



Arctic Inupiat Offshore

**Comments Prepared for Rex Allen Rock, Sr., President
Offshore Technology Conference
May 5, 2015
Arctic Inupiat Offshore, LLC & Shell: An Alaskan Partnership**

Good afternoon, thank you Ann – thank you for the invitation to stand here beside you today. Standing together represents our alignment and partnership.

I am Rex Allen Rock, Sr, President of Arctic Inupiat Offshore LLC – which I will refer to today as A-I-O. I am also President and CEO of Arctic Slope Regional Corporation or A-S-R-C who’s an AIO member. ASRC is the largest locally owned company in Alaska, with annual revenues exceeding \$2.6bn. Both ASRC and AIO represent the Inupiat of Arctic Alaska.

Who are we?

As an Inupiat I have a story to tell – a story that goes back for thousands of years, it’s a long story of our heritage; it’s a story of stewardship and the long relationship we have with the land and waters -- it’s also a story of leadership. As Inupiaq we are progressive and very adaptable, we have had to adapt to one of the harshest climates on the planet. Our culture is strong and vibrant allowing us to adjust to the changing world very quickly. As the original stewards of the land and ocean, our cultural and spiritual identity is tied to our subsistence lifestyle.

Inupiat are very familiar with onshore oil and gas production from the giant Prudhoe Bay, Kuparuk River and Alpine fields on the North Slope. In fact, a lot of our businesses add value to this industry. We are involved in all aspects of oil development from exploratory evaluation through refining and transportation. Simply put, **we understand the oil business.**



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However, we are also whaling culture. I am a whaling captain, and the progression from onshore oil exploration and production to offshore oil was something that concerned us. We deliberated long and hard about what stance we should take regarding offshore. We understood we had to find a way to align offshore exploration and development with the sustainability of our communities while protecting our subsistence practices, culture and rights. We had intense debate amongst the leadership of the Arctic Slope region. Finally we concluded the only way to protect **OUR** subsistence, environment, communities and local economies was to partner with the OCS operators like Shell.

Our Approach

The ocean is our garden; it's where we derive most of our sustenance. We recognized that our North Slope communities bore all the risk from potential offshore development without receiving any tangible, long term benefits. With that in mind in 2009 we decided to approach Shell to request the opportunity to *invest* - let me emphasize the word **INVEST** - in the Arctic OCS in order to find alignment with Shell. This is not a handout.

I am here today as a partner with Shell because we have 'skin in the game through our INVESTMENT'. Understanding the long-term nature of the investment was easy for ASRC through its heritage as Inupiaq because we have lived in the Arctic for over ten thousand years and we continue to do so. We have considerable knowledge about 'what works and what doesn't work'. We determined that finding alignment with Shell would allow us to impact their program using our **TRADITIONAL KNOWLEDGE**. PLUS, we have over 40 years of experience in the oil and gas business.

It was through this beginning that ASRC was able to negotiate the agreement that we have today. We have eight village corporations in our region, and six decided

to join with ASRC and form **A-I-O**. AIO is a privately held corporation established to promote sustainable economic development within the Arctic Slope region. Members of AIO include ASRC, and our village corporations - Ukpeaġvik Iñupiat Corporation, Tikigaq Corporation, Olgoonik Corporation, Atqasuk Corporation, Kaktovik Iñupiat Corporation, and Nunamiut Corporation. North Slope communities represented by these corporations include Barrow, Point Hope, Wainwright, Atqasuk, Kaktovik and Anaktuvuk Pass.

This mutual partnership between ASRC, as the regional Alaska Native Corporation, and the village Alaska Native corporations has never been done before; this is a historical milestone for the North Slope and Alaska. Our values teach us that we achieve success by putting the needs of our community at the center of all that we do. It is important that our collective community has this ‘seat at the table’ to represent the subsistence and economic needs of our people. Through AIO we will have meaningful input into this process while providing benefits back to our shareholders.

AIO and Shell entered into a binding agreement in 2014 that provides AIO an interest in Shell’s Chukchi Sea leases. In addition, AIO has the ‘right’ to participate in project decisions through quarterly proactive management meetings with Shell.

Looking Forward

We are poised for the 2015 drilling program, however, as Ann stated there are many obstacles to overcome. As we have rolled up our sleeves to work on regulatory issues with Shell we have concluded that the US government’s terms, conditions, stipulations and mitigations are overly complex and prescriptive. As Iñupiat we feel that adaptive management, stipulations and mitigation are more amenable to a culturally and environmentally safe program. Adaption is natural



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for us as it provides the flexibility to adjust – adaptation to our environment and conditions are what have allowed us to survive in the Arctic for as long as we have. We feel the government can learn and better use the **TRADITIONAL KNOWLEDGE** that we bring to the table – we hope they will **LISTEN**.

In the meantime, AIO is working hard to inform our people of our interest in the OCS. We are hopeful that Shell is able to drill in 2015 and look forward to our collective success with the program.

TAIKUU – Thank you Ann – Thank you everyone for listening.

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