

Kenai Peninsula Borough

Land Management Division

MEMORANDUM

TO: Brent Johnson, Assembly President
Kenai Peninsula Borough Assembly Members

THRU: Mike Navarre, Mayor *MN*
Brandi Harbaugh, Finance Director *BH*
Robert Ruffner, Planning Director *RR*
Jon Marsh, WESA Fire Chief *JM*
Marcus Mueller, Land Management Officer *MAM*

FROM: Julie Denison, Land Management Technician *JD*

DATE: December 1, 2022

RE: Ordinance 2022-43__, Authorizing a Subsurface Oil and Gas Lease to Hilcorp Alaska, LLC, in the Ninilchik Unit (Mayor)

The Kenai Peninsula Borough (the "Borough" or "KPB") owns the surface and mineral estate in the North 2/5 of Govt Lot 1 lying east of the Sterling Highway right-of-way in Anchor Point. The property (KPB Parcel Number 159-200-02) was purchased jointly with Land Trust Fund and Anchor Point Fire & Emergency Medical Service Area ("APFEMSA") funding. In 2020, APFEMSA expanded services into Ninilchik and reorganized as the Western Emergency Service Area ("WESA").

Hilcorp Alaska, LLC ("Hilcorp") currently has oil and gas leaseholds of surrounding parcels and is working on production plans. Hilcorp 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 12.50 percent (12.50%). Thirteen percent of the total lease royalty on production payments and other payments under the lease will be distributed to WESA. The remainder, equivalent to eighty-seven percent, of the total royalty on production payments and other payments under the lease will be distributed to the Land Trust Fund and provide an important revenue stream to the Land Trust Fund.

Pursuant to KPB 17.10.100(J), no surface uses are allowed under this proposed lease.

The WESA board will consider the Ordinance at its meeting to be held December 14, 2022. The Anchor Point Advisory Planning Commission will consider the Ordinance at its meeting to be held December 8, 2022. The Borough Planning Commission will consider the Ordinance at its meeting on December 12, 2022.

Your consideration is appreciated.