

# RESOURCE *review*

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## Arctic shutdown

*Shell's exit and latest federal actions dims long-term prospects for Alaska's economy*

After investing \$7 billion over the past eight years, Royal Dutch Shell stunned Alaskans in late September when the company announced it was ceasing further exploration in the offshore Alaska Arctic for the foreseeable future.

Then just weeks later the U.S. Department of Interior (DOI) slammed the door shut on future offshore exploration in the short to mid-term when it rejected requests to extend offshore leases and cancelled lease sales scheduled for 2016 and 2017 in the region.

Shell's decision to end its offshore exploration program and the federal government's recent actions, which will further reduce prospects for oil exploration in the Arctic Ocean, will likely have significant economic impacts on Arctic communities and Alaska's economy. With a potential 27 billion barrels of oil, Alaska's northern waters offered the best opportunity to refill the trans-Alaska oil pipeline and sustain local communities and the state's economy.

"This is a stunning, short-sighted move that betrays the Interior Department's commitments to Alaska and the best interests of our nation's long-term energy security," said U.S. Senator Lisa Murkowski. "This decision is the latest in a destructive pattern of hostility toward energy production in our state that began the first day this administration took office."

Murkowski explained that less than a year ago DOI announced it was locking up millions of acres of the nation's richest onshore oil and natural gas prospects on the coastal plain of the Arctic National Wildlife Refuge. DOI has also closed more than 11



Shell drilled one well during a two-month drilling season this summer in the Chukchi Sea at a cost of \$1.4 billion.

million acres of the National Petroleum Reserve-Alaska to oil and gas development. And it has made it nearly impossible for companies to navigate the permitting process, which dramatically limited Shell's ability to drill offshore.

"It is absurd that Interior has created a regulatory environment where operators cannot have commercially viable exploration programs, because so many requirements and hurdles have been put in place, and then blames them for not moving forward," Murkowski said.

Shell found indications of oil and gas at its Burger J well in the Chukchi Sea, but these were not sufficient to warrant further exploration in the prospect. The company

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## Industry applauds Walker's decision to drop gas tax

Alaska Oil and Gas Association (AOGA) applauded Governor Walker's decision not to include a gas reserves tax as part of the Legislature's special session. The move keeps Alaska's "open for business" sign on, and increases the state's chances of finally realizing a massive natural gas project.

"This is a step in the right direction," said AOGA President and CEO Kara Moriarty. "Punitive new taxes do not inspire confidence among private sector investors, but serve instead to jeopardize the good faith effort put forth by the Alaska LNG Project partners so far," said Moriarty. "We are pleased such an unbalanced approach was abandoned."

RDC Executive Director Marleanna Hall also applauded the governor's decision to pull the reserves tax from the special session. "As RDC has emphasized many times before, we do not believe it is possible to tax a project into being, but it is possible to tax it out of existence. Just don't see how a reserves tax would improve the economics of any project."

Since the State entered an agreement with BP, ConocoPhillips, ExxonMobil, and TransCanada, the companies have worked together to move the Alaska LNG Project forward according to the plan. More than \$243 million has already been spent on finalizing design plans, purchasing land, and putting hundreds of Alaskans to work. Both AOGA and RDC believe levying a new tax creates unnecessary uncertainty in ongoing negotiations to move the project forward.

"It is not just the Alaska LNG partners who become nervous when government begins talking about forcing companies via a punitive tax to pursue projects," said Moriarty. "Private investors often view such moves as anti-business, not grounded in fiscal reality, and extremely risky, no matter which industry you work in."

# Due to regulatory constraints, Shell could only drill one well, severely limiting picture of potential resources

(Continued from page 1)

said it continues to see important exploration potential in the basin, and the area is likely to ultimately be of strategic importance to Alaska and the U.S.

In fact, Shell isn't relinquishing its drilling rights in Alaska waters, including 275 leases in the Chukchi Sea, which expire between 2017 and 2020. The company said it is considering options for protecting its Alaska assets.

