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CRC WI - California Resources Corporation Analyst & Investor Day 2014

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PRESENTATION

Scott Espenshade - *California Resources Corporation - IR VP*

Good morning, everyone. I'm Scott Espenshade, vice president of Investor Relations for California Resources Corporation. I would like to welcome all of you attending in person as well as those listening in on our webcast to CRC's first analysts and investor day.

We're all thrilled to be here today in New York City to discuss California Resources Corporation or CRC, its assets, and how it'd operate as an independent oil and gas company following the proposed spin from Occidental Petroleum.

Hopefully, you'll learn during the next few hours, we will showcase our shareholder value focus and I'll further re-enforce, we are operating in a world-class oil province.

As a reminder, today's presentation contains certain forward-looking statements within the meanings of the Federal Securities laws. These statements are subject to risk and uncertainties that may cause actual results to differ from those expressed or implied in these statements.

Additional information on factors that could cause results to differ is available in the recent company's Form 10. We would ask that you review it and the cautionary statement in today's presentation.

You'll also be able to access today's slides under the CRC link on the OXY website at www.oxy.com.

No later than the distribution of CRC's common stock, this and future CRC disclosures can be downloaded from our website at www.crc.com.

As for today's agenda, we'll begin the day with presentations by the following speakers. Bill Albrecht, executive chairman; Todd Stevens, president and chief executive officer; Shawn Kerns, executive vice president in Corporate Development; Bob Barnes, executive vice president of Northern



Operations; Frank Komin, executive vice president Southern Operations; Darren Williams, executive vice president of Exploration; Charlie Weiss, executive vice president in Public Affairs; and Mark Smith, senior executive vice president and chief financial officer.

There will be a 15-minute coffee break during the presentations which we expect to be about an hour and a half into the presentations or about 10.30. Today's presentations will be followed by buffet lunch at noon with the CRC management team.

We kindly ask you to hold all questions till the end of the final presentation. At that time, please wait for the microphones so your question is captured for the webcast.

Today's speakers will highlight for you the key components of CRC's strategic plan, our world-class resource base and a tremendous portfolio of lower risk as well as high-growth opportunities.

And now, I would like to welcome Bill Albrecht to the podium to discuss the rationale for the spin and the CRC's governance. Bill?

Bill Albrecht - *California Resources Corporation - Executive Chairman*

Thank you, Scott, and good morning, everyone. I'm Bill Albrecht and it's indeed a pleasure to welcome you to the first analyst day for the California Resources Corporation. Hopefully, at the end of our presentations today, you'll walk away as excited as we are about the future of CRC.

I'd like to begin the day by framing for you why Occidental is spinning off its California assets into a separate publicly traded company. This spinoff will create an industry-leading pure-play E&P company focused exclusively on California.

So why do the spin? Well, as most of you have followed OXY for sometime know, the two businesses which generate most of the free cash flow for OXY after capital are its California business and its Permian business.

Historically, most of this free cash was returned to the parent to fund -- growing the dividend as well as to fund long-term capital-intensive international projects mostly in the Middle East. Some fairly recent examples of this are the giant Mukhaizna steamflood in south-central Oman and the Al Hohn sour gas project in the Emirate of Abu Dhabi.

This resulted in an underinvestment in both the Permian and in California. The spinoff will enable OXY to continue its strategy of dividend growth and investing in the Permian at levels commensurate with its industry-leading position there.

Now once the spinoff occurs, cash flow generated from operations in California will remain in and be reinvested in California where we have a world-class underexploited resource base.

Comparatively speaking, the underinvestment read-through, if you will, for California has not been as clearly defined as in the Permian because the competitive landscape in California is much less intense than that of the Permian.

Hence, California Resources Corporation will be reinvesting substantially all its cash flow after debt service to grow its California business. This then will enable CRC's management team to focus on and accelerate the development and execution of its business in its core operating areas.

We also believe that our market recognition with the investment community as a pure-play California company will be enhanced because of our status as an industry-leader in California.

In terms of structure, OXY shareholders as of November 17, the record date for distribution will receive just north of 80% of CRC shares while retaining their OXY shares. OXY will retain less than 20% of CRC's common stock and will be either disposing of or distributing these retained shares within 18 months.

The ticker symbol on the NYSE for our stock will be CRC. Now the timeline at the bottom of this slide captures a few significant date leading up to the spinoff on December 1. Again, the record date for OXY shareholders to receive shares of CRC stock is November 17th.

