



KENAI PENINSULA BOROUGH

Planning Department • Land Management Division
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DAVID R. CAREY
BOROUGH MAYOR

MEMORANDUM

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

THRU: Dave Carey, Mayor *DR Carey*
Max Best, Planning Director
Marcus A. Mueller, Land Management Officer

FROM: John Miller, Land & Resources Coordinator

DATE: March 15, 2010

SUBJECT: Ordinance 2010- 18 authorizing a subsurface oil & gas lease to Marathon Alaska Production, LLC, in the Ninilchik Unit at 12.5 percent royalty under township 1 south, range 13 west, Seward Meridian, Section 7 in Tract "A" of Aurora Vista Subdivision and the minerals underlying a portion of the Sterling Highway right-of-way

The Borough owns the surface and mineral estate of the 22.07 acre parcel described as: Tract A - Aurora Vista Subdivision, Plat #HM-96-13 (PIN# 157-011-13). Marathon Alaska Production, LLC, currently has oil and gas leaseholds for 2100 subsurface acres of adjoining and surrounding parcels comprising the Ninilchik Unit, and has already developed the offsite infrastructure to extract natural gas from Tract A.

This lease had been previously requested each year by Marathon from 2002-2004, with follow-up correspondence in 2006 and 2007. The requested lease paperwork was then inadvertently misplaced and through a series of apparent misunderstandings, Marathon has been extracting gas from the site for the past two years. Marathon has agreed to reimburse the borough at 12.5% for all back royalties that are due, which currently stands at \$171,693.00.

The KPB Planning Commission will consider this Ordinance at its regularly scheduled meeting of April 26, 2010 and the action taken will be reported to the Assembly.

Attachments:

- aerial of lease location
- KPB/Marathon Oil Lease