Shell said its decision to not drill in the "foreseeable future" also reflects the high costs associated with the project, and the challenging and unpredictable federal regulatory environment in Alaska.

Murkowski underscored that the ever-changing federal regulatory environment and the uncertainty it has created were major factors in Shell's decision to abandon its exploration program.

"In the more than seven years that Shell has held leases in the Chukchi, it has only recently been allowed to complete a single well," Murkowski said. "What we have here is a case in which a company's commercial efforts could not overcome a burdensome and often contradictory regulatory environment."

DOI placed significant limits on this season's activities, which resulted in a drilling rig sitting idle at a cost of millions of dollars each day, and is widely expected to issue new regulations that will make it even harder to drill.

Shell proposed a \$1.4 billion exploration plan for this summer, which included two

rigs drilling two wells approximately nine miles apart from each other. However, the company was granted permission to drill only one well.

A similar two-rig program for next summer was also rejected by regulators. As a result, the company faced paying out another \$1.4 billion next summer for a single well, as opposed to spreading that cost out between two rigs and two wells. The 2015 well was the most expensive ever drilled.

U.S. Senator Dan Sullivan pointed out that "from the beginning, through unprecedented regulatory hurdles and delays, the Obama administration and its environmental allies have created the conditions for Shell to abandon its Arctic drilling program, and they succeeded."

With Shell pulling out of the Alaska Arctic, Sullivan said, "countless jobs will be lost, American's energy security will be diminished, and the Arctic environment will be degraded with the least environmentally responsible countries leading development. Make no mistake: countries like Russia and China will continue to develop the Arctic's natural resources, but will do so with little regard for the environment."

Congressman Don Young commended Shell for its efforts. "It's a tremendous amount of time and resources to spend on a project when the Administration has stacked the deck against you."

Arctic Slope Regional Corporation President Rex A. Rock, Sr. said, "the federal regulatory environment has proven to be

a burden for any development, whether onshore or offshore. With this type of uncertainty, we will continue to see good opportunities slip away because no one wants to do business in Alaska."

Representative Ben Nageak, a state House member from Barrow, called Shell's exit "heartbreaking" for North Slope residents who had hoped to benefit from offshore development.

Alaska Oil and Gas Association President Kara Moriarty warned that without a robust offshore oil industry in the region, "the opportunity for Arctic residents to develop ports, search and rescue operations, and infrastructure is now much more difficult."

Randall Luthi, President of the National Ocean Industries Association, said the role that federal regulations played in Shell's decision merits examination.

"Due to federal regulatory constraints, Shell was forced to put all their exploratory eggs in one basket -- one well, rather than a suite of exploratory wells that would have given a more complete picture of potential resources," he said.

Following DOI's cancellation of upcoming lease sales and its rejection of industry requests to extend current leases, Murkowski noted the North Slope was nearly abandoned after 14 dry holes were drilled in the 1960s. "The opportunity to keep going led to not only the discovery of Prudhoe Bay, but also the production of more than 17 billion barrels of oil and a generation of opportunity for Alaska," Murkowski said.

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**The Resource Review is the official periodic publication of the Resource Development Council (RDC), Alaska's largest privately funded nonprofit economic development organization working to develop Alaska's natural resources in a responsible manner and to create a broad-based, diversified economy.**

**Past issues of the Resource Review (1978-2015) are available at [akrdc.org](http://akrdc.org).**



# RDC requests reconsideration and denial of DNR's decision on water reservations

In October, RDC sent a letter to Commissioner Mark Myers requesting his reconsideration and denial of the Department of Natural Resources' (DNR) decision to grant the Instream Flow Reservation (IFR) of Water for Stream 2003/Middle Creek – Lower Reach (LAS 27436) to Chuitna Citizens Coalition, a private party.

