portfolio, have been targeted only for their helium content as there are no appreciable amounts of hydrocarbons (i.e. no oil and/or natural gas<sup>1</sup>) in these gas streams. Weil is pursuing projects where helium is the primary target as opposed to a secondary or tertiary target like those found from traditional helium sources.

We appreciate the hard work the Subcommittee has undertaken in its attempt to prolong the life of Cliffside Field. We are excited to address where our next domestic resources of helium will come from and believe this Hearing is an important step to ensure that the United States does not become a helium importer for the first time in its history.

Weil Helium has various helium projects on Federal Lands and we understand that one of the objectives of this Hearing is to discuss how to streamline existing helium regulations in a manner that promotes new domestic helium supplies. The process of drilling for helium is virtually the same as traditional oil and gas exploration projects. Like oil and gas, helium is discovered with a drill bit. By most accounts, helium exploration is a “conventional” extraction endeavor and I know of no helium well that has ever been frac’ed. The key difference, however, lies solely with helium’s treatment under a standard Federal Oil and Gas lease.

The United States Minerals Leasing Act of 1920 states that any helium found on Federal Land belongs to the Federal Government. The reason for this stipulation was due to the fact that the United States had successfully proven, just before the end of World War I, that they could

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<sup>1</sup> Natural gas is commonly defined as methane (CH<sub>4</sub>) although natural gas could infer any natural element or compound that is a gas in its natural state.

economically extract helium from natural gas from the Petrolia Field in North Texas for processing in Fort Worth, Texas. This was a feat deemed impossible just five years prior due to the low concentrations of helium in the gas and the lack of processing know-how. The United States continued the helium program with haste despite the armistice and the United States' first semi-dirigible, the Navy's C-7, took its maiden flight on December 5, 1920. At the time of the passage of the Minerals Leasing Act of 1920, helium's only known use was for its lighter-than-air properties. It wasn't until 1925 when another use for helium was discovered. It was found that helium could replace nitrogen for deep sea dives thus preventing Caisson's disease, or "the bends."

As a result of unamended aspects of the 1920 Act, the helium aspect of this Act needs some modernizing. If changes are not made, the process for drilling helium wells on Federal lands becomes unreasonably long. A recent example from our experience may give the panel some insight. We nominated Federal acreage for a standard Federal Oil and Gas lease in February of 2011 and waited almost two years (November 2012) for it to appear on the docket for competitive bid. While our primary focus was the inherent helium resource (and helium is explicitly excluded from Federal oil & gas leases), we lost the auction to an oil and gas speculator who believed this area contained an unconventional hydrocarbon resource. Fortunately, we reached agreement with the winning bidder for Weil to pursue only the helium zones in this project area because we were instructed by the BLM that helium rights would only be granted to holders of the oil & gas rights. We immediately requested from the BLM a consent to extract helium as a primary gas. I'm happy to say that we received authorization in June of this year which was much faster than anticipated. The BLM has done a considerable job navigating these tricky waters and we would like to thank Tim Spisak and all of his colleagues at the BLM, the Amarillo, Texas Field Office, the State Office in Salt Lake City, and the Price, Utah Field Office for being so proactive in helping us with this step. But we are far from finished. It is now necessary to obtain an inter-disciplinary review required by the National Environmental Protection Act ("NEPA"). In addition, approval of a Helium Processing Agreement with the BLM is required. Assuming we obtain the NEPA approval and approval of permit to drill, we anticipate that the earliest we will be able to commence our field development work will be mid 2014. Thus, from start to finish on this Federal Helium project, the time required will have been over three and a half years.

The uncertain timeframes for pursuing helium on Federal lands is one reason why Weil has focused on private lands here in the United States and Crown lands in Canada. Our Montana helium project, which is located on private lands, took a total of 3 months from the time we crafted an agreement with the existing operator to the time we drilled our helium test well. On our Canadian project, the process took a total of 4 months. I will assert here that in order to bring new domestic supplies online from Federal Lands, the Federal time frame from start to finish needs to be reduced significantly. If the Congress truly understands the critical nature of our helium supply situation here in the U.S., then helium projects need to be put into a higher gear procedurally.

Another important factor that will inspire new supplies of helium from groups like us is the helium auction language that was presented by this body and we applaud the hard work and dedication this committee and its staff members have done to pass H.R. 527.

A market derived price for domestic helium is fundamentally critical for companies to invest in helium projects. Weil is ready to underwrite some risk dollars to bring in new helium, but 'market prices' are an important component of this exercise. Without market pricing very soon, we are fearful that the price of BLM helium will remain at submarket levels and a headwind will remain for the helium prospectors. It is extremely difficult for investors to adequately weigh the merits of an investment in helium exploration and production unless there is some upside potential for helium prices. As it currently stands, the 1996 Helium Privatization Act (which is still in effect) has anchored helium prices at submarket levels for some years now and new volumes have been slow to materialize.

Also as a result of the '96 Act, the refiners on the pipeline continue to enjoy a pricing structure, which is formulaic and arbitrary. More importantly, and according to the National Academy of Sciences, the price of BLM helium is below supply and demand driven market prices. The major industrial gas companies are, admittedly, not in the helium drilling business, so declining sources of domestic helium should come as no surprise knowing that their BLM quota will satisfy them until new foreign sources start rolling in. We believe the helium paradigm has shifted and we have no choice but to begin exploratory efforts to ensure our future domestic supply.

There are estimates that say the Cliffside Field will be depleted in 5 to 10 years. What happens after that? Looking back, wasn't our Congress proactively wise when it established the Federal Helium Reserve in 1960. Remember, 1960 was a time before MRI machines, fiber optic cables, superconductive colliders, etc. If we allow the Cliffside Field to simply deplete without even an effort to re-stimulate helium production, this inaction will hurt this country strategically and we will be left to import this indispensable commodity from countries such as Algeria, Qatar, and Russia for the long-term. We believe that imported helium will result in new supply and demand dynamics. These foreign providers of helium will not be relying on the 1996 Act for ideas about how they price their helium. Higher imports will mean higher prices and loss of control of product. In short, we need your help for an aggressive streamlining of processes to encourage risk capital into the helium discovery world. We are most appreciative of this body's version of the helium legislation that allows for the market forces to impact markets sooner rather than later. Let the markets work to provide the investment dollars needed to pursue future projects and they will do just that.

Thank you for the opportunity to testify today and I look forward to any questions you might have.