

BOARD of SUPERVISORS



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MEMORANDUM

GOVERNMENT AUDIT AND OVERSIGHT COMMITTEE

SAN FRANCISCO BOARD OF SUPERVISORS

TO: Supervisor Dean Preston, Chair
Government Audit and Oversight Committee

FROM: Monique Crayton, Assistant Clerk

DATE: December 6, 2024

SUBJECT: **COMMITTEE REPORT, BOARD MEETING**
Tuesday, December 10, 2024

The following file should be presented as COMMITTEE REPORT at the regular Board meeting on Tuesday, December 10, 2024. This resolution was acted upon at the regular Government Audit and Oversight Committee meeting on Thursday, December 5, 2024, at 10:00 a.m., by the votes indicated.

Item No. 56 File No. 241013

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

REFERRED *WITHOUT RECOMMENDATION* AS A COMMITTEE REPORT

Vote: Supervisor Dean Preston - Aye
Supervisor Connie Chan – Aye

Cc: Board of Supervisors
Angela Calvillo, Clerk of the Board
Alisa Somera, Legislative Deputy
Brad Russi, Deputy City Attorney

File No. 241013

Committee Item No. 5

Board Item No. 56

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Government Audit and Oversight

Date: December 5, 2024

Board of Supervisors Meeting:

Date: December 10, 2024

Cmte Board

- Motion
- Resolution
- Ordinance
- Legislative Digest
- Budget and Legislative Analyst Report
- Youth Commission Report
- Introduction Form
- Department/Agency Cover Letter and/or Report
- MOU - FY2022-2024 - Clean
- MOU - FY2022-2024 - Redline
- Grant Information Form
- Grant Budget
- Subcontract Budget
- Contract / DRAFT Mills Act Agreement
- Form 126 – Ethics Commission
- Award Letter
- Application
- Public Correspondence

OTHER

- Settlement Agmnt 062524
- GPR Ltr 080824
- Comm Rpt Rqst Memo 112124
- _____
- _____
- _____
- _____
- _____
- _____
- _____

Prepared by: Monique Crayton

Date: November 26, 2024

Prepared by: Monique Crayton

Date: December 6, 2024

Prepared by: _____

Date: _____

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

2

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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APPROVED:

DAVID CHIU
City Attorney

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

RECOMMENDED:

SAN FRANCISCO PUBLIC LIBRARY

/s/
MICHAEL LAMBERT
City Librarian

APPROVED:

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

SAN FRANCISCO RECREATION AND
PARK DEPARTMENT

/s/
PHILIP A. GINSBERG
General Manager

APPROVED:

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

APPROVED:

/s/
CARMEN CHU
City Administrator

SETTLEMENT AGREEMENT

This Settlement Agreement ("**Agreement**"), dated June 25, 2024 ("**Agreement Date**"), is entered into by and between the City and County of San Francisco, a California municipal corporation ("**City**") on one hand, and Chevron U.S.A. Holdings Inc. ("**CUSA Holdings**") and Chevron U.S.A. Inc. ("**CUSA**", and collectively referred to herein with CUSA Holdings as "**Chevron**") on the other hand. Hereafter, City and Chevron are individually referred to as a "**Party**" and collectively referred to as the "**Parties**."

RECITALS

A. City owns approximately 800 acres of real property in Section 21 and the Northeast Quarter of Section 28, Township 28 South, Range 28 East in Kern County, California having Assessor's Parcel Numbers 093-120-30, 093-120-32, 093-210-18 and 093-210-19 ("**Property**"). As used in this Agreement, the term "Property" also includes all buildings, structures, improvements, wells, casings, tubings, pipelines, equipment and personal property owned by City or Chevron on or under such real property.

B. CUSA, CUSA Holdings (which Chevron represents was formerly known as Texaco Exploration and Production Inc.) and Texaco California Inc. (which Chevron represents was merged into CUSA) previously leased the Property from City pursuant to an Oil and Gas Lease originally between the City, as lessor, and Shell Oil Company, as lessee, dated March 5, 1963, as amended by a May 24, 1994 Amendment to Oil and Gas Lease (collectively, the "**Lease**").

C. A dispute has arisen between City and Chevron regarding, *inter alia*, who is responsible to plug, abandon, re-abandon, close, seal, decommission, make safe and/or remove therefrom wells located at the Property, including without limitation, to undertake and complete the same in accordance with all applicable federal, state, and local laws and regulations (individually and collectively, "**Well Closure**"), and responsibility for any Contamination on, at, under or from the Property. As used herein, the term "**Contamination**" includes, without limitation, any material or substance which is (i) defined as a "hazardous waste," "extremely hazardous waste," or "restricted hazardous waste" under Sections 25115, 25117 or 25122.7, or listed pursuant to Section 25140, of the California Health and Safety Code (Hazardous Waste Control Law), (ii) defined as a "hazardous substance" under Section 78075 of the California Health and Safety Code (Hazardous Substance Account Act), (iii) defined as a "hazardous material," "hazardous substance," or "hazardous waste" under Section 25501 of the California Health and Safety Code (Hazardous Materials Release Response Plans and Inventory), (iv) defined as a "hazardous substance" under Section 25281 of the California Health and Safety Code (Underground Storage of Hazardous Substances), (v) crude oil, petroleum, gasoline, diesel fuel, any other petroleum hydrocarbons or fractions thereof, or any gasoline additive including but not limited to MTBE, (vi) asbestos, PCB, or urea formaldehyde foam insulation, (vii) listed under Article 9 or defined as "hazardous" or "extremely hazardous" pursuant to Article 11 of Title 22 of the California Code of Regulations, (viii) defined as a "hazardous waste," hazardous substance" or similar term under Section 1004 or other section of the Federal Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 *et seq.*, (ix) defined as a "hazardous substance" pursuant to Section 101 of the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. §§ 9601 *et seq.*, (x) toxic, explosive, corrosive,

flammable, infectious, radioactive, carcinogenic, mutagenic or otherwise hazardous and is or becomes regulated by any governmental authority, agency, department, commission, board, agency or instrumentality of the United States, the State of California, or any political subdivision thereof, or (xi) defined as a “Hazardous Material” under the Lease.

D. The Parties wish to resolve their differences regarding the Property, the Lease, Well Closure and any Contamination on, at, under or from the Property in the manner set forth below.

TERMS & CONDITIONS

NOW, THEREFORE, in consideration of the promises and covenants set forth herein, the Parties, without any admission of responsibility or liability, agree as follows:

1. **APPROVAL, EXECUTION AND CONDITIONS TO EFFECTIVENESS.**

(a) Within thirty (30) days of execution and delivery of this Agreement by Chevron, City staff will present this Agreement together with a proposed resolution approving this Agreement (the “**Settlement Resolution**”) to the City’s Board of Supervisors for approval.

(b) If the City’s Board of Supervisors approves the Settlement Resolution, then within ten (10) days after effectiveness of the Settlement Resolution, the City will execute and deliver this Agreement. If the City’s Board of Supervisors does not approve the Settlement Resolution, the City shall not have any duty or obligation to execute this Agreement.

(c) If the Settlement Resolution is approved, the effective date of this Agreement will be the date of its execution by the City as evidenced in its signature block below (“**Effective Date**”).

2. **QUITCLAIM DEED.** The Settlement Resolution, if approved by the City’s Board of Supervisors, shall authorize City’s Director of Property to quitclaim City’s entire interest in the Property without restriction or reservation of any kind or nature, including all buildings, structures, improvements, wells, casings, tubings, pipelines, equipment and personal property thereon or thereunder owned by City (collectively, the “**City’s Interests**”), to Chevron in the form of the Quitclaim Deed attached hereto as Exhibit A (“**Quitclaim Deed**”) and to take further actions as contemplated by this Agreement. If the Settlement Resolution is not approved by the City’s Board of Supervisors by or on December 31, 2024, (a) it shall not be a breach of this Agreement by City, and (b) this Agreement (including but not limited to the release, covenant not to sue and indemnity provisions in Sections 3 through 5 below) shall be void *ab initio*. If the Settlement Resolution is approved by the City’s Board of Supervisors by or on December 31, 2024, then within the deadline set forth in Section 1(b) above, City shall execute and deliver this Agreement (which shall not be recorded) and a notarized original of the Quitclaim Deed to Chevron for recording by Chevron. The date Chevron receives the executed Settlement Agreement and notarized original of the Quitclaim Deed shall be the “**Delivery Date**”. Promptly after the Delivery Date, Chevron shall record the Quitclaim Deed in the official real estate records of the County of Kern, California. The date the Quitclaim Deed is recorded is the “**Recording Date**”. Chevron shall have full and sole responsibility for all fees, charges, taxes, assessments, expenses and costs which arise due to or in connection with the recording of

the Quitclaim Deed and/or City's quitclaiming of City's Interests to Chevron, including but not limited to any and all documentary transfer, reconveyance, recording and sales taxes, assessments and fees, as well as the premiums for any title insurance Chevron desires for the Property. Notwithstanding any other provision in this Agreement, City shall not have any obligation to execute any owner's declaration, owner's affidavit or similar documentation in connection with any title insurance sought or obtained by Chevron. The quitclaiming of City's Interests as described above shall be subject to all matters of record. All real property taxes on the Property shall be apportioned between the Parties based on the Recording Date, with City being responsible for the same to the extent attributable to the period before the Recording Date and Chevron being responsible for the same to the extent attributable to the period on and after the Recording Date.

3. **FULL AND COMPLETE MUTUAL RELEASES.** Except for the Parties' duties and obligations under this Agreement, upon the Delivery Date occurring (but not before), without any further act or notice by the Parties, both of the Parties, on behalf of themselves and their parents, subsidiaries, departments, affiliates, predecessors, successors, assigns and related governmental entities, hereby forever and fully release, acquit and discharge each other (and each other's parents, subsidiaries, departments, affiliates, trustors, trustees, beneficiaries, predecessors, successors, assigns and related governmental entities, and all directors, officers, shareholders, employees, managers, members, agents, insurers, trustors, trustees, beneficiaries and attorneys of any of the foregoing) from any and all claims (including civil claims, counterclaims, third-party claims and contribution claims), rights, demands, liens, actions, administrative actions, causes of action, obligations, debts, costs, fees (including reasonable attorney, expert witness and consultant fees), expenses, damages, penalties, judgments, orders and liabilities of whatever kind, nature, character and description in law, equity or otherwise, whether known or unknown, suspected or unsuspected, anticipated or unanticipated, liquidated or unliquidated, regarding, based upon, or concerning the Property, the Lease, Well Closure (and/or any failure for there to be Well Closure) and/or any Contamination on, at, under or from the Property.

4. **WAIVER OF SECTION 1542.** The Parties represent and warrant they have been advised of the existence of Section 1542 of the California Civil Code, which provides as follows:

A general release does not extend to claims that the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release and that, if known by him or her, would have materially affected his or her settlement with the debtor or released party.

Notwithstanding this provision, Section 3 will constitute a full release of the matters released herein. The Parties knowingly and voluntarily waive the provisions of Section 1542, as well as any other statute, law and rule of similar effect, and acknowledge and agree that this waiver is an essential and material term of this Agreement, and that without such waiver, this Agreement would not have been entered into by either of the Parties.

5. **INDEMNITY.** Chevron hereby agrees to indemnify, hold harmless, and immediately defend City and all of its departments, predecessors, successors, assigns and related governmental entities, and all of their employees, elected and appointed officials, agents,

insurers, trustors, trustees, beneficiaries and attorneys from and against any and all third-party claims and causes of action and any and all orders, demands, claims and directives of any governmental entity or agency (and for any of the foregoing, all resulting costs, fees [including reasonable attorney, expert witness and consultant fees], expenses, damages, penalties, judgments, orders and liabilities) of every kind, nature and description based upon, arising out of or connected with, in whole or in part, the Lease, the Property, the Well Closure (and/or any failure for there to be Well Closure) and/or any Contamination on, at, under or from the Property. To the extent necessary to ensure this indemnity provision is fully-enforceable by City, if there is any third-party claim or cause of action or any order, demand, claim or directive of any governmental entity or agency, Chevron agrees (i) the failure for there to be any Well Closure, and/or (ii) the presence of any Contamination on, at, under or from the Property is not due to the sole negligence of City or the willful acts or omissions of City. Without limiting what other provision(s) may be considered material, the Parties agree this entire Section 5 is a material and essential term of this Agreement.

6. **NO ADMISSION OF LIABILITY.** This Agreement represents a compromise between the Parties regarding the subject matter hereof and nothing in this Agreement or any acts performed pursuant to this Agreement represents any admission or acknowledgement of responsibility and/or liability by any of the Parties regarding the Property, the Lease, Well Closure or any Contamination on, at, under or from the Property and/or that they have any responsibility and/or liability to each other or to any third party with respect to the same.

