

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

April 15, 2024

1:05 p.m.

MEMBERS PRESENT

Representative Tom McKay, Chair
Representative Kevin McCabe
Representative Dan Saddler
Representative Stanley Wright
Representative Jennie Armstrong
Representative Donna Mears
Representative George Rauscher, Vice Chair
Representative Thomas Baker

MEMBERS ABSENT

Representative Maxine Dibert

OTHER MEMBERS PRESENT

Representative Justin Ruffridge

COMMITTEE CALENDAR

CS FOR HOUSE BILL NO. 195(FSH)

"An Act relating to the powers of the Alaska Commercial Fisheries Entry Commission; relating to administrative areas for regulation of certain commercial set net entry permits; establishing a buy-back program for certain set net entry permits; providing for the termination of state set net tract leases under the buy-back program; closing certain water to commercial fishing; and providing for an effective date."

- HEARD & HELD

HOUSE BILL NO. 329

"An Act relating to state tideland leases; and relating to aquatic farming or related hatchery operation site leases."

- HEARD & HELD

CS FOR HOUSE BILL NO. 251(L&C)

"An Act exempting certain foods and drinks prepared in a person's uninspected home kitchen from state labeling, licensing, packaging, permitting, and inspection requirements;

and permitting a person to acquire meat from a producer by way of an ownership share in an animal if certain conditions are met."

- HEARD & HELD

PRESENTATION: West Harrison Bay Unit Exploration and Development Update

- HEARD

HOUSE BILL NO. 349

"An Act relating to leases of public land for renewable energy projects; and providing for an effective date."

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: HB 195

SHORT TITLE: COOK INLET: NEW ADMIN AREA;PERMIT BUYBACK

SPONSOR(S): RUFFRIDGE

05/08/23	(H)	READ THE FIRST TIME - REFERRALS
05/08/23	(H)	FSH, RES
02/06/24	(H)	FSH AT 10:00 AM GRUENBERG 120
02/06/24	(H)	Heard & Held
02/06/24	(H)	MINUTE(FSH)
02/13/24	(H)	FSH AT 10:00 AM GRUENBERG 120
02/13/24	(H)	Heard & Held
02/13/24	(H)	MINUTE(FSH)
02/27/24	(H)	FSH AT 10:00 AM GRUENBERG 120
02/27/24	(H)	<Bill Hearing Canceled>
03/14/24	(H)	FSH AT 10:00 AM GRUENBERG 120
03/14/24	(H)	-- MEETING CANCELED --
03/19/24	(H)	FSH AT 10:00 AM GRUENBERG 120
03/19/24	(H)	<Bill Hearing Canceled>
03/21/24	(H)	FSH AT 10:00 AM GRUENBERG 120
03/21/24	(H)	-- MEETING CANCELED --
03/26/24	(H)	FSH AT 10:00 AM GRUENBERG 120
03/26/24	(H)	Heard & Held
03/26/24	(H)	MINUTE(FSH)
04/02/24	(H)	FSH AT 10:00 AM GRUENBERG 120
04/02/24	(H)	Moved CSHB 195(FSH) Out of Committee
04/02/24	(H)	MINUTE(FSH)
04/03/24	(H)	FSH RPT CS(FSH) NEW TITLE 3DP 1NR 2AM
04/03/24	(H)	DP: CARPENTER, STUTES, VANCE

04/03/24 (H) NR: HIMSCHOOT
 04/03/24 (H) AM: MCCORMICK, MCCABE
 04/08/24 (H) RES AT 1:00 PM BARNES 124
 04/08/24 (H) Heard & Held
 04/08/24 (H) MINUTE(RES)
 04/15/24 (H) RES AT 1:00 PM BARNES 124

BILL: HB 329

SHORT TITLE: AQUATIC FARM AND HATCHERY LEASES

SPONSOR(s): VANCE

02/15/24 (H) READ THE FIRST TIME - REFERRALS
 02/15/24 (H) FSH, RES
 02/27/24 (H) FSH AT 10:00 AM GRUENBERG 120
 02/27/24 (H) <Bill Hearing Canceled>
 03/05/24 (H) FSH AT 10:00 AM GRUENBERG 120
 03/05/24 (H) <Bill Hearing Canceled>
 03/07/24 (H) FSH AT 10:00 AM GRUENBERG 120
 03/07/24 (H) Heard & Held
 03/07/24 (H) MINUTE(FSH)
 03/14/24 (H) FSH AT 10:00 AM GRUENBERG 120
 03/14/24 (H) -- MEETING CANCELED --
 03/19/24 (H) FSH AT 10:00 AM GRUENBERG 120
 03/19/24 (H) <Bill Hearing Rescheduled to 03/21/24>
 03/21/24 (H) FSH AT 10:00 AM GRUENBERG 120
 03/21/24 (H) -- MEETING CANCELED --
 03/26/24 (H) FSH AT 10:00 AM GRUENBERG 120
 03/26/24 (H) Moved CSHB 329(FSH) Out of Committee
 03/26/24 (H) MINUTE(FSH)
 03/28/24 (H) FSH RPT CS(FSH) NEW TITLE 6DP
 03/28/24 (H) DP: C.JOHNSON, HIMSCHOOT, CARPENTER,
 STUTES, MCCABE, VANCE
 03/28/24 (H) FIN REFERRAL ADDED AFTER RES
 04/08/24 (H) RES AT 1:00 PM BARNES 124
 04/08/24 (H) Heard & Held
 04/08/24 (H) MINUTE(RES)
 04/15/24 (H) RES AT 1:00 PM BARNES 124

