



## **KENAI PENINSULA BOROUGH**

PLANNING DEPARTMENT

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**DAVID R. CAREY**  
**BOROUGH MAYOR**

### **MEMORANDUM**

**TO:** Pete Sprague, Assembly President  
Kenai Peninsula Borough Assembly Members

**THRU:** *dk* David R. Carey, Borough Mayor

**FROM:** *mb* Max J. Best, Planning Director

**DATE:** January 27, 2010

**SUBJECT:** Ordinance 2010-03; An Ordinance amending KPB 17.10.100 Methods of Disposition by adding subsection 17.10.100(J), Oil and Gas Leasing.

The Planning Commission reviewed the subject Ordinance during their regularly scheduled January 25, 2010 meeting. A motion passed by unanimous consent to recommend adoption of the ordinance.

Draft, unapproved minutes of the subject portion of the meeting are attached.

**AGENDA ITEM F. PUBLIC HEARINGS**

3. Ordinance 2010-03; An Ordinance amending KPB 17.10.100 Methods of Disposition by adding subsection 17.10.100(J), Oil and Gas Leasing.

Memorandum reviewed by Marcus Mueller

PC Meeting: 01/25/10

The borough does not typically hold oil and gas interests except in the few cases where the borough has purchased property and the oil and gas interests were still attached. Although small in scale, the oil and gas interests that the borough does have may be leasable for production on a royalty basis; however, current code is absent provisions specific to oil and gas leasing. Borough code addressing surface interests of land and resources does not provide a good fit for oil and gas and, if applied to oil and gas, would create a confused process such as requirements for classification.

The Land Management Division proposes a new code provision for oil and gas and recommends retaining the protections, processes, and relevant terms for surface uses by excluding surface use from borough oil and gas leasing.

Consideration of this ordinance is greatly appreciated.

END OF MEMORANDUM

***VERBAL STAFF REPORT ADDENDUM***

Verbal Staff Report Addendum given by Marcus Mueller

PC Meeting: 01/25/10

The ordinance would allow for Oil and Gas leasing. It would authorize the lease of Borough oil and gas interests at minimum financial terms of the prevailing state royalty rate. Other terms would be standard and customary in the industry. Oil and gas leases under this provision would not allow for surface uses. Oil and gas leases may be excluded from all other provisions for disposition contained 17.10 where the assembly finds that such provisions are not compatible with the intent and purposes of the proposed oil and gas leases.

END OF STAFF REPORT ADDENDUM

Chairman Bryson opened the meeting for public comment. Seeing and hearing no one wishing to speak, Chairman Bryson closed the public comment period and opened discussion among the Commission.

**MOTION:** Commissioner Martin moved, seconded by Commissioner Lockwood to recommend adoption of KPB Ordinance 2010-03.

**VOTE:** The motion passed by unanimous consent.

BRYSON YES	CARLUCCIO ABSENT	COLLINS ABSENT	ECKLUND YES	FOSTER YES	GROSS ABSENT	ISHAM YES
JOHNSON YES	LOCKWOOD YES	MARTIN YES	MURPHY YES	PETERSEN YES	TAURIAINEN YES	10 YES 3 ABSENT

**AGENDA ITEM F. PUBLIC HEARINGS**

4. Ordinance 2010-04; An Ordinance authorizing the mayor to amend the Aardvark Septic Waste Disposal Lease to modify the lease boundary, adjust the rent, suspend the lease, and provide an option to reinstate the lease for a period of 10 years.

Memorandum reviewed by Marcus Mueller

PC Meeting: 01/25/10