7. **REPRESENTATIONS AND WARRANTIES; ACKNOWLEDGMENT.** Each Party to this Agreement represents, warrants and agrees as follows: (1) they have made such investigation of the facts and matters pertaining to this Agreement that they deem necessary, (2) they had an opportunity to consult with an attorney regarding this Agreement before signing it, (3) they have read this Agreement and understand its contents, (4) each person signing this Agreement has the full authority to sign this Agreement on behalf of the Party for which he or she is signing and also has the ability and authority to bind the Party to the obligations and commitments set forth in this Agreement, and (5) each Party has not assigned, granted, transferred, or purported to assign, grant or transfer, any of the rights, claims, causes of action, defenses or privileges related to the Property, or the Lease, or that may be disposed of by this Agreement.

8. **NO PRESCRIPTION REGARDING DRAFTER.** This Agreement shall be construed without regard to its drafter and shall be construed as though each Party hereto has participated equally in the drafting of this Agreement. Each Party shall bear all fees, costs and expenses they incurred in drafting this Agreement.

9. **WAIVER.** A waiver of any term or condition of this Agreement shall not be deemed to be a waiver of any other term or condition hereof. The failure of any Party to enforce any provision of this Agreement shall in no way be deemed a waiver of such provision, or preclude such Party from later enforcing the same or any other provision of the Agreement.

10. **AMENDMENT & MODIFICATION.** This Agreement may not be amended or modified, nor any term or condition hereof waived, except by a duly executed written instrument between the Parties that clearly evidences an intent to amend or modify this Agreement.

11. **COUNTERPARTS.** This Agreement may be executed in counterparts and by electronic means, each of which shall be deemed an original, but all of which taken together shall constitute one and the same instrument. A signature delivered on any counterpart by facsimile or other electronic means will for all purposes be deemed to be an original signature to this Agreement. The term “electronic means” is one that is executed by applying an electronic signature using technology mutually acceptable to the Parties or otherwise allowed under California law.

12. **GOVERNING LAW; VENUE.** This Agreement shall be interpreted, construed and enforced in accordance with the laws of the State of California without regard to principles of conflicts of laws that would direct application of the laws of another jurisdiction. Any action(s) to enforce or interpret this Agreement shall be resolved exclusively in either the California state court for San Francisco County or the United States District Court for the Northern District of California, and the Parties consent to personal jurisdiction in those courts for such purpose.

13. **ENTIRE AGREEMENT.** This Agreement comprises the complete and exclusive agreement between the Parties regarding the subject matter of this Agreement, and supersedes all oral and written communications, negotiations, representations, or agreements in relation to that subject matter made or entered into before the Agreement Date.

14. **FURTHER ACTIONS.** The Parties shall, at their own cost and expense, execute and deliver such further documents and instruments and shall take such other actions as may be reasonably required or appropriate to evidence or carry out the intent and purposes of this Agreement; provided, however, that should the recording or filing of the same result in any tax, fee, charge or assessment, Chevron shall be responsible for paying the same.

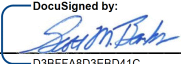
15. **DISCLAIMERS.** If the Condition Precedent occurs and City delivers the Quitclaim Deed to Chevron, Chevron agrees it is acquiring City’s Interests “AS IS” and “WHERE IS” with all faults and defects in and concerning the same and any portions thereof. City hereby specifically disclaims any representation or warranty, except as provided in Section 7 of this Agreement, regarding City’s Interests, oral or written, including, but not limited to those concerning the nature and condition of the Property, compliance with governmental regulations, the presence or absence of any Contamination on, at, under or from the Property, the condition of any wells, and the suitability of the Property for any and all activities and uses which Chevron may conduct thereon. City makes no representation or warranty, express or implied, including but not limited to any warranty of condition, habitability, merchantability, suitability or fitness for a particular purpose regarding City’s Interests. City does not guarantee the legal, physical, geological, environmental or other conditions of the Property, nor does it assume any responsibility for the compliance of the Property or its use with any statute, ordinance or regulation. It is Chevron’s sole responsibility to determine all building, planning, zoning and other regulations relating to the Property and the uses to which it may be put. Chevron agrees it is acquiring City’s Interests based solely on its own independent investigations and findings and not in reliance upon any information provided by City. Chevron agrees and understands that, without limitation, City has not made any promise, commitment or guarantee to engage in any Well Closure and/or to assess, remediate and/or monitor any Contamination on, at, under or from the Property.

16. **DISCLOSURE.** Pursuant to, *inter alia*, California Health & Safety Code Section 25359.7, City hereby notifies Chevron there may have been a release of hazardous materials (including Contamination) on, at, under or from the Property.

IN WITNESS WHEREOF, the Parties have executed this Agreement on the dates set forth below.

CHEVRON:

Chevron U.S.A. Holdings Inc.

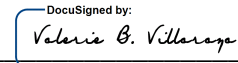
DocuSigned by:

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Printed Name: Scott M. Banks
Title: Assistant Secretary

2024-Jul-03 | 10:47 AM PDT

Date

Chevron U.S.A. Inc.

DocuSigned by:

C47D737BDC44486...

Printed Name: Valerie B. Villaraza
Title: Assistant Secretary

2024-Jul-03 | 10:46 AM PDT

Date

CITY:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
ANDRICO Q. PENICK
Director of Property

Date

APPROVED AS TO FORM:

DAVID CHIU, City Attorney

By: _____
Elizabeth A. Dietrich
Deputy City Attorney

Exhibit A

**RECORDING REQUESTED BY
AND WHEN RECORDED MAIL TO**

Real Estate Division
City and County of San Francisco
25 Van Ness Avenue, Suite 400
San Francisco, California 94102
Attn: Director of Property

AND MAIL TAX STATEMENTS TO:

Chevron U.S.A. Inc.
9525 Camino Media
Bakersfield, California 93311
Attn: Tax Department

(Above Space For Recorder's Use Only)

APN: 093-120-30, 093-120-32,
093-210-18 and 093-210-19

The Undersigned Grantor Declares:

RECORDING FEES: Exempt Per CA Gov't Code Section 27383

TAX RATE AREA (TRA): Unincorporated area

DOCUMENTARY TRANSFER TAX \$

Computed on the consideration or full value of property conveyed

SURVEY MONUMENT FEE \$ N/A

QUITCLAIM DEED

FOR VALUABLE CONSIDERATION, the receipt and sufficiency of which is hereby acknowledged, the City and County of San Francisco, a California municipal corporation ("**City**"), pursuant to Ordinance No. _____, adopted by its Board of Supervisors on _____ and approved by the Mayor of the City on _____, hereby quitclaims, remises and releases to Chevron U.S.A. Inc., a Pennsylvania Corporation, any and all rights, title and interest City has in and to the real property located in the County of Kern, State of California described in Exhibit A attached hereto and made a part hereof (the "**Property**"), as well as all rights, title and interest the City has in any and all buildings, structures, improvements, wells, casings, tubings, pipelines, equipment and personal property thereon or thereunder without restriction or reservation of any kind or nature; subject, however, to all matters of record.

Executed this ____ day of _____, 2024.

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By: _____
ANDRICO Q. PENICK
Director of Property

APPROVED AS TO FORM:

DAVID CHIU
City Attorney

By: _____
Elizabeth A. Dietrich
Deputy City Attorney

DESCRIPTION CHECKED/APPROVED:

By: _____
[NAME]
City Engineer

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF _____ §

COUNTY OF _____ §

On _____ before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary Public

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF _____ §

COUNTY OF _____ §

On _____ before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary Public

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

STATE OF _____ §

COUNTY OF _____ §

On _____ before me, _____, a Notary Public, personally appeared _____, who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature of Notary Public

Exhibit A to Quitclaim Deed

Legal Description of the Property

All of the real property situated in the County of Kern, State of California described as follows:

Section 21 and the Northeast Quarter of Section 28, Township 28 South, Range 28 East in Kern County, California.

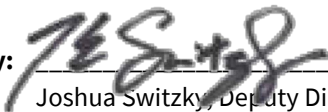
Assessor's Parcel Numbers 093-120-30, 093-120-32, 093-210-18 and 093-210-19.



GENERAL PLAN REFERRAL

August 8, 2024

Case No.: 2024-006456GPR
Address: Section 21 and the Northeast Quarter of Section 28
 Township 28 South, Range 28 East in Kern County, California
Kern County APN: 093-120-30, 093-120-32, 093-210-18, 093-210-19
Project Sponsor: San Francisco Public Library and the San Francisco Recreation and Parks Department
Applicant: Claudia Gorham- Deputy Managing Director, Real Estate Division
 Claudia.Gorham@sfgov.org
 25 Van Ness, Suite 400
 San Francisco, CA 94102
Staff Contact: Amnon Ben-Pazi – (628) 652-7428
Amnon.Ben-Pazi@sfgov.org

Recommended By: 
 Joshua Switzky, Deputy Director of Citywide Policy for
 Rich Hillis, Director of Planning

Finding: The project, on balance, is **in conformity** with the General Plan.

Please note that a General Plan Referral is a determination regarding the project’s consistency with the Eight Priority Policies of Planning Code Section 101.1 and conformity with the Objectives and Policies of the General Plan. This General Plan Referral is not a permit to commence any work or change occupancy. Permits from appropriate Departments must be secured before work is started or occupancy is changed.

Project Description

The Project is the transfer of City owned real property, approximately 800 acres, in Section 21 and the Northeast Quarter of Section 28, Township 28 South, Range 28 East in Kern County, California having Assessors' Parcel Numbers 093-120-30, 093-120-32, 093-210-18 and 093-210-19 ("Property").

The City was bequeathed the Property in the early 1900's. The Property was subsequently leased to an oil company (Chevron U.S.A. Holdings Inc., and Chevron U.S.A. Inc., "Chevron"), with profits from sale of oil divided between the San Francisco Public Library and the San Francisco Recreation and Parks Department. In or about

2017 /2018, the San Francisco Board of Supervisors approved a new law making it unlawful for the City to take monies from the wells, and thus in 2020, the lease to Chevron was terminated.

Numerous wells are capped, plugged and abandoned pursuant to the laws of the State of California. A certain number are not. Disagreements have arisen between City and Chevron over which party is responsible for various items.

The Parties wish to resolve their differences regarding the Property, the Lease, Well Closure and any Contamination on, at, under or from the Property via a Settlement which includes transfer of ownership and all liabilities to Chevron.

Environmental Review

The Project is a Real estate transaction only. Not defined as a project under CEQA Guidelines Sections 15378 and 15060(c)(2) because it would not result in a direct or indirect physical change in the environment.

General Plan Compliance and Basis for Recommendation

As described below, the proposed refinancing and rehabilitation is consistent with the Eight Priority Policies of Planning Code Section 101.1 and is, on balance, in conformity with the General Plan.

Planning Code Section 101 Findings

Planning Code Section 101.1 establishes Eight Priority Policies and requires review of discretionary approvals and permits for consistency with said policies. The Project is found to be consistent with the Eight Priority Policies as set forth in Planning Code Section 101.1 for the following reasons:

1. That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhanced;

The Project would transfer ownership of City-owned property in Kern County and thus would have no effect on existing neighborhood-serving retail uses in the City and future opportunities for resident employment in and ownership of such businesses.

2. That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods;

The Project would transfer ownership of City-owned property in Kern County and thus would have no effect on existing housing, neighborhood character and economic diversity in the City.

3. That the City's supply of affordable housing be preserved and enhanced;

The Project would transfer ownership of City-owned property in Kern County and thus would have no effect on the City's supply of affordable housing.

4. That commuter traffic not impede MUNI transit service or overburden our streets or neighborhood

parking;

The Project would transfer ownership of City-owned property in Kern County and thus would have no effect on commuter traffic, MUNI transit service, streets, or neighborhood parking in the City.

5. That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for resident employment and ownership in these sectors be enhanced;

The Project would transfer ownership of City-owned property in Kern County and thus would have no effect on the City's industrial or service sectors or on future opportunities for resident employment or ownership in these sectors.

6. That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake;

The Project would transfer ownership of City-owned property in Kern County and thus would have no effect on effect on the City's preparedness to protect against injury and loss of life in an earthquake.

7. That the landmarks and historic buildings be preserved;

The Project would transfer ownership of City-owned property in Kern County and thus would have no effect on effect on landmarks and historic buildings in the City.

8. That our parks and open space and their access to sunlight and vistas be protected from development;

The Project would transfer ownership of City-owned property in Kern County and thus would have no effect on effect on the City's parks and open space and their access to sunlight and vistas.