BILL: HB 251

SHORT TITLE: EXEMPTIONS FOR HOMEMADE FOODS

SPONSOR(s): REPRESENTATIVE(s) RAUSCHER

01/16/24 (H) PREFILE RELEASED 1/12/24
 01/16/24 (H) READ THE FIRST TIME - REFERRALS
 01/16/24 (H) L&C, RES
 02/02/24 (H) L&C AT 3:15 PM BARNES 124
 02/02/24 (H) <Bill Hearing Rescheduled to 02/05/24>

02/05/24	(H)	L&C AT 3:15 PM BARNES 124
02/05/24	(H)	Heard & Held
02/05/24	(H)	MINUTE(L&C)
02/14/24	(H)	L&C AT 3:15 PM BARNES 124
02/14/24	(H)	Scheduled but Not Heard
02/21/24	(H)	L&C AT 3:15 PM BARNES 124
02/21/24	(H)	-- MEETING CANCELED --
03/15/24	(H)	L&C AT 3:15 PM BARNES 124
03/15/24	(H)	-- MEETING CANCELED --
03/27/24	(H)	L&C AT 3:15 PM BARNES 124
03/27/24	(H)	Moved CSHB 251(L&C) Out of Committee
03/27/24	(H)	MINUTE(L&C)
03/28/24	(H)	L&C RPT CS(L&C) NEW TITLE 2DP 5NR
03/28/24	(H)	DP: RUFFRIDGE, SUMNER
03/28/24	(H)	NR: CARRICK, FIELDS, SADDLER, PRAX, WRIGHT
04/08/24	(H)	RES AT 1:00 PM BARNES 124
04/08/24	(H)	Heard & Held
04/08/24	(H)	MINUTE(RES)
04/15/24	(H)	RES AT 1:00 PM BARNES 124

WITNESS REGISTER

JEFF BEAUDOIN, representing self
 Kasilof, Alaska
POSITION STATEMENT: Testified in opposition of HB 195.

GARY HOLLIER, representing self
 Kenai, Alaska
POSITION STATEMENT: Testified in support of HB 195.

RUSSEL CLARK, representing self
 Kenai, Alaska
POSITION STATEMENT: Testified in support of HB 195.

CODY BLOSSOM, representing self
 Clam Gulch, Alaska
POSITION STATEMENT: Testified in support of HB 195.

DOUG BLOSSOM, representing self
 Clam Gulch, Alaska
POSITION STATEMENT: Testified in support of HB 195.

JOHN MANLEY, representing self
 Fairbanks, Alaska
POSITION STATEMENT: Testified in support of HB 195.

KEN COLEMAN, President
Eastside Consolidation Association
Kenai, Alaska

POSITION STATEMENT: Testified in support of HB 195.

LISA GABRIEL, representing self
Kenai, Alaska

POSITION STATEMENT: Testified in support of HB 195.

ALAN CROOKSTON, CEO
Tide Chaser Fishery, LLC
Kenai, Alaska

POSITION STATEMENT: Testified in support of HB 195.

TANYA DONER, representing self
Anchorage, Alaska

POSITION STATEMENT: Testified in opposition to HB 195.

PAULINE MILLS, representing self
Kasilof, Alaska

POSITION STATEMENT: Testified in support of HB 195.

SCOTT SUMMERS, representing self
Kenai, Alaska

POSITION STATEMENT: Testified in support of HB 195.

GARY DEIMAN, representing self
Ninilchik, Alaska

POSITION STATEMENT: Testified in support of HB 195.

BRUCE MANLEY, representing self
Kasilof, Alaska

POSITION STATEMENT: Testified in support of HB 195.

RANDY MEIER, representing self
Kasilof, Alaska

POSITION STATEMENT: Testified in support of HB 195.

GEORGE TOWNSEND, representing self
Kenai, Alaska

POSITION STATEMENT: Testified in support of HB 195.

JAMES MCGRATH, representing self
Kasilof, Alaska

POSITION STATEMENT: Testified in support of HB 195.

MONICA ZAPPA, representing self

Ninilchik, Alaska

POSITION STATEMENT: Testified in support of HB 195.

TED CROOKSTON, representing self

Kenai, Alaska

POSITION STATEMENT: Testified in support of HB 195.