And we at CRC believe that we are indeed ready for independence. OXY systems and processes have been cloned to allow us to operate independently, so we expect that there will be no business interruption.

Our organizational structure is in place and is substantially staffed and we have supplemented our existing California staff with several outstanding industry hires, some of whom you'll hear from today.

We're offering competitive compensation with a substantial equity component as well as an employee profit sharing plan that aligns all of our employees with our shareholders. I want to assure you that morale is high and there is a palpable excitement in our workforce as we launch our effort to focus on, execute and grow our business.

Our transition services agreement with OXY provides for advisory services both by OXY to CRC and by CRC to OXY should that be needed for a specified period of time.

I'm not going to read the list on the various functions which this agreement covers but it's a fairly all-inclusive list. We expect that the agreement will provide for these advisory services for up to 12 months with a possible extension of up to six months.

Fees for these services will be billed on a cost or cost-plus basis depending on the service that is provided. And because of the substantial work that has been done this year in preparation for the spinoff, we expect that the need for these transition services will be minimal.

We at CRC are also blessed to have had longstanding, deep relationships with well-established service providers including all four of the largest oil field service companies as well as globally known drilling and work over contractors.

And there are numerous ancillary and local service providers which currently support our operations in California. We expect that this high level of support from each of our service providers will continue.

I want to now share with you some perspectives regarding our board of directors and provide a little additional color for you on each of our independent directors. First, let me say that it is a privilege and an honor to serve with such in an illustrious group.

I firmly believe that we have assembled a board that is not only committed to increasing shareholder value but a board with individuals who have a track record of doing so. Each of these individuals brings something unique to furthering our objective of increasing shareholder value.

Our independent directors are listed alphabetically on the slide and I'd like to tell you a little bit more about them.

Justin Gannon is a former managing partner with Grant Thornton and audit partner with Arthur Andersen. Mr. Gannon brings more than 40 years of corporate audit experience in both the upstream and midstream sectors of the energy business and will obviously be the chair of our audit committee.

Ron Havner is the current chairman, president and CEO of Public Storage, Incorporated. Mr. Havner has an exemplary track record of growing a California-based business into a global enterprise.

Harold Korell, who many of you know, is the former Chairman and CEO of Southwestern Energy. Mr. Korell has more than 40 years of experience in the independent E&P sector and grew Southwestern into the multibillion dollar enterprise that it is today.

Richard Moncrief is the founding principal and current president and chairman of Moncrief Oil International, a Fort Worth-based privately held independent E&P company and one of the most successful privately held E&P companies in the United States.

Dick Poladian is currently the executive vice president of Lowe Enterprises and currently serves as a director of Occidental Petroleum. Mr. Poladian will be the only Occidental board member to also serve on our board.

And Robert Sinnott is currently the president, CEO and chief investment officer of Kayne Anderson Capital Advisors, L.P. Mr. Sinnott has a deep knowledge of energy finance in all sectors of the business with a successful track record of funding numerous start-ups and growing them into successful enterprises.

Again, we believe that we have assembled a board that has a proven track record of increasing shareholder value.

As mentioned previously, we'll initially have an eight-member board with six directors qualifying as independent directors. Many spinoff companies have classified boards. Our board will be a classified board until the 2018 annual shareholder meeting. And we'll have the requisite three committees nominating and corporate governance, audit and comp along with an HSE or health, safety and environmental committee.

And previously I shared with you a few transaction process dates. This calendar shows a few more highlighted dates.

After today's analyst day, when issued trading will begin on November 13. CRC will be presenting at the BofA Merrill Lynch Energy Conference in Miami on November 14. And the record date again for owners of Oxy shares to receive shares of CRC is November 17 with a formal distribution date being November 30. Regular way trading will begin on December 1, the day that we'll ring the opening bell on the NYSE.

And before I turn it over to Todd, I'd like to read to you our vision statement which is to be the premier company providing Californians with long-term ample, affordable and reliable energy exclusively from California resources. In other words, we firmly believe our mantra on providing energy for California by Californians.

I want to thank you again for your interest and your attendance at our first-ever analyst day, and I will now turn the presentation over to our president and chief executive officer, Todd Stevens. Thank you.

Todd Stevens - *California Resources Corporation - President, CEO*

Thanks, Bill. Again, our mission is to provide affordable energy in a safe and environmentally responsible way for California by Californians.

Before I get into the slide about the key highlights, I want to focus on a few things that I think should resonate with you. We've built a diversified oil and gas business, in a highly underexploited and underexplored world-class oil and gas province that has over 40 billion barrels of oil in place and has the ability to create value and grow throughout the commodity price cycle.

