



“Promoting Onshore Oil and Gas Development in Alaska”

**Written Testimony
of
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of the
Committee on Natural Resources
United States House of Representatives**

Chairman Gosar, Ranking Member Lowenthal, and Members of the Subcommittee:

My name is Richard Glenn and I serve as Executive Vice President for Lands and Natural Resources of Arctic Slope Regional Corporation (ASRC).

About ASRC

Arctic Slope Regional Corporation is one of twelve land-owning Alaska Native regional corporations established pursuant to the Alaska Native Claims Settlement Act of 1971 (ANCSA). ASRC’s region is the North Slope of Alaska and encompasses 55 million acres (the informal names “North Slope” and “Arctic Slope” are geographically identical and are alternately used when one or the other has become more associated with a given usage or is a part of a formal name). The North Slope region includes the villages of Point Hope, Point Lay, Wainwright, Atkasuk, Utqiagvik (formerly known as Barrow), Nuiqsut, Kaktovik, and Anaktuvuk Pass. The North Slope residents of the villages that I have named are also citizens of the North Slope Borough, a home-rule municipality. The residents are largely Iñupiat (North Alaskan “Eskimos”); and they comprise many of the shareholder owners of ASRC. North Slope village residents depend on subsistence resources from the land, rivers and ocean, as

they have for millennia. Within this large region ASRC also holds title to approximately five million acres of surface and subsurface estate conveyed to it by ANCSA, much of it with energy, mineral and other resource potential. Among many other efforts, ASRC pursues and benefits from natural resource development on and near its lands. Energy development of Native-owned and State-owned lands is a major component of the success of ASRC and its region. Energy resource development and in some cases energy resource ownership have provided for substantial gains in economic self-determination for ASRC's growing shareholder base of approximately 13,000.

Under ANCSA, Congress created Native corporations, including ASRC, as profit-making entities "to provide benefits to its shareholders who are Natives or descendants of Natives or to its shareholders' immediate family members who are Natives or descendants of Natives to promote the health, education or welfare of such shareholders or family members." Consistent with this unique mandate, ASRC is committed both to providing sound financial returns to our shareholders in the form of jobs and dividends, and to preserving our Iñupiat way of life, culture and traditions, including the ability to hunt for food to provide for our communities.

A portion of our corporate revenues are invested in initiatives that aim to promote and support an educated shareholder base, healthy communities and sustainable local economies. Our perspective is based on the dual realities that our Iñupiat culture and communities depend upon a healthy ecosystem and the subsistence resources it provides, and upon present and future oil and gas development as the foundation of a sustained North Slope economy.

Layers of Land Ownership in Alaska: Background

Mr. Chairman and committee members, the present layers of local government, resource ownership and representation in our region can be very confusing for outsiders, even for those who are familiar with tribal relations and governance. A brief review may be helpful for some and is included in my written testimony.

The Native-occupied lands of northern Alaska were never ceded away by any treaty nor lost in any battle. The Treaty of Cession, which ratified the United States' 1867 purchase of Alaska from Russia, recognized that the Native residents of Alaska existed and had rights. Following Alaska's purchase, however, the Alaska Natives' land rights remained in limbo for generations. While Alaska was still a territory, the federal government appropriated massive swaths of land with little regard for the

land ownership rights of the Natives who lived there. In the Arctic Slope region there were two such Federal withdrawals of land: In 1923, the formation of the 23-million acre Naval Petroleum Reserve No. 4 by President Warren G. Harding, and in 1960, the formation of the eight million acre Arctic National Wildlife Range by President Eisenhower.

Statehood in Alaska, in 1959, similarly overlooked aboriginal land and resource ownership rights. The State did allow for the formation of city (and eventually borough) governments which could tax, zone, and offer community improvements within their areas of authority, but offered no method to validate the assertion of aboriginal title. Against this land ownership vacuum, the exploration for energy resources around known oil and gas seeps on the North Slope intensified in the 1960's, including the gobbling up of North Slope lands by the young State of Alaska for its own benefit. Tensions rose and eventually action was taken at the federal level. In 1966 Interior Secretary Stewart Udall declared that no oil would be developed and no more State lands would be conveyed to Alaska until the issue of aboriginal title was resolved. The "land freeze" occurred right before the discovery of the massive Prudhoe Bay oil field in 1968-69. The terms of ANCSA were negotiated and debated in Congress and eventually ratified by December of 1971.