HARRY LEMAN, representing self

Ninilchik, Alaska

POSITION STATEMENT: Testified in support of the original version of HB 195.

TIM DONER, representing self

Ninilchik, Alaska

POSITION STATEMENT: Testified in support of the original version of HB 195.

NANCY HILLSTRAND, Owner

Pioneer Alaskan Fisheries Inc

Homer, Alaska

POSITION STATEMENT: Testified in opposition to CSHB 329(FSH).

MICHAEL PARKER, Owner/Manager

Narwhal, LLC

Anchorage, Alaska

POSITION STATEMENT: Spoke on the update on West Harrison Bay.

STEPHANE LABONTE, Manager

Narwhal, LLC

Anchorage, Alaska

POSITION STATEMENT: Presented a PowerPoint presentation on the West Harrison Bay Unit.

ACTION NARRATIVE

[1:05:31 PM](#)

CHAIR MCKAY called the House Resources Standing Committee meeting to order at 1:05 p.m. Representatives Mears, Armstrong, McCabe, Saddler, Wright, and McKay were present at the call to order. Representatives Rauscher and Baker arrived as the meeting was in progress.

HB 195-COOK INLET: NEW ADMIN AREA;PERMIT BUYBACK

[1:07:02 PM](#)

CHAIR MCKAY announced that the first order of business would be CS FOR HOUSE BILL NO. 195(FSH), "An Act relating to the powers of the Alaska Commercial Fisheries Entry Commission; relating to administrative areas for regulation of certain commercial set net entry permits; establishing a buy-back program for certain set net entry permits; providing for the termination of state set net tract leases under the buy-back program; and providing for an effective date."

[1:07:21 PM](#)

CHAIR MCKAY opened public testimony on CSHB 195(FSH).

[1:08:18 PM](#)

JEFF BEAUDOIN, representing self, testified in opposition to HB 195. He stated that he has been involved with the fisheries in Alaska for two decades, and he has fished in the Eastside Cook Inlet district for four years. He expressed the opinion that the proposed legislation would violate [the Limited Entry Act of 1973]. He referenced the Commercial Fisheries Entry Commission (CFEC) optimization study on the Eastside Cook Inlet setnet fishery, stating that the analysis in the study was flawed because it did not consider inflation. He also argued against the Cook Inlet management plan.

[1:11:11 PM](#)

GARY HOLLIER, representing self, testified in support of HB 195. He shared that he is a 70-year resident of Kenai and his family owns a large setnet operation. He expressed the opinion that the permit buyback should be done through a lottery system, using 300 permits at \$170,000 per permit. He stated that at this point he has invested around \$1 million in his operation. He noted that he became a setnetter in Cook Inlet in 1971 and was granted an original CFEC permit. He shared that along with other expenses, he spent \$344,000 in 2009 on setnet sites for his operation. He argued that a setnet operation has more costs than just the CFEC permits. He continued that he has not been able to fish because of the Board of Fisheries' management policies concerning Chinook salmon. He stated that this legislation needs to pass to help the fishermen. In response to a question from Chair McKay, he stated that he does support the legislation.

[1:13:58 PM](#)

RUSSEL CLARK, representing self, testified in support of HB 195. He said that his family has had a Cook Inlet setnet operation for around 22 years. He stated that this issue also impacts his crew, who are mostly Alaska Natives living in remote villages. He argued that the Eastside Cook Inlet fishery must be reduced to between 79 and 106 permits before the Board of Fisheries would consider policies to bring it into a viable fishery. He noted that the board's policies are based on Chinook salmon, not on the commercially targeted sockeye salmon. He pointed out that there has been "tremendous" economic impact to the communities in the area and that these communities have supported the Kenai area for decades. He argued that now the communities need support from the legislature.

[1:16:27 PM](#)

CODY BLOSSOM, representing self, testified in support of HB 195. He said the current management practices of fisheries around the Cook Inlet has been detrimental to those working in the fishery. He argued that there should be compensation so those that want [to pursue other economic activities can, while those that want to stay could have a chance at making a living in the fishery].

[1:17:19 PM](#)

DOUG BLOSSOM, representing self, testified in support of HB 195. He stated that he is a third generation Alaska setnet fishermen in Cook Inlet. He discussed how the setnet site has supported his family, allowing his children to pursue other careers.

[1:19:08 PM](#)

JOHN MANLEY, representing self, testified in support of HB 195. He reminded the committee that the issue was initially a reduction in the fleet, as removing 300 permits would revitalize the fishery.

[1:20:37 PM](#)

KEN COLEMAN, President, Eastside Consolidation Association, testified in support of HB 195. He stated that he has been a setnetter for 54 years. He stated that he has been working with the bill since inception, which has been around 10 years.

[1:21:27 PM](#)

LISA GABRIEL, representing self, testified in support of HB 195. She said that she has been an Eastside setnetter for over 35 years. She expressed support for the lottery system that was originally proposed by the bill, as it would ensure the core fishery would remain for future generations. She expressed support for allowing 300 permits to leave the fishery, as remaining permits could still participate in a viable fishery.

