

Introduced by: Mayor
Date: 12/13/22
Hearing: 01/03/23
Action: Enacted
Vote: 9 Yes, 0 No, 0 Absent

**KENAI PENINSULA BOROUGH
ORDINANCE 2022-43**

**AN ORDINANCE AUTHORIZING A SUBSURFACE OIL AND GAS LEASE TO
HILCORP ALASKA, LLC, IN THE NINILCHIK UNIT**

- WHEREAS,** the Kenai Peninsula Borough (“Borough”) owns the surface and mineral estate in the 7.49-acre parcel described as: Township 03 South, Range 14 West, Seward Meridian, Section 30, the north 2/5 of Govt Lot 1 lying east of the Sterling Highway right-of-way, containing 7.49 acres more or less; and
- WHEREAS,** said Govt Lot 1 was purchased jointly by the Land Trust Fund and the Anchor Point Fire & Emergency Medical Service Area (“APFEMSA”) pursuant to Borough Ordinance 2015-19-05; and
- WHEREAS,** in 2020, APFEMSA reorganized as the Western Emergency Service Area (“WESA”); and
- WHEREAS,** the negotiated lease royalty on production rate is 12.50 percent (12.50%); and
- WHEREAS,** 13.0 percent (13%) of the total royalties received on production will be distributed as revenue to WESA, then the remaining royalties on production will be distributed to the Land Trust Fund; and
- WHEREAS,** in addition, the lease includes a 5-year renewal option in the amount of \$224.70, 13.0 percent (13%) of which will be distributed as WESA revenue with the remainder distributed to the Land Trust Fund; and
- WHEREAS,** Hilcorp Alaska, LLC (“Hilcorp”) currently has an oil and gas leasehold for 2,100 subsurface acres of adjoining and surrounding parcels comprising the Ninilchik Unit; and
- WHEREAS,** Hilcorp has already developed the off-site infrastructure necessary to extract natural gas from said lands; and
- WHEREAS,** the Borough and Hilcorp have negotiated a lease on said land for subsurface oil and gas extraction operations; and
- WHEREAS,** WESA at its regularly scheduled meeting of December 14, 2022, recommended approval without objection; and

WHEREAS, the Borough Planning Commission at its regularly scheduled meeting of December 12, 2022 recommended approval by unanimous consent;

NOW, THEREFORE, BE IT ORDAINED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH:

SECTION 1. That the Assembly finds that granting a subsurface oil and gas lease to Hilcorp Alaska, LLC under Township 03 South, Range 14 West, Seward Meridian, Section 30 in the North 2/5 of Govt Lot 1 lying east of the Sterling Highway right-of-way, containing 7.49 acres more or less, pursuant to KPB 17.10.100(J), is in the best interests of the Borough.

SECTION 2. That this oil and gas lease provides no surface use pursuant to KPB 17.10.100(J) and is therefore excluded from the other provisions of KPB 17.10.

SECTION 3. That based on the foregoing, the mayor is hereby authorized pursuant to KPB 17.10.100(J) to lease the oil and gas interests described in Section 1 to Hilcorp at the rate of 12.50 percent (12.5%) royalties on production paid to the Borough for a primary term of 5-years, with a 5-year option to extend the lease term. The authorization is for lease solely to Hilcorp, and it may not assign any rights to negotiate or enter an agreement for lease to any other person or entity. Once entered, the lease may be assigned or subleased pursuant to the terms of the lease agreement.

SECTION 4. The mayor is authorized to sign any documents necessary to effectuate this ordinance.

SECTION 5. Hilcorp must execute a lease document substantially similar to the attached lease within 180-days of the effective date of this ordinance.

SECTION 6. That 13.0 percent (13%) of the total lease royalty on production payments and other payments under the lease will be distributed to WESA. The remainder, equivalent to 87.0 percent (87%) of the total royalty on production payments and other payments under the lease, will be distributed to the Land Trust Fund.

SECTION 7. That this ordinance shall take effect immediately upon enactment

ENACTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 3RD DAY OF JANUARY, 2023.

Brent Johnson

Brent Johnson, Assembly President

ATTEST:

Michele Turner

Michele Turner, CMC, Acting Borough Clerk



Yes: Bjorkman, Chesley, Cox, Derkevorkian, Ecklund, Elam, Hibbert, Tupper, Johnson

No: None

Absent: None