Scott Russell

Secretary, Crow Nation's Executive Branch

CROW TRIBE OF MONTANA

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"Tribal Development of Energy Resources and the Creation of Energy Jobs on Indian Lands"

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I. Introduction

Good Morning Mr. Chairman and Members of the Natural Resources Committee. Thank you for the opportunity to share the views and concerns of the Crow Nation on Indian energy. The Crow Nation's energy resources are abundant and the financial stability of our Tribe is wholly dependent upon them. The Crow Nation is uniquely positioned to contribute to the energy independence of our country.

We applaud this Committee's leadership in reviewing the vast energy opportunities in Indian Country and the economic value of such resources not only to the Tribes that own them, but to the nation as a whole. Eliminating obstacles to energy project development, along with providing incentives to create jobs in Indian Country to produce energy resources, will build additional national capacity to create even more jobs in the national economy. This is an opportunity that cannot be missed.

In this testimony, I will describe the extent of the Crow Nation's coal, oil and natural gas, and wind energy resources and the existing and planned facilities and projects utilizing these resources. I will also discuss the obstacles to increasing the development of these resources and the solutions we propose to reduce the obstacles. With an estimated 3% of the nation's coal resources, as well as with preliminary estimates of significant oil, natural gas, and wind reserves, the Crow Nation is well positioned to provide the secure and dependable domestic energy resources that our national economy needs. And our energy resources will provide good jobs as we further develop them.

II. Crow Energy Resources

Land and Population

The Crow Nation is a sovereign government located in southeastern Montana. The Crow Nation has three formal treaties with the federal government, concluding with the Fort Laramie Treaty of May 7, 1868. The Crow Reservation originally encompassed most of Wyoming (including the Powder River Basin) and southeastern Montana. Through a series of treaties, agreements and unilateral federal laws over a 70 year span, Crow territory was reduced by 92% to its current 2.2 million acre area.

In addition to this substantial land loss, the remaining tribal land base within the exterior boundary of the Crow Reservation was carved up by the 1920 Crow Allotment Act. In 1919, prior to the Allotment Act, there were already 2,453 allotments, consisting of 482,584 acres. By 1935, there were 5,507 allotments, consisting of 2,054,055 acres (218,136 acres were alienated from tribal ownership by 1935). The Big Horn and Pryor Mountains were not allotted and still remain reserved for the Crow Nation and its citizens.

According to more recent Bureau of Land Management Reports, the land statistics have shifted: 45% Crow allotments; 20% Crow Nation trust land; and 35% non-Indian fee land. In sum, the pattern of surface ownership generally is “checkerboard” with interspersed Crow Nation trust and fee lands, Crow allotments (held in trust for individual Tribal member owners), and non-Indian fee lands. The statistics show limited success of the Crow Nation in reacquiring lost lands, but the reality is a much larger pattern of continued loss.

Today, there are nearly 13,000 enrolled citizens of the Crow Nation, with approximately 8,000 of those residing within the exterior boundaries of the Reservation. Additionally, a recent study indicates that the tribal population will exceed 20,000 citizens by 2015, which will add further stress to our fragile developing economy, and sharply increase the level of basic human services needed by our population. Our goal is to invite more of our citizens to return home to live and resume tribal relations, but we must be able to offer tribal members solid opportunities to hold stable and meaningful employment, homes, and educational opportunities. Our current unemployment rate is 47%. The Crow Nation has always emphasized higher education and we currently have more than 400 annual applications for higher education assistance. Because of federal funding limitations and internal budget constraints, however, we can only fund 90 students each year.

In addition to providing financial support for education, we have a separately chartered tribal college (Little Bighorn College, “LBHC”) that started operations in 1981. LBHC has graduated over 300 students to date. LBHC graduates are employed on and around the Crow Reservation in a variety of positions including teachers' aides, computer technicians, office managers and administrative assistants. At least sixty have completed bachelor's degrees and are pursuing professions in education, social work, human services, science, nursing, technology, accounting and business. As we move forward in developing our energy resources, our own college can help to provide our citizens with training in new fields for expanded job opportunities, including vocational-technical courses to support energy development.