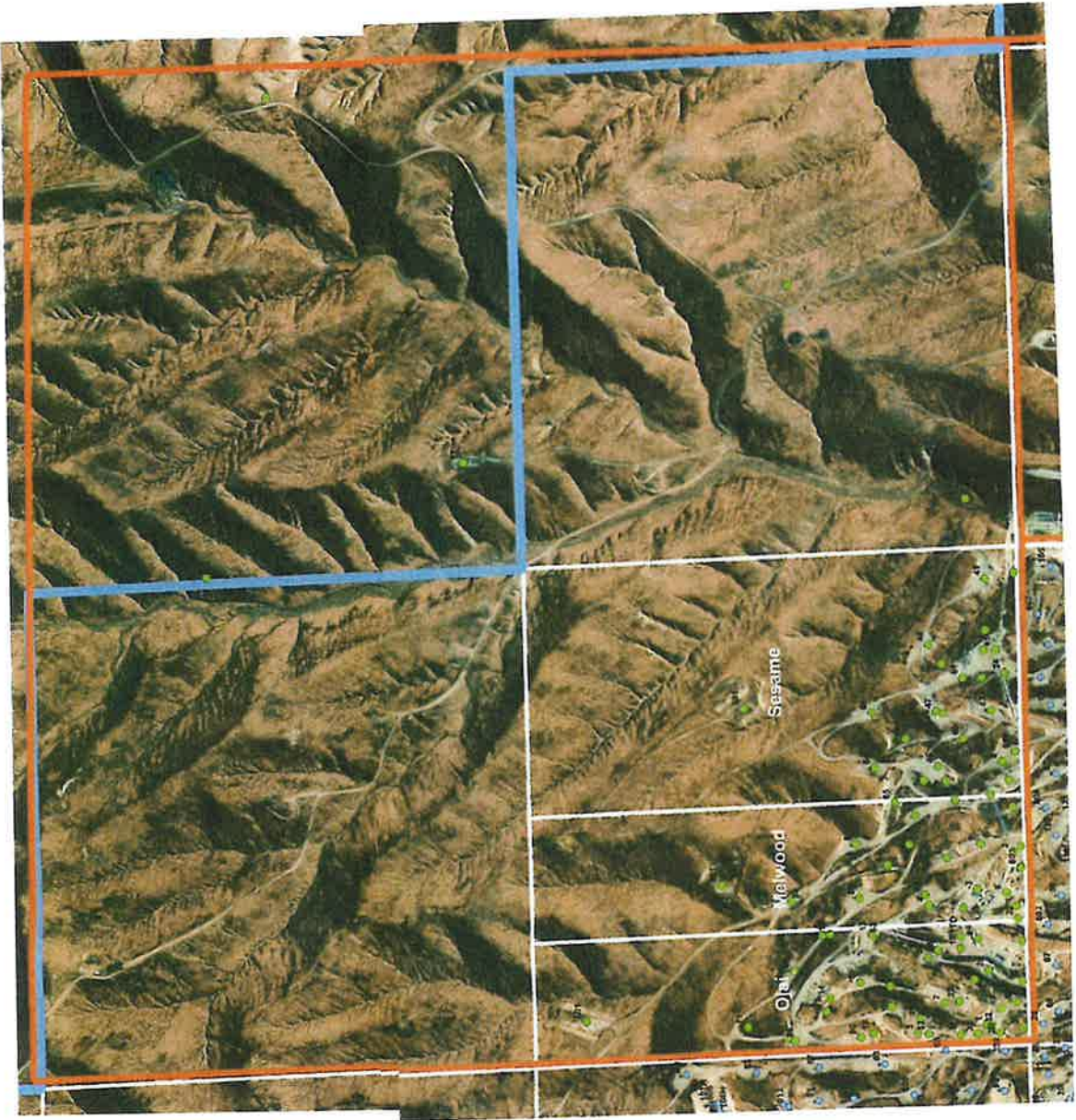
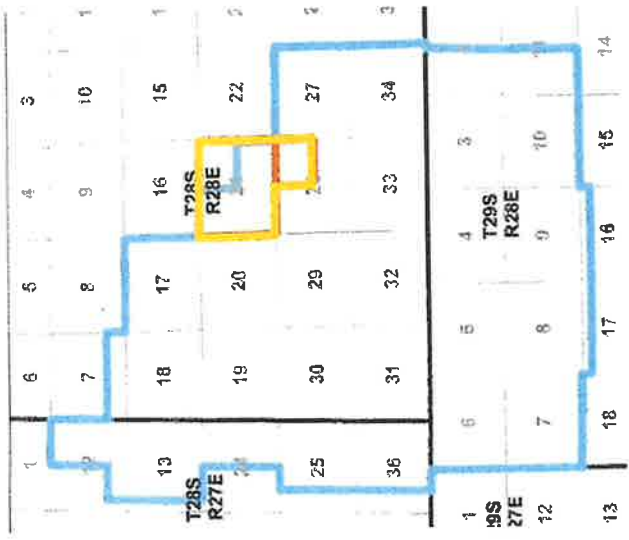
Finding: The project, on balance, is **in conformity** with the General Plan.

Attachments:

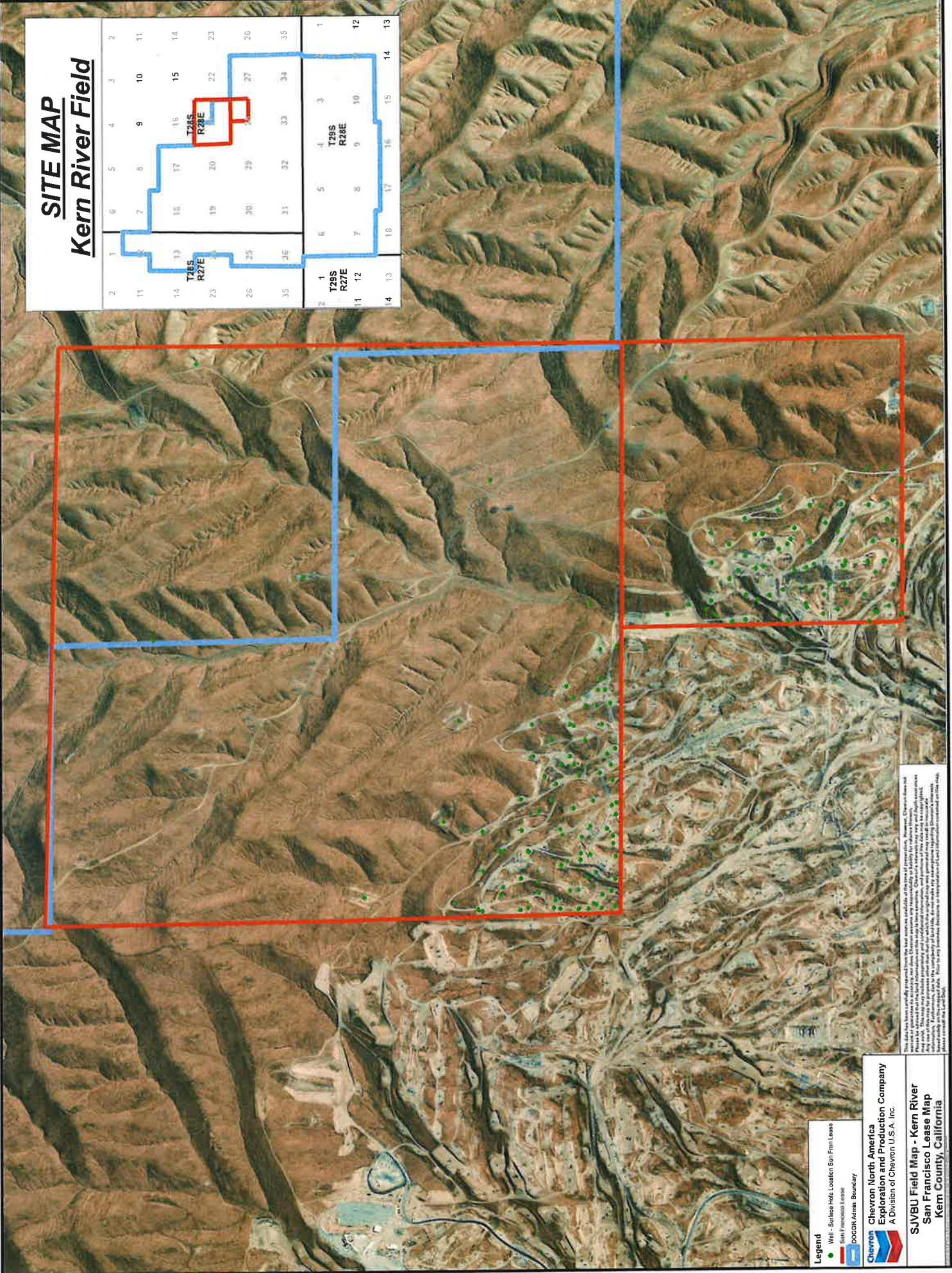
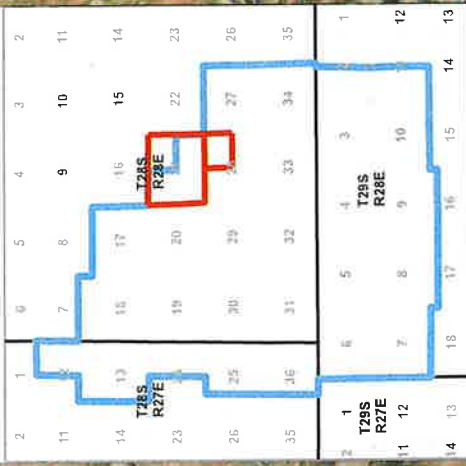
- Maps - Kern County Property
- 1963 Oil Gas lease
- 1994 lease Amendment

Source: Chevron

Kern River Field



SITE MAP Kern River Field



Legend

- Well - Surface Hole Location San Francisco Lease
- San Francisco Lease
- DOGGR/Kern Boundary














Chevron
Chevron North America
Exploration and Production Company
A Division of Chevron U.S.A., Inc.

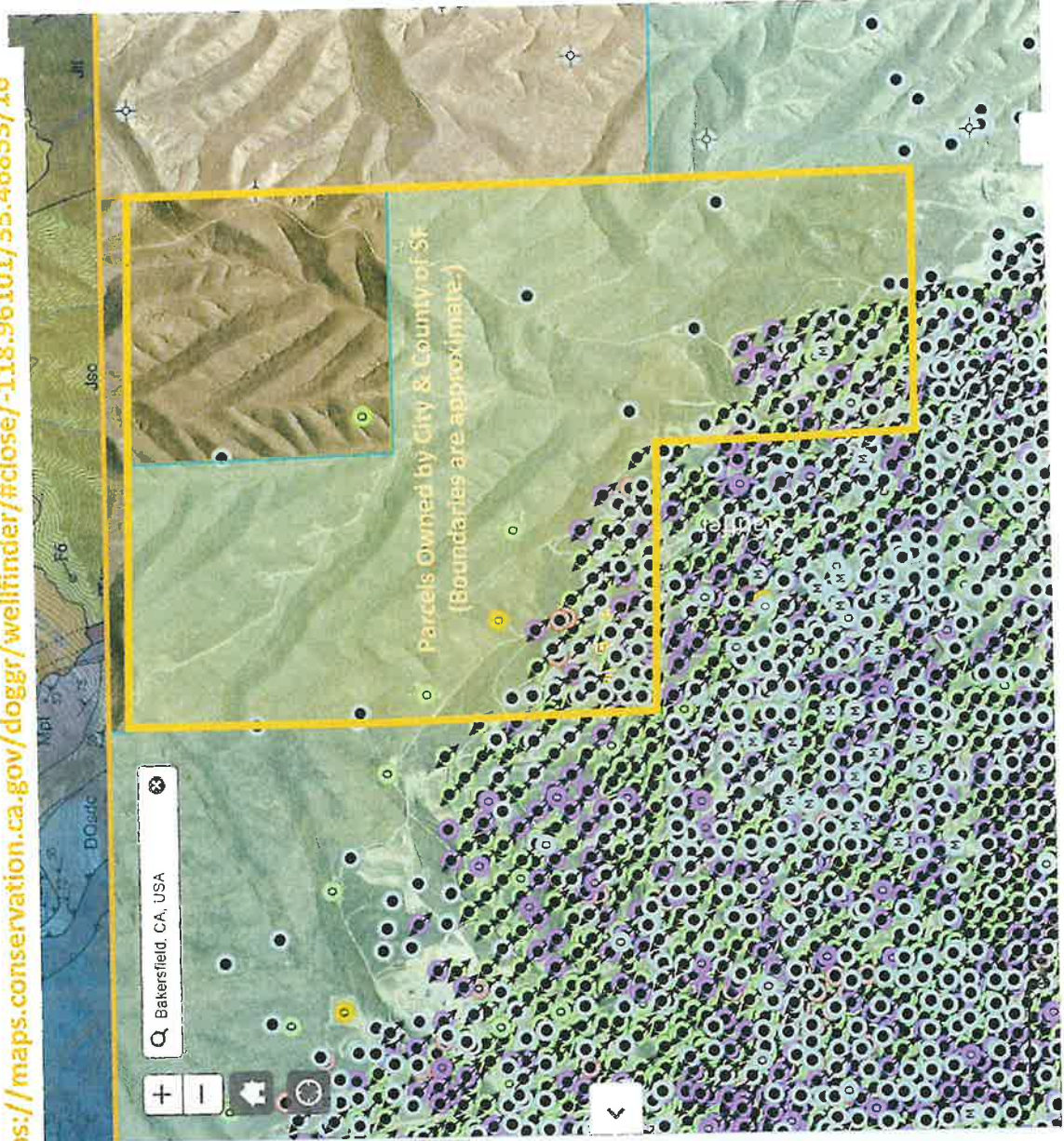
SJVBU Field Map - Kern River
San Francisco Lease Map
Kern County, California

This data has been carefully prepared from the best sources available at the time of preparation. However, Chevron does not warrant or guarantee the accuracy and completeness of this data. Chevron assumes no responsibility for reliance on this data, and does not accept any liability for any errors or omissions. This map may include proprietary and confidential information, and portions of this data may be subject to copyright. All rights reserved. For more information, please contact the appropriate Chevron representative. Chevron reserves the right to modify this data without notice. This is only a summary of the information contained in the original data.

