

# Between Worlds - The Best Revenge

The Best Revenge

by CATHY BROWN

Arctic Slope Regional Corporation tapped into the wealth that Alaska's oil boom brought.

They hated the deal.

ASRC at a glance

ANCSA land entitlement\*:

5.1 million acres

ANCSA land conveyed so far:

4.6 million acres

Money from ANCSA:

\$22.5 million

Businesses, partnerships, investments:

Natchiq Inc., Alaska Petroleum Contractors, Houston Contracting Co., ASRC Parsons Engineering LLC, Omega Oilfield Services and Natchiq Sakhalin, ASCG Inc., Petro Star Inc., ASRC Contracting Co. Inc., Puget Plastics Corp., FSEC Inc., SKW Eskimos Inc., Tundra Tours Inc./Top of the World Hotel, Barrow Cable TV, Piquiniq Management Corp., Eskimos Inc., Arctic Slope World Services Inc., SPN de Venezuela, C.A., Alaska Growth Capital, investment portfolio.

Net Corporate Profits/Losses  
per fiscal year

1973 \$(1,208,172) 1974 \$2,249,756 1975 \$(763,263) 1976 \$(2,413,879) 1977  
\$1,389,504 1978 \$1,893,098 1979 \$3,259,925 1980 \$(184,331) 1981 \$1,129,468 1982  
\$(6,867,167) 1983 \$1,840,232 1984 \$4,308,307 1985 \$1,933,151 1986 \$859,517 1987  
\$2,025,550 1988 \$2,834,000 1989 \$7,200,000 1990 \$12,079,000 1991 \$15,287,000  
1992 \$27,128,000 1993 \$14,090,000 1994\*\* \$96,192,000

\$7,746,000 1995 \$19,844,000 1996 \$22,318,000 1997 \$24,573,000

#### Shareholder Dividends

per 100 shares

1973 \$0 1974 \$64 1975 \$0 1976 \$50 1977 \$0 1978 \$50 1979 \$75 1980 \$75  
1981 \$0 1982 \$75 1983 \$0 1984 \$225 1985 \$350 1986 \$125 1987 \$150 1988 \$200 1989  
\$300 1990 \$300 1991 \$400 1992 \$848 1993 \$548 1994\*\* \$5,607 1995 \$3,100 1996  
\$1,095 1997 \$907 Dollar amounts not adjusted for inflation.

Number of jobs provided by corporation and its subsidiaries:

About 5,900

Number of corporation jobs held by shareholders:

About 550

Total shareholders:

8,000

\* These figures include land to which the corporation has partial title.

\*\*FY change. First amount is for FY ending June 30, 1994; second amount is for  
FY ending Dec. 31, 1994.

ALL NUMBERS COMPILED IN LATE 1998.

When the Alaska Native Claims Settlement Act passed in 1971, the Inupiat people  
of the Arctic Slope wanted President Nixon to veto it.

Billions of barrels of oil had been discovered at Prudhoe Bay on the North  
Slope, but the act gave them not a drop. Their people had roamed 88,000 square

miles of Arctic Slope country for centuries, but the act gave them just a tenth of that land.

"We wanted all of it," said Joe Upicksoun, an Inupiat Eskimo leader in the land-claims battle on the Slope.

Nixon signed the bill anyway. And the North Slope Inupiat people set about proving the adage that living well is the best revenge.

More than a quarter century later, the company they started, Arctic Slope Regional Corp., is the largest Alaska-owned company, with revenues in 1997 of \$661 million.

Chad Nusunginya works at Arctic Slope's Petro Star refinery. "We make beaucoup bucks for the corporation," he said.

PHOTO BY BRIAN WALLACE Arctic Slope's subsidiaries have multi-million dollar contracts doing oil field work for Arco Alaska Inc., BP Exploration (Alaska) Inc. and Alyeska Pipeline Service Co. The corporation has refineries and fuel distribution companies, a fabrication yard that makes giant oil processing facilities, a plastics plant and other businesses in the Lower 48. In the last year the corporation began laying the groundwork to enter the oil field services business in Venezuela and Russia.