RDC urged reconsideration of the decision, and cautioned DNR, as the decision creates further uncertainty in the permitting process.

One of our primary concerns is that issuance of the IFR would undermine existing regulatory processes and set a dangerous precedent for community and resource development projects across Alaska. Investment in Alaska should not be further jeopardized by pre-emptive actions to stop community and responsible resource development.

Furthermore, issuance of IFRs to private entities will have broad ramifications for all industries across Alaska.

Although DNR has indicated that it does not intend to pre-empt the permitting process, RDC reiterated concerns that anti-development groups will use this action as a new tool to stop projects, or at a minimum, introduce significant uncertainty and delay, chilling Alaska's business climate.

In its decision, DNR wrote, "there may be significant harm to many people if other development industries are damaged by even a perception that a pre-emption of the permitting process can be gained by the use of a reservation of water," further validating RDC's concerns. In addition, the statement contradicts the granting of the IFR to a private party.

In short, we oppose the designation of public resources to private individuals, such as water rights designations. It is not in the public interest, and creates further uncertainty in the permitting process. Moreover, the State of Alaska has never before granted an IFR to an individual or private party. The determination to grant the application undermines DNR's authority and delegates responsibility to private individuals.

In addition to our request, five other trade associations, the Mental Health Trust Authority, and the project proponent, PacRim Coal LP, as well as individuals filed appeals to the decision.

RDC board member Glenn Reed, President, Pacific Seafood Processors Association, objected to the decision by DNR to grant the IFR, noting "Water is a public resource and PSPA believes it is in the public's best interest that reservations be held by public entities that are formally accountable to the public."

The Alaska Miners Association appealed, expressing that DNR should not delegate its regulatory authority, there is no demonstrated need for the reservation given the project is subject to NEPA, IFRs are being used as a tool to stop development and not necessarily to protect fish, and for DNR to grant the decision despite the factors outlined, creates permitting uncertainty.

The proposed mine project is on Alaska Mental Health Trust Authority (Trust) lands. The Trust acquired the land specifically for the development of the coal and the royalties it will provide to the Trust. The Trust has a mandate to maximize revenues from the one million acres of land it was granted throughout the state.

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The State of Alaska depends on the responsible development of natural resources on its lands to diversify and support its economy (Article VIII of the Alaska Constitution). It is not in the public interest, nor is it appropriate, for DNR to delegate authority of public resources to private citizens.

Additionally, the decision to grant the IFR to private citizens will likely cause confusion and interfere with management of all activities upstream of the Lower Reach that have any need for water. Delegating management of a watershed to a private party is just wrong. These resources should be held by state agencies that represent the people of Alaska, not private parties.

DNR itself explained ([dnr.alaska.gov/mlw/water/instream.cfm](http://dnr.alaska.gov/mlw/water/instream.cfm)), "If you have an instream water right, you have priority use of that water over people who file later for water rights. You can have legal standing in case of conflicting uses of water by people without water rights." This further validated RDC's concerns of confusion and interference.

The ramifications of privately held public resources are very concerning for all community and resource development projects across our state. We must allow for due process, including a stable and reliable permitting process to attract investment in Alaska. Investment will help diversify our economy, especially as we focus on Alaska's fiscal future.

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## Point Thomson reaches major milestone



The delivery of five huge gas processing modules in a late summer sealfit marked an important construction milestone for ExxonMobil's Point Thomson project ahead of the anticipated startup of the initial production system in early 2016. The modules make up the main process facilities needed for gas separation and compression, waste heat recovery, and other services. The initial system is designed to produce up to 10,000 barrels per day of natural gas condensate that will be transported to the Trans-Alaska Pipeline System.

# Hilcorp to pursue Liberty project in Beaufort

Hilcorp Alaska, LLC is currently pursuing the necessary permits and authorizations to develop the Liberty reservoir several miles offshore the central North Slope.