[1:23:11 PM](#)

ALAN CROOKSTON, CEO, Tide Chaser Fishery, LLC, testified in support of HB 195. He stated that this operation fishes on the Eastside of Cook Inlet. He echoed previous testimony, adding that setnet operations should be viewed as the "family farm." He continued that he could have chosen many different careers, but he bought into the setnet operation, investing hundreds of thousands of dollars in equipment. He pointed out that none of this equipment has any value if the permits cannot fish. He expressed the opinion that a buyback would make the fishery viable again.

[1:24:52 PM](#)

TANYA DONER, representing self, testified in opposition to HB 195. She shared that she has been part of the fishery since the 1960s. She expressed support for the bill in its original form before the amendments passed in the House Special Committee on Fisheries. She discussed the effort put into this issue over the years, and she expressed disappointment that there had been this change from the bill's original form.

[1:26:00 PM](#)

PAULINE MILLS, representing self, testified in support of HB 195. She shared that she has been a setnetter for 40 years on the Eastside of Cook Inlet. She expressed the opinion that the proposed buyout program would help both fishermen who want to stay and those who want to leave the fishery.

[1:27:25 PM](#)

SCOTT SUMMERS, representing self, testified in support of HB 195. He shared that he is a third generation setnetter from Kenai, where his grandparents began fishing in the late 1940s. He stated that something must be done legislatively to keep the setnet fishery viable, as currently, "we've got nothing."

[1:28:23 PM](#)

GARY DEIMAN, representing self, testified in support of HB 195. He shared that he lives on his setnet site, and his family has fished there for 50 years. He stated that this has been a discussion for many years, expressing the opinion that it is time for a buyback to happen, with permits valued at \$260,000 each. He added that this price would make it viable for people to leave the fishery. He pointed out that this would be the cost of the business, not just the permit.

[1:29:40 PM](#)

BRUCE MANLEY, representing self, testified in support of HB 195. He stated that he fishes the mouth of the Kasilof River, where an estimated one million fish passed through last year. He stated that prior to last year, the record escapement was 460,000. He argued that now he is being forced to dip net in Cook Inlet.

[1:30:53 PM](#)

RANDY MEIER, representing self, testified in support of HB 195. He shared that he has had a family operation at the mouth of the Kasilof River for 28 years. In the operation there are five permits, and each permit holder is in support of the proposed legislation. He reiterated that this would help those who want to leave the fishery and those who want to stay.

[1:31:44 PM](#)

GEORGE TOWNSEND, representing self, testified in support of HB 195. He shared that he has been a setnetter in Kasilof since 1984. He said that like other setnetters, he has made a substantial investment into the equipment for the fishery. He stated that the bill would be a way to take care of the livelihood of the fishermen for the future.

[1:33:14 PM](#)

JAMES MCGRATH, representing self, testified in support of HB 195. He expressed the understanding that because of changes made to the bill, anyone who wants to be in the lottery or buyback would have to have registered buoy stickers for 2022. He expressed uncertainty why this one year was chosen, as it could be unfair to some who have participated in the fishery for many years.

[1:35:03 PM](#)

MONICA ZAPPA, representing self, testified in support of HB 195; however, she expressed preference for the original version of the bill. She echoed the economic points made by previous testifiers. She stated that this fishery has been shut down based on the numbers of Chinook salmon in the river; however, derbies for these fish all along the coast line still exist, with winners making hundreds of thousands of dollars. She noted that these are the same fish that have shut down the entire fishery, and she argued that this is unfair.

[1:37:10 PM](#)

TED CROOKSTON, representing self, testified in support of HB 195; however, he argued against the change made in the House Special Committee on Fisheries. He stated that the way the bill is now written there could be the possibility of no permits remaining. He reiterated that the value of a fishing operation is not just the value of the permit; the permit is just a way to regulate the fishery, but it is not the cost of fishing. He shared that he has a 60-year history in the fishery, and those who have been participating the longest need a voice.

[1:39:37 PM](#)

HARRY LEMAN, representing self, testified in support of the original version of HB 195. He shared that his family setnet site has been on the Eastside of Cook Inlet for six generations. He stated that the recent regulations have "gutted" the lifestyle, tradition, and identity of the local fishermen. He expressed the opinion that the price of the permits should be raised because of inflation. He continued that this goes deeper than the price of the permit and the equipment, as it "goes to the core of our being." Describing the fish camps that are along the beach and those who have given their lives to the fishery, he explained that there is no way to undervalue this.

[1:42:57 PM](#)

TIM DONER, representing self, expressed support for the previous version of the bill, but not the current one. He shared that he has fished the area for 50 years.

[1:43:41 PM](#)

CHAIR MCKAY, after ascertaining that there was no one else who wished to testify, closed public testimony on CSHB 195(FSH).

