

Introduced by: Mayor
Date: 10/23/18
Hearing: 11/20/18
Action: Enacted as Amended
Vote: 9 Yes, 1 No, 0 Absent

**KENAI PENINSULA BOROUGH
ORDINANCE 2018-34**

**AN ORDINANCE 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**

WHEREAS, the Kenai Peninsula Borough (“borough”) owns the surface and mineral estate of five parcels described under borough KPB Parcel ID Nos. 16517025, 16931001, 16905067, 16905071, 16901049 and 16905018; and

WHEREAS, Hilcorp Alaska, LLC currently has oil & gas leasehold interests near Anchor Point; and

WHEREAS, Hilcorp Alaska, LLC is planning to develop infrastructure necessary to extract natural gas and/or oil from these lands; and

WHEREAS, the borough and Hilcorp Alaska, LLC have negotiated a lease for subsurface oil & gas extraction operations; and

WHEREAS, two of the parcels were purchased by the borough on behalf of the Anchor Point Fire & Emergency Medical Service Area and the corresponding royalties will be distributed as revenue to the service area; and

WHEREAS, the Anchor Point Fire & Emergency Medical Service Area board at its meeting of October 17, 2018 recommended approval by unanimous consent; and

WHEREAS, the Kenai Peninsula Borough Planning Commission, at its regular meeting of November 13, 2018, recommended approval by majority 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 under the following parcels of land to Hilcorp Alaska, LLC, pursuant to KPB 17.10.100(J) is in the best interest of the borough:

72440 Milo Fritz Ave. - Parcel No. 1
T04S, R15W, SM, AK

Section 34: Amended Spruce Acres Subdivision, Lot 23, Plat No. 60-45, being the same parcel of land as KPB Parcel No. 16517025, containing 1.17 acres, more or less.

34401 Old Sterling Hwy. - Parcel No. 2

T05S, R15W, S.M, AK

Section 3: ½ mineral interest in August Knight Subdivision - Amended, Lot 1, Plat No. 83-17, being the same parcel of land as KPB Parcel No. 16931001, containing 0.32 acres, more or less.

No physical address - Parcel No. 3

T05S, R15W, S.M, AK

Section 4: A tract of land situated in the SW/4NE/4, more particularly described as: Beginning at the NE 1/16 corner of said Section 4; Thence N 89 degrees, 56 minutes W 322.5 ft to the True Point of Beginning; Thence N 89 degrees, 56 minutes W 1000.0 ft to the center north 1/6 corner of said Section 4; Thence S 0 degrees, 2 minutes E along said centerline 601.34 ft; Thence S 89 degrees, 56 minutes E 1272.19 feet to the westerly Right-of-Way line of the Old Sterling Highway; Thence N 40 degrees, 47 minutes E 76 ft, more or less, along said westerly Right-of-Way line to the intersection thereof with the East 1/6 line of said Section 4; Thence N 89 degrees 56 minutes W 136.71 ft; Thence N 0 degrees, 1 minute W 478.73 ft; Thence N 89 degrees, 56 minutes W 185.30 ft; Thence N 0 degrees, 1 minute W 65 ft to the True Point of Beginning, being the same parcel of land as KPB Parcel No. 16905067 & 16905071, containing 15.92 acres, more or less.

72421 Milo Fritz Ave. - Parcel No. 4

T05S, R15W, S.M, AK

Section 5: That portion of land located in Government Lot 5, more particularly described as: From the meander corner of Section 5 and Section 8, T05S, R15W, S.M., Thence North 10 degrees 6 minutes West 1,474.28 feet, Thence North 21 degrees 9 minutes West 573.67 feet, Thence North 7 degrees 0 minutes West 180 feet, being the true Point of Beginning; Thence North 83 degrees 0 Minutes East 182 feet, Thence North 7 degrees 0 minutes West 150 feet, Thence South 83 degrees 0 minutes West 284 feet more or less to the mean High Tide Line, Thence approximately South 6 degrees 37 minutes East 150 feet more or less along the mean High Tide Line, Thence North 83 degrees 0 minutes East 103 feet to the true Point of Beginning, being the same parcel of land as KPB Parcel No. 16901049, containing 1.0 acres, more or less.

Parcel No. 5

T05S, R15W, SM, AK

Section 4: That certain real property situated in the NW1/4 NE ¼, described as follows: Beginning at the East 1/16 corner of Section 4, located on the Township line between T4S and 5S, R15W, Seward Meridian; Thence

South 45 degrees 00' West 42.42 feet to Corner No. 1, the true Point of Beginning; Thence South 0 degrees 01' East 150.00 feet to Corner No. 2; thence West 200.0 feet to Corner No. 3; Thence North 0 degrees 01' West 150.0 feet to Corner No. 4; Thence East 200.0 feet to the Point of Beginning, being the same parcel of land as KPB Parcel No. 16905018, containing 0.69 acres, more or less.

Containing approximately 19.1 acres, more or less.

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. 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 above to Hilcorp Alaska, LLC, for a primary term of five years and as long thereafter as operations are conducted within this subsurface with no cessation for more than 180 consecutive days at 12.5 percent royalties paid to the borough. The authorization is for lease solely to Hilcorp Alaska, LLC, 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 Alaska, LLC shall have 180 days from the time of enactment of this ordinance to execute the lease document substantially similar to the attached lease.

SECTION 6. That lease royalty payments attributable to KPB Parcel ID's 16517025 and 16905018 shall be distributed to Anchor Point Fire & Emergency Medical Service Area, accounted at 9.7 percent of the total royalty under the lease, and the remainder shall be received by the Land Trust Fund.

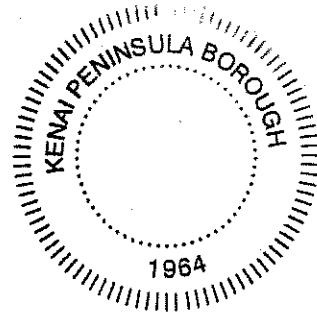
SECTION 7. That this ordinance shall take effect immediately upon its enactment.

ENACTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 20TH DAY OF NOVEMBER, 2018.

Wayne H. Ogle
Wayne H. Ogle, Assembly President

ATTEST:

John Blankenship
John Blankenship, MMC, Borough Clerk



Yes: Bagley, Blakeley, Carpenter, Cooper, Fischer, Hibbert, Smalley, Ogle
No: Dunne
Absent: None