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Governor Bill Walker
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March 7, 2017

The Honorable Pete Kelly
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Kelly:

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill authorizing the Department of Public Safety to enter into agreements with and collect fees from nonprofit regional corporations and federal, tribal, and local government agencies to provide law enforcement services.

The State's current fiscal crisis has forced many agencies to reevaluate how they allocate their limited resources. In particular, the Department of Public Safety has been forced to reduce its Trooper presence in some areas. Under current law, the Department of Public Safety does not have the ability to enter into contractual agreements with communities to provide continued law enforcement services. This requires many of these areas to consider procuring alternate law enforcement services. The bill would allow nonprofit regional corporations and governmental agencies to contract with the Department of Public Safety and pay for Trooper presence in their area. This will not only have a positive effect on public safety in those local areas, but will also allow the Department to better allocate resources in order to continue to provide basic law enforcement services statewide. This bill would limit contracts to communities that currently lack an organized police force.

I urge your prompt and favorable action on this measure.

Sincerely,

A handwritten signature in blue ink that reads "Bill Walker".

Bill Walker
Governor

Enclosure

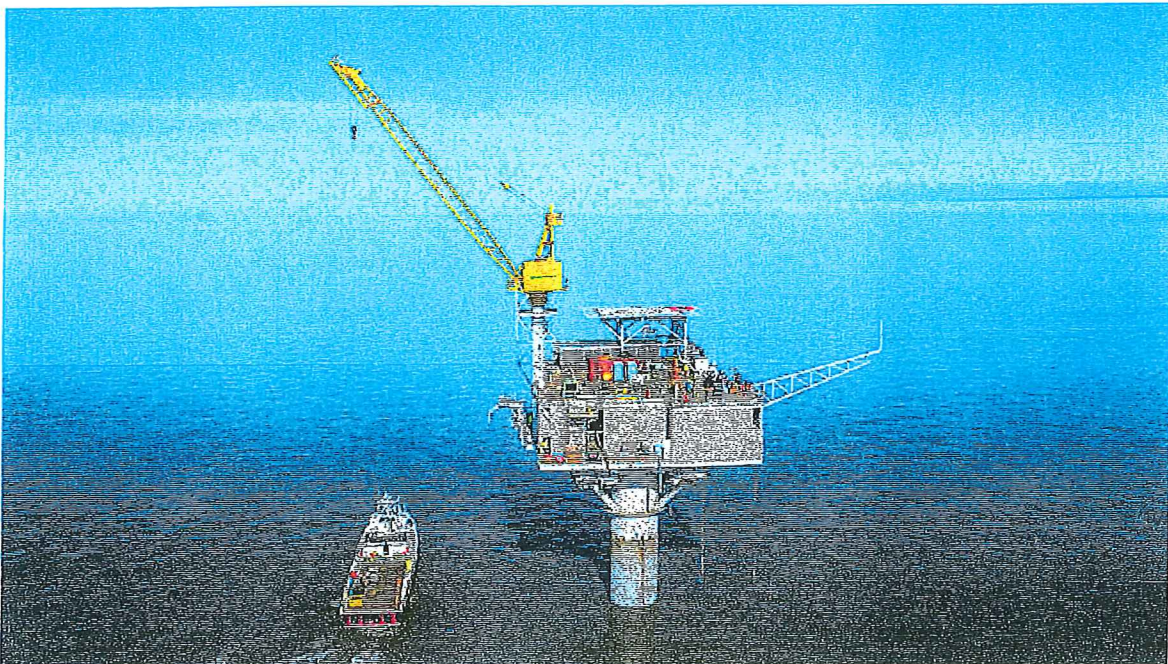
ATTACHMENT 1
OF 1

Furie gears up for busy 2017, plans deep test for oil in Inlet

By: Tim Bradner (/authors/tim-bradner),

For the Journal

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Furie Operating Alaska's Julius R Platform, installed last year in Cook Inlet, is now producing more than 13 million cubic feet of natural gas for several Southcentral utilities. The company has busy drilling plans for 2017, including a search for untapped oil reserves. (Photo/Courtesy/ Furie Operating Alaska)

Furie Operating Alaska is gearing up for a busy season in Cook Inlet with plans to complete a gas production well drilled last year and drill two more wells including a deep test to assess potential oil resources in Jurassic-age rocks, according to Vice President Bruce Webb.

