

Jeff Landfield Public Testimony on HB 271

Madam co-chairs and members of the House Resources Committee, my name is Jeff Landfield. I run the Alaska Landmine news website, but I am here today testifying as an Anchorage resident and Enstar and Chugach Electric rate payer.

I am here to speak in strong opposition to House Bill 271. This bill is merely the next in line in a long line of attempted political handouts to John Hendrix, the owner of HEX/Furie.

I have been tracking and reporting on Mr. Hendrix's unscrupulous activities for three years. Mr. Hendrix does not deserve any more special treatment from the state of Alaska.

Mr. Hendrix bought Furie out of bankruptcy in December 2019 - at a fire sale price of fifteen million dollars – thanks in part to a seven and a half million-dollar loan from AIDEA.

Prior to that, from July 2016 to May 2018, Mr. Hendrix served as former Governor Bill Walker's chief oil and gas tax advisor.

Ask yourselves what information Mr. Hendrix learned about Furie's money problems when he was Governor Walker's oil and gas advisor, and what kind of advantage that gave him in purchasing Furie out of bankruptcy.

From the start, Mr. Hendrix tried to get his property taxes reduced by 90%. His property taxes, based on an assessment from the state, are approximately \$1.6 million dollars a year – split between the state of Alaska and the Kenai Peninsula Borough.

The State Assessment Review Board, or SARB, ruled twice against Hendrix, first in May 2021 and again in May 2022. Both times, they upheld the state's \$81.7 million assessment. Both were unanimous decisions.

In June 2021, Mr. Hendrix filed a lawsuit trying to reduce his property taxes. In May 2024, an Anchorage Superior Court judge also ruled against Hendrix's attempt to massively reduce his property taxes.

Mr. Hendrix also attempted to put political pressure on then-deputy Revenue Commissioner Brian Fechter for not approving his massive sought after property tax reduction. He went as far as trying to get Brain Fechter fired from his job for not granting his demand for the property tax reduction.

The Revenue commissioner at the time, Lucinda Mahoney, was conflicted out of the decision because her husband, Steve Mahoney, was Mr. Hendrix's tax attorney in the property tax lawsuit.

When the SARB route failed, Mr. Hendrix chose to seek a political solution.

In February 2023, Senator Cathy Giessel introduced Senate Bill 50, which aimed to radically change how oil and gas property taxes are calculated. This bill was written to benefit John Hendrix.

When I tried to talk to Senator Giessel about the bill, she actually referred to it as the "Furie bill." Luckily, after an article I wrote exposed what Mr. Hendrix was trying to do, the bill was withdrawn a week after it was introduced.

A year later, Mr. Hendrix sought a different political solution to deal with another financial problem he perceives - overriding royalties. On February fourth, this committee heard from Mark Slaughter, HEX/Furie's chief commercial officer, about these overriding royalties. Keep in mind, Mr. Hendrix was well aware of these overriding royalties when he bought Furie out of bankruptcy.

In February 2024, Senator Jesse Bjorkman introduced Senate Bill 254, which aimed to have the state forcibly acquire private overriding royalties through eminent domain. As written, the bill would have allowed the state to confiscate overriding royalties only below 68 degrees north latitude, which would apply to Cook Inlet and not the North Slope.

Senator Bjorkman told me on two occasions that Mr. Hendrix did not talk to him or inspire him to introduce the bill. A week after I spoke with Senator Bjorkman, I obtained a letter from Mark Slaughter - written two months before Senator Bjorkman's bill was introduced - that proposed do precisely what Senator Bjorkman's bill did.

The letter was sent from Mr. Slaughter to Taia Energy, owned by Houston based geologist/geophysical interpreter, Carl Marrullier. Mr. Marrullier holds a small overriding royalty in the Kitchen Lights Unit for work he performed years ago.

Again, after reporting I did exposed what Mr. Hendrix was trying to do, Senator Bjorkman's bill failed to get a single hearing.

It seems Mr. Hendrix has abandoned the Senate approach and has turned to the House. And so far he has had better luck. House Bill 271 has already had a hearing from this committee.

House Bill 271 aims to permanently reduce the royalty rate in the Kitchen Lights Unit – the Cook Inlet field Hendrix operates.

In September 2024, Mr. Hendrix petitioned the Department of Natural Resources for royalty relief in the Kitchen Lights Unit. After five months, the DNR agreed to reduce Mr. Hendrix's royalties in Cook Inlet by 75%.

Again, it took DNR experts five months to agree to the royalty relief. The legislative session is only four months, and there are no oil and gas experts in the Legislature qualified to deal with this kind of complex business matter.

The DNR also agreed to back date Mr. Hendrix's royalty relief to the time he applied, resulting in a \$2 million credit for royalty payments made during the five-month period.

After the 75% reduction - resulting in royalty payments declining from approximately \$400,000 a month to \$100,000 a month - Mr. Hendrix was put in the fortunate position of not having to make any royalty payments for 20 months, unless he starts producing a lot more gas.

House Bill 271 aims to make this royalty reduction permanent ONLY in the Kitchen Lights Unit, not anywhere else in Cook Inlet.

My last point.

On February fourth this committee asked Mr. Slaughter and state officials how much Furie was charging for gas. I'm sure you noticed that no one answered the question.

I will tell you.

While Hilcorp is delivering Cook Inlet gas at a contracted rate of approximately \$8 per Mcf, Furie is charging around \$13 per Mcf, even after the royalty relief Furie was given by the state.

Here's the bottom line. The gas produced by Mr. Hendrix is by far the most expensive gas in Cook Inlet. Not due to higher costs, but because he knows he can put a gun to the head of Southcentral rate payers because they have very limited options. Thank God he only produces a small fraction of Cook Inlet gas. The royalty relief he's already obtained does nothing for rate payers, it just enriches his pockets.

Is Cook Inlet gas supply constrained and concerning for Southcentral residents and businesses? Yes.

But I can tell you one thing, giving John Hendrix more handouts is not the answer to this problem. Anyone who has so shamelessly demonstrated the troubling kind of behavior Mr. Hendrix has does not deserve help or special treatment from the Alaska Legislature, or the people of Alaska, who ultimately foot the bill.

I urge this committee to put this bill where it belongs - in the trash.

Thank you.