Minerals, Past and Present

The Crow Nation has an opportunity to develop tribal resources because the 1920 Crow Allotment Act, as amended in 1968, reserved all minerals, oil and gas on any lands allotted under that Act for the benefit of the entire tribe in perpetuity. Today, although some checkerboarding of mineral rights also exists on the Crow Reservation, subsurface mineral acres are owned primarily by the Crow Nation. For example, in the southeast corner of the Reservation, 1.3 billion tons of recoverable coal are wholly owned by the Nation. The larger portion of natural resources within the Reservation boundaries are recognized but remain largely untapped.

The Crow Nation has developed a limited amount of its resources, typically with royalty (and some tax) revenue received as the lessor. Although the Crow Nation pursued some oil and gas development between the 1920s and 1950s, more recent natural gas development has been hampered by lack of pipeline infrastructure and the Federal Application for Permit to Drill (APD) fee. Most of our governmental revenue is derived from our 38-year relationship with Westmoreland Resources, Inc. Over that period, the Absaloka mine has produced about 150 millions tons of coal and is the largest private employer within the Crow Reservation.

The Crow Nation has very substantial undeveloped mineral resources. It is estimated that we own 3% of the nation's coal resource, exceeding 9 billion recoverable tons. We have been exploring our oil and gas reserves, and preliminary estimates indicate that they are significant. In addition, we have large deposits of industrial minerals, such as limestone and bentonite. Finally, preliminary data suggests that we have class 5 / 6 wind energy as well as other renewable resources. The Nation is currently in talks with various companies regarding the development of these untapped resources, but barriers have slowed or prohibited significant progress.

III. **Crow Energy Projects**

A. Absaloka Mine

The Absaloka Mine, owned and operated by Westmoreland Resources Inc. (WRI), is a 15,000-acre single pit surface coal mine complex located near Hardin, Montana and the Crow Indian Reservation. WRI mines coal leased from the Crow Nation pursuant to two different coal leases. The mine shipped its first coal in 1974, and has been a steady and reliable source of coal to its customers, and revenue to the Crow Nation for a continuous 37 year period. The Absaloka Mine was expressly developed to supply Powder River Basin coal to a group of Midwestern utilities, including Xcel Energy's Sherburne County Station near Minneapolis, Minnesota. The mine also enjoys a proximity advantage to these customers relative to its main competitors. Over the years, it has also sold coal to several other upper Midwest utilities as well. Coal is shipped via a 38-mile rail spur to the main line of the Burlington Northern Santa Fe Railroad near Hysham, Montana. WRI is currently evaluating a substantial investment in the construction of a westward bound railroad connection to facilitate coal transportation to explore west coast and export coal sales opportunities.

The Absaloka Mine can produce up to approximately 7.5 million tons of coal annually, and has produced over 172.6 millions of tons over its life. WRI annually pays substantial production taxes and coal royalties to the Crow Nation; $9.9 million of taxes and $9.1 million of royalties were paid in 2010. These fees and taxes amounted to 23% of the gross revenue on the mine last year. These taxes and royalties are representative of the mine's financial contribution over the past several years. The significant portion of the Crow Nation's non-Federal revenues come from the Absaloka Mine. In 2010, these revenues accounted for approximately 40% of the Nation's non-federal budget. WRI employs a variety of skilled, managerial, professional, and hourly employees, with an annual average salary of over $62,000 and a total annual employment expense of approximately $16 million dollars. The Absaloka Mine is the largest private employer of Crow Tribal members on a reservation that struggles with an unemployment rate that exceeds 47%. More than 70% of the mine's 163 member workforce consists of Crow Tribal members and affiliates. Without question, the Absaloka Mine is critical to the Crow Nation's financial independence now, over the past 37 years, and well into the future.

The Absaloka Mine continues to struggle financially with competition from the larger Powder River coal mines, and with the competitive advantage provided to Powder River coal through the impact of a price differential created by sulfur (SO_2) emissions allowances under Title IV of the Clean Air Act. The competitiveness and the continued operation of the mine has been significantly facilitated by the tax benefits made possible by the Indian Coal Production Tax Credits ("the ICPTC") included in the 2005 Energy Policy Act and beginning in 2006. The ICPTCs neutralized the coal price differential related to the SO_2 emission allowances. Without the ICPTC, the Absaloka Mine would have ceased to operate, thereby ending a substantial revenue source for the Crow Nation. Continuance of the ICPTC is critical to the future of the Absaloka Mine and the stability of revenue to the Crow Nation.