The first major step in this process is the approval of the Development and Production Plan (DPP). Hilcorp recently filed its plan with the Bureau of Ocean Energy Management (BOEM).

The Liberty oilfield contains one of the largest potential sources of new light oil production on the North Slope, with an estimated 80-130 million barrels of recoverable oil. Development of Liberty will help offset declining light oil production on the North Slope and contribute to increasing the life span and efficiency of the Trans-Alaska Pipeline System (TAPS).

New oil is needed to keep the pipeline operating efficiently now that throughput is less than 25 percent of capacity. An additional 60,000-70,000 barrels of oil per day from Liberty will be an important addition to keeping the pipeline operational for decades to come.

The Liberty field would produce oil from an existing lease in the Beaufort Sea using a man-made gravel island. Artificial islands in the Beaufort Sea date back to the mid-

1970s. In the last 40 years, 18 islands have been responsibly constructed for exploration and development of oil and gas.

Liberty is well past the exploration phase. The initial discovery of Liberty occurred in the 1980s after an artificial island was built in 1981 and 1982 to support exploratory drilling. The DPP outlines how the oil from the reservoir will be developed and produced. The oil will be shipped by pipeline into existing infrastructure on the North Slope and into TAPS.

"It's important for regulators to take note that Hilcorp's Liberty DPP incorporates existing and recently compiled data as well as lessons learned from the initial EIS drafted in 1999 in response to a submission by BP," said Lori Nelson, Hilcorp's Manager of External Affairs. "The key components of Hilcorp's newly submitted plan for Liberty are based on the very same concepts approved in the prior EIS."

Nelson said those concepts include but are not limited to: proposed island location, gravel island construction, method of construction, on-island drilling and processing facilities, and pipeline routing to shore.

Hilcorp will utilize the construction and

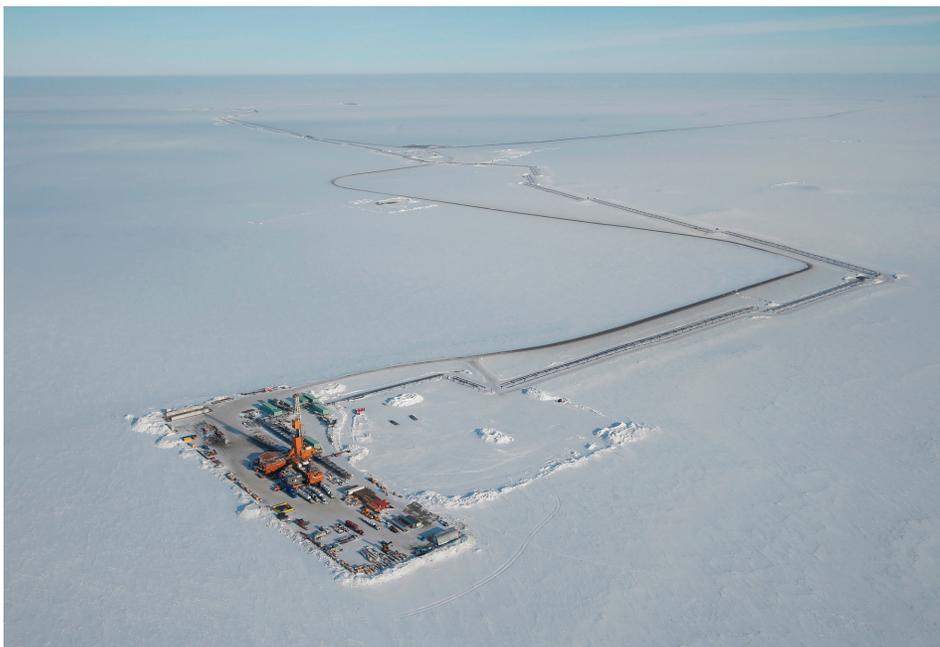
operational technology used at Alaska's other offshore facilities. It's proven to be a safe and effective means for oil and gas development in the Arctic. Like Liberty, the majority of the artificial islands were constructed in shallow water depths less than 20 feet.

