



**September 9, 2011**

**Prepared testimony, not delivered due to time constraints, for 27<sup>th</sup> Alaska Legislature Senate Labor and Commerce Committee – Chair, Senator Dennis Egan, Vice-Chair-Senator Joe Paskvan from NANA Development Corporation Vice President for External Affairs Joe Mathis and NANA Construction Director of Human Resource Selina Toolukan Moose.**

Good Evening Chairman Egan, Vice-Chairman Paskvan committee members. Thank you for this opportunity to speak with you. My name is Selina Toolukan Moose. I am originally from the village of Kiana. I am Director of Human Resources for NANA Construction, a subsidiary of NANA Development Corporation. With me is Joe Mathis, Vice President, of External Affairs for NANA Development Corporation.

NANA Development Corporation is the business arm of NANA Regional Corporation, owned by the 12,700 Iñupiat people who originated in Northwest Alaska. I am proud to call myself one of them. I have grown professionally with NANA Development Corporation serving in a variety of roles. I am an example of the opportunities that come from a growing oil patch.

NANA supports House Bill 110 and we support Governor Parnell in his efforts to have a million barrels a day come through the Trans-Alaska Pipeline by 2021. To be clear...in our view a change in the current tax regime would lead to more Alaska jobs and economic growth in our state. It is about a higher standard of living for Alaska families and more opportunity for NANA shareholders.

In simple terms, when there is growth in gas and oil exploration, development and production several of NANA's companies will be able to compete for increased work, and that leads to more in-state employment.

While there is increased exploration today, which is great, we need more than exploration. Alaska has a production problem. The pipeline is only a quarter full and the best way to keep it operating is to develop the billions of barrels of reserves in the legacy fields, like Prudhoe Bay, Alpine and Kuparuk. A 1% increase in recovery from Prudhoe Bay equals another Alpine field. Aside from ANWR and the Outer Continental Shelf, it is unlikely that another Northstar or Alpine will be discovered. At best, we may find another 5 billion barrels of production.

Future, individual discoveries are expected to range between 50 and 150 million barrels, which is not enough to stop the decline.

The real prize comes from bringing in the 7.7 billion barrels of undeveloped resources. Encouraging new production is the key area where Alaska's Clear and Equitable Share is not working.

With more production, NANA can help grow the Alaska economy with private sector jobs and move forward in our mission to provide opportunities and employment to our shareholders, the majority of whom live in Northwest Alaska. Lack of jobs is a problem in the NANA Region, so we appreciate the efforts of this committee

While the existing oil and gas tax program offers incentives for exploration – there are disincentives for production, especially when oil prices are high. Alaska's investment climate is driving away business. We must reverse the trend and as the Governor suggests encourage the majors to double their annual investment –and get more oil in the pipeline.

The win here is the billions of barrels of known reserves – all of which are expensive to get at. However, every new development drill site requires goods and services, full time maintenance people and other employment.

Just outside of Wasilla, in Big Lake, my employer- NANA Construction- has invested heavily in a facility to build modules for the resource industry. These are real jobs mostly for residents in the valley. NANA Construction has 220 employees statewide.

Another of NANA's subsidiaries is NANA WorleyParsons, an industrial engineering company that has been hurt by the downturn. The majority of its clients are the oil and gas producers. When oil and gas companies invest in a new project, NANA WorleyParsons sees the direct benefit, as they are one of the companies that engineers and designs upgraded or new facilities. When a company like NANA WorleyParsons works on a new project, we hire new people. This helps grow the entire economy of Alaska, not just a businesses' bottom line.

NANA Worley Parsons peaked in 2008 with 675 employees and revenues of \$115 million. Today the company is operating at about half that size.

NANA Worley Parsons is now experiencing an industry brain drain as staff decides to leave Alaska for higher salaries and new opportunities elsewhere. They see the future and recognize that it is not here. The company has lost people to the robust Houston engineering market as well as the Gulf Coast and North Dakota.

Oil producing regions in both North America and beyond have not only recovered from the downturn, they are in fact growing. We have even heard the word "boom" in many areas. New projects are springing up in Texas, Alberta, Australia, and throughout the Middle East. Alaska is

no longer an attractive place to do business – and like other service industries, we at NANA have to look outside Alaska to find new opportunities.

When it comes to Alaska hire, here is what I can tell you about NANA. NANA Regional Corporation is based in Kotzebue and NANA Development is based in Anchorage. We have more than 5000 employees in Alaska and a payroll of almost \$200 million. More than 90% of those employees live in Alaska. We take our success in other areas of the world and invest it here, in Alaska and in our people.