The Crow Nation is proud of its 37-year partnership with Westmoreland on the Absaloka Mine. The Crow Nation seeks to ensure the continued economic viability of the Absaloka Mine, as the Tribal revenue and jobs that it provides are an overriding imperative for the Nation and its citizens.

B. Many Stars CTL Project

The Crow Nation has been working since 2008 to develop a very significant Coal-to-Liquids (CTL) project within the Crow Indian Reservation called the Many Stars CTL Project. The Project will consist of a new surface coal mine and a proven direct coal liquefaction process plant that sequesters CO_2, uses less water and is more efficient than conventional indirect coal liquefaction projects operating in the world today. This clean-coal technology based project offers the best opportunity for the Crow Nation to monetize our currently stranded, lower-quality coal assets and is a critical economic necessity for the Nation. The CTL project will also provide a critically needed key domestic energy source to the United States and help reduce America's dependence on foreign oil.

However, due to the recent economic downturn and investor concerns about future government policy towards CTL and uncertain permitting requirements to allow carbon sequestration, this project has been struggling to move forward. Even with the currently robust commodity market for transportation fuels, project risk due to historical uncertainties with such commodity markets is still a deterrent to investors.

The Many Stars CTL Project will target conversion of up to 2 billion tons of Crow coal over the life of the project, initially producing 6-8,000 barrels of liquid products per day and ultimately expanding to produce up to 50,000 barrels or more of liquid products per day. The Crow coal would be converted to ultra-clean fuels, such as synthetic jet fuel and diesel fuel at an estimated yield of 1.5 to 2 barrels of liquid product per ton of coal. Thus, when considered in traditional oil and gas terms, this project has the opportunity to responsibly develop and monetize a world-class 3-4 billion barrel oilfield.

For the Crow people, the success of the Many Stars Project is absolutely critical to end decades of poverty and create the long term economic viability of the Crow Nation. The first phase of the integrated surface mine and CTL plant will create up to 2,000 jobs during an initial three year construction period with the expectation that a significant portion of these jobs would continue as the plant is expanded during the subsequent 10-15 years. The number of permanent operations jobs is expected to grow from 250 to 900 upon the commencement of initial operations of both the mine and plant. The jobs created by this project would include high level positions, such as engineers and managers, as well as skilled trades (mechanics, electricians, welders). In addition, income generated by the project could serve to support the Nation's severely underfunded education and health care programs and support the development of key infrastructure on the Crow Reservation to improve the lives of its citizens.

C. Other Crow Coal Development

For many years, members of the Crow Nation have watched a nearly continuous stream of unit trains cross the Reservation every day on the BNSF Railway, carrying someone else's coal to market. The Nation has active plans to develop several billion tons of ultra-low-sulfur coal located in the southeastern portion of the Reservation, for markets that the Absaloka Mine is not well-positioned to serve. These markets could include exports to Asia, which are currently constrained by port terminal capacity on the west coast, as well as difficulty in permitting new coal terminals generally.

D. Oil and gas Development

During 2005-2008, the Crow Nation leased substantial areas of the Reservation for oil and gas exploration and development, using Indian Mineral Development Act agreements. Unfortunately, the independent oil and gas companies who leased these lands did not discover any conventional oil plays like the Bakken formation in northeastern Montana and North Dakota. Instead, the conventional oil exploration work under these agreements resulted in dry holes.

This leasing activity did prove the existence of substantial shallow natural gas reserves on the Crow Reservation. In August, 2009, Ursa Major (an independent oil & gas company from Oklahoma) began delivering the first Tribal natural gas into the interstate pipeline system from the northeastern portion of the Reservation. Further full-field development of Ursa Major's gas field has been slowed by low natural gas prices, coupled with the $6,500 per well APD fee charged by the BLM.