Alaska has a 30-year record of safely operating offshore in the Arctic. Endicott, the first offshore development on the North Slope, has been in operation for almost three decades, and now there are three other offshore fields in production: Northstar (2001), Oooguruk (2008) and Nikaitchuq (2011).

As the first Outer Continental Shelf oil project in the U.S. Arctic, Liberty will provide important tax and economic benefits to the federal government, the State of Alaska and the North Slope Borough. It will generate well-paying construction and permanent jobs for Alaskans. It will also create opportunities for many Alaska businesses.

BOEM is currently accepting public comments on the DPP and a related draft environmental impact statement up to November 17 and November 24, respectively. Visit [akrdc.org](http://akrdc.org) for more information.

# ConocoPhillips begins producing oil in NPR-A



ConocoPhillips Alaska announced on October 27 that its CD-5 drill site began producing oil. CD-5, part of the Alpine Field, is the first commercial oil development on Alaska Native lands within the boundaries of the National Petroleum Reserve-Alaska. CD-5 is the second new ConocoPhillips North Slope drill site to come on stream this fall. First oil was announced at Kuparuk Drill Site 2S on October 12.

"First oil at CD-5 is a landmark for our company, Kuukpik Corporation, Arctic Slope Regional Corporation and for Alaska. This announcement is the culmination of more than 10 years of work and collaboration with key stakeholders, including the residents of the nearby village of Nuiqsut," said Joe Marushack, President of ConocoPhillips Alaska. "I am thankful to all the stakeholders and hundreds of workers who contributed to the safe and successful completion of this project."



# Shell pullout is sobering news for Alaska

The news from Shell in late September that it would cease its offshore exploration program in the Arctic was sobering for Alaska both short and long-term. It was a painful reminder that exploration is expensive, involves huge risk, and does not guarantee success.

Shell's departure underscores the need for legal, fiscal, and permitting certainty and predictability. It would be interesting to know what the results would have been if Shell had been allowed this summer to conduct a multi-well program versus the very limited program of only one exploration well.

It is now more important than ever for state policymakers and lawmakers to work together to ensure Alaska's oil and gas industry has a viable future in this state; just like Shell, the companies working in the Cook Inlet and on the North Slope need legal, fiscal, and permitting predictability and consistency in order to make the sizeable investments required to keep the Trans-Alaska Pipeline operational for many years.

Shell's departure is also a blow for the hundreds of employees who call Alaska home, as well as the many contractors and small businesses that began working on Arctic development as a result of Shell's \$7 billion investment. This decision will not halt oil and gas

development in the Arctic Ocean, but, as of now, that development will be done by countries other than the United States that lack the stringent environmental standards demanded of industry in the U.S.

There are very few companies that could meet these federal requirements and expensive demands, but even large companies with the financial resources like Shell will walk away from mega opportunities when they cannot continue to spend billions of dollars without any promise of a return.

The Arctic Offshore has rightly been viewed as the next generation of oil and gas development in this state, so for those plans to disappear overnight is beyond painful. It is also a clear reminder about how a state dependent on one industry for 90 percent of its spending needs to look constantly for new oil and gas development projects.

With 27 billion barrels of known oil reserves in the Arctic Offshore, the Outer Continental Shelf was supposed to be Alaska's next big opportunity.

Kara Moriarty is President and Chief Executive Officer of the Alaska Oil and Gas Association and a member of the RDC Executive Committee.

## Cohen releases independent review of EPA's Pebble actions

Former Defense Secretary and Senator William S. Cohen last month released the report of his independent review of the U.S. Environmental Protection Agency's (EPA) decision-making process regarding potential mining in Southwest Alaska's Bristol Bay watershed. In his review, Secretary Cohen concluded EPA's actions were not fair to all stakeholders.