- We just celebrated the grand opening of a new \$40 million dollar hotel in Kotzebue, built, and help operate a hotel in Fairbanks and four in Anchorage.
- In 2004 we provided a paycheck to 703 NANA shareholders, this year that number was more than 1300.
- In 2004 our shareholder payroll was 26.7 million dollars in wages, this year the number was 47.4 million dollars in wages
- Last year NANA contributed
  - \$9.4 million to social and cultural programs
  - \$700,000 in scholarships to more than 300 NANA students
  - \$55,000 for the preservation of our Inupiaq language
  - We paid approximately \$20 million in dividends to our NANA shareholders

Growth in the oil industry will allow us to continue to grow the Alaska investment and benefits we provide.

We believe the current tax policy is stifling oil and gas investment. The high level of taxation on investments when oil prices are high is unbalanced. The total government tax, including federal, state and local, is 82 cents for every \$1 in pre-tax profits at current oil prices. That does not encourage increased production and does not allow an industry vital to Alaska's growth to prosper. If we want Alaska jobs, private sector jobs, we must make Alaska's tax regime more competitive.

Chairman Egan, Vice-Chairman Paskvan, committee members, thank you for your time.

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Chairman Paskvan, committee members, thank you for this opportunity and the effort you are putting into understanding and acting on a complex, difficult issue.

As Selina said, I am Joe Mathis Vice President of External Affairs for NANA Development Corporation. I was the founding president the Alaska Support Industry Alliance back in 1979 and

am a current board member. I have worked for NANA in several management positions on the North Slope and in Anchorage over the past 25 years.

I am proud of the work we do at NANA. We have a good record of providing employment and opportunity for Alaskans.

NANA has a long history of serving the oil patch in Alaska. We started working on the North Slope not long after the passage of the Alaska Native Claims Settlement Act. NANA Oilfield Services or NOSI has been in business providing services for the oil industry for about four decades and NANA Management Services or NMS has been serving the industry for over thirty years. More recently, companies like NANA WorleyParsons have designed and engineered new North Slope facilities and NANA Construction is building modules for use in Alaska's oilfields.

We have recently purchased Gulf Coast based Grand Isle Shipyard or GIS. This is a significant, strategic investment for NANA that highlights our belief in the future of the petroleum industry. Purchasing GIS gives NANA a new level of expertise in the Gulf of Mexico. We want to use our understanding of Alaska and GIS knowledge of offshore work to bring new jobs here. When we look at the industry, we see ConocoPhillips estimate more than \$2 billion in development projects deferred because of ACES. Historically Alaska's most active explorer, ConocoPhillips drilled no exploratory wells in Alaska in 2010 and 2011.

As Alyeska President Admiral Thomas Barrett has repeatedly warned, without "new oil" coming online, production will be down to about 250,000 barrels per day in 2020, causing serious operational challenges for the Trans-Alaska oil pipeline.

Although the North Slope still has vast oil resources remaining, production continues to decline at a serious rate. In fact, I traveled to North Dakota twice this past spring and summer looking for investment opportunities for NANA and saw several Alaska companies shifting their business there.

Last winter I was at the largest conference of tribes and Native people in the US. I had the opportunity to meet with tribes based in North Dakota, Montana, and Oklahoma. They are excited about their prospects for enormous growth and opportunities in developing new oil fields in their state. I wish I could be as excited for our future as they are about theirs.

We are NOT competitive compared to other oil regions. Alaska jobs come from development of Alaska fields. Right now, with oil prices high, and expected to stay there for years, the incentive to increase production is too low.

The sign outside our state's door might read, "We are not open for business" when it comes to oil production.

Here are the key points of why we believe that House Bill 110 will create jobs, Alaska jobs, and increase production:

- It reduces one of the highest marginal tax rates in the world by creating brackets for the progressive portion of the production tax.
- It promotes infield drilling by increasing tax credits to 40% on the North Slope, to equal the tax credits in other parts of the state.
- It calculates the tax on a yearly basis of average prices and costs, instead of monthly tax calculations.
- It allows companies to take tax credits in one year, instead of spreading them out over two years.

In closing, I came here in 1975 to help build the Trans-Alaska Pipeline and I do not want to be here to see it torn down.

Chairman Egan, Co-Chairman Paskvan, committee members, thank you.