In the year 2000 Arctic Slope will get even richer. Oil will be pumped from corporation land for the first time.

"We have a lot of companies that we control," said First Vice President Oliver Leavitt. He casually puffed a cigarette at an Arctic Slope office in Barrow, surrounded by framed covers of magazines touting the company's success and pictures of proud whaling captains out on the Arctic ice.

"Our directors want to become a billion-dollar corporation by 2001 and we'll probably attain it," Leavitt said. "Arctic Slope has always been an aggressive group."

It has been a long, slow climb to the top.

Not only was Arctic Slope denied ownership of the rich Prudhoe Bay oil fields, company managers found it difficult in the early years to get a significant share of the work there.

"We weren't part of the good old boys that generally do business with the oil industry," Leavitt said.

Tensions arose between the industry and the Inupiat people for several reasons. In those early years Arctic Slope Natives feared the industry would hurt the natural environment they depended on for food, Arctic Slope's President Jacob Adams said.

Also, the oil industry was fighting an attempt by North Slope residents to form a borough that would have the power to tax and zone the Prudhoe Bay oil field. The industry lost that fight, but the struggle had angered people on the Slope, including some Arctic Slope corporation leaders.

"It took awhile . . . to let down whatever animosity we had," said Upicksoun, who was Arctic Slope's first president.

The bigger obstacle to the corporation getting a large role in oil field contracting, however, was simply its lack of experience.

Leavitt acknowledges Arctic Slope's companies didn't have much of a track record back then.

"It was understandable that they didn't trust us because we didn't have really any experience. We could have done some sort of a job, but maybe not a very good one," he said.

The company had to work its way in gradually, starting off by forming partnerships with more experienced firms that could show its people the ropes, said Larry Dinneen, an Arctic Slope executive in the early years.

Arctic Slope's subsidiaries also made some money in those early years doing construction work for the North Slope Borough, which was using its new-found tax base for a massive public works program - building sewer and water systems, schools, firehouses, roads and more.

But that line of work also proved frustrating.

Conflicts between the borough and the corporation grew into a gulf over several years as it became clear the borough contracting process was corrupt.

Two consultants from outside Barrow had won high-paying jobs in the borough administration. They steered millions in borough contracts to firms it was later discovered they owned. They demanded kickbacks from other businesses that sought borough contracts, according to news accounts of the time.

"They were milking it for whatever they could get out of it," corporation President Adams said.

Dinneen advised the corporation to cease doing any business with the borough during this time to protect the company's reputation. The consultants - Carl Mathisen and Lew Dischner - and politicians who supported them were forced off the scene in the mid-1980s, and Dischner and Mathisen were eventually convicted of racketeering, fraud, bribery and accepting kickbacks.

The picture has changed dramatically since then.

Arctic Slope has maneuvered into a position where its subsidiaries get a significant share of public works contracts. During the 1998 fiscal year, more than half of the borough's \$160 million in public works contracts went to Arctic Slope subsidiaries or to joint ventures between those subsidiaries and village corporations, according to the borough.

It helps that the borough has a strong local hire ordinance that gives ASRC subsidiaries and Arctic Slope village corporations a preference in bidding.

Bob Stinson, president of Conam Construction out of Anchorage, said about the only way to successfully bid on some borough projects is by forming partnerships with Arctic Slope regional or village corporations. Conam has worked on some Slope projects by partnering with Point Hope's village corporation.

Jacob Adams, who also sits on the borough assembly, makes no apologies for the local hire policy that favors Arctic Slope and the village corporations. Borough contracts sometimes provide the only economic activity in villages, and outside contractors will often bring in outside workers.

"The money needs to stay here on the North Slope," he said.

While Arctic Slope was gaining dominance in local public works, it was also establishing a stronger presence in the oil industry.

Company subsidiaries continued building up expertise through joint ventures. The company also made \$24 million in the early 1980s selling rights to explore for oil and gas on land it had acquired in the Arctic National Wildlife Refuge.