Cohen's review was commissioned by the Pebble Partnership, which holds mineral claims to lands owned by the State of Alaska in the Bristol Bay watershed. "I undertook the review on conditions of independence. I would follow the facts wherever they may lead, and any conclusions would be mine alone. The Pebble Partnership had no rights to edit or censor my views," said Cohen.

"The decision about whether to build a mine in this area, as well as the process used to make such a decision, is very important to Alaska's environment, economy, people, fish and wildlife. It requires regulatory authority to be exercised in the fairest way possible. After a very thorough review, I do not believe EPA used the fairest and most appropriate process," said Cohen.

The review focused solely on evaluating the process by which EPA assessed, and proposed restrictions to reduce, the environmental risks associated with potential mining in the Bristol Bay watershed. The review did not investigate whether or not a mine should be built, nor does it comment on the legality of EPA's actions.

Cohen and his team reviewed thousands of documents from EPA, other federal agencies, the State of Alaska, Congressional committees, the Pebble Partnership, and other sources. Cohen and

his team also interviewed over 60 people, including three former EPA administrators and several former senior EPA officials. The people interviewed represented all points of view on EPA's actions. EPA declined Cohen's request to make current personnel available for interviews.

At the heart of Cohen's review was the question of the appropriate process to make a determination to permit, limit, or ban large-scale mine development in the Bristol Bay watershed. EPA's actions here departed from the normal permit evaluation process.

The normal method for determining whether a proposed mine will be allowed to proceed is through a permit application process led by the U.S. Army Corps of Engineers in compliance with guidelines co-developed with EPA, the National Environment Policy Act (NEPA), and regulations developed by the Council on Environmental Quality. The NEPA process has been used for decades and is widely endorsed for its fairness by environmental groups.

Instead of using the NEPA process, EPA invoked Section 404(c) of the Clean Water Act before a permit application was filed to propose limits on development of a mine in the Bristol Bay watershed. This was the first time in the Clean Water Act's 43-year history that EPA exercised its authority without relying on a permit application. EPA based its regulatory action on its assessment of the potential ecological effects of hypothetical mine

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# Today's fiscal problem is not new nor insurmountable

The problem isn't new. It isn't a surprise. It isn't insurmountable. It is, however, bigger than it has been before and it is certainly politically troublesome.

The government of the State of Alaska is running out of easy ways to pay the bills. Schools, roads, health care, airports, welfare plans, the University, troopers, prisons, prosecutors, public defenders, courts, as well as all of the other government functions will depend on Alaskans willing to have a rational debate on how much government we want, and how we will pay for it.

This issue began as soon as oil started flowing down the pipeline. Alaska went from a third world infrastructure and a moderate (to be kind) standard of living, with an economy of fishing, subsistence, and federal employees to a vibrant diversified economy. We did lots of good things, and we made some mistakes.

Governor Bill Sheffield was the first of several governors that had to face the problems of declining revenues. During the collapse of the 1980s, Sheffield had no savings account to fall back on to ease the economic pain. The economy was overheated, the housing market was overbuilt, and the Government was overspending. It had catastrophic consequences.

In the early nineties, Governor Wally Hickel held the first of many State-led "summits" to discuss revenue. He also settled a number of oil and gas disputes to help build up the balance of the Constitutional Budget Reserve.

Governor Tony Knowles, along with a Republican legislature, put forward an advisory vote on a fiscal plan to the public. The centerpiece of the plan was the use of Permanent Fund earnings. The vote failed by about 8-1.

Governor Frank Murkowski could not get the Legislature to act on revenue measures (for complete transparency, I was in that legislature) of any real size. So, during the early 2000s, there were a series of small taxes and fees implemented, but nothing that could come close to fixing the cash problem that the State faced. Oil production was at one million barrels per day when Murkowski took

office.