Source: CalGEM Well Finder <https://maps.conservation.ca.gov/doggr/wellfinder/#close/-118.96101/35.46853/16>

Well Finder
CalGEM GIS

-  Active Gas: Dry Gas, Liquid Gas
-  Active Oil and Gas
-  Active Gas Storage
-  Active Injectors: Air Injector, Gas Disposal; Pressure Maintenance; Steam Flood; Water Disposal; Water Flood
-  Active Cyclic Steam
-  Active Water Source
-  Active Observation
-  Active well of Unknown type
-  Active Multipurpose
-  Active Dry Hole
-  Active Core Hole
-  Canceled Gas: Dry Gas; Liquid Gas
-  Canceled Oil and Gas
-  Canceled Gas Storage
-  Canceled Injectors: Air Injector, Gas Disposal; Pressure Maintenance; Steam Flood; Water Disposal; Water Flood
-  Canceled Cyclic Steam
-  Canceled Water Source
-  Canceled Observation
-  Canceled well of Unknown type
-  Canceled Multipurpose
-  Canceled Dry Hole
-  Canceled Core Hole
-  Idle Gas: Dry Gas; Liquid Gas

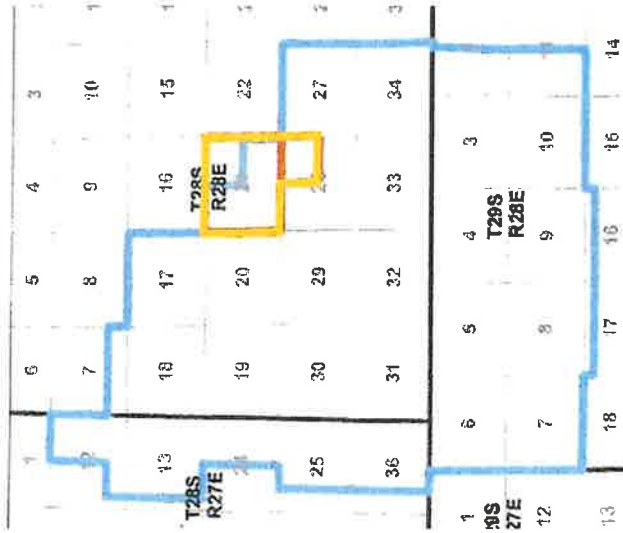


Source: Kern County GIS <https://maps.kerncounty.com/>



Source: Chevron

Kern River Field



Site Visit Photos 11/15/2018



Site Visit Photos 11/15/2018



Kern County GIS

Searches Create and Share Markup Select and Analyze Other Maps

Active or Idle - State Well Data February 2021, 52

Details

FID: 52

ID: 52

Latitude: 35.4670372

Longitude: -118.9666214

PLS: 28, 28S, 28E, MD

WellID: 0402986751

WellDesignation: Stautfer 73

WellTypeCode: SC

WellStatusDesc: Active

OperationName: Chevron U.S.A. Inc.

FieldName: Kern River

LeaseName: Stautfer

DistrictName: Inland

CountyName: Kern



Photos - IMG_3463.JPG

See all photos



Scale 1: 19,028

Active or Idle - State Well Data Febru...

Site Visit Photos 11/15/2018



Kern County GIS

Searches Create and Share Markup Select and Analyze Other Maps

Active or Idle - State Well Data Fe...

Photos - IMG_3458.JPG

Spec all photos

Share all photos

Search

Tool Labels

Edit & Create

Share

Details

FID 30

ID 30

Latitude 35.47183609

Longitude -118.9699097

PLSS 21, 28S, 28E, MD

WellAPI 0403003487

WellDesignation Sesame 47

WellTypeCode SC

WellStatusDesc Active

OperatorName Chevron U.S.A. Inc.

FieldName Kern River

LeaseName Sesame

DistrictName Inland

CountyName Kern



Scale 1: 4,514

Go

Photos - IMG_3458.JPG

Spec all photos

Share all photos



Active or Idle - State Well Data Fe...

Scale 1: 4,514

Go

Site Visit Photos 11/15/2018

Kern County GIS | Create and Share | Markup | Select and Analyze | Other Maps


Searches | [↑](#) | Search | Tool Labels | X

Active or Idle - State Well Data February 2021, 83

Details

FID	83
ID	83
Latitude	35.47483063
Longitude	-118.9728928
PLSS	21, 28S, 28E, MD
Wellbpt	0403037437
WellDesignation	Melwood 501
welltypeCode	OB
WellStatusDesc	Permitted
OperatorName	Chevron U.S.A. Inc.
FieldName	Kern River
LeaseName	Melwood
DistrictName	Inland
CountyName	

[I want to...](#)




Photos - IMG_3482.JPG | [See all photos](#)



Active or Idle - State Well Data Febru...

Site Visit Photos 11/15/2018



Kern County GIS

Searches Create and Share Markup Select and Analyze Other Maps

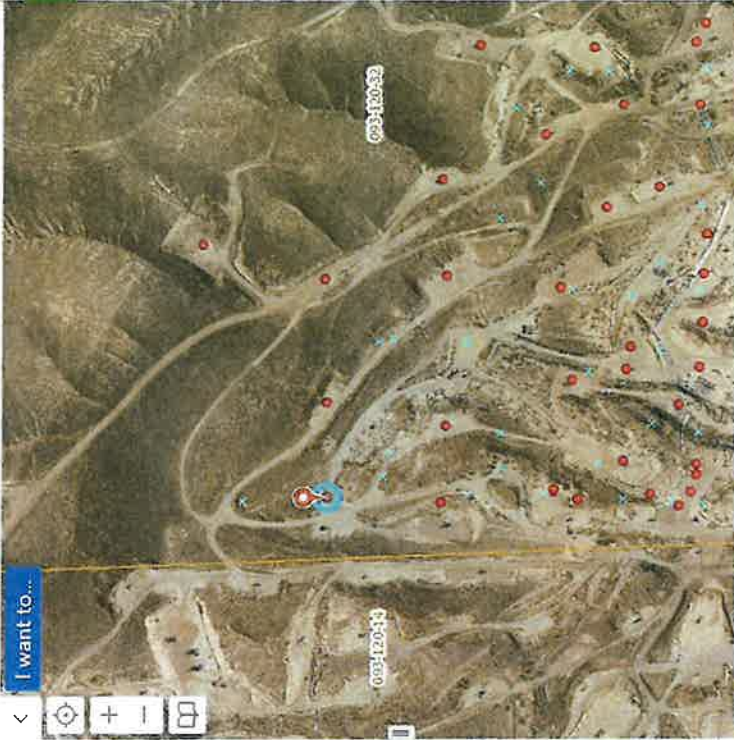
People Streets & Bing Contours Upload Data Other Maps

Search

Tool Labels

WellsActiveandIdleWells2021Feb, 9

I want to...



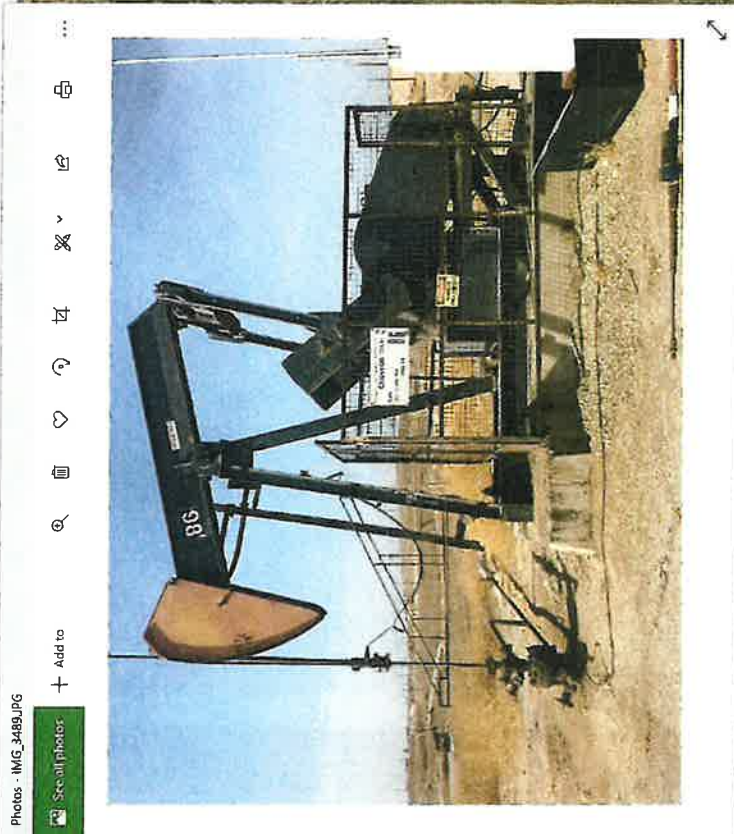
Scale 1: 4,514

0 150 300ft

03-21037

Details

WellID	9
WellID	9
Latitude	35.47380447
Longitude	-118.9754181
PLSS	21, 28S, 28E, MD
WellAPI	0403004683
WellDesignation	OJat 86
WellTypeCode	SC
WellStatusDesc	Active
OperatorName	Chevron U.S.A. Inc.
FieldName	Kern River
LeaseName	WellsActiveandIdleWells2...



Photos - IMG_3489.JPG

Scale all photos

+

Add to

03-21037

Site Visit Photos 11/15/2018



Site Visit Photos 11/15/2018



Site Visit Photos 11/15/2018



20446

OIL AND GAS LEASE

THIS AGREEMENT, dated March 5, 1963, by and between
CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation, hereinafter
referred to as Lessor, and Shell Oil Company, a Delaware corporation

hereinafter referred to as Lessee.

WITNESSETH:

That Lessor does hereby lease to Lessee, and Lessee does hereby
lease, hire, and take from Lessor, for and in consideration of the
covenants, terms, and conditions, hereinafter contained, on the part
of the Lessee to be paid, kept, and performed for the purpose of ex-
ploring, mining and operating for oil, gas and casinghead gasoline and
other hydrocarbon substances, and taking storing, removing and disposing
of same, and manufacturing gasoline and other products therefrom, with
the right for such purposes to the free use of oil, gas or water from
said land, and granting the right to build tanks, power houses, stations
houses for employees and such other structures as may be necessary or
convenient in its operations, together with rights of way, easements
and servitudes necessary, incidental or convenient to the exercise of
the rights herein expressly granted, with the right of removing as here-
inafter provided, any and all improvements, except casing and tubing,
placed or erected on the premises by Lessee, or acquired by Lessee by
virtue of this lease, and surface agriculture and grazing rights, sub-
ject to the limitations hereinafter stated and subject to whatever
easements or surface rights exist on the date of the commencement of
the term hereof, on all that certain tract of land situated in the
County of Kern, State of California, described as follows, to wit:

RECORDING REQUESTED BY AND MAIL TO

City and County of San Francisco
Real Estate Dept
450 McAllister St
S. F. 2, Cal

RECORDED IN OFFICIAL RECORDS
OF KERN COUNTY, CALIFORNIA

20446

MAR 28 1963

57
Min.
Past

10 a.m.