As a management team and with our employees, we're focused on creating value in this underexploited resource base through the application of modern technology and proprietary sub-surface models.

Our focus capital allocation and value creation strategy will drive double-digit crude oil production growth while living within our means.

As you can see here, we have a world-class resource base. Most people don't think of California that way but it has produced over 35 billion barrels of oil since 1876. As I said before, our properties have over 40 billion barrels of oil in place.

It's a huge amount of stacked pay and again, I like to think of it as -- in our Occidental heritage, the Permian with tectonics, huge amount of stacked pay but with tectonics and Mother Nature providing some natural fracturing and faulting and folding as you go forward.

Something that's interesting also is the nature of ownership in California over time has created a dichotomy here where I call it the land that time forgot and that means from an oil production field technology perspective.



Because the assets have been so concentrated over time in a few hands and the nature of these hands being primarily super majors that over time exited the state in a variety of manners, sometimes the surface acreage was worth more if it was by the beach. In some cases, they sold assets and sold them to people who were just managing them for cash flow and weren't looking to invest and create value over the longer term.

In some cases, these people who decided to stay in the state as super majors retrench to their assets in Kern County and chose because of their worldwide portfolios to invest in primarily steamfloods. And in today's environment, obviously, steamflood economics are very strong.

The one thing that we've done is we've built this portfolio, and we'll talk about it today is we have a portfolio of over 130 different fields in California. 270 total fields that are currently producing in the state almost half, and in these fields, we have operating control.

To give you an idea -- with the exception of one field, we operate every one of these fields in California. This gives us a lot of flexibility from an operational and financial perspective to manage through cycles whether it be a commodity cycles or issues with the regulatory environment which you'll hear Charlie Weiss talk about later today.

And to give you another idea, that one field we don't operate, it's owned by an individual who relies on us to help him manage the field from a technological standpoint.

Today' you will hear from a lot of people in management. This management team has been built from Occidental but as we look to build our management team and be successful at CRC, we stepped outside the company externally to fill gaps and the holes that felt like we had as we look to become a public company.

You're going to hear from some of them today. You already heard from Scott on the I.R. side. You'll hear from Mark Smith, our CFO, you'll hear from Darren Williams, our EVP of Exploration, and Margita Thompson, our VP of P.R. is also here. And we have also complemented our team on -- our leadership team from other outside sources as well.

One thing we'll tell you that's going to be different, and as we talk about California and our growth, is we're going to be self-funding, and we'll get into this here in a second.

But what's really going to change from Occidental to CRC? First thing that is going to change is really in capital allocation. I talked about this on one of the high points there at the front. Capital allocation historically at Occidental as Bill referred to was done primarily for cash flow purposes to fund huge, large, multiyear, multibillion dollar projects worldwide mostly in the MENA region, however.

Going forward, we're going to look at things not a year-to-year cash flow basis, we're going to be focusing on life of field, life of project economics. And our primary hurdle to enable capital funding for anyone of these life of field projects is going to be what we call our value-creation index.

And some of you might think of it as DPI, discounted profitability index, PVI, present value index, but again, for the Mathematics majors, it's a net present value at 10% over the undiscounted investment. And we will look to have a 1.3 metric to be considered for capital allocation.

So we will be looking at life of field economics. And this is a change for how we do things at Occidental and now, CRC, and we will be high-grading our portfolio based on this metric, our value creation index.

And in this way, when we look to allocate capital, we can assure ourselves over the long term, we will create value. We're not going to chase growth for growth's sake. We're going to chase value creating growth and look to create real value for shareholders over the long term.

The second important thing I talked about was technology. Again, California is the land that time forgot, and in a lot of cases, this is because of the nature of the assets being held. I'll talk about it in a second.

But to give you a little bit of scale, in California, there are 320 operators in the entire state. In Texas, there are 4,700 operators. Oklahoma, 4,900 operators. Even in Kansas, there are 2,000 operators. So the operations are very tightly controlled in only a few hands and they have been that way for some time.

And in this way, what happened in California is the assets have been underexploited, simply put. In Kern County, you can look at what Chevron and the likes have done in Kern River but that's been really what the story of California has done with the exception of CRC. There's been a big focus on steamfloods because steamflood economics are so strong.

We're going to look to bring modern technology, not necessarily new technology, things that have been done in other basins to the state. And that started with 3D. We've been shooting 3D. It's very important in our state if we look at a state that is an active margin basin, it's tectonically active to shoot 3D in the -- in the state and process that over time. But as you do this, it is a long lead time process.