Governor Sarah Palin escaped any discussion of the issue as the price of oil was high during her entire term. However, it is a mistake to think that the problem had disappeared, as it was simply masked by high prices.

Governor Sean Parnell got the tail end of high prices, but by the time he left office, production was now down to just over 500,000 barrels per day.

And now, Governor Bill Walker has now proposed the use of Permanent Fund earnings as a way to pay the State's bills. Déjà vu all over again.

Some factions in the community are already staking out their political territory. Democrats want to blame Republicans, Republicans want to blame Democrats. Everyone pretty much wants someone else to pony up and pay the piper for the services provided by the State.

At RDC, we believe that while the use of the Permanent Fund is going to play a role in long term State financing, we also believe that in order to make the Fund last into perpetuity we must first right-size the government. If we do not right-size the government prior to the using of our financial assets, we fear that when the inevitable shrinking of the government arrives, we will have fewer resources to fund it.

The problem is not new. The problem is solvable. Before the government will act, the citizens must first believe that there is a problem. That education process belongs to each and every one of us.

We can all talk to our neighbors, friends, customers, vendors, teachers and employees. We all must have a good grasp on how the State's shortfall will impact us on a daily basis. While I have strong personal opinions on how the State should proceed, I believe the first step to coming up with a solution is simply convincing people that there is a problem. The solutions are there, but until the public believes that there is a problem, the problem will not get fixed.

## Report raises troubling issues about EPA's conduct on Pebble

(Continued to from page 5)

scenarios it created. EPA stated that "it has reason to believe" that a mine constructed according to its hypotheticals would have an unacceptable effect on the environment.

"The fairest and most appropriate process to evaluate possible development in the Pebble deposit area would use the established NEPA process to assess an actual mine permit application, rather than making an assessment based upon these hypothetical mining scenarios as the justification for imposing potentially prohibitive restrictions on future mines," said Cohen. "I can find no valid reason why the NEPA process was not used," he added.

"The statements and actions of EPA personnel observed during this review also raise serious concerns as to whether EPA may have orchestrated the ecological assessment process to reach a pre-determined result, had inappropriately close relationships with anti-mine advocates, and was not candid about its decision-

making process," Cohen said. "Based on the concerns raised by these and other issues during the course of my review, I believe a closer look by those with subpoena power is fully warranted. Thus, I urge the Inspector General and Congress to continue to explore these questions which might further illuminate EPA's motives and better determine whether EPA has met its core obligations of government service and accountability."

"We sought an independent, credible review by Secretary Cohen and his team and they have expressed serious concerns about the EPA's actions against Pebble," said Tom Collier, CEO of the Pebble Partnership. "Most troubling to me is the serious concerns they express as to whether the EPA orchestrated the process to reach a predetermined outcome. Such bias is unacceptable and I agree with Secretary Cohen's call to action for Congressional Oversight Committees to delve deeper into these issues."

# Industry *digest*

## Court halts WOTUS for now

The Sixth U.S. Circuit Court of Appeals ordered a nationwide stay on the Environmental Protection Agency's new rule defining the scope of the waters of the United States. The court's action was in response to appeals by 18 states challenging the rule, referred to as the Waters of the U.S. (WOTUS) rule.

In September, the federal District Court in North Dakota issued a preliminary injunction against the rule in 13 states, including Alaska, but declined to extend it more broadly. The 6th Circuit order in October applies throughout all states. The Cincinnati court's stay will remain in place while the court considers its legality.

EPA said the rule is aimed to clarify which waters fall under the jurisdiction of the Clean Water Act, but it faced stiff opposition from states, the agriculture sector, and other industries. The states complained they faced irreparable harm from the rule is inconsistent implementation.

Because of Alaska's myriad rivers, streams, lakes, and wetlands, the rule is controversial and greatly extends the reach of federal jurisdiction over state and private lands.

A panel of three 6th Circuit judges said that those appealing the proposed rule had "demonstrated a substantial possibility of success on the merits of their claims." The court said that its greatest concern is the potential burden the rule places on states and private parties.