Following the crash in oil prices and the credit markets in late-2008, the industry's interest in leasing Crow oil and gas lands evaporated, and most development plans were suspended. Recently, we have begun to see some renewed interest, as evidenced by drilling plans for this year on a heavy oil prospect in the Pryor area on the western portion of the Reservation, but the $6500 APD fee currently in place reduces the interest of potential developers.

The Nation will continue to pursue oil and gas development, knowing that there are substantial natural gas resources on the Reservation, trusting that the current heavy oil prospect will prove economic, and hoping that our luck will improve on locating other conventional oil resources.

E. Wind Energy

The Crow Reservation encompasses areas with a significant potential for wind energy development. The Crow Nation has, with the assistance of the Division of Energy and Mineral Development through Department of Interior, compiled wind data for the past several years, which indicates a steady and reliable Class 5/6 wind resource in several areas of the Reservation. The most significant resource areas are also located in direct proximity to existing transmission lines, and are relatively easily accessible using existing paved highways and secondary roads. The wind resource areas encompass lands held in a variety of ownership patterns, including tribal trust, individual tribal member allotments (many of which are highly fractionated), and non-Indian fee lands.

F. Hydropower

In 1958, the United States condemned over 5500 acres of Crow Reservation lands for building Yellowtail Dam. Yellowtail Dam became operational in 1966. The dam generates over a half billion kilowatt hours of power per year, even during drought conditions. To date, the power generation revenues have exceeded $600 million dollars. Although the Crow Nation did receive a few million dollars for the land taken to create Yellowtail Dam, the Crow Nation has never received any payment from the ongoing revenue from power generation.

The recent Crow Water Rights Settlement Act of 2010 grants the Nation exclusive rights to develop and market hydropower from the Yellowtail Afterbay Dam (immediately downstream from the main Dam). Based on previous Bureau of Reclamation studies, the Yellowtail Afterbay should support the economic development of a small, low-head hydropower facility with an estimated capacity of 10-15 Megawatts. The Nation is currently commissioning a feasibility study to confirm that potential, and to evaluate transmission and marketing opportunities. Our study should be complete in a few months, and provide the necessary information to finance and construct the hydropower facility within the next two years.

The Nation is considering using this hydropower production to supply the local rural cooperatives that provide electric power to the Reservation, to replace their current supplies of low-cost Federal hydropower which will no longer be available in a few years. It also appears that the Afterbay hydropower development could improve water quality in the blue-ribbon trout fishery on the Big Horn River.

IV. **Obstacles to Continued Development of Crow Energy**

A. Laws and BIA Procedures Impeding Energy Development.

Despite the fact that the Crow Nation has substantial resources, numerous practical problems arise from the previously described history. The Crow Nation and our energy development partners have experienced, and continue to experience, systematic problems in trying to create energy development and the new jobs that would be associated with that development. The Bureau of Indian Affairs ("BIA") consistently creates barriers and delays to resource development.

For example, for an oil and gas lease approved by the Nation in January of 2005, development did not begin until September of 2007 because of an extremely slow BIA approval process. Within the approval process of that lease, an inventory of Tribally-owed net mineral acres was reported as 94,000 acres. However, after the lessee expended large amounts of time and money reexamining mineral title information, an additional 50,000 net Tribal mineral acres was identified and confirmed. An error of this magnitude would be simply unacceptable in many contexts, but in our experience it is not surprising and is far from unique.

BIA records for surface and mineral ownership are often erroneous, missing and out of date. These problems cause significant delay in preparation of environmental documents and overall land records necessary for business transactions. The BIA lacks the necessary staffing to provide accurate information on Reservation surface and mineral ownership, and to resolve additional questions that arise. It is extremely difficult to compete with off-reservation development because of these problems. Many companies view this, in addition to all other problems, as another prohibitive cost of doing business within the Crow Reservation.

Recent BIA procedures have made it increasingly difficult to carry out exploration programs for energy and other minerals on the Reservation. For example, coal exploration involves drilling core holes to verify the quantity and quality of coal, which take only a few days to drill, are accessed by existing undeveloped roads, and are fully reclaimed after completion. The BIA now requires full appraisals approved by the Office of the Special Trustee prior to obtaining consents from the allotted surface owners to drill the core holes and even to cross other allotments to reach the drill sites. These procedures, along with environmental assessments, result in long delays in exploration programs that could otherwise be completed in a matter of months.