Furie is based in Houston but Alaska is its operating area. The company now produces about 13 million cubic feet to 14 million cubic feet from two wells on the company's Julius R gas production platform in north Cook Inlet, KLU-3 and A-2, a production well drilled last year.

The company is now supplying gas to Homer Electric Association and Matanuska Electric Association, with other sales to ConocoPhillips and Aurora Gas. A contract to supply Enstar Natural Gas Co. begins in April 2018.

Webb said Furie's first order of business this spring is to move a small workover rig to its platform to do some work on the KLU-3 well. As soon as the Inlet is clear of ice, the Randolph Yost jack-up rig will move out from winter storage at the OSK dock in Kenai to complete Furie's A-1 well that was started last year but not finished.

Drilling and completion work on the A-2 well was finished, however.

Once the A-1 is done the jack-up rig will move to a new location to drill another gas production well, A-4, and then again to yet another location to tackle a deep test with the KLU-6 well, Webb said.

It is an ambitious schedule but doable, Webb said.

"There should be plenty of time to do this work if we can be out there (with the jack-up rig) by the end of May. That will give us five months to drill, until October," he said.

On the deep KLU-6 test, "We want to have enough time after drilling to adequately log the well, run casing, and possibly flow test," Webb said.

The Jurassic test will be 20,000 foot-plus test, which will be expensive.

"However, we see a large oil potential there. We know there is gas, based on our earlier drilling of the KLU-2 well," Webb said.

There have been wells drilled into the Jurassic-age formations in the Inlet before. Unocal Corp. drilled two deep wells in Granite Point many years ago and found oil, but technical problems with the wells impeded their use as commercial producers.

The Jurassic is considered an essentially untested oil target in the Inlet, and geologists believe much of the oil found in the known, shallower conventional traps originated there.

Dan Seamount, a member of the Alaska Oil and Gas Conservation Commission, said Cook Inlet has produced 1.3 billion barrels since production began in the region in 1958, and U.S. Geological Survey studies show there could still be 34 billion barrels of oil-in-place in the Inlet's deep source rocks, mainly the Jurassic.

"There are billions of barrels of oil that are unaccounted, and many of us believe it's still down there," said Seamount, who said he spoke from his experience as a geologist and for the commission, which is a regulatory body.

"We've barely skimmed the surface," of the Inlet's potential, he said. "We've only tapped some of the oil that was trapped in the shallow conventional traps."

Seamount blames industry for being "too risk averse" in the Inlet because of the costs and

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uncertainties of drilling deeper, as well as the state for not pushing companies to be more aggressive. If Furie makes a new discovery at KLU-6, Webb said a new platform will be needed because the area is too far to serve from Furie's current platform. A new pipeline to shore will be needed too, added to the 10-inch pipeline Furie has now installed.

Furie now employs about 16 people in its Alaska operations and four people in Louisiana, who work on engineering, procurement and logistics support.

Furie's success in developing its Kitchen Lights Unit is a vindication of a vision by Danny Davis, the company's founder, who believed there were undiscovered resources in Cook Inlet at the time when many in the industry felt the Inlet's potential was exhausted.

Davis led an effort to get a jack-up rig to Alaska that ultimately resulted in the Spartan 151 jack-up rig being brought north from the Gulf of Mexico. Furie used the Spartan rig in its initial drilling and then brought in the larger Randolph Yost jack-up rig from Asia last year, which was suited better for the work Furie had planned.

Another jack-up rig, the Endeavour, was brought to Alaska by Buccaneer Energy for exploration but left when that company, an independent based in Australia, filed bankruptcy. It is now working in Africa.

The Spartan 151 is still in Alaska waters, meanwhile. It is stored in Seward in anticipation of work for independents Houston-based BlueCrest Energy or Glacier Oil and Gas, formerly Cook Inlet Energy.

Furie's founder Davis, meanwhile, no longer heads the company but still holds a working interest in Kitchen Lights and actively monitors operations.

"He's not shy about telling us what he thinks needs to be done," Webb said.

In other production news, AIX Energy LLC continues to produce from two wells in its small onshore Kenai Loop field and is studying the possibility of putting a third well into production, according to latest plan of development filed by AIX with the state Division of Oil and Gas.

