

KENAI PENINSULA BOROUGH

PLANNING DEPARTMENT

144 North Binkley Street • Soldotna, Alaska 99669-7520

PHONE: (907) 714-2200 • **FAX:** (907) 714-2378


Toll-free within the Borough: 1-800-478-4441, Ext. 2200

www.borough.kenai.ak.us

DAVID R. CAREY
BOROUGH MAYOR

MEMORANDUM

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

THRU:  David R. Carey, Borough Mayor

FROM:  Max J. Best, Planning Director

DATE: April 29, 2010

SUBJECT: Ordinance 2010-18; Ordinance 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 Planning Commission reviewed the subject Ordinance during their regularly scheduled April 26, 2010 meeting. A motion passed by unanimous consent to recommend approval of the ordinance.

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

AGENDA ITEM F. PUBLIC HEARINGS

4. Ordinance 2010-18; Ordinance 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

Staff Report reviewed by Marcus Mueller

PC Meeting: 4/26/10

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 (PT\T# 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.

The Assembly recently enacted a new provision in Borough Code authorizing leases of oil and gas provided that those oil and gas leases would be excluded from the other provisions of KPB 17.10 wherein the oil and gas lease did not provide for any surface use. This would be a lease of the minerals and doesn't allow for any surface entry.

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 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.

Staff recommends that the Planning Commission recommend the Assembly to adopt Ordinance 2010-18 thereby approving a subsurface oil & gas lease to Marathon Alaska Production, LLC.

END OF STAFF REPORT

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 Carluccio moved, seconded by Commissioner Lockwood to recommend approval of Ordinance 2010-18, Ordinance 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

VOTE: The motion passed by unanimous consent.

BRYSON YES	CARLUCCIO YES	COLLINS YES	ECKLUND YES	FOSTER YES	GROSS YES	ISHAM YES
JOHNSON YES	LOCKWOOD YES	MARTIN YES	MURPHY YES	PETERSEN YES	TAURIAINEN YES	13 YES

AGENDA ITEM F. PUBLIC HEARINGS

5. Ordinance 2009-19-31; Appropriating \$77,950.78 in Supplemental Funding to Initiate Phase II of the Mine Engineering and Management Plan for the Seward Quarry

Staff Report reviewed by Marcus Mueller

PC Meeting: 4/26/10

This is a budget ordinance that would provide for a supplemental appropriation for a two phase mine and engineering project that is at the Seward Rock Quarry.