

1 [Settlement of Unlitigated Claims - Chevron U.S.A. Holdings Inc. and Chevron U.S.A. Inc. -
2 Kern County Property]

3 **Resolution approving the settlement of the unlitigated claims between the City and**
4 **County of San Francisco, and Chevron U.S.A. Holdings Inc. and Chevron U.S.A. Inc.,**
5 **including the conveyance of real property owned by the City in Kern County, California;**
6 **the claims involve the condition of and liability for the property; affirming the Planning**
7 **Department's determination under the California Environmental Quality Act; finding**
8 **that the disposition of property is consistent with the General Plan, and the eight**
9 **priority policies of Planning Code, Section 101.1; and authorizing the Director of**
10 **Property or their designee to make certain modifications to the settlement and**
11 **conveyance documents, and take certain actions in furtherance of this Resolution.**

12
13 WHEREAS, In 1940, Alfred Furhman bequeathed to the City and County of San
14 Francisco (the "City") approximately 800 acres of real property located in Section 21 and the
15 Northeast Quarter of Section 28, Township 28 South, Range 28 East in Kern County,
16 California (the "Property"); and

17 WHEREAS, The Property was continually leased for oil and gas extraction from 1940
18 forward, with royalties shared equally between the San Francisco Public Library and the
19 Recreation and Park Department in accordance with the terms of Mr. Furhman's bequest; and

20 WHEREAS, In 2016 the Board adopted Administrative Code, Section 23.42, which
21 prohibits the City from entering into or extending any lease that permits the extraction of fossil
22 fuel from City owned land; and

23 WHEREAS, Chevron U.S.A. Holdings Inc., and Chevron U.S.A. Inc. (collectively,
24 "Chevron") leased the Property from the City pursuant to an Oil and Gas Lease dated March
25

1 5, 1963, as amended by a May 24, 1994, Amendment to Oil and Gas Lease (collectively, the
2 "Lease"); and

3 WHEREAS, The Lease expired by its terms on March 31, 2020; and

4 WHEREAS, The City and Chevron have a dispute generally regarding which party
5 bears responsibility to plug, abandon, re-abandon, close, seal, decommission, make safe
6 and/or remove oil wells at the Property in accordance with all applicable laws and regulations,
7 and which party bears responsibility for any contamination at the Property (the "Dispute"); and

8 WHEREAS, The City and Chevron desire to resolve their differences without resorting
9 to litigation, and City staff and Chevron have agreed upon terms to settle the Dispute, subject
10 to Board approval; and

11 WHEREAS, The terms of the proposed settlement agreement, on file with the Clerk of
12 the Board in File No. 241013 ("Settlement Agreement"), provide that Chevron will accept all
13 responsibility for plugging and abandoning the oil wells on the Property and any contamination
14 of the Property, and will fully indemnify and release the City with regard to the Lease, the
15 Property, the proper oil well closure, and any hazardous materials contamination of the
16 Property. In exchange, the City will convey the property to Chevron without restriction; and

17 WHEREAS, The Property has no utilities or roadway access, is surrounded by land
18 owned by Chevron and other third-party owners, and has no economically viable use to the
19 City; the proposed Settlement Agreement provides a beneficial opportunity for the City to
20 dispose of the Property and relieves it of current and future liability associated with the
21 Property; an independent appraisal dated April 2024 determined that the fair market value of
22 the Property with all wells being plugged and abandoned (which is not its current status) is
23 \$240,000; the appraisal was recommended for approval by an independent appraisal review
24 pursuant to Administrative Code, Section 23.3; the estimated cost of plugging and abandoning
25 the approximately 75 wells on the Property is \$8,350,000, based upon the California

1 Department of Conservation Geologic Energy Management's average well abandonment
2 cost, and additional environmental remediation costs are unknown; in light of the foregoing, it
3 is in the best interest of the City to approve the Settlement Agreement, be relieved of liability,
4 and convey the Property to Chevron; and