Those two things combined to position the corporation to grab a bigger piece of the pie when oil prices crashed in the mid-1980s and put other oil field service businesses on shaky ground.

Arctic Slope had the capital to use the downturn as an opportunity, buying up some of the assets of those dying companies and hiring some of their talent, which gave it more clout in the industry.

By the early 1990s when the major oil companies had decided to go to an alliance concept - using one major contractor to provide most services on particular fields, rather than multiple contractors - an Arctic Slope subsidiary, Alaska Petroleum Contractors, was well positioned. It was a partner on four of the nine North Slope producing fields, including Kuparuk and the BP portion of Prudhoe, the giants of the Slope.

Jacob Adams, Arctic Slope Regional Corp. president, says the corporation is now positioned to export the latest in oil-field technology around the world.

PHOTO BY ROB STAPLETON Alaska Petroleum Contractors is now the 15th largest employer in the state, according to the state Labor Department. It has become the \"800-pound gorilla\" of contractors on the North Slope, Arco spokesman Ronnie Chappell said.

Arctic Slope's annual revenues from oil field work have increased from probably \$30 million in the early 1980s to about \$250 million today, Adams said.

The company also moved into refining and distribution, with oil refineries in Valdez and North Pole and gas stations and diesel distributorships from the Slope to as far south as Dutch Harbor.

Adding to the company's prosperity was a law that allowed Native corporations to sell losses - some of which could be paper losses - to companies that wanted to use them for tax write-offs. Arctic Slope made \$91 million selling tax losses, an amount that showed up in its 1994 profits after the sale was approved by the Internal Revenue Service.

Arctic Slope isn't just an oil field contractor anymore; it's an oil field owner. The company maneuvered over the years to get ownership of some of the potentially oil-rich land it was denied in the original land settlement act.

Changes written into the 1980 Alaska National Interest Lands Conservation Act allowed the corporation to swap some of its land for acreage in the National Petroleum Reserve-Alaska and within the Arctic National Wildlife Refuge.

Arctic Slope also helped bankroll re-establishment of the previously abandoned village of Nuiqsut during the 1970s. The company gave 27 families \$500 to help them move there, and they camped out for a year and a half before the houses were built.

The village borders the National Petroleum Reserve-Alaska. Although Arctic Slope and Nuiqsut leaders say oil was not the reason they rebuilt the village, doing so allowed the corporation to select lands that otherwise would have been

off-limits to it.

The move is now paying off for Arctic Slope, as well as for Kuukpik, the Nuiqsut village corporation.

In 1996 Arco announced discovery of the Alpine oil field, which is partly on Kuukpik and Arctic Slope's land. It is thought to contain up to 365 million barrels of recoverable oil.

Scheduled to begin production in the year 2000, Alpine will be the first oil produced on Arctic Slope corporation land.

Adams said he doesn't know how much the field will yield in royalty payments to Arctic Slope and the village corporation. An Arco report on Alpine estimates the state, Arctic Slope and the village corporation could share as much as \$1 billion in taxes and royalties over the life of the field.

In addition to Alpine royalty payments going to Arctic Slope and Alpine taxes going to the North Slope Borough, Arctic Slope subsidiaries and Nuiqsut village corporation subsidiaries have contracts to do work on the field.

Alaska Petroleum Contractors also has a contract to build the largest sections of the oil processing facilities for the Alpine project at an APC fabrication yard in Nikiski.

Today, First Vice President Leavitt, a big-bellied man with a coarse chuckle, moves easily in the good-old-boy network, confident his company will make the \$1 billion mark: "I told you our group is aggressive. It takes a lot of strategic planning, but it will probably happen."

The company that was once just a minor player in the North Slope oil business is now positioned to export its oil field expertise around the world. Its various businesses have work throughout the United States and now in South America and Russia.

"Alaska only has so much to offer. You've gotta go outside it," Leavitt said. "I mean, the world is at your hands."