Four wells have been drilled in Kenai Loop with two in production, KL-1 and KL-3. KL-3 is completed as a producing well but is currently not producing or tied in to the production system. KL-2 is drilled but currently suspended, and may be used as a future utility or disposal well.

AIX is also studying the adding of compression at Kenai Loop to meet contractual sales requirements and to maximize recovery, the company said in its development report filed with the state.

Kenai Loop was originally discovered and developed by Buccaneer Energy with the first gas production well completed in May, 2011. Additional drilling and seismic work was done over the next three years, with AIX acquiring the property and becoming field operator in late 2014, after Buccaneer filed bankruptcy.

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PUBLIC/PRIVATE/ PARTNERSHIP Government Model

Citizens for Nikiski Incorporation

What is Public/Private/ Partnership?

- A **public-private partnership (P/P/P)** is a contractual arrangement between a **public** agency (federal, state or local) and a **private** sector entity. Through this agreement, cities are provided the preponderance of core functions/services via contracts with private industry. The skills and assets of each sector (**public** and **private**) are shared in delivering a service or facility for the use of the general **public**.

Why the P/P/P Model Was Chosen

Goals of Citizens For Nikiski Incorporation:

- Keep community identity
- Keep the cost of government as low as possible
- Limited government and keep our Nikiski lifestyle
- Opportunity to involve more citizens in local community operations and services via contracts
- The only alternative that would allow Nikiski to incorporate as a limited-government body

Why P/P/P vs. Traditional Government?

- Government at all levels in this country is bloated
- Due to civil service type regulations, traditional government has fallen victim to decades of inefficient processes and lack of employee productivity
- There is little incentive to innovate or to be more than minimally productive

Why P/P/P vs. Traditional Government?

Private sector industry benefits are many and varied:

- Private industry brings incentives for employee performance (private industry offers improved productivity)
- Private industry offers true innovation
- Private industry offers pay compensation based on efficient productivity
- Private industry offers quality employees who draw satisfaction from innovation and high performance
- Improved contract management
- Expedited decision processes

Why P/P/P vs. Traditional Government?

Over recent decades, American industry workers have experienced a reduction in long term job security as technology and globalization have exerted a major influence on the workplace. No longer do employees receive, or expect, lifetime jobs with one company- Government must begin to recognize this changed environment.

- Elected officials owe it to the citizens to seek the most efficient method for providing services and the most productive work force
- The job of city officials is to provide good government, not to be a job provider

Benefits of P/P/P Government

- Have significantly fewer personnel devoted to providing services than in similar sized traditional government cities
- Reduced workforce by contract with private industry typically produces superior service, and therefore, must be considered to be more productive
- Non-performance criteria protects taxpayers

Benefits of P/P/P Government

- When there are short term crises, the contracted company moves in the resources to solve the problem and then removes them. The city is relieved of the burden of hiring, training, and then having to try to terminate employees. In other words, the company shoulders much of the risk.
- The most important factor may be the elimination of the long term liability for pensions and other benefits that plague many cities and other governments.

Benefits of P/P/P Government

- With the increased efficiency offered by the P/P/P model, Nikiski may have the choice of
 - Decreasing taxes
 - Retiring debt
 - Increasing reserves
 - Improving services

All of the foregoing are worthwhile goals, and all are rare attainments in the current environment of traditional government cities

Benefits of P/P/P Government

- The clear fact is that the new Public/Private Partnership cities are performing specific service functions with substantially fewer employees than are required in comparable traditional cities, while simultaneously producing superior service
- Basically, we are buying a level of service. If we are not satisfied, we tell the company to fix it; and they make the personnel or organizational changes that are necessary

Public/Private/ Partnership Cities

- Sandy Springs, Georgia
- Centennial, Colorado
- Chattanooga, Tennessee;
- Weston, Florida
- Falls Church, Virginia
- Dunwoody, Johns Creek, Hinesville and Decatur, Georgia are transitioning and have contracted out portions of their municipal services

Public/Private/ Partnership Cities

The lessons learned in the Sandy Springs P/P/P model are applicable to governments across the United States and abroad. Over the past 10 years, Sandy Springs has demonstrated that the P/P/P model is not only effective and efficient, it also has built value for residents, increased accountability, and provided higher levels of customer service

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