The result was the extinguishment of aboriginal land title in Alaska and the formation of land-owning Native regional and village corporations. The land base represented a fraction (in ASRC's case about 10%) of the land that was originally claimed by the Native peoples. The federal government offered cash settlement as additional compensation. With the land base and cash settlement as startup assets, the ANCSA corporations were intended to succeed as profitable corporations delivering benefits to their Alaskan Native shareholders.

Briefly, the indigenous leadership of the people of the North Slope sanctioned the formation of what were to become federally-recognized tribes. The same leadership at first opposed, and then abided by the terms of ANCSA, which extinguished aboriginal title. Some lands with resource potential were conveyed back to the Arctic Slope Native corporations, along with an additional cash settlement. The federal and state governments took the remainder of the lands, a taking which still pains many of those who argued for or against the terms of ANCSA before ratification. Those of us who came of age during these years are of mixed views on this history. For the most part, the leadership that negotiated the terms of ANCSA and ASRC leadership have been trying to make the best of the Act for the benefit of our shareholders.

Using myself as an example, by virtue of Indian Law, ANCSA law, and State law, I am a tribal member, and a village and regional corporation shareholder. My tribe today possesses many rights similar to those of other Indian tribes, but in general owns no land or natural resources. My village and regional corporations own title to ANCSA-conveyed lands and natural resources, and have formed for-profit operating subsidiaries that offer employment and dividend and other benefits to their shareholders. The institutions that represent us are thus split into at least three broad swaths, yet braided together like rope and operate on our behalf.

Energy Development as a tool of Self-Determination – the North Slope Borough

The presence of the oil and gas industry in our region is the economic base for what have become improvements to our cities and towns. Our community is empowered by oil and gas development. The North Slope Borough employs the largest number of village residents on the North Slope; maintains its own Department of Wildlife Management, which invests heavily in protecting our subsistence resources; and maintains stringent permitting requirements for oil and gas companies that operate within our region. Our people therefore depend on a healthy Arctic environment to support subsistence species (caribou, waterfowl, marine mammals, fish and others), and also depend on a healthy energy industry to provide the tax base that fuels the North Slope Borough government operations. While these dependencies appear to be in conflict, it is the view of many on the North Slope that it is a totally appropriate one.

Many in Congress are under the misguided notion that onshore Arctic development somehow harms the fish, wildlife, and waterfowl resources there. No matter how many images we provide of caribou, ducks, fish and even polar bears unharmed and undisturbed in close proximity, sometimes even directly on, over, or under oilfield infrastructure.

By using a strong permitting and zoning process, the Borough today (as it has ever since its inception) regulates energy development on its terms to the greatest degree possible. The Borough then taxes the real property value of the pipelines, drill rigs, and other oil field production and transportation infrastructure. The Borough uses the infrastructure-derived tax proceeds to build, operate and maintain local education facilities and quality of life improvements (airstrips, roads, reliable power, improved housing and health care centers) in every one of the villages of our region.

Native Ownership of Lands and Natural Resources: the ASRC Story

The lands conveyed to ASRC, some five million acres in total, are located in areas that either have known resources or are highly prospective for oil, gas, coal, and minerals. Some of the lands are remote and very distant from areas of current exploration and production. The State and federal lands of the North Slope also contain similar energy resource potential. In fact the overwhelming majority of lands developed in Alaska to date have been on state-owned lands. The supergiant Prudhoe Bay (initial production in the 1970's) and Kuparuk River (1980's) fields were discovered and developed on State-owned lands, for example. Their development was a boon to the North Slope Borough tax base and to local Alaska Native corporation contractors offering jobs in oilfield construction and operations. Generations of ASRC shareholders and North Slope village residents have explored job opportunities in the development of State-owned North Slope fields. But the development of the State-owned lands offered no direct royalty benefits to the shareholders of ASRC.