CHAIR MCKAY announced that CSHB 195(FSH) was held over.

HB 251-EXEMPTIONS FOR HOMEMADE FOODS

[1:43:58 PM](#)

CHAIR MCKAY announced that the next order of business would be CS FOR HOUSE BILL NO. 251(L&C), "An Act exempting certain foods and drinks prepared in a person's uninspected home kitchen from state labeling, licensing, packaging, permitting, and inspection requirements; and permitting a person to acquire meat from a producer by way of an ownership share in an animal if certain conditions are met."

[1:44:28 PM](#)

CHAIR MCKAY opened public testimony on CSHB 251(L&C). After ascertaining that there was no one who wished to testify, he closed public testimony.

CHAIR MCKAY announced that CSHB 251(L&C) was held over.

HB 329-AQUATIC FARM AND HATCHERY LEASES

[1:45:05 PM](#)

CHAIR MCKAY announced that the next order of business would be CS FOR HOUSE BILL NO. 329(FSH), "An Act relating to state tideland leases; relating to geoduck seed transfers; and relating to aquatic farming or related hatchery operation site leases."

[1:45:37 PM](#)

CHAIR MCKAY opened public testimony on CSHB 329(FSH).

[1:45:58 PM](#)

NANCY HILLSTRAND, Owner, Pioneer Alaskan Fisheries Inc, testified in opposition to CSHB 329(FSH). She shared that she has operated a seafood processor for 25 years. She argued that the state should not be closing access to up to 180 acres without adequate monitoring. She cited AS 38.05.083, arguing

that subsections (c) and (f) should stay the same. On line 27 of the proposed legislation, she argued that "may provide for the consideration" should be "must provide". She stated that leases in tidelands are important to Alaskans, and this would be a giveaway to certain people. Concerning the fiscal note, she questioned whether the Department of Revenue would be losing money if the bill were passed. She expressed the opinion that leases do not need to be more than 10 years. She suggested that the state should wait for the progress of the mariculture industry before passing legislation and work with it as it progresses.

[1:47:45 PM](#)

CHAIR MCKAY, after ascertaining that there was no one else who wished to testify, closed public testimony on CSHB 329(FSH).

CHAIR MCKAY announced that CSHB 329(FSH) would be held over.

[1:48:05 PM](#)

The committee took an at-ease from 1:48 p.m. to 1:52 p.m.

PRESENTATION(S): West Harrison Bay Unit Exploration and Development Update

[1:52:17 PM](#)

CHAIR MCKAY announced that the final order of business would be the West Harrison Bay Unit Exploration and Development Update presentation.

[1:52:45 PM](#)

CHAIR MCKAY made opening remarks on the history of West Harrison Bay, noting that there is a prospective set of [oil and gas exploration] leases there. He expressed the understanding that these leases are a top-rated prospect in Shell's portfolio, as this area could be the size of Kuparuk [which is the second largest oil field in North America]. He discussed the problem of Shell's current leases, which are adjacent to Narwhal's leases. He expressed the opinion that this has resulted in the lack of exploration activity at this prospect. He noted that Shell and the Department of Natural Resources (DNR) have never testified on these delays.

[1:55:09 PM](#)

MICHAEL PARKER, Owner, Manager, Narwhal, LLC, provided invited testimony on the West Harrison Bay Unit (WHBU). He said Narwhal and EE Partners Corporation together own 83,000 lease acres in West Harrison Bay. This acreage is immediately adjacent to 81,000 acres in WHBU owned and operated by Shell Offshore. He said Narwhal was formed in 2016 to investigate the oil and gas prospects on the North Slope, and it has invested around \$8 million to acquire leases, conduct assessment, and begin field work. He stated that Narwhal plans to invest another \$100 million to conduct the program. He expressed the belief that West Harrison Bay contains one of the largest oil reserves found in the last five decades in Alaska, and the development of this resource could generate up to \$20 billion for Alaska.

MR. PARKER expressed the opinion that efforts to bring this oil to market has been impeded by two separate entities. He pointed out that one of these entities is Shell Offshore, suggesting that it halted exploration because of environmental activism, and it is trying to extend the term of its expiring leases. He expressed the understanding that Shell's intention is to fully divest of its leases. He expressed the understanding that Shell has attempted to find another operator so the exploration would be possible, but it has not; therefore, for the past 16 months Shell has been in default of its legal obligations. Additionally, he argued that Shell has failed to drill at least one exploration well, per the WHBU agreement. Instead, he stated that Shell moved to extend the deadline in the plan of exploration until 2026, with all requirements eliminated.

MR. PARKER said, "It's anybody's guess how a well will be drilled if Shell is no longer required to designate a unit operator and does not have the internal mandate or intention to conduct an exploration program in West Harrison Bay."

