

Kenai Peninsula Borough
Planning Department – Land Management Division

MEMORANDUM

TO: Wayne Ogle, Assembly President
Members, Kenai Peninsula Borough Assembly

THRU: Charlie Pierce, Mayor *CP*
Brandi Harbaugh, Finance Director *BA*
Max Best, Planning Director *MB*

FROM: Marcus A. Mueller, Land Management Officer *MB for MM*

DATE: October 11, 2018

RE: Ordinance 2018-34, Authorizing a Subsurface Oil and Gas Lease to Hilcorp Alaska, LLC at 12.5 Percent Royalty Under Five Parcels of Land Near Anchor Point, Containing a Total of 19.1 Acres, More or Less (Mayor)

The borough owns the surface and mineral estate of several parcels near Anchor Point, two of which were purchased by the borough for use by the Anchor Point Fire & Emergency Medical Service Area. Hilcorp Alaska, LLC currently has oil and gas leaseholds of surrounding parcels and is working on production plans. Hilcorp Alaska, LLC seeks an oil and gas lease from the borough, which has been negotiated consistent with KPB 17.10.100(J). The negotiated royalty rate is 12.5 percent, with the intent that 9.75 percent of the royalties would be distributed as revenue to Anchor Point Fire and Emergency Medical Service Area ("APFEMSA"). The remainder of the royalties would provide an important revenue stream to the Land Trust Fund.

The APFEMSA board will consider this ordinance at its meeting to be held October 17, 2018. The recommendations of the APFEMSA board will be provided to the assembly prior to the scheduled hearing on this matter.

The KPB Planning Commission will consider this ordinance at its regularly scheduled meeting of November 13, 2018 and the action taken will be reported to the assembly.

Your consideration of this ordinance is appreciated.