The obstacles posed by these procedures are even more prohibitive for other mineral exploration, such as bentonite, which require a large number of auger samples that have even less environmental impact and involve much smaller amounts of recoverable minerals.

Finally, apart from the costs and delays caused by BIA staffing shortages and unnecessary procedures, laws that limit the duration of commercial leases on Tribal lands also impede development of large long-term projects such as the Many Stars CTL project. Many of these obstacles could be addressed by Congressional legislation such as the Indian Energy bill developed last year by the Senate Committee on Indian Affairs and introduced last session.

B. Inability to Plan on Continued Availability of Federal Income Tax Incentives

There are several current federal tax incentives for economic development in Indian Country, including an accelerated depreciation provision, an Indian wage tax credit, and the Indian Coal Production Tax Credit. However, the accelerated depreciation and wage tax credit both have substantial limitations that severely limit their usefulness for major Tribal energy development projects.

More importantly, all of these tax incentives will expire again within the next 2 years, and in the past they have been extended only one year at a time. For major Tribal energy projects, such as a coal mine or a CTL project with 6-10 year development lead times, the inability to rely on the continued availability of these incentives means that they cannot be factored into the economic evaluations that are necessary for investment decisions.

As further explained below, permanent extensions and appropriate modifications to these existing tax incentives would facilitate jobs and economic development, particularly energy development, on the Crow Reservation and for all of Indian Country.

C. The BLM "APD Fee"

Beginning with the FY 2008 Appropriations Act for the Department of Interior, Congress required the Bureau of Land Management ("BLM") to charge a $4,000 fee to process every Application for Permit to Drill ("APD") on the federal and Indian lands on which it supervises oil and gas development activity. The APD Fee has since been increased by subsequent appropriations legislation to $6,500 for each new well. The Crow Nation has continually protested the application of this fee to tribal lands, and has sought relief in numerous ways, but to date, no solution has been reached.

This $6,500 fee compares to drilling permit fees of less than $100 off the Reservation in the State of Montana. Obviously, it is a disincentive to explore for oil and gas on Indian lands compared to off-reservation State and fee lands. As indicated above, it has been a major factor in the suspension of additional natural gas field exploration and development on the Crow Reservation by our partner, Ursa Major, who also holds leases outside the Reservation. The APD fee is a particular burden for the type of shallow (less than 1500' deep), low-producing gas wells being drilled by Ursa Major. The cost of completing those types of wells is less than $150,000 each, so the APD Fee represents a large portion of the capital investment necessary to bring additional wells into production.

The APD Fee also discourages efficient development and slows exploration efforts. For exploratory "wildcat" drilling where success is not a sure thing, the developer can only afford to get permits for a couple of wells at a time, see if they hit gas, and if so, file APD's for a couple more and repeat the cycle. Without the high APD Fee, the developer would be able to obtain many permits and immediately drill additional wells if the first ones are successful. Considering the lead time for issuance of the drilling permits (60-90 days), the APD Fee causes delays of up to a year developing a handful of new wildcat wells, in addition to adding tens of thousands dollars of non-productive costs that limit the Nation's ability to charge taxes and royalties on the future production.

V. Proposed Solutions

A. Federal Tax Incentive Legislation

1. Indian Coal Production Tax Credit

The 2005 Energy Policy Act provided the Indian Coal Production Tax Credit beginning in tax year 2006, based upon the number of tons of Indian coal produced and sold to an unrelated party. "Indian coal" is coal produced from reserves owned by an Indian Tribe, or held in trust by the United States for the benefit of an Indian Tribe, as of June 14, 2005. The tax credit is calculated by totaling the number of tons of Indian coal produced and sold, then multiplying that number by $1.50 (for calendar years 2006 through 2010). For tax years between 2010 and December 31, 2012, the total number is multiplied by $2.00.