[2:00:36 PM](#)

MR. PARKER continued, stating that DNR's commissioner issued a response to Shell, confirming that it would grant an extension and not issue a letter of default. He suggested that the committee should ask why Shell insists on holding leases that it has publicly confirmed it would not explore or identify another operator to explore. He expressed the opinion that this is because of Shell's business with a large oil discovery in Guyana and an "embarrassing" decision that it has made concerning this. He opined that Shell's handling of WHBU could also expose an embarrassing decision Shell has made. He said, "Shell's delay

tactics ... would not be possible without the full support and cooperation of DNR and Commissioner John Boyle, who appears to be promoting Shell's corporate interests over the interest of the people of Alaska."

MR. PARKER expressed the opinion that DNR is the second entity standing in the way of an exploration program in West Harrison Bay. He continued that since 2020, DNR has granted and accommodated every request by Shell, regardless of the validity. He expressed frustration over the fact that DNR has not issued Shell a notice of default. He noted that meanwhile the federal government has granted leases on federal land more fervently than DNR in Alaska. He said that Narwhal has met with DNR and discussed these concerns, resulting in a commitment from DNR to expedite drilling, but this was to no avail. He reiterated his opinion concerning the commissioner of DNR.

MR. PARKER argued that the cost to develop West Harrison Bay is in the range of costs of developing other projects in the state. He suggested that these costs should be shared by all lease holders in West Harrison Bay in a coordinated development program, as this would minimalize the environmental impact, maximize recovery, and prevent the waste of resources. He reiterated the opinion that DNR has not required Shell to comply with its obligations to the WHBU agreement. He stated that Narwhal would be putting forth an idea for legislation that would prevent DNR from avoiding its obligations.

[2:08:18 PM](#)

CHAIR MCKAY pointed out that in a letter Shell has claimed that a qualified operator is needed to take over its holdings in WHBU. He expressed the understanding that Narwhal is qualified and ready, yet Shell does not give it the job. He argued that many smaller companies have made many of the oil discoveries on the North Slope.

[2:10:21 PM](#)

The committee took an at-ease from 2:10 p.m. to 2:11 p.m.

[2:11:01 PM](#)

REPRESENTATIVE SADDLER noted the contentions made during testimony, and he requested that the commissioner of DNR be given the opportunity to respond.

CHAIR MCKAY stated that DNR has known for weeks of the current hearing, and it was given multiple opportunities to testify. He stated that DNR was also provided multiple opportunities to give a confidential response to his office; however, there was no response. He discussed the importance of going forward with the hearing.

[2:12:13 PM](#)

REPRESENTATIVE RAUSCHER expressed agreement with Representative Saddler. He suggested that DNR may not have understood the depth of the language in the discussion. He expressed the need for clarity for whether DNR would like to have representation during the hearing.

CHAIR MCKAY assured Representative Rauscher that DNR knew the details of the conversation.

[2:13:06 PM](#)

STEPHANE LABONTE, Manager, Narwhal, LLC, presented a PowerPoint presentation on WHBU [hard copy included in the committee packet]. He began on slide 1, which gave an overview of the presentation. He moved to slide 2 and discussed the resource in West Harrison Bay, reiterating the points that Mr. Parker made. He expressed the opinion that it would be a revival of the North Slope for oil and gas exploration. He moved to slide 3 and discussed the National Petroleum Reserve in Alaska (NPRA). He pointed out that the Pikka oil field covers more ground than initially thought, and because of this, WHBU is considered a "world class type of reservoir." He reiterated this same point with the Willow Project. He noted the current restrictions on drilling in the NPRA, pointing out that there is available drilling in the area offshore of the North Slope in West Harrison Bay. He reiterated that because of these other large oil discoveries, it is thought that West Harrison Bay holds the same.

[2:16:44 PM](#)

MR. LABONTE moved back to slide 2 and emphasized the "tremendous financial benefits" that developing West Harrison Bay would bring to the state. He expressed the opinion that Shell and DNR are seeking to delay this development by ignoring the legal obligations.

MR. LABONTE moved to slide 4 and gave an overview of Narwhal's work and commitments in West Harrison Bay. He stated that it plans to invest up to \$100 million in initial exploration. Using the economics of Pikka and Willow, he estimated that there would be \$20 billion in royalties to Alaska.

MR. LABONTE moved to slide 5 and gave a timeline summary of WHBU. He disclosed that he had worked with Shell during its acquisition of WHBU leases, but his discussion is based on public knowledge. He continued with Shell's history in West Harrison Bay, expressing the understanding that Shell has stated that it would not return to Alaska; however, it is seeking to extend its leases. He noted Shell's adherence to the Paris Climate Agreement and discussed Shell's search for another operator for the leases. He stated that its deadline was extended to 12/31/22 for this purpose. He argued that Shell is at fault, as it has not found an operator but sought another extension. He noted the DNR commissioner's letter that extended Shell's term to 12/31/27. He stated that Narwhal appealed this decision. He added that this was a request for reconsideration, as Narwhal asked DNR to withdraw its letter granting a further deadline to Shell and instead issue a letter of default.