Exploration and development of oil and gas resources moved westward from the Prudhoe Bay/Kuparuk fields and eventually toward and into the Colville River delta. Finally, in the mid-1990's oil discoveries were made on Colville River delta lands that were owned jointly by the State of Alaska, ASRC (subsurface) and the Kuukpik Corporation (the surface landowner and the ANCSA village corporation representing the people of the Colville River delta village of Nuiqsut). The dominant discovery was the Alpine oil field, at its time the largest oilfield discovery in the nation for more than a decade. Facilities were carefully planned and constructed over the next several years and in 2000 production finally began from the Alpine field. ASRC became a royalty revenue owner. Since production began, the Alpine oil field and its related satellite fields have produced a half a billion barrels of quality crude oil that has been shipped down the Trans Alaska Pipeline along with oil from the Prudhoe/Kuparuk and related fields that continue to produce to this day. Other Kuukpik/ASRC lands are slated for additional production.

The royalty benefits from the Alpine, satellite-fields, and from fields yet to produce represent tens of millions of dollars of benefits per year to ASRC and its shareholders over the lifetime of production. In addition, a much larger portion of the royalty revenue has been distributed to all of the regional and village corporations of the

state of Alaska by virtue of a provision in ANCSA that mandated for the sharing of natural resource wealth among all ANCSA corporations. The Act states in general, that *Seventy Per Cent (70%)* of natural resource royalty revenue received by a given regional corporation (and this includes oil, gas, minerals and timber resources) be shared amongst all the ANCSA regional corporations within Alaska, which must also share with the respective village corporations within their regions. As a result of its Colville River delta royalty position and the terms of ANCSA, ASRC has shared over *a billion dollars* to date with other ANCSA corporations in Alaska. Energy development has thus been a part of the economic self-determination of every Alaska Native who is a member of a village or regional corporation.

The trend of the Alpine and related oil and gas discoveries runs right through the Colville River delta and heads west into the National Petroleum Reserve-Alaska (NPR-A), spanning State-owned, Alaska Native-owned, and federal lands.

Federal Restrictions on Access to Native-Owned Lands and Resources

Despite our successes, federal laws, regulations, and decision-making remain obstacles to accessing Native-owned resources.

National Petroleum Reserve-Alaska (NPR-A)

In prior years within the NPR-A, as our industry partners will inform you, there were attempts to over-mitigate development. By this I mean *rather than* making appropriate mitigation steps that were scaled to the development effort, multiple mitigation measures were considered, and in places, applied against development projects that were themselves ancillary in nature.

The efforts of Kuukpik and ASRC, described above, to develop our own resources within the Alpine oil field have run into regulatory obstacles and unnecessary lengthy delays as we have sought to expand the development of the Alpine satellite fields (and potentially develop new finds) into the NPR-A. For example:

- CD-5, the first commercial oil development on Alaska Native (Kuukpik/ASRC) lands within the boundaries of the NPR-A, was a project that gained strong support from all stakeholders through several years of collaborative planning. However, in February 2010, the U.S. Army Corps of Engineers denied ConocoPhillips' permits to construct a drill pad, a pipeline/vehicle bridge

across the Nigliq Channel in the Colville River delta and access roads. The Corps later reversed course, but first production was delayed by several years.

- The Greater Mooses Tooth One (GMT-1) development, which further extended the Alpine Field development, also suffered from lengthy delays, with BLM largely failing to consult with ASRC as a resource co-owner throughout the process (BLM owns about 10 percent of the oil within the GMT-1 Participating Area and ASRC owns the remainder).
- For a time the GMT-1 development effort was threatened to be saddled with the federal share of developing a whole regional mitigation strategy. This would have included areas of exploration sponsored by the US Navy and its contractors from the 1940's-80's.

ASRC is currently engaged in discussions with the Bureau of Land Management (BLM) about the Greater Mooses Tooth Two (GMT-2) development, which also has suffered lengthy bureaucratic delays. BLM initially failed to issue a Notice of Intent to prepare a Supplemental Environmental Impact Statement (SEIS) for the GMT-2 project until almost a year after receiving unit operator ConocoPhillips' Application for Permit to Drill (APD). Throughout the development of the SEIS for GMT-2, BLM has delayed the process. This remains the case notwithstanding the fact that the potential impacts of the GMT2 project already have been considered three times under various reviews under the National Environmental Policy Act (NEPA), including the 2013 NPRA Integrated Activity Plan EIS, the Alpine Satellite Development Plan EIS (for which a Record of Decision was issued in 2004), and the GMT1 EIS.