5 WHEREAS, The Director of Property, with the concurrence of the City Librarian and the
6 General Manager of the Recreation and Park Department, have determined that it is in the
7 best interests of the City to enter into the Settlement Agreement, and that the public interest
8 demands or will not be inconvenienced by the proposed conveyance of property; and

9 WHEREAS, The Recreation and Park Commission and the Library Commission have
10 each recommended approval of the Settlement Agreement; and

11 WHEREAS, The Planning Department, by letter dated August 8, 2024, determined that
12 the proposed Project loan is not defined as a project under the California Environmental
13 Quality Act ("CEQA") [Pub. Resources Code, Section 21000 et seq.] pursuant to CEQA
14 Guidelines Sections 15378 and 15060(c) and Chapter 31 of the City's Administrative Code,
15 because it would not result in a direct or indirect physical change in the environment, and is
16 consistent, on balance, with the General Plan and the eight priority policies of Planning Code,
17 Section 101.1, which letter is on file with the Clerk of the Board of Supervisors in File
18 No. 241013, and incorporated herein by this reference; and

19 WHEREAS, The Property is "surplus land", as defined in Government Code section
20 554220 *et seq.*, because it is owned in fee simple by City and not necessary for City's use;
21 now, therefore, be it

22 RESOLVED, This Board affirms the Planning Department's determination under CEQA
23 and finds that the proposed Project loan is consistent, on balance, with the General Plan and
24 the eight priority policies of Planning Code, Section 101.1 for the reasons set forth in the
25 Planning Department's letter; and, be it

1 FURTHER RESOLVED That the Board finds that the Property is surplus to the City's
2 needs and not necessary for the City's use and that the City properly noticed the potential
3 disposition of the Property pursuant to California Government Code, Section 54222; and, be it

4 FURTHER RESOLVED, That the Board of Supervisors finds that the public interest or
5 necessity demands, or will not be inconvenienced by the transactions contemplated in the
6 Settlement Agreement, and competitive bidding is impractical or impossible because settling
7 the Dispute requires conveyance of the Property; and, be it

8 FURTHER RESOLVED, That the Board of Supervisors hereby approves the
9 Settlement Agreement, and authorizes the Director of Property or the Director's designee to
10 negotiate and enter into agreements based upon and substantially in the form of the
11 Settlement Agreement (including, without limitation, modification of the Settlement Agreement,
12 and preparation and attachment of, or changes to, any exhibits and ancillary agreements) and
13 any other documents or instruments necessary in connection therewith, that the Director
14 determines, in consultation with the City Attorney, are in the best interest of the City, do not
15 materially increase the obligations or liabilities for the City or materially diminish the benefits of
16 the City, are necessary or advisable to effectuate the purposes and intent of this Resolution
17 and are in compliance with all applicable laws, including the City Charter; and, be it

18 FURTHER RESOLVED, That all actions authorized and directed by this Resolution and
19 heretofore taken are hereby ratified, approved and confirmed by this Board of Supervisors;
20 and be it

21 FURTHER RESOLVED, That within thirty (30) days of the Settlement Agreement being
22 fully executed by all parties, the Director of Property shall provide the Settlement Agreement
23 to the Clerk of the Board for inclusion into the official file.
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1 APPROVED:

2
3 DAVID CHIU
 City Attorney

4 /s/ Carol R. Wong
5 Carol R. Wong
 Deputy City Attorney

RECOMMENDED:

SAN FRANCISCO PUBLIC LIBRARY

6 /s/
7 MICHAEL LAMBERT
 City Librarian

8 APPROVED:

9 /s/
10 MARGO SHAUB
 Library Commission Affairs Analyst, San
 Francisco Library Commission

11 SAN FRANCISCO RECREATION AND
12 PARK DEPARTMENT

13 /s/
14 PHILIP A. GINSBERG
 General Manager

15 APPROVED:

16 /s/
17 ASHLEY SUMMERS
18 Secretary, San Francisco Recreation and
 Park Commission

19 APPROVED:

20 /s/
21 CARMEN CHU
22 City Administrator