

Introduced by:	Mayor
Date:	04/06/10
Hearing:	05/04/10
Action:	Enacted as Amended
Vote:	8 Yes, 1 No, 0 Absent

**KENAI PENINSULA BOROUGH
ORDINANCE 2010-18**

**AN 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**

WHEREAS, the Kenai Peninsula Borough ("KPB") owns the surface and mineral estate of the 22.07 acre parcel described as: Township 1 South, Range 13 West, Seward Meridian, Section 7: That part of the NW/4SE/4 Lying North of the Sterling Highway described as Tract "A" of Aurora Vista Subdivision, platted in Plat #HM-96-13, containing 22.07 acres more or less, and the minerals underlying the Sterling Highway right of way as it passes through the NW/4SE/4; and

WHEREAS, Marathon Alaska Production, LLC, currently has an oil and gas leasehold for 2100 subsurface acres of adjoining and surrounding parcels comprising the Ninilchik Unit; and

WHEREAS, Marathon Alaska Production, LLC, has already developed the off site infrastructure necessary to extract natural gas from said lands; and

WHEREAS, KPB and Marathon Alaska Production, LLC, have negotiated a lease on said land for subsurface oil and gas extraction operations; and

WHEREAS, the KPB Planning Commission at its regularly scheduled meeting of April 26, 2010 recommended enactment by unanimous 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 to Marathon Alaska Production, LLC, under Township 1 South, Range 13 West, Seward Meridian, Section 7: That part of the NW/4SE/4 Lying North of the Sterling Highway described as Tract "A" of Aurora Vista Subdivision, platted in Plat #HM-96-13, containing 22.07 acres more or less, and the minerals underlying the Sterling

Highway right of way as it passes through the NW/4SE/4, pursuant to KPB 17.10.100(J) is in the best interest of the borough..

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 as those provisions are not compatible with the intent and purposes of the oil and gas lease.

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 Marathon Alaska Production, LLC, at the rate of 12.5 percent royalties paid to the borough for a primary term of 10 years and as long thereafter as operations are conducted within this subsurface with no cessation for more than 180 consecutive days. The authorization is for lease solely to Marathon Alaska Productions, 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.

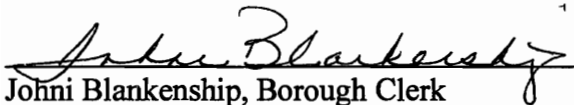
SECTION 4. The mayor is authorized to sign any documents necessary to effectuate this ordinance.

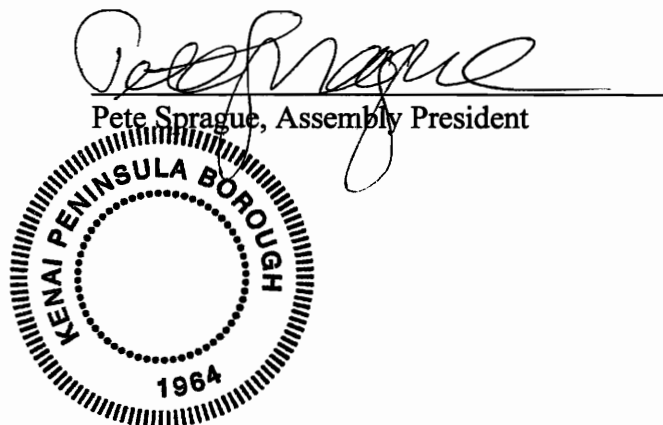
SECTION 5. Marathon Alaska Productions, LLC, shall have 180 days from the time of enactment of this ordinance to execute the lease document substantially similar to the attached lease.

SECTION 6. That this ordinance shall take effect immediately upon its enactment.

ENACTED BY THE ASSEMBLY OF THE KENAI PENINSULA BOROUGH THIS 4TH DAY OF MAY, 2010.

ATTEST:


Johni Blankenship, Borough Clerk



Pete Sprague, Assembly President

Yes: Fischer, Knopp, McClure, Pierce, Smalley, Smith, Superman, Sprague
No: Haggerty
Absent: None