Arctic National Wildlife Refuge (ANWR)

Within ANWR, the issues are different. ASRC realizes that no development will take place on the Coastal Plain of ANWR unless Congress Acts. Yet, our goals regarding ANWR are the same: Continued advocacy for responsible onshore development with appropriate environmental review and safeguards.

ASRC and Kaktovik Iñupiat Corporation (KIC), the Native Village Corporation for the village of Kaktovik, also own more than 92,000 subsurface and surface acres, respectively, within ANWR's Coastal Plain, an area identified for study under Section 1002 of the Alaska National Interest Lands Conservation Act of 1980 (ANILCA). Section 1003 of ANILCA prohibited the leasing, development or production of oil and

gas from ANWR's Coastal Plain, including on Native-owned lands, "until authorized by an Act of Congress."

According to the U.S. Geological Survey (USGS), the mean estimate of technically recoverable oil from federally-owned land in ANWR is 7.7 billion barrels (billion bbl), and there is a chance that more than 11.8 billion bbl could be recovered on the federal lands over the life of production. By way of comparison, when the Prudhoe Bay oil field was discovered in 1968, it was estimated to contain about 9.6 billion barrels of recoverable oil. To date, the Prudhoe Bay field has produced about 17 billion barrels of oil. The Prudhoe Bay oil field will fuel Alaska's economy for 50 years. Measured development within the Coastal Plain of ANWR could fuel our economy for another 50 years.

ANWR is roughly the size of South Carolina or Maine. It is a beautiful place, worthy of appropriate protections, but it is not an empty or unpopulated place. More than 200 people live in the village of Kaktovik, the only community within the boundaries of ANWR, along the Coastal Plain. All of ANWR's Coastal Plain is part of Iñupiat traditional homelands and much of the land around Kaktovik remains in Native ownership today.

We adhere to the traditional values of protecting the land, the environment and the culture of the Iñupiat. That is why we have worked with Congressman Don Young and our Senators to ensure that a wide range of special environmental protective measures are included in legislation introduced over the years that would open the Coastal Plain to oil and gas leasing. Congressman Young's most recent bill, H.R. 49, retains those protections, and we thank him for his continuing commitment to the people of the Arctic Slope and to passing legislation to finally permit responsible development within the Coastal Plain of ANWR.

Economic Self-Determination of Alaska's North Slope Alaska Natives

The development of oil and gas resources in our region has fostered a stable local tax base that provides local education and community improvements that would otherwise be lacking or furnished at great expense by the federal government and other agencies.

The development of Native-owned lands has provided a regular stream of royalty revenue, which has allowed ASRC to grow its non-royalty subsidiaries. Today, royalty revenue is significant, but surprisingly to some, royalties are not the largest contributing sector to ASRC's bottom line.

Energy development on Alaska's North Slope has provided the wellspring for the growth of economic self-determination of the Natives of Alaska's North Slope and the whole state of Alaska. We have formed a home-rule government in our own region and diversified and grown ASRC into a multi-billion dollar corporation thanks in large part to successful exploration and development of Native-owned lands. This is the definition of economic self-determination.

Of course, when federal laws and policy are used to close lands surrounding Native communities to measured resource development, indigenous people are reduced to conservation refugees within their own homelands. This could be said for any community anywhere. On the North Slope, we have watched as Trans-Alaska Pipeline System (TAPS) throughput has been reduced to a fraction of its peak, as new conservation withdrawals and management plans have been used to restrict access both to federal and to Native-owned resources, and as federal permitting delays continually undermine our resource development projects.

At ASRC, we take the stewardship of our land and resources seriously, and we expect the Federal Government to do the same. As the committee considers energy policy in the Arctic, on behalf of Arctic Slope Regional Corporation, I urge to look north, go local and empower our state to responsibly develop our natural resources. Thank you for the opportunity to testify before this Subcommittee.