The origin of this production tax credit began with the goal of neutralizing the impact of price differentials created by sulfur (SO_2) emissions allowances, thereby keeping Indian coal competitive in the regional market. Without the credit, the Crow's Absaloka mine would have lost its supply contract and likely been closed in 2005, which would have had a devasting impact on the Nation given that this mine provides a significant portion of the Nation's government's operating budget. The tax credit has worked to keep the mine competitive and open. Now, in 2011, this tax credit remains critically important because, without it, the mine's economic viability would be in serious jeopardy. This tax credit remains critical to the current operation of the existing Absaloka Mine and provides sufficient incentive to help us attract additional investment for future energy projects. In order to protect existing operations and encourage growth, the Indian Coal Production Tax Credit should be made permanent, should be allowed to be used against alternative minimum tax, and the requirement that the coal be sold to an unrelated person should be deleted to allow and encourage facilities owned, in whole or in part, by Indian Nations to participate and benefit from the credit.

2. Accelerated Depreciation Allowance

Included in the *Omnibus Budget Reconciliation Act of 1993*, Pub. L. 103-66, 107 Stat. 558-63, codified at 26 U.S.C. 168(j), 38(b), and 45(A), are two Indian reservation-based Federal tax incentives designed to increase investment and employment on Indian lands. The theory behind these incentives was that they would act in tandem to encourage *private sector* investment and economic activity on Indian lands across the United States. Neither incentive is available for gaming-related infrastructure or activities. The incentives – an accelerated depreciation allowance for "qualified property" placed in service on an Indian reservation and an Indian employment credit to employers that hire "qualified employees" – expired on December 31, 2003, and have been included in the short-term "extenders packages" of expiring tax incentives since that time.

Energy projects require significant equipment and physical infrastructure, and involve the hiring of large numbers of employees. Crow is not alone in our resource holdings; for several Indian nations, estimates of proven and undeveloped energy resources on Indian lands suggest that revenues to tribal owners would exceed tens of billions in current dollars. As the energy development market improves and the federal programs enacted in the 2005 pro-development energy law, the *Indian Tribal Energy Development and Self Determination Act* (Pub. L. 109-58), energy-related activity on Indian lands will increase substantially in the years ahead.

Unfortunately, one-year or two-year extensions of the accelerated-depreciation provision do not provide an incentive for investment of new capital in Indian country for significant energy projects. Development of major projects generally takes a decade or longer. Investors need certainty that the benefit will be available when the project initiates operations in order to factor that benefit into their projected economic models, as well as investment decisions. A permanent extension would address this problem, making the incentive attractive to investors in long-term energy projects on Indian lands.

As currently written, the depreciation allowance could be interpreted to exclude certain types of energy-related infrastructure related to energy resource production, generation, transportation, transmission, distribution and even carbon sequestration activities. We recommend that language be inserted to statutorily clarify that this type of physical infrastructure expressly qualifies for the accelerated depreciation provision. In proposing this clarification, it is not our objective to eliminate non-energy activities that might benefit from the depreciation allowance. Indeed, if adopted, the language we propose would not discourage other forms of economic development in Indian country.

By providing this clarifying language and this permanent extension, the accelerated depreciation provision will finally accomplish its purpose - enhancing the ability of Indian nations to attract energy industry partners to develop long-term projects utilizing the vast Indian resources available.

3. Indian Employment Wage Credit

The 1993 Act also included an "Indian employment wage credit" with a cap not to exceed 20 percent (20%) of the excess of qualified wages and health insurance costs that an employer pays or incurs. "Qualified employees" are defined as enrolled members of an Indian tribe or the spouse of an enrolled member of an Indian tribe, where substantially all of the services performed during the period of employment are performed within an Indian reservation, and the principal residence of such employee while performing such services is on or near the reservation in which the services are to be performed. *See* 26 U.S.C. 45(c)(1)(A)-(C). The employee will not be treated as a "qualified employee" if the total amount of annual employee compensation exceeds $35,000.