U.S. Senator Dan Sullivan praised the court decision. "I'm grateful that the court has halted this overreaching jurisdictional expansion," Sullivan said. "This rule is a prime example of the administration's persistent disregard for the rule of law and yet another attempt to bypass Congress and the American people by granting the EPA vast new authority over lands across the country, particularly in Alaska, which is home to 60 percent of the nation's jurisdictional waters."

## Supreme Court to hear Sturgeon ANILCA case

The U.S. Supreme Court will decide whether the National Park Service has authority to enforce federal regulations on state lands and rivers in national parks in Alaska. The justices agreed in late September to hear an appeal from John Sturgeon who insists the park service cannot ban him from operating a hovercraft on the Yukon River, which runs through Yukon-Charlie Rivers National Preserve.

An avid hunter, Sturgeon believes that under the Alaska National Interest Lands Conservation Act all navigable rivers within national parks in Alaska are state-owned lands not subject to federal enforcement. However, lower courts have ruled that federal regulations apply to all parts of the national park system.

The State of Alaska urged the Supreme Court to take the case to protect state-owned lands from federal regulation. The State argues that park service regulations infringe on its rights. It filed an amicus brief supporting Sturgeon at the Supreme Court, as has the hunting group Safari Club International.

Alaska Native corporations, which own thousands of acres inside the parks, are watching the case closely and have sided with Sturgeon, who is a member of the RDC Board of Directors.

Since 1971, Sturgeon has used his hovercraft on annual moose hunting trips on the Yukon River and its tributary, the Nation River. While on a hunting trip in 2007, enforcement agents told him the hovercraft was banned on waters inside the preserve.

The court will hear oral arguments in the case beginning in January with a decision expected before next June.



Kuparuk Drill Site 25 was sanctioned following the passage of oil tax reform. Oil production began last month.

## New oil production at Kuparuk drill site

ConocoPhillips Alaska began producing oil at Kuparuk Drill Site 25 (DS25) in early October. Under budget and ahead of schedule, the project was initially approved in October 2014 and production was originally expected to begin this December.

ConocoPhillips noted this is the first new drill site at Kuparuk in more than 12 years. DS25 is expected to produce about 8,000 barrels of oil per day at peak production.

"Drill site 25 is one of the key projects that we announced after passage of tax reform," said Joe Marushack, President of ConocoPhillips Alaska. "The \$475 million project created about 250 jobs during construction, with numerous contractor companies and trades involved. We thank them for their effort to bring the project in ahead of schedule and for their commitment to working safely."

## Governor Walker stands up for forest industry

Responding to federal government officials urging the State of Alaska to diversify its economy in light of slumping oil prices and declining production, Governor Bill Walker has sent a letter to the Alaska congressional delegation outlining a number of measures he supports to help revive the forest industry.

Noting "Alaska's timber resource is astounding yet under utilized," Walker said a once-integrated timber sector in the Tongass National Forest employing 4,000 people in 1990 has been reduced to one medium sawmill and a few small niche mills, all employing a total of 400 Alaskans. The governor pointed out that since 2001, the U.S. Forest Service has never met the "seek to meet" annual volume requirement of the 1990 Tongass Timber Reform Act (TTRA).

Moreover, the governor noted successive iterations of Tongass forest plans have dramatically reduced the acreages available for timber harvest. Further, timber sales since 2008 have only offered about one-quarter of the suitable and available acres within their project areas. "This piecemeal whittling away of the timber base has resulted in progressively diminishing harvest goals," Walker said.

Walker pledged to work with the delegation on several measures, including congressional action to identify a landbase that would support TTRA's "seek to meet" target. He said his administration would work constructively on legislation authored by Congressman Don Young to transfer Forest Service acreage to the State.



# RESOURCE DEVELOPMENT COUNCIL

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