

**Statement of Scott Gutberlet
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On behalf of:

QEP Resources, Inc.

“America’s Helium Supply: Options for Producing more Helium from Federal Lands”

**United States House of Representatives Committee on Natural Resources,
Subcommittee on Energy and Mineral Resources**

July 11, 2013

Chairman Lamborn, Representative Holt and Members of the Committee, thank you for the opportunity to provide testimony for today’s hearing regarding helium supply and production from federal lands. My name is Scott Gutberlet and I am the Vice President of Commercial and Technical Services for QEP Resources, Inc (“QEP”). As a way of background, I have a Bachelor of Science degree in Petroleum Engineering from the Colorado School of Mines and 25 years of experience in the U.S. exploration and production industry in reservoir engineering, midstream business development, strategic planning, and asset management. I currently manage various commercial matters for QEP including projects that have the potential to produce helium. With a company value in excess of \$8 billion, QEP is the largest publicly owned independent natural gas and crude oil exploration and production company headquartered in Denver, Colorado. We have been producing oil and gas in the Rockies since the 1920’s and our assets include large acreage positions on federal lands across multiple states. QEP also has significant experience operating natural gas processing plants which is a crucial skill-set in any helium production project due to the unique processing techniques necessary to extract what are generally low concentrations of helium from the production stream and make commercial quantities available for sale.

Helium is a vital product for America's high tech manufacturers including its use in MRI machines, semiconductor manufacturing, and advanced nuclear reactor designs. In addition, it is essential to the construction industry in certain arc welding operations. And as you know, it is also a resource of strategic importance for the space program and the defense industry.

The exploration and production industry appreciates the amount of time and dedicated work your committee is taking to understand helium production and supply and we also applaud this committee's previous work on H.R. 527, "Responsible Helium Administration and Stewardship Act" dealing with the National Helium Reserve outside of Amarillo, TX. The language in the bill which was adopted by the House to promote price transparency is a positive sign for companies that are looking to increase our nation's helium supply. Creating federal policies that cause helium to be sold at its true market value is an important step for companies like QEP who are looking to potentially enter the helium market. However, Congress can do even more to promote the development of future supplies of helium.

Three years after the discovery of natural gas in the Baxter Basin of southwest Wyoming that was the beginning of QEP Resources and its predecessor company, the federal government in 1925 had the vision and incredible foresight to establish the National Helium Reserve in response to national security needs and the recognition that since helium was a byproduct of natural gas production, special efforts needed to be made to facilitate the production and extraction of this unique, non-renewable element. For decades, the U.S. was the primary helium producer to industries and nations around the world. We are fortunate to have the right geologic conditions in many parts of the country which make possible helium concentrations much higher than most of the rest of the world. While technological progress has devised more and more uses for helium, the original conclusion by the federal government that helium is a strategic national resource remains unchanged.

Rather than relying on imported helium from unstable and high-priced international sources, we should look to continue to develop our helium resources here in the U.S. The U.S. has significant remaining helium potential, much of

which is on the federal mineral estate. As referenced by several witnesses during the U.S. Senate Energy and Natural Resources Committee May 7th hearing, the western U.S. has substantial undeveloped helium resources in Wyoming, Utah, and the Four Corners area. These areas include large amounts of federal mineral and federal surface estate which in most cases is managed by the Bureau of Land Management.

Helium end-users are very concerned about a sufficient supply of helium, not only in the short-term but also in the long-term. We appreciate and agree with their concern. A constant alarm raised by many end-users is what will happen to helium markets once the National Helium Reserve is depleted and the nation is scrambling to identify the next sources of reliable and reasonably priced long-term supply. The National Helium Reserve currently supplies approximately 50% of the U.S. helium demand and approximately 30% of the world's demand but it is a declining reserve that has a finite remaining life.

Due to the technically complex and remote nature of these projects combined with long lead times involved with engineering and construction, minimizing risks for project success is essential. Congress can and should do more to provide regulatory certainty for natural gas producers that want to invest and bring new helium resources online. Operating on federal lands creates unique issues for everyone, but especially for those targeting helium extraction and production. Like all drilling operations, helium related projects are subject to the National Environmental Policy Act (NEPA) when it comes to approval for exploration and production activities on federal lands. NEPA invites public comment and outside participation that creates additional reviews which can often be very lengthy and costly. Such NEPA requirements routinely lead to delays which, depending on the complexity of the project, can be at least several years, even in areas that have had significant ongoing oil and gas development activity for decades.

A company needs to be confident that federal agencies will issue the appropriate permits in a timely manner which requires the agencies to have the staffing resources to do so. We encourage you to include language in future legislation which would provide clear guidelines to federal agencies, as well as the companies that are looking to produce helium. Such signals should advocate that helium

related projects be recognized as a priority when it comes to development on public lands. Congress can draw upon a number of existing precedents under current law to ensure timely permitting of helium projects without limiting or forgoing the necessary environmental reviews. We are not suggesting you do anything to weaken NEPA reviews. Rather, we are simply suggesting you provide for the dedication and prioritization of resources to assure helium related projects can be brought online in an expedited fashion.

While some in the end-user community have a primary focus on the National Helium Reserve, we believe Congress needs to do more to focus on getting more helium out of the ground from within the U.S. While there is hope Qatar and Russia's helium resources will make up for the declining U.S. production, we believe it is short-sighted and very risky to rely on foreign governments to provide such an element of strategic and economic importance. We believe Congress needs to act now to send signals to the private sector and the relevant federal agencies to encourage additional helium supply be developed.

We would also persuade you to look for opportunities to help promote production and conservation of helium wherever possible. Helium production from federal lands has the added benefit of requiring the operator of helium producing wells to pay a fee to the federal government to extract and sell helium. Helium production and the resulting federal government revenues can grow together with the right price signals and a smart regulatory structure in place, especially for projects located on federal lands.

Thank you for the opportunity to provide testimony to this committee. We encourage you to act proactively before the helium supply-demand situation reaches a critical stage and take this opportunity to promote long-term helium supplies from domestic sources via sensible and practical regulatory oversight. I welcome further questions and discussion about helium production and the federal government's role in helping meet our nation's future helium needs.