

City & County of San Francisco
London N. Breed, Mayor



Office of the City Administrator
Carmen Chu, City Administrator
Andrico Q. Penick, Director of Real Estate

January 26, 2024

Honorable Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Carlton B. Goodlett Place
San Francisco, CA 94102

RE: City Attorney's Office - Tolling Agreement –
Lease with Chevron re Oil Wells in Kern County

Dear Board Members:

Attached for your consideration is a Resolution authorizing and approving a tolling agreement to extend the statute of limitations for the City, Chevron U.S.A. Holdings Inc., and Chevron U.S.A. Inc. to bring potential litigation against one another regarding; (1) the condition of the City's property; (2) which party has responsibility to plug and abandon oil well and to remediate potential contamination of the City's property located in Kern County, California that was previously leased by Chevron U.S.A. Holdings Inc., and Chevron U.S.A. Inc., and allow further negotiations for possible resolution of the matter without litigation.

Chevron U.S.A. Holdings Inc., and Chevron U.S.A. Inc. (collectively, "**Chevron**") leased the City's property in Kern County from the City pursuant to an Oil and Gas Lease dated March 5, 1963 as amended by a May 24, 1994 Amendment to Oil and Gas Lease (collectively, the "**Lease**"). The City received royalties from the Lease which were previously split and given to the Main Library and the Recreation and Parks Department. The Lease expired on March 31, 2020.

To give the parties time to resolve the above issues without potentially unnecessary litigation, the City and Chevron have agreed that the limitations period for any potential litigation shall be extended under the terms set forth in an agreed upon Tolling Agreement which extends such statute of limitations to May 31, 2024.

We recommend approving the Resolution. If you have any questions regarding this matter, please get in touch with Claudia J. Gorham of our office at 415-554-9871.

Respectfully,

A handwritten signature in blue ink, appearing to read "Andrico Q. Penick".

Andrico Q. Penick
Director of Real Estate