[2:23:05 PM](#)

MR. LABONTE moved to slide 6, titled "Shell's Motivation for Delay and DNR's Response." He presented Narwhal's context of Shell's motivation for delaying development in West Harrison Bay, which includes Shell's corporate mandate and its inability to find an operator. He partly contributed these delays to Shell's concern for its reputation, and he attributed its current strategy to "delays to avoid potential embarrassment from missed opportunities." He stated that Narwhal has been present and made multiple offers when Shell was seeking an operator, but Shell has refused to engage with Narwhal. He added that Narwhal has made six separate offers to either work jointly to develop WHBU or buy Shell's leases. He noted that all offers were rejected.

MR. LABONTE continued, expressing the opinion that DNR has delayed its response or given a noncommittal response to Shell. He argued that the impact of the delays "is huge for Alaskans ... resulting in economic waste and ... irresponsible environmental stewardship of the land."

[2:26:49 PM](#)

CHAIR MCKAY disclosed for the record that as chair of the committee, his office has been informed of this situation for over a year, and with respect to all involved the information has been kept confidential in his office. He expressed the hope that the situation would resolve itself; however, he said, "I want the committee to know that we weren't trying to hide anything from the members of the committee, but we're finally at the point where I think you all need to know and make up your own minds."

[2:27:47 PM](#)

MR. LABONTE moved to slide 7, titled "DNR's Inaction and Response." He expressed the understanding that no default letter has been issued to Shell by DNR, and there have been no consequences imposed on Shell's lack of activity. He drew attention to other cases that DNR has made enforcements against, including Jade Energy and Fury Resources. He stated that Narwhal has the opinion that Shell is being treated favorably, as opposed to other entities. He speculated on the impact of inaction, which he suggested has resulted in the delays in Alaska's development of resources. He also argued that DNR has been misaligned with the public interest.

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MR. LABONTE briefly noted slide 8, titled "DNR's Actions Violate Alaska Law and Policies." He moved to slide 9, which listed suggested legislative changes. He stated that Narwhal's objective is that default notifications in Alaska's oil and gas operations be clarified and enforceable. He discussed Narwhal suggested timelines in further detail, including that the commissioner of DNR would issue a notice of default within 30 days and a default to be cured within 90 days of the notice date. He pointed out that this would ensure a maximum duration of 120 days to resolution.

MR. PARKER added that the DNR regulation already exists, but this would change the 90-day limit to a default. He stated that the idea is to codify this into law. He pointed out that this would ensure that all operators on the North Slope would be treated the same.

MR. LABONTE concluded on slide 11 and said, "Shell and the DNR have collaboratively delayed the development of West Harrison Bay, ignoring their legal and operational obligations." He noted that Narwhal's suggested call to action would be for DNR

to hold Shell accountable, and he reiterated Narwhal's suggested legislative changes.

[2:33:39 PM](#)

CHAIR MCKAY stated for the record that there is an administrative appeal in superior court; however, this is not a legal lawsuit for damages. He stated that it is only administrative, and it has not been discussed and will not be discussed by the committee or the testifiers. He expressed the understanding that no rules have been violated by the legislature. He stated that the House Resources Standing Committee is an oversight committee and, as such, is responsible to the people in the state for the proper leasing of the state's resources.

[2:34:39 PM](#)

REPRESENTATIVE ARMSTRONG reiterated the need for the commissioner of DNR to be present to address the accusations. She asked whether it is Narwhal's opinion that the commissioner of DNR was putting his personal relationship with Shell over the development of the project. She requested any information that has led to this opinion. She questioned whether small operators and large operators are treated differently [on the North Slope].

[2:35:35 PM](#)

MR. PARKER responded with the belief that no more explanations would be needed [other than the preceding testimony]. From the many discussions Narwhal has had with DNR, he expressed the understanding that DNR thought developing West Harrison Bay was important and Shell needed to either drill or move aside to allow another operator to drill. He stated that Narwhal has only expressed the need for a partner to help with the \$9 billion development costs. After the monthly conversations with DNR from 2022 to 2023, he expressed the understanding that there had been a collective agreement, and a default letter would be sent, yet default letters were never sent. From a conference call in 2024, he expressed the opinion that because of the past expenditures Shell had made in the state, the commissioner was more concerned about accommodating Shell than expediting the cost for developing the West Harrison Bay projects.

MR. LABONTE, concerning the second question, cited the two previously mentioned cases, where DNR "acted swiftly" to put

these [small] companies in default, and then implemented a cure for the default. He argued that Shell has been in default for years.

MR. PARKER added that Shell has not been permitted or done any preliminary fieldwork in WHBU, while Jade Energy was making concerted efforts. He suggested that Shell was allowed dispensations when no other companies were allowed this.

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CHAIR MCKAY clarified for the record that neither his office nor the House Resources Standing Committee approves or condones the allegations made during the hearing. He stated this hearing is to provide an open forum, so the public can be informed. He reiterated that the other two parties involved were notified repeatedly, with these invitations declined.