RAY A. VERCAMMEN, County Recorder

Section 21 and the Northeast $\frac{1}{4}$ of Section 28, T. 28 S.,
R. 28 E., M.D.B. & M. containing 800 acres, more or less.

This lease shall be for the full period of thirty-five years,
beginning April 1, 1963 and ending March 31, 1998,
subject to the following agreements, terms and conditions, to which
the parties do agree:

1 - OIL ROYALTY - The Lessor's crude oil royalty shall be twelve
and one half percent ($12\frac{1}{2}\%$) of all the oil, asphaltum, and hydrocarbons
other than gas and casinghead gasoline produced and saved from the de-
mised premises. At the option of the Lessor, the Lessee either shall
purchase Lessor's royalty oil at the market value in the same field
for oil of similar gravity and quality, or shall yield and deliver to
Lessor on the lease premises, twelve and one-half percent ($12\frac{1}{2}\%$) of
said oil. On thirty days' written notice to Lessee, but not oftener
than once in any calendar year, Lessor may change the said option, but
if no such notice is given by Lessor, it shall be deemed that Lessee
shall purchase Lessor's royalty oil. If Lessor elects to receive
royalty oil in kind, Lessee will provide, free of cost, storage tanks
for not more than ten days' accumulation of Lessor's royalty oil and
will yield and deliver to Lessor at tank outlets in accordance with
usual and customary pipe line and shipping practices.

2 - GAS ROYALTY - Lessee shall pay Lessor as royalty twelve and
one-half percent ($12\frac{1}{2}\%$) of the net proceeds derived from the sale of
gas from the leased land, but nothing in this agreement contained shall
require Lessee to save or market gas from said lands, unless there shall
be a surplus above lease requirements and a market at the well for same.
Gas used, consumed or lost in the operations of a gasoline extraction
plant, as well as gas used for repressuring any oil bearing formation
for producing oil from a well or wells on said leased land (even though

such repressuring is done by injecting such gas into wells located on other lands in the vicinity of the Lessor's property) shall be excluded from the amount on which royalty is to be paid.

3 - CASINGHEAD GASOLINE ROYALTY - Lessee shall pay Lessor twelve and one-half percent (12½%) of forty percent (40%) of casinghead gasoline if extracted or manufactured from the natural gas produced. This royalty shall be payable in cash and based on the market value thereof, at the point of its production. No charge to the Lessor shall be made for the manufacturing or extraction of the gasoline, and the gas used as fuel in the process shall not be subject to payments of royalty. If the remaining dry gas is sold or consumed by the Lessee (in excess of the amount herein allowed to be used by Lessee free of royalty) Lessee shall pay Lessor as royalty twelve and one-half percent (12½%) of the market value as that term is herein defined.

4. OPERATION, MAINTENANCE AND REPAIRS - Except as otherwise provided in this agreement, Lessee shall, at its own expense, during the period of this lease, produce to the fullest capacity consistent with good oil field practice, all oil wells on the demised premises. Lessee shall, at its own expense, rehabilitate, maintain, operate and repair such oil wells and other improvements on said land; provided, however, that the Lessee shall not be required to rehabilitate or pump oil wells which may be found incapable of producing oil in paying quantities.

5. REDRILLING, ALTERATION AND ABANDONMENT OF WELLS - It is agreed that the Lessee shall have the right to redrill, deepen or otherwise alter any well in order to increase production or eliminate bad water conditions, and that the Lessee shall operate each completed oil well in accordance with good oil field practice so long as such wells shall produce oil in paying quantities while this lease is in force, except

as otherwise provided in this agreement. All oil wells found incapable of production in paying quantities may be abandoned, but such abandonment shall be at Lessee's cost and expense and in accordance with State requirements.

6. METHODS OF RECOVERY - Lessee shall have the right under this lease to conduct such primary pressure maintenance and secondary recovery operations, whether by means of injection of liquids or gases into the reservoir, in-situ combustion, or such other presently known or unknown methods in aid of production, as in Lessee's opinion are reasonably designed to benefit or facilitate production from the leased land of oil or any other aforesaid substances, together with the right to drill an injection well or wells or use any existing wells on the leased land for such primary pressure maintenance or secondary recovery purposes. If Lessee exercises reasonable diligence and good faith in conducting such operations, it shall not be held liable for errors of judgment, or for loss of production of oil gas or other substances or for damage to any reservoir underlying the leased land. Lessee shall not be deemed to guarantee any beneficial results from such operations.

7. NEW WELLS - The Lessee shall have the right to drill new wells on the leased premises until there shall have been completed on said land, as many wells as shall be limited by law or governmental regulations. No implied covenant shall be read into this lease requiring the Lessee to drill or to continue drilling on said land, or fixing the measure of diligence therefor except the drilling of offset wells as herein provided.

8. OFFSET WELLS - The Lessee agrees that in the event a well is drilled upon adjoining land within 330 feet of the exterior limits of any land at the time embraced in this lease and oil or gas is produced

therefrom in paying quantities and Lessee is not then drilling or has not theretofore drilled an offset thereto, and the owner of such well shall operate the same and market the oil or gas produced therefrom, then the Lessee shall offset such well by the commencement of drilling operations within ninety days after it has been ascertained that the production of oil or gas from such well upon said adjoining land is in paying quantities as demonstrated by a production test for a period of thirty consecutive days. The Lessee shall obtain and furnish to the City the record of such tests as determined from the monthly production reports issued by oil operators to the Division of Oil and Gas of the State of California. After commencing drilling operations of any offset well on City's land, such operations shall continue uninterruptedly, and in accordance with good oil field practice, and until such offset well is drilled to a depth comparable to the depth of the well on the adjoining land.

9. PARTIAL INTEREST OF LESSOR - In case Lessor owns a less interest in the above described lands than the entire and undivided fee simple estate therein or the entire interest in the oil and gas under said land, then the royalties herein provided for shall be paid Lessor only in the proportion which its interest bears to the entire fee simple estate or the entire interest in said oil and gas.

10. PRODUCTION REPORTS - Within twenty-five days after the end of each month during the term hereof, the Lessee shall send to the Lessor's Director of Property, 450 McAllister Street, San Francisco 2, California a written report showing the progress of drilling operations, if any, and the production of oil, gas and casinghead gasoline from said land during the preceding month.

11. FREE OIL AND GAS - The Lessee shall not be required to account to Lessor for, or pay royalty on, oil or gas used by Lessee in

its operations hereunder, and Lessee may use such oil and gas free of charge.

12 - INDEMNITY - Lessor shall not be liable to Lessee or to any other person whatsoever for any death, injury or damage that may result to any person or persons, including Lessee, or property of any kind whatsoever and to whomsoever belonging, including Lessee, by or from any cause whatsoever, and without limiting the generality of the foregoing, whether caused by gas, fire, oil, electricity or any cause whatsoever in, on, or about the premises or any part thereof. Lessee agrees to hold Lessor harmless from and defend Lessor against any and all claims or liability for death of any person or persons or any injury or damage to any person or persons or property whatsoever occurring in, on, or about the premises or any part thereof.

13. INSURANCE REQUIREMENTS. - Lessee shall, during the continuance hereof, at their own cost and expense, procure and maintain in full force and effect a general comprehensive liability insurance policy (or policies) issued by an insurance company satisfactory to Lessor's Controller and in form satisfactory to Lessor's City Attorney. Said insurance company shall have policyholders surplus of at least \$20,000,000. Said policy or policies shall afford liability insurance covering all operations, including but not limited to premises, products, personal injuries and automobiles and injury to property for single limit of not less than \$2,000,000. applying to bodily injuries, personal injuries and property damage or a combination of such injuries. Said policy or policies shall be expanded to include contractual liability assumed under this agreement with respect to bodily injury, personal injuries and property damage. Said policy or policies shall include City and County of San Francisco and its officers and employees

jointly and severally as Additional Insured and shall apply as primary insurance and shall stipulate that no other insurance effected by City and County of San Francisco will be called on to contribute to a loss covered hereunder. Said policy or policies shall provide thirty days (30) written notice of change, or cancellation and said written notice shall be delivered to Director of Property, 450 McAllister Street, San Francisco 2, California. Certified copy of policy or policies setting forth details of compliance with insurance requirements shall be delivered to the Director of Property. Said policy or policies shall contain a standard cross liability endorsement.

Lessee shall maintain Workmen's Compensation Insurance in compliance with State Laws and Certificates of insurance under such policy or evidence of self insurance, shall be delivered to the Director of Property. Certificates shall provide 10 days of notice of cancellation to the Director of Property and shall provide that the Company, or Self-Insurer, waives rights of subrogation against the City and County of San Francisco and all of the members, officers, agents and employees thereof.

14. RIGHT TO SELL OR TRANSFER BY LESSOR - There is hereby expressly reserved to the Lessor the right to sell or transfer any portion or portions of the leased premises or any of its interest in the oil and/or gas under any part or parts thereof; provided, however, that the Lessee's rights and obligations under this lease shall not thereby be altered, increased, or enlarged, but the Lessee may continue to operate the leased premises and pay and settle royalties as an entirety.

15. UNITIZED PRODUCTION PERMITTED - Lessee shall have the right to unitize or otherwise consolidate such land, in whole or in part, at any time and from time to time, with other lands in the same pool or pools

as if they were all included in a single oil and gas lease, except for the payment of royalties on production therefrom. In the event of any such unitization or consolidation, the producing operations conducted on any of the lands included therein shall constitute full compliance with the producing obligations of Lessee hereunder whether conducted on said land or not; the royalties payable by Lessee to Lessor hereunder shall be computed and based upon the production allocated under the unitization or consolidation to said land as to any such pool or pools, regardless of the actual production or lack of production from said land. The allocation of production to any of the lands thereon demised in any such pooled or unitized operation shall be based on the proportion that the acreage of the said lands bear to the total acreage of the operating unit. Such unitization and/or consolidation must be reasonable in the light of current oilfield practice.

16. SUSPENSION OF OBLIGATIONS - The conditions imposed upon Lessee hereunder shall be suspended while, and to the extent that, Lessee is prevented from complying therewith, in whole or in part, by war, riots, strikes, lockouts, action of the elements, inability to obtain materials in the open market or to obtain transportation therefor, rules and regulations of any Federal, State, Municipal or other governmental agency, or other matters beyond the control of the Lessee, whether similar to the matters or conditions herein specifically enumerated or not and without regard to whether such cause exists at the date hereof or hereafter arises. Such conditions shall also be suspended to such extent as is necessary to enable Lessee to comply with any reasonable voluntary conservation or curtailment program to which it may subscribe or become a party. Producing operations together with Lessee's oil royalty obligations hereunder may also be suspended at Lessee's option while the

price offered generally to producers in the same vicinity for oil of the quality produced from said land is One Dollar or less per barrel at the well; or when there is no available market for the same at the well, provided, however, that Lessee shall not suspend such operations on the demised land unless Lessee shall also suspend operations of the oil wells on whatever adjoining properties it operates, while such price and market conditions are in effect. Such suspension of production and payment of royalty due to adverse market conditions shall not total more than ten percent (10%) of the term hereof.

17. TAXES AND ASSESSMENTS - As a further consideration for this lease, Lessee agrees to pay all taxes levied and assessed against the land herein demised, and all the taxes levied and assessed against the mineral rights, improvements and personal property situated therein or thereon. Lessee further agrees to pay all severance or gross production taxes in the event such taxes are levied. In the event that a portion or portions of the land herein demised is or are quitclaimed or otherwise returned to Lessor before the termination of the term hereof, then the taxes applicable thereto shall be prorated between the parties and Lessee's obligation to pay taxes thereon shall cease. At the termination of the term of this lease for any cause whatsoever including passage of time, taxes shall be prorated as of the date of such termination.

18. EXAMINATION, LOGS, ETC. - The Lessor may at all reasonable times enter upon and examine said land and improvements, the work done and in progress thereon, and the production therefrom, and may inspect the books kept by the Lessee in relation to the production from said land, to ascertain the production and the amount saved and sold therefrom. The Lessee agrees on written request to furnish to the Lessor copies of logs of all wells drilled by the Lessee on said land.

19. LABOR AND MATERIALS - All the labor to be performed and materials to be furnished in the operations of the Lessee hereunder shall be at the cost and expense of the Lessee, and the Lessor shall not be chargeable with, or liable for, any part thereof; and the Lessee shall protect said lands against liens of every character arising from its operations thereon.