As written, the wage tax credit is completely ineffective and does not attract private-sector investment in energy projects within Indian country. The provision is too complicated and private entities conclude that the cost and effort of calculating the credit outweighs any benefit that it may provide. We therefore propose that the wage and health credit be revised along the lines of the much-heralded Work Opportunity Tax Credit, which is less complicated and more likely to be used by the business community. We propose retaining the prohibition contained in the existing wage and health credit against terminating and rehiring an employee and propose to alter the definition of the term "Indian Reservation" to capture legitimate opportunities for employing tribal members who live on their reservations, even though the actual business activity may be off-reservation. This amendment would allow the Indian Employment Wage Credit to more effectively fulfill the purpose for which it was originally enacted.

B. Eliminate the BLM APD Fee on Indian Lands

The current APD fee of $6500 is a hindrance to the Crow Nation's goal of developing its oil and gas resource. The disparity between the cost for drilling on tribal lands under federal jurisdiction versus lands under state jurisdiction prevents any meaningful economic development of the reserves existing on the Crow Reservation. The federal government should not, through its' trust responsibility, charge administrative fees that prohibit or render economically inefficient, the development of tribal trust assets. Indian lands should be exempted from BLM's APD fee.

C. Need for Government Support for the Many Stars CTL Project

Several CTL projects have been announced in the U.S.; however, all of these projects are struggling due to the high financial commitment needed to plan and implement these projects in an uncertain economic and energy policy environment. Investors and banks are reticent to fund "first of a kind" projects, even though the technology has been proven commercially in other countries and in demonstration plants here in the United States. As a comparison, China is moving forward rapidly in the CTL sector, with 12 sites already producing at commercial demonstration scale of 4-8,000 barrels per day with four commercial projects nearing start of construction at capacities up to 80,000 barrels/day.

Based on the foregoing, the following key actions are crucial for the viability of the Crow's Many Stars CTL Project:

- Grant the Department of Defense and other federal agencies the ability to enter into long-term, guaranteed fixed-price contracts that will underpin the commercial framework needed for these types of long-term CTL projects;

- Extend the expiration date of the current 50-cents per gallon alternative fuel excise tax credit for a definitive time period rather than year-to-year extensions as has been done recently. Since it could take roughly 6-10 years for these types of projects to become fully planned, implemented, and operational, investors are concerned that the incentives will expire before the plant starts up. Consider providing the tax credit for a period of 10 years following start-up for those projects starting construction prior to 2015.

- Support a twenty percent (20%) investment tax credit for each CTL plant placed in service before the same future date, and/or allow 100 percent (100%) expensing of investments in the year of capital outlay for any CTL plant in operation by the same future date.

- Support DOE and DOD alternative fuel development programs as part of a comprehensive energy policy that supports the full spectrum of energy technologies and provides a level playing field for developing new innovation in clean coal technology to meet national environmental goals.

- Remove general uncertainty in energy policy that will provide investors confidence to support new innovation and major investment in the clean coal sector. Our observation is that policy uncertainty with respect to clean coal support equates to paralysis in trying to move the Many Stars CTL Project forward with its investors.

VI. Conclusion

Given our vast mineral resources, the Crow Nation can, and should, be self-sufficient. We seek to develop our mineral resources in an economically sound, environmentally responsible and safe manner that is consistent with Crow culture and beliefs. The Crow people are tired of saying that we are resource rich and cash poor.

We respectfully request your assistance in setting the foundation to make our vision a reality. We have been working to develop our energy resources and to remove obstacles to successful development. We hope to build a near-term future when our own resources, in our own hands, provide for the health, hopes and future of our people.

It is critical that Congress act to protect Indian nations' sovereignty over their natural resources and secure Indian nations as the primary governing entity over their own homelands. This will have numerous benefits for the local communities as well as the federal government. The Crow Nation has been an ally of the United States all through its history.

Today, the Crow Nation desires to develop its vast natural resources not only for itself, but to once again help the United States with a new goal -- achieving energy independence, securing a domestic supply of valuable energy, and reducing its dependence on foreign oil. Many members of the Crow Nation are veterans of the United States Armed Forces and we have a special understanding and respect for what it could mean to our sons and daughters in coming years if all of our energy needs were met here at home.

It is time for the Crow Nation to become an energy partner. However, our vision can only become a reality with your assistance. I strongly feel that the vision starts today. Mr. Chairman and Committee members, thank you again for the opportunity to testify on Indian Energy before you today. I would be happy to answer any questions.