[2:41:05 PM](#)

REPRESENTATIVE MCCABE questioned whether Narwhal lists its West Harrison Bay leases as assets.

MR. LABONTE responded that it does.

REPRESENTATIVE MCCABE questioned whether Shell would do the same.

MR. LABONTE responded that Shell does hold these leases as assets on its company record.

[2:41:51 PM](#)

REPRESENTATIVE MEARS referred to slide 4 of the presentation and pointed out the location of Narwhal's lease sites in relation to Shell's lease sites. She questioned Narwhal's plan of exploration and the limitations of not having a partner.

MR. PARKER responded that Narwhal plans to drill its leases independent of Shell. He stated that its interest is at the development and exploration stage. As it is a remote region in the Arctic, the costs to build the infrastructure would be in the billions of dollars. He expressed the opinion that it would be unfair for one lease holder to incur the cost, suggesting that the other half of the bay would benefit [without paying for infrastructure development]. He noted that sharing the cost

would split the risk and improve the economic return for each operator.

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REPRESENTATIVE RAUSCHER pointed out that Narwhal's lease holdings surround Shell's leases. He questioned whether the lease positions would have any bearing on why Shell is not going forward with development.

MR. LABONTE expressed doubt that this is the case, as it could be considered a positive aspect that other operators hold adjacent leases, as the operators could work together.

REPRESENTATIVE RAUSCHER opined that Narwhal is testifying because it lacks a partner to develop the resource. He questioned why Narwhal is taking part in the hearing.

MR. LABONTE responded that he and Mr. Parker are not testifying for the benefit of Narwhal; moreover, they are testifying to expose DNR's inability to hold Shell accountable. He reiterated that Narwhal plans to drill its leases independent of Shell; however, it would be beneficial to work with the WHBU's operator, whether it is Shell or another operator.

MR. PARKER reiterated that a coordinated approach would minimize economic impacts, increase recovery, and minimize environmental impacts, and this would be good for the operators and for the state. He continued that there could be a joint operating agreement, with the joint management of a production facility. He reiterated that otherwise Narwhal would do this alone.

REPRESENTATIVE RAUSCHER questioned again whether the positions of the leases would affect Shell's development process.

MR. PARKER responded that Narwhal only owns the subsurface, and it does not control the surface. He stated that Shell could obtain a right of way on top of Narwhal's leases. He said that interest is below the surface, so Narwhal could not stop a road from being built across the leased area.

MR. LABONTE stated that with DNR authorization Shell could develop its resources within WHBU, produce it to surface, and build a pipeline across Narwhal's leases.

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CHAIR MCKAY commented that even if Narwhal and its leases did not exist, there is still the problem of WHBU not being explored and drilled.

REPRESENTATIVE RAUSCHER explained that there has been road problems and property conflicts in the North Slope, and this is why he has these questions.

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REPRESENTATIVE SADDLER clarified that he supports the oil and gas industry in the state and environmentally safe development. However, he stated that for the record, he does not support or disagree with the allegations made towards DNR and Shell. He expressed discomfort for the allegations made during the hearing, especially because Narwhal is advocating for a change in the state law that could benefit it and others. He expressed hope that there would be a response from all entities involved.

CHAIR MCKAY reassured Representative Saddler that all entities had been invited to the discussion multiple times.

[2:52:26 PM](#)

REPRESENTATIVE ARMSTRONG requested a written copy of Mr. Parker's initial testimony.

CHAIR MCKAY confirmed that this was put in the record and written copies are available.

REPRESENTATIVE ARMSTRONG expressed the hope that the committee could jointly submit a formal letter requesting testimony from DNR to address the accusations.

[2:53:06 PM](#)

REPRESENTATIVE MCCABE pointed out that all leases in West Harrison Bay would be offshore, so only ice roads would exist. He stated that this reminds him of the Point Thompson conflict a decade ago. The result from this was the leases had to be proved. He expressed the understanding that because Narwhal is involved there is "a little bit of a conflict there." He expressed the understanding that having a partner for development would be better for both parties.

MR. LABONTE responded in the affirmative, as in any development partnerships are beneficial. He clarified that Narwhal did not

come forward for the benefit of itself, and its only motivation was to "force Shell to do the right thing."

MR. PARKER touched on the question of roads, saying these issues could be avoided with a cooperative approach. He suggested that if one entity develops ahead of another, the other entity could "freeload" off the developer. He stated that this supports the reason that there should be partnerships in West Harrison Bay.

[2:56:21 PM](#)

CHAIR MCKAY, concerning the issue of a big company verses a small company, said there is no reason any qualified company should not be able to develop oil on the North Slope, as all the companies use the same contractors. He warned committee members from falling into the trap thinking that to drill exploratory wells on the North Slope, a company drilling for oil must be a large integrated oil company. He noted that many major discoveries have been made by small companies, so they are needed.

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ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at [2:58] p.m.