20. AGRICULTURAL AND GRAZING LEASES - The Lessee shall have the right to sublet the surface of said land, or any portion or portions thereof, for agriculture or grazing purposes, subject however, to all of the terms, covenants and conditions of this lease. Such subletting shall be on a year to year basis only. Lessee agrees, upon a six months written notice, to quitclaim all interest in the surface agricultural and grazing rights except those rights necessary for its oil, gas and other hydrocarbon producing operations hereunder. Upon such reconveyance of the agricultural and grazing rights Lessor shall have the right to rent, lease or otherwise dispose of such rights and any other rights not inconsistent with the rights retained by the Lessee hereunder.

21. SURRENDER OF POSSESSION AND QUITCLAIM DEED - On the expiration of this lease, or if sooner terminated, the Lessee shall quietly and peacefully surrender possession of the premises to the Lessor and deliver to Lessor a good and sufficient quitclaim deed or other form of relinquishment, if and when requested.

22. DEHYDRATION AND GRAVITY - All oil shall be tested by the method described hereinafter, and if it contains more than 3 percent of water and basic sediment, shall either be dehydrated or shall be paid for on the basis of the gravity of a representative sample after dehydration of such sample to 3 percent or less. In the event that the oil is dehydrated by the Lessee there may be deducted from the Lessor's royalty one-

eighth of the reasonable cost of such dehydration. No correction for gravity shall be made for the water and basic sediment content when such content does not exceed 3 percent.

23. SAMPLING, GAUGING, ETC. - All sampling, testing, gauging, measuring and the taking of gravities which may be required to be done by the Lessee in order to determine the gravities and non-petroleum substances contained in the oils referred to herein, shall, at the option of the Lessee, be taken, done, and performed by any method or process, generally regarded in the industry where the work is to be done as reliable and in accordance with good oil field practice.

24. TERMINATION BY CITY - Upon the violation of any of the terms or conditions of this lease by the Lessee, and the failure to begin to remedy the same within sixty days after written notice from Lessor, so to do, then, at the option of the Lessor, this lease shall forthwith cease and terminate, and all rights of the Lessee in and to said lands shall be at an end, save and excepting 10 acres surrounding each well producing or being drilled by Lessee and not in default, and except rights of way necessary for lessee's operations in connection with such wells. The foregoing remedies of Lessor shall not be exclusive, but shall be cumulative and in addition to all remedies now or hereafter allowed by law or elsewhere provided for in this lease.

25. PAYMENTS - All royalties payable in money hereunder may be paid by mailing or delivering a valid check therefor to the City and County of San Francisco, Director of Property, 450 McAllister Street, San Francisco 2, California, or to any other place as the Lessor may from time to time designate.

26. STATEMENTS AND REMITTANCES - Lessor agrees that it will promptly examine each and all statements and remittances forwarded by

the Lessee to it hereunder and promptly advise the Lessee of any objection thereto.

27. MARKET VALUE - The term "market value" as used in this lease shall be applied to the particular product at its point of production and shall be deemed to be the actual sales price when sold to third parties or the current available posted price in the field for products of like quality and quantity.

28. TERMINATION BY LESSEE - Lessee may at any time quitclaim this lease to Lessor, in its entirety or as to part of the acreage covered thereby, and thereupon the Lessee shall be released from all further obligations and duties as to the area so quitclaimed. Clear title to the land so quitclaimed shall revert in Lessor; provided, however, that Lessee may reserve such easements and rights of way over said land as may be necessary for drilling or operating its wells on the remaining property; provided further, that Lessor, its successors and assigns, shall not drill any well on the land quitclaimed within 300 feet of any producing or drilling well retained by Lessee.

29. NOTICES - Any notice from the Lessor to the Lessee must be given by sending the same by registered mail addressed to Shell Oil Company, Land Department, 1008 West Sixth Street, Los Angeles 54, California

and any notice from the Lessee to the Lessor must be given by sending the same by registered mail, addressed to Director of Property of the City and County of San Francisco, 450 McAllister Street, San Francisco 2, California. For the purpose of this section, either party may change its address by written notice to the other.

30. TIME OF PAYMENTS - Any payment due from either party to the other may be made by good and valid check upon a bank doing business in California, on or before the 25th day of each calendar month for the

preceding month. Such checks shall be paid in lawful money of the United States of America.

31. MACHINERY, FIXTURES AND IMPROVEMENTS OF LESSEE - Except as otherwise provided herein, Lessee shall have the right at any time to remove from said land all machinery, rigs, casing, and other fixtures and improvements installed by Lessee, provided that such removal shall be completed within six months after termination of this lease. If there are any defaults or violations by the Lessee of the terms and conditions of this agreement, then all casings shall be left in place in the wells as to which such defaults or violations exist and such casings shall thereupon become the property of the Lessor. Upon expiration of the term of this lease, all casings in place in the wells shall become the property of the Lessor.

32. MACHINERY, FIXTURES AND IMPROVEMENTS OF LESSOR - Upon the commencement of the term hereof all tools, machinery and equipment of Lessor then situated on the premises, except installed well casings, shall become the property of Lessee and may be removed from the land by Lessee as hereinbefore provided.

33. EASEMENT RESERVATIONS BY CITY - The Lessor reserves the right to grant easements to other parties, over, in and upon the demised premises, provided such easements do not materially interfere with the use of said premises by the Lessee, and provided, further, that all claims for damage to the Lessee caused thereby shall be paid by the Grantees of such easements.

34. EXISTING CONTRACTS - This agreement is made subject to any and all existing easements and contracts of record, and also subject to any existing month to month grazing leases.

35. ASSIGNMENT BY LESSEE, BANKRUPTCY AND INSOLVENCY - Except as otherwise provided in this agreement, Lessee shall not assign, mortgage or hypothecate this lease, nor assign any of the rights and privileges thereunder, nor sublet the demised premises, or any part thereof, without the written consent of the City and County of San Francisco; provided that the foregoing shall not prevent the assignment of this lease to any corporation with which the Lessee may merge or consolidate or which may succeed to the business or assets of Lessee, or a substantial part thereof; nor shall this lease, or any right or privilege thereunder, be assignable by operation of law or otherwise, and in the event of the Lessee being adjudged a bankrupt, or making any assignment for the benefit of its creditors, neither this lease, nor any right thereunder, shall pass to any referee or trustee in bankruptcy, or be considered any part of said bankrupt estate, nor shall it pass to any assignee or other person for the benefit of creditors and should the Lessee make any assignment of this lease, or any right thereunder, or sublet the said demised premises, or any part thereof, without the consent of the City and County of San Francisco; or should said Lessee be adjudged a bankrupt or make any assignment for the benefit of its creditors, then Lessor may terminate this lease and all the rights and privileges of said Lessee thereunder shall cease. The subletting of the surface of said land for agricultural or grazing purposes, however, shall be exempt from said requirement that Lessor's prior consent be obtained, but such subletting shall be only on a year to year basis.

36. CONDITION OF PREMISES - Lessee has examined and inspected and knows the condition of the premises and every part thereof, and will receive and accept the same in their condition at the time of taking possession.

37. ALTERATIONS AND POSTING NOTICES - All alterations and improvements may be required by the Lessee shall be done by the Lessee at its sole expense. Lessee agrees that the Lessor may post appropriate notices of non-responsibility, and that such notices may remain posted on the land until the completion and acceptance of such work.

38. HOLDING OVER - Any holding over of the thirty-five year term herein created shall be a tenancy from month to month only, and shall be on the same terms and conditions herein specified, so far as applicable.

39. UTILITIES - Lessee shall be responsible for and agrees to pay promptly, as the same become due and payable, all charges for water, gas, electricity, heat and other services, furnished to or used by Lessee in, on or about the premises.

40. NON-WAIVER OF DEFAULTS - Lessor's failure to take advantage of any default or breach of covenant on the part of Lessee shall not be or be construed as a waiver thereof, nor shall any custom or practice which may grow up between the parties in the course of administering this instrument be construed to waive or to lessen the right of City to insist upon the performance by Lessee of any term, covenant or condition hereof, or to exercise any rights given him on account of any such default. A waiver of a particular breach or default shall not be deemed to be a waiver of the same or any other subsequent breach or default.

41. LESSOR AND LESSEE - The words "Lessor" and "Lessee" as used herein shall include a corporation and include the plural as well as the singular. Words used in masculine gender include the feminine and neuter. If there be more than one Lessee the obligations hereunder imposed upon Lessees shall be joint and several.

42. LAWS AND GOVERNMENTAL ORDERS - The Lessee shall abide by all laws and governmental orders or regulations and amendments thereto controlling or limiting in any way the Lessee's use of the demised premises during the term hereof.

43. SUCCESSORS AND ASSIGNS - Subject to the provisions hereof relating to assignment, this lease shall bind, and inure to the benefit of, the heirs, executors, administrators, successors and assigns of the parties hereto.

44. CHANGES OR MODIFICATIONS - This lease may be changed or modified by further agreement between the parties hereto.

45. TIME OF THE ESSENCE - Time is of the essence of this lease and of every part thereof.

IN WITNESS WHEREOF, the parties hereto have executed this lease
as of
in triplicate/this 5th day of March, 1963.

APPROVED:

Philip L. Ryan
Director of Property

LIBRARY COMMISSION
By Paul A. Marsh

RECREATION AND PARK COMMISSION

By Mary B. Connolly
Raymond S. Kemble

APPROVED AS TO FORM:
THOMAS M. O'CONNOR, City Attorney

By James J. Stark
Deputy City Attorney

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

By W. Christopher
Mayor

By Robert J. Dolan
Clerk of the Board of Supervisors

SHELL OIL COMPANY

By M. E. Clark
Manager, Land Department

STATE OF CALIFORNIA)
)
 CITY AND COUNTY OF SAN FRANCISCO) ss.

On the 22nd day of March 1963,

before me, MARTIN MONGAN, County Clerk of the City and County of San Francisco, and ex officio Clerk of the Superior Court of the State of California, in and for the City and County of San Francisco, personally appeared Geo. Christopher Mayor of the City and County of San Francisco, a municipal corporation, and Robert J. Dolan Clerk of the Board of Supervisors of the City and County of San Francisco, known to me to be the Mayor and the Clerk of the Board of Supervisors of the municipal corporation described in and who executed the within instrument and also known to me to be the persons who executed it on behalf of the municipal corporation therein named, and they and each of them acknowledged to me that such municipal corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal at my office in the City and County of San Francisco, State of California, the day and year in this certificate first above written.

MARTIN MONGAN, County Clerk.

By [Signature] Deputy

County Clerk of the City and County of San Francisco, State of California and ex officio Clerk of the Superior Court of the State of California, in and for the City and County of San Francisco.

LAM-1357 (Rev. 1-63)
Printed in U. S. A.

STATE OF CALIFORNIA

ss.

COUNTY OF LOS ANGELES

On this 5th day of March,
19 63, before me, Mildred M. Crawford,

a Notary Public in and for said County and State, residing therein, duly commissioned and sworn,
personally appeared D. E. CLARK, known to me to be the Manager, Land Department, Los
Angeles Office, of SHELL OIL COMPANY, the corporation described in and that executed the within
instrument, and also known to me to be the person who executed it on behalf of the corporation
therein named, and he acknowledged to me that such corporation executed the same.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my official seal,
at my office in said County and State, the day and year in this certificate first above written.

Mildred M. Crawford
Mildred M. Crawford
Name (Typed or Printed)
Notary Public in and for said
County and State

My Commission expires December 11, 1963

AMENDMENT TO
OIL AND GAS LEASE
(Kern County)

THIS AMENDMENT TO OIL AND GAS LEASE (this "Amendment") dated for reference purposes only as of MAY 24, 1994, is between the CITY AND COUNTY OF SAN FRANCISCO, a municipal corporation ("Lessor"), and SHELL WESTERN E&P INC., a corporation ("Lessee"), and is made with reference to the following facts and circumstances:

A. This Amendment amends that certain Oil and Gas Lease dated March 5, 1963 (the "Lease"), executed by City, as Lessor, and Shell Oil Company, a Delaware corporation, Lessee's predecessor-in-interest, as Lessee, under which Lessor leased to Lessee certain premises containing approximately 800 acres in Kern County, California, more particularly described in the Lease (the "Premises").

