

Written Testimony in support of the

“Helium Extraction Act 2017”

Before the Subcommittee on Energy and Mineral Resources

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Submitted by

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Good Morning, and Thank you, Chairman Gosar, Vice Chairman Cook, Ranking Member Lowenthal, and Distinguished Subcommittee Members for this opportunity to provide testimony on the initiative to amend the Mineral Leasing Act to enable federal oil and gas leases to be held by the production of helium.

My name is Jason Demers, and I am the President and Chief Executive Officer of Tacitus Corporation, a privately held company dedicated to the identification and development of North American helium resources for supply to the North American market. The focus of my company's activities is exploration for and production of helium [bearing/rich] gas from geological formations through upstream operations. Our interest as a company is to secure Federal leases on certain Federal Public Lands which we have identified in order to pursue helium development opportunities.

2021 –Helium Cliff V2.0?

Helium is a valuable, scarce commodity, with a wide range of non-substitutable applications in medical, scientific, space and defense related technologies.

The United States is the world's largest user of helium, with current annual commercial, government and military requirements accounting for one-third of global helium usage.

While helium is the second most abundant element in the known universe, it occurs relatively rarely on our planet in commercial concentrations. The vast majority of

current helium output is produced as a byproduct of natural gas processing, including the production of LNG.

Following the 2013 Helium Stewardship Act, the privatization of the BLM's Pipeline and Storage System by 2021, and the related reduction of the Strategic Helium Reserve, a shortfall of up to half the United States' annual requirement of around two billion cubic feet is expected to arise between expected annual commercial requirements in the United States and expected U.S. production. Based on current demand, this shortfall is likely to impact the US helium market within the next five years.

If that occurs, the United States risks becoming dependent on foreign sources of helium. Currently, the world's largest producers of helium outside the U.S. are Qatar and Algeria, with Russia expected to become a major producer after 2021. Helium from all of these countries is subject to geopolitical risk, as illustrated by the [current/recent] blockade of Qatar that has temporarily removed approximately one-third of the world's production from the market and caused significant concern about another helium shortage.

The United States is blessed with abundant helium resources, most of which have been identified through extensive oil and gas exploration in the first half the 20th century. Many of these potential helium resources have been left largely undeveloped, as the helium has often been found in its highest concentrations within sub-surface gas deposits that are regarded as non-commercial from a hydrocarbon perspective.

Bringing new U.S. supplies of helium to market over the next five to fifteen years will significantly mitigate the risk that nearly half of current and expected U.S. helium requirements will have to be sourced from countries that may be unstable, unfriendly to U.S. interests, or both.

Decoupling Helium from Hydrocarbons

Helium production is currently governed under regulatory structures established under the Department of the Interior, Bureau of Land Management (“BLM”), Fluid Minerals Management Division.

The regulatory and administrative functions associated with implementation of Rules defined in 43 CFR 3107 (concerning leasing, exploration and development processes on Federal Public Lands) have been carried out by the Bureau of Land Management’s (“BLM”) Oil and Gas division.

Under existing BLM Oil and Gas leasing rules, helium is specifically excluded as an extractible resource without a Federal Oil and Gas lease, and a supplemental agreement with the Federal Helium Program Administration (Mineral Leasing Act of 1920).

Thus, unless stipulated oil and natural gas production quantities are met, Federal Oil and Gas leases expire under their terms, regardless of revenues arising from the production

and sale of helium. By extension, any associated helium agreements expire simultaneously.

Based on the present regulatory structure, long term development of helium resources on Federal Public Lands is therefore precluded where hydrocarbon gas streams are considered by mineral leaseholders to be, or importantly, which may become (due to hydrocarbon production or value decline), not commercially viable .

Since helium is often found in its highest concentrations within sub-surface gas deposits that are regarded as non-commercial from a hydrocarbon perspective, there is, I respectfully submit, a compelling case for enabling the development of helium resources to be decoupled from their historical regulatory treatment with hydrocarbons, thereby encouraging private sector investment in the development of helium resources which are commercially viable on their own merits.

Bringing these known helium resources into production, and encouraging exploration for new resources would:

- i) Lead to the United States continuing its helium self-sufficiency for the long term, eliminating future dependence on potentially unstable and/or unfriendly foreign sources of supply

- ii) Create greater flexibility and stability in a market currently vulnerable to disruption from production outages at hydrocarbon processing plants and geopolitical events
- iii) Generate new Federal revenues without creating additional costs associated with regulatory oversight
- iv) Lead to job creation and increased economic activity in remote regions of the country

In summary Mr. Chairman, in order to create the conditions to encourage private sector investment in exploration, resource development and associated infrastructure, we respectfully request the Distinguished Members of this Subcommittee to support the proposed Helium Extraction Act to enable the development of helium resources on Federal Public Lands to be decoupled from hydrocarbon production, and stand on their own economic merits.

Mr. Chairman, thank you for the opportunity to testify before this subcommittee this morning. I will now be happy to answer any questions you may have.