B. Lessee holds all right, title and interest of Lessee under the Lease.

C. The parties desire to extend the term of the Lease and to make other amendments to the Lease as set forth below.

ACCORDINGLY, in consideration of the mutual benefit to the parties and payment of valuable consideration to Lessor, the receipt and sufficiency of which are hereby acknowledged, Lessor the parties hereto mutually agree as follows:

1 Term. The expiration date of the Lease is hereby extended from March 31, 1998, to March 31, 2020.

2 Royalties. As of the first day of the first month preceding the Effective Date of this Amendment, the oil royalty specified in paragraph 1 of the Lease, the gas royalty specified in paragraph 2 of the Lease, and the casinghead gasoline royalty specified in paragraph 3 of the Lease shall each be increased from twelve and one-half percent (12.5%) to fifteen and one-half percent (15.5%); provided, however, that, in the event Lessee in any of its oil and gas extraction operations on the Premises uses a fuel other than oil or gas extracted from the Premises for steam generation, Lessee shall be entitled to deduct from the royalties payable to Lessor an amount equal to fifteen and one-half percent (15.5%) of the fair market value of the fuel from the Premises that Lessee chose not to use for steam generation; and provided further that in no event shall Lessee's total monthly deduction for the cost of substituted fuel as described in the preceding clause exceed the aggregate amount of royalties payable from Lessee to Lessor for such month under the Lease.

3 Lease Extension Payments. As payment of additional rent under the Lease, and as further consideration for the extension of the term of the Lease as described in Section 1 above, Lessee shall make two payments to Lessor, each in the amount of One Hundred Twenty Thousand Dollars (\$120,000), the first within ten (10) days of the Effective Date of this Amendment (as defined below), and the second within ten (10) days of the first anniversary of the Effective Date.

4 Hazardous Materials.

4.1 Definitions. As used herein, the following terms shall have the meanings set forth below:

(a) "Environmental Laws" shall mean any present or future federal, state, local or administrative law, rule, regulation, order or requirement relating to Hazardous Material (including, without limitation, its use, handling, transportation, production, disposal, discharge or storage), or to health and safety, industrial hygiene or the environment, including, without limitation, soil, air and groundwater conditions.

(b) "Hazardous Material" shall mean any material that, because of its quantity, concentration or physical or chemical characteristics, is at any time now or hereafter deemed by any Federal or State of California governmental authority to pose a present or potential hazard to human health, welfare or safety or to the environment, including, without limitation, any hazardous material, hazardous waste, hazardous or toxic substance, regulated substance, or related material, including without limitation, any such waste, material or substance designated or regulated pursuant to the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended (42 U.S.C. §9601, et seq.), the Hazardous Materials Transportation Act, as amended (49 U.S.C. §1801, et seq.), the Resource Conservation and Recovery Act, as amended (42 U.S.C. §9601, et seq.), the Toxic Substances Control Act, as amended (15 U.S.C. §2601, et seq.), the Solid Waste Disposal Act, as amended (42 U.S.C.A. §6901, et seq.), the California Hazardous Waste Control Law (Health & Safety Code §25000, et seq.), the Mulford-Carrell Air Resources Act (Health & Safety Code §39000, et seq.), and in the regulations adopted and publications promulgated pursuant thereto, as such laws or regulations now exist or may exist in the future.

(c) "Investigate and Remediate" shall mean the undertaking of any activities to determine the nature and extent of Hazardous Material that may be located in, on, under or about the Property or that has been, are being or threaten to be released into the environment, and to clean up, remove, contain,

treat, stabilize, monitor or otherwise control such Hazardous Material.

4.2 Compliance With Laws. Lessee covenants and agrees that during the term of the Lease Lessee shall at all times comply with all Environmental Laws respecting the Premises and Lessee's operations thereon.

4.3 Indemnity. If Lessee breaches its obligations contained in Section 4.2 above, then, without limiting Lessee's indemnity contained in paragraph 12 of the Lease, Lessee shall, on behalf of itself and its successors and assigns, indemnify, defend and hold harmless City, its employees, officers and agents and their respective heirs, legal representatives, successors and assigns, and each of them, from and against any and all liabilities, losses, costs, claims, judgments, settlements, damages, liens, fines, penalties and expenses, including, without limitation, direct and vicarious liability of every kind (including without limitation attorneys' fees, consultants' fees and experts' fees and costs) arising during or after the term of the Lease and relating to Lessee's failure to comply with Section 4.2 above. The foregoing indemnity includes, without limitation, costs incurred in connection with activities undertaken to Investigate and Remediate Hazardous Material, fines and penalties imposed by regulatory agencies. Lessee shall afford City a full opportunity to participate in any discussions with governmental regulatory agencies regarding any settlement agreement, cleanup or abatement agreement, consent decree, or other compromise or proceeding involving Hazardous Material.

5 Authority. Lessee has full power and authority (corporate or otherwise) to enter into this Amendment and to consummate the transactions contemplated by it, this Amendment has been duly authorized by all necessary action on the part of Lessee, and no other corporate or other action on the part of Lessee is necessary to authorize the execution and delivery of this Amendment.

6 Board of Supervisors' Approval. Notwithstanding anything to the contrary contained in this Amendment, Lessee acknowledges and agrees that no officer or employee of City has authority to commit City hereto unless and until a resolution of City's Board of Supervisors shall have been duly enacted approving this Amendment and authorizing the transactions contemplated hereby. Therefore, any obligations or liabilities of City hereunder are contingent upon enactment of such a resolution, and this Amendment shall be null and void if City's Mayor and Board of Supervisors, in their respective sole discretion, do not approve this Amendment, within sixty (60) days of the date of execution of this Amendment by both parties. Approval of this Amendment by any department, commission or agency of City shall not be

deemed to imply that such resolution will be enacted nor will any such approval create any binding obligations on City.

7 Effective Date. This Amendment shall become effective on the date upon which (i) City's Board of Supervisors and the Mayor enact a resolution approving this Amendment in accordance with all applicable laws and (ii) this Amendment is duly executed by the parties hereto.

8 Effect on Lease. Lessor and Lessee agree that the Lease, as amended hereby, is a valid and subsisting oil and gas lease and that the Lease is in full force and effect and shall remain in effect for so long as oil or gas is produced from the lands covered thereby in accordance with the terms of the Lease, as amended hereby.

9 Brokers. Neither party has had any contact or dealings regarding the subject matter hereof or any communication in connection therewith, through any licensed real estate broker or other person who could claim a right to a commission or finder's fee in connection with the lease contemplated herein. In the event that any other broker or finder perfects a claim for a commission or finder's fee based upon any such contact, dealings or communication, the party through whom the broker or finder makes his claim shall be responsible for such commission or fee and shall indemnify and hold harmless the other party from all claims, costs, and expenses (including, without limitation, reasonable attorneys' fees and disbursements) incurred by the indemnified party in defending against the same. The provisions of this Section shall survive any termination of this Amendment.

10 Taxes, Assessments, Licenses, Permit Fees and Liens.
(a) Lessee recognizes and understands that the Lease may create a possessory interest subject to property taxation and that Lessee may be subject to the payment of property taxes levied on such interest. (b) Lessee agrees to pay taxes of any kind, including possessory interest taxes, that may be lawfully assessed on the leasehold interest hereby created and to pay all other taxes, excises, licenses, permit charges and assessments based on Lessee's usage of the Premises that may be imposed upon Lessee by law, all of which shall be paid when the same become due and payable and before delinquency. (c) Lessee agrees not to allow or suffer a lien for any such taxes to be imposed upon the Premises or upon any equipment or property located thereon without promptly discharging the same, provided that Lessee, if so desiring, may have reasonable opportunity to contest the validity of the same.

11 Non-Liability of City Officials, Employees and Agents. No elective or appointive board, commission, member, officer, employee or other Agent of City shall be personally liable to Lessee, its successors and assigns, in the event of any default

or breach by Lessor or for any amount which may become due to Lessee, its successors and assigns, or for any obligation of City under this Amendment.

12 Non-Discrimination. Lessee shall not, in the operation and use of the Premises, discriminate against any person or group of persons solely because of race, color, creed, national origin, ancestry, age, sex, sexual orientation, disability or acquired immune deficiency syndrome (AIDS) or AIDS related condition (ARC). The provisions of Chapters 12B and 12C of the San Francisco Administrative Code, relating to nondiscrimination by parties contracting with the City and County of San Francisco, are incorporated herein by reference and made a part hereof as though fully set forth herein. Lessee agrees to comply with all of the provisions of such Chapters 12B and 12C that apply to tenants of the City and County of San Francisco.

13 MacBride Principles - Northern Ireland. The City and County of San Francisco urges companies doing business in Northern Ireland to move toward resolving employment inequities and encourages them to abide by the MacBride Principles as expressed in San Francisco Administrative Code Section 12F.1, et seq. The City and County of San Francisco also urges San Francisco companies to do business with corporations that abide by the MacBride Principles. Lessee acknowledges that it has read and understands the above statement of the City and County of San Francisco concerning doing business in Northern Ireland.

14 Tropical Hardwood Ban. The City and County of San Francisco urges companies not to import, purchase, obtain or use for any purpose, any tropical hardwood or tropical hardwood product.

15 General Provisions. (a) The section and other headings of this Amendment are for convenience of reference only and shall not affect the meaning or interpretation of any provision contained herein. (b) This Amendment may be executed in counterparts, each of which shall be deemed an original and all of which taken together shall constitute one and the same instrument. (c) This Amendment and the Lease contain the entire agreement between the parties and all prior written or oral negotiations, discussions, understandings and agreements are merged herein. (d) This Amendment shall be governed by California law and City's Charter. (e) If either party commences an action against the other or a dispute arises under this Amendment the prevailing party shall be entitled to recover from the other reasonable attorneys' fees and costs. For purposes hereof, reasonable attorneys' fees of City shall be based on the fees regularly charged by private attorneys in San Francisco with comparable experience. (f) Subject to the prohibition against assignments or other transfers by Lessee under the Lease, this Amendment shall be binding upon and inure to the benefit of the

parties and their respective heirs, representatives, successors and assigns.

Lessor and Lessee have executed and delivered this Amendment as of the date first written above.

LESSEE:

SHELL WESTERN E&P INC.,
a DELAWARE corporation

By: J.C. Boyd
J.C. Boyd
Attorney-in-Fact

LESSOR:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

Frank H. Jordan
FRANK JORDAN
Mayor

John L. Taylor
JOHN L. TAYLOR
for Clerk of the Board of Supervisors

RECOMMENDED:

Anthony J. Delucchi
ANTHONY J. DELUCCHI
Director of Property

Kenneth E. Dore
City Librarian
Pursuant to Library Commission Resolution No. 1660

General Manager
General Manager
Recreation and Park Department
Pursuant to Recreation and Park Resolution No. 16762

APPROVED AS TO FORM:
LOUISE H. RENNE, City Attorney

By *Sam Wayne*
Deputy City Attorney

1 [Real Property Lease Amendment]
2 AUTHORIZING EXECUTION OF AMENDMENT TO OIL AND GAS LEASE FOR 800 ACRES
3 IN KERN COUNTY.
4

5 Be It Ordered By the People of the City and County of San Francisco that:
6

7 SECTION 1. In accordance with the recommendation of the City Librarian, the Library
8 Commission, the General Manager of the Recreation and Park Department, the Recreation and Park
9 Commission, and the Director of Property, the Mayor and the Clerk of the Board of Supervisors on
10 behalf of the City, as Lessor, are hereby authorized to execute the Amendment to Oil and Gas Lease,
11 a copy of which is on file with the Clerk of the Board of Supervisors.

12 SECTION 2. That certain Oil and Gas Lease dated March 5, 1963, executed by City, as
13 Lessor, and Shell Oil Company, as Lessee, is hereby amended as follows:
14

- 15 a) The expiration date of the lease shall be extended from March 31, 1998 to March 31, 2020;
- 16 b) The royalty rate shall be increased from 12.5% to 15.5%;
- 17 c) As further consideration for extension of the term of the lease, Lessee shall make two payments
- 18 to City, each in the amount of \$120,000, the first payment within 10 days of the effective date of this
- 19

1 Amendment and the second payment within 10 days of the first anniversary of the effective date of
2 this Amendment.
3

4 RECOMMENDED:
5

6 Yvonne E. De
7 City Librarian

8 Pursuant to Library Commission Resolution No. 1660

9 [Signature] (cm)
10 General Manager, Recreation & Park Department

11 Pursuant to Recreation & Park Commission Resolution No. 16762
12
13 [Signature]
14 Director of Property

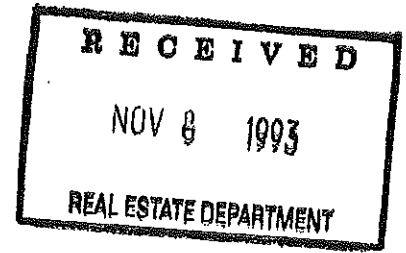
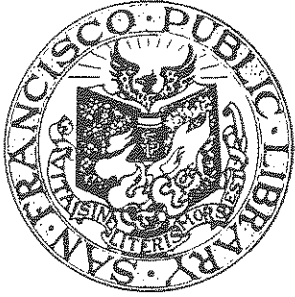
15 APPROVED AS TO FORM:
16 Louise H. Renne, City Attorney

17 By [Signature]
18 Larry Wayne
19 Deputy City Attorney

20 URB:VK/ml, LEB
21

22 (Real Estate)
23
24

25 BOARD OF SUPERVISORS
26
27



November 4, 1993

Mr. Anthony DeLucchi
Director of Property
Real Estate Department
25 Van Ness Avenue, Suite 400
San Francisco, CA 94102

Dear Mr. DeLucchi:

Please find enclosed Resolution #1660 authorizing the Real Estate Department to extend the lease for oil production with Shell Oil through the year 2020. This resolution was approved by the Public Library Commission at its regular meeting on November 2, 1993.

On behalf of the Library Commission, I extend sincere gratitude to you and Larry Ritter for your guidance throughout the many months and for bringing fruition to this lease.

Warm personal regards.

Sincerely,

A handwritten signature in cursive script that reads "Richard Walsh".

Richard Walsh
Business Manager

cc: K. Dowlin
L. Ritter

RESOLUTION # 1660

AUTHORIZING THE REAL ESTATE DEPARTMENT TO EXTEND THE LEASE FOR OIL PRODUCTION WITH SHELL OIL COMPANY THROUGH THE YEAR 2020.

WHEREAS, Shell Oil has requested from the City extension to the lease for oil production on 800 acres in Kern County through the year 2020; and

WHEREAS, Shell Oil has agreed to pay a lease extension bonus of \$240,000 in two installments: \$120,000 upon execution of the amended lease and \$120,000 on its first anniversary; and


WHEREAS, Shell Oil will increase the royalty rate from 12.5% to 15.5% under the terms of the lease extension; and

WHEREAS, Mineral Acquisition Partners, Inc., the City's consultant, has recommended that the offer made by Shell Oil be accepted by the City; now, therefore, be it

RESOLVED, That the San Francisco Public Library hereby requests the Real Estate Department to proceed with the Shell Oil lease extension through the year 2020; and be it

FURTHER RESOLVED, That the San Francisco Public Library Commission expresses deep gratitude to the Real Estate Department for its assistance in negotiations for this lease.

APPROVED: November 2, 1993



Richard Walsh
Business Manager

RECREATION AND PARK COMMISSION
City and County of San Francisco
RESOLUTION NO. 16762


FURHMAN BEQUEST
EXTENSION OF SHELL OIL LEASE

RESOLVED, That this Commission approves the extension of the Shell Oil Lease in Kern County for the production of oil to the year 2020.

Adopted by the following vote:

Ayes	<u>7</u>
Noes	<u>0</u>
Absent	<u>0</u>
Excused from voting	<u>0</u>

I hereby certify that the foregoing resolution was adopted by the Recreation and Park Commission at its Regular Meeting of November 18, 1993.


Shauna Marie Rose
Commission Secretary



8 November 2024

Government Audit & Oversight Committee

San Francisco Board of Supervisors

Submitted via email to Monique.Crayton@sfgov.org, dean.preston@sfgov.org, connie.chan@sfgov.org,
Catherine.Stefani@sfgov.org

Re: REJECT Settlement of Unlitigated Claims - Chevron U.S.A. Holdings Inc. and Chevron U.S.A. Inc. - Kern County Property

Dear Supervisors Preston, Chan and Stefani,

On behalf of Jobs with Justice San Francisco, a long term, multiracial alliance of 30 labor unions, worker centers and community organizations in San Francisco representing workers across many sectors committed to achieving livable wages and climate justice, **we respectfully urge you to reject the proposed settlement agreement that would transfer the City's property in Kern County to Chevron.**

This settlement is inconsistent with ordinance [#236-16](#) that prohibits the City from entering into or extending leases for the extraction of fossil fuel from City-owned land, and requires the Director of Property, the Department of the Environment and the San Francisco Public Utilities Commission to create a "Just Transition Plan" that evaluates "possible constructive future uses for such property, including renewable electricity generation, recreation, and habitat protection and restoration. The Just Transition Plan shall also assess adverse impacts to workers from the termination of the lease and identify mechanisms to minimize or eliminate those impacts, including potential job creation from the possible constructive future uses."

We urge the City to pioneer a true "Just Transition" initiative that aligns with San Francisco's climate values: a pilot program that would train workers to transition from oil field work to capping these wells and ensuring the land is responsibly remediated.

Transferring the land to Chevron puts community health, air quality and groundwater at risk
Idle wells are a significant environmental justice hazard, causing disproportionate risk to low income communities and communities of color living near the wells. One report estimates that $\frac{2}{3}$ of unplugged oil wells in California leak methane, a greenhouse gas that has 80 times the global warming potential as carbon dioxide in the short term. Methane exposure can cause lung disease, asthma attacks, increased incidence of preterm birth and other health issues. Idle wells can also

cause exposure to other air and groundwater pollutants including benzene, barium, chloride and arsenic.

The City benefited from oil production on this property for decades and has an obligation to ensure proper capping of these wells. Handing the land and wells over to Chevron—the company responsible for the greatest number of idle, uncapped wells across California, according to a [2023 report](#)—would undermine ordinance #236-16 and repeat patterns of environmental neglect.

Further, transferring this polluted property to Chevron is a stark contradiction to the City’s current laudable lawsuit against Chevron and other major oil companies, seeking to hold them accountable for their role in climate impacts on San Francisco. ([People of the State of California v. BP P.L.C. et al., San Francisco Superior Court Case No. CGC 17-561370](#))

San Francisco has the opportunity to pilot a precedent-setting worker-led oil well capping project

Jobs with Justice San Francisco has partnered with the United Steelworkers union for more than four years on groundbreaking programs to support oil and gas workers amidst industry shifts, including securing \$40 million for a statewide pilot project to provide safety nets to displaced oil and gas workers. With at least 35,000 idle wells across California that need capping, there is a significant opportunity to create good, union jobs in oil well capping for both local community members and oil field workers. United Steelworkers represents oil well drilling and capping workers in Kern County and across California, and is interested in exploring the possibility of running a pilot oil well capping training project on this land in partnership with the City. There are funding opportunities available for such projects, including from California’s High Road Training Partnership program, federal Infrastructure Investment and Jobs Act, and CalGEM’s well remediation fund.

Given the opportunity the City has to explore implementing an innovative worker-led oil well capping and remediation project as well as possible future renewable energy projects—and the potential environmental risks of transferring the City’s property in Kern County to Chevron—maintaining City ownership of the land is imperative to comply with ordinance #236-16. We urge you to reject the proposed settlement agreement with Chevron in order to consider other options that are consistent with the intent of City law.

Please feel free to contact Tracey Brieger (tracey@jwjsf.org) if you have any questions.

Sincerely,



Tracey Brieger
Deputy Director



November 20, 2024

Via Email

Government Audit & Oversight Committee
San Francisco Board of Supervisors
Attn: Monique Crayton
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco, CA 94102
Monique.crayton@sfgov.org

Re: REJECT Resolution 241013 – Settlement of Unlitigated Claims and Conveyance of Kern County Land to Chevron

Dear Supervisors Preston, Chan, and Stefani:

We write on behalf of the undersigned organizations to express our concerns with Resolution 241013 and the proposed settlement of unlitigated claims that would convey Kern County land to Chevron U.S.A. Holdings Inc. and Chevron U.S.A., Inc. (“Chevron”). Our organizations work with Kern County residents whose health and safety are directly impacted by oil and gas development, but who also advocate for a just transition that will not leave communities or workers behind. For the reasons detailed below, we respectfully ask the Board to reject Resolution 241013 and the settlement agreement to convey Kern County land to Chevron. Instead, we urge the City of San Francisco to take this opportunity to co-design a program with community and labor to advance a just transition in Kern County.

The Board must consider the public health and economic consequences of its decision, particularly on environmental justice communities. If this property is gifted to Chevron, the company will be permitted to continue the extraction and distribution of oil on this land, resulting in continued harm to nearby communities as well as workers¹. This is a textbook environmental justice issue, as low-income, Black, Latine, and Asian communities in California are more likely to live in areas with high densities of oil and gas wells. When, inevitably, it

¹ Oil and gas workers in Kern County have some of the lowest average life expectancies as compared to workers in other industries. See **Attachment A**, “Kern Strategic Workforce Development Report,” University of California Merced, Community and Labor Center (2024), p. 42.

becomes financially infeasible for Chevron to continue oil extraction, the agreement does not guarantee that the approximately 75 oil wells will be promptly and properly sealed and closed. If these wells instead remain idle or are improperly capped, they can become a pathway for hydrocarbons or other contaminants to migrate to the surface or into drinking water.

Approximately 4.2 percent of the Kern County workforce works directly in the oil and gas extraction sector and related industries. As California rightfully transitions from oil and gas, we must implement programs that will ensure that the loss of this industry does not put the livelihoods of Kern families at risk. Kern has already started to see oil companies making significant cuts to their local workforces and there are currently few alternative local industries that offer equivalent salaries and benefits. A 2024 report from the University of Merced Community and Labor Center describes the risk of job displacement for oil and gas workers in Kern in further detail, see **Attachment A**.

The City of San Francisco benefited from the extraction of oil in our communities and used these resources to invest in its libraries and parks. Today Kern residents risk losing funding for those same public resources as we transition from oil and gas. We urge this Board to remain involved to help solve an environmental injustice it benefited from. Rather than transferring this land to Chevron, we ask that the City instead take this opportunity to help pilot a much-needed just transition project to hire displaced oil and gas workers. The project could model just transition principles by prioritizing both the plugging of wells according to stringent environmental and health standards, but also high labor standards that offer sustainable wages and strong benefits. (See **Attachment B**). In doing so, we ask that you consider building from existing resources and partnerships—such as the High Road Training Partnership in Kern County—to develop a Just Transition Plan to help replace well-earning jobs while addressing (and not replicating) harms to public health, environmental justice communities, and the environment from decades of prioritizing fossil fuels over people.

This is consistent with the Planning Department’s Racial and Equity Action Plan, which directs staff to apply the Racial and Social Equity Assessment Tool to guide Department projects, policies and programs. (**Attachment C**). The Plan directs the Department to consider the racial and social equity impacts of their decisions; who will benefit from or be burdened by a decision; and whether there are strategies to mitigate the unintended consequences and/or advance racial and social equity outcomes. As discussed above, the impacts from oil and gas extraction fall inequitably on environmental justice communities and this Board must consider the impacts from this conveyance on Kern County environmental justice communities.

We ask this Board to reject this proposed settlement agreement consistent with its climate and justice values and instead develop a Just Transition Plan, as required by City Ordinance #236-16 that explores—in collaboration with labor unions, community members, vocational schools and

academic institutions, community-based organizations, and other relevant stakeholders— a pilot program for prompt and stringent oil well decommissioning on the property as well as new job opportunities for local displaced oil and gas workers.

We appreciate the Board’s consideration of our comments and hope to engage in meaningful dialogue about the development of a Just Transition Plan for this property. Please feel free to contact us at the addresses listed below if you would like to have further discussions. All attachments to this letter may be found at this link: <https://bit.ly/3CANKIA>.

Sincerely,

Juan Flores
Center on Race, Poverty and the Environment
jflores@crpe-ej.org

Diana Mireles
Comité Progreso de Lamont

Anabel Marquez
Committee for a Better Shafter

Estela Escoto
Community for a Better Arvin

Gloria Herrera
Delano Guardians

Nayamin Martinez
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Kobi Naseck
Voices in Solidarity Against Oil in Neighborhoods (VISIÓN)
kobi@vision-ca.org

Member, Board of Supervisors
District 5



City and County of San Francisco

DEAN PRESTON

DATE: November 21, 2024

TO: Angela Calvillo
Clerk of the Board of Supervisors

FROM: Supervisor Dean Preston, Chair, Government Audit and Oversight Committee

RE: Government Audit and Oversight Committee
COMMITTEE REPORT

Pursuant to Board Rule 4.20, as Chair of the Government Audit and Oversight Committee, I have deemed the following matters of an urgent nature and request it be considered by the full Board on Tuesday, December 10, 2024, as a Committee Report:

241013 [Settlement of Unlitigated Claims - Chevron U.S.A. Holdings Inc. and Chevron U.S.A. Inc. - Kern County Property]

These matters will be heard in the Government Audit and Oversight Committee at a regular meeting on Thursday, December 5, 2024 at 10:00 a.m.

A handwritten signature in blue ink, appearing to read "Dean Preston".