We currently have about 90% in the state and you'll hear in our presentations today about some basins that have never had 3D shot or we shot the very first 3D in those basins.

The other thing that's really going to change from Occidental to CRC is how we work in the communities we live and work in and how we engage with regulators and politicians.

Historically, Occidental was a multinational company and in a multinational company, you could choose to invest its dollars elsewhere whenever it ran into a stumbling block in California.

Clearly, that's not the case here. We're taking a different approach. Charlie Weiss will talk a little bit more about this. But the reality is we're being much more proactive on the state level, in the community level and engaging with people like the -- that were not our allies traditionally. People who wouldn't think of us as allies. We'll talk about water. In California, there's no more important issue than the drought. CRC is a net producer of water for agriculture in the state. Last year, we sent to agriculture 135 million gallons. This is the big issue in the state. This is produced water. But again, we've never reached out and worked with agriculture. We're doing that going forward.

We're working with like-minded individuals in the state who have similar and common goals about working people in the state. Organized labor has started to work with us, nonprofits, public service unions.

In the State of California, we actually produced \$600 million that went to the state, \$300 million in taxes and about \$300 million in profit sharing through our relationship with the state and the City of Long Beach down in Wilmington.

So this is how we are going to proceed going forward, engaging with the communities we live and work in.

Just a little backdrop to California and just to give you an idea and setup what we're going to talk about. The four major producing basins in California, I alluded to it earlier, have produced about 35 billion barrels of oil equivalent.

And as you work your way down the basin, you can see obviously the San Joaquin basin jumps out at you in a big way. And a lot of people don't realize but Kern County, I believe, is still the largest oil-producing county in the entire United States.

You talk about what's going on everywhere in the country but people don't think about Kern County, you know, where Bakersfield, where our Northern operations is centered, it's still the largest oil-producing county in the United States.

And most people don't understand the history of what's going on but Pico Canyon No. 4 was drilled by Charles Mentry in 1876, about 30 miles north of Los Angeles. It was drilled around a bunch of oilseeds which is typical of what geologists did historically there in the state. And it was the first commercial oil well west of the Rocky Mountains.



And this well went on to produce until 1992 and what went on after that is Charles Mentry sold out to a Whale oiling company in San Francisco and that Whale oiling company later will become Standard Oil of California. In the -- so what we have in California -- in Southern California is the start of what is now Chevron.

Currently in the state, we're pursuing about 50 different active plays. We're very excited about all the opportunities within the state, and you will see the different portfolio of assets we have here.

What I'd like to focus on this slide is really on the right-hand side gives you an idea. We've talked about the four major basins. This gives you a little bit of scale on each one of those basins.

You saw from a production standpoint what has been contributed in each one of those basins. But this one gives you an idea from reserves, production, 3P reserves and acreage, but you'll see again, San Joaquin jumps out at you. It's about 70% of what's going on. It's a big part of it. It's a big part of what goes on in the state, a big part of the economy.

On the left-hand side, I really want to focus on a few things. Our 2.3 net million acres, 60% of that is in -- held in fee and a lot of that is held in simple -- fee simple where we own the surface. This gives us a lot of operational flexibility and financial flexibility, having no royalty on a lot of our minerals, and also from a timing perspective.

The other thing I'll focus on this page is our reserves, our 744 million barrels of proved equivalent reserves at yearend 2013. Again, that was done using the SEC five-year PUD rule and R to P is about 13. So if you imagine, there are some reserves in the probable category that should be there -- that are truly PUDs.

So if you really rolled it out, we would be actually closer to almost a billion barrels of proved reserves if you took away the five-year PUD rule.

This gives you a landscape of California. Again, I talked about how concentrated it is, but when you look at this, you'll really see how concentrated it is.

Upper left-hand corner, this is a gross operators in the state. Again, the big three, ourselves, Chevron and Aera. And those who are not familiar with Aera, that's an Exxon and Shell joint venture. Shell has slightly more working interest there, about 51%, and Exxon has about 49%. It's Heritage Mobil.

But those three operations are about 76% of the production in the state. If you take all five of the people on the slide, that's about 85% of the production in the state. If you were to go into other parts of the country, I don't think you can find anywhere with that kind of level of concentration.

But also to give you an idea of the mineral acreage in the state and how it's controlled, about 90% of the mineral acreage is controlled by the three on the left-hand side of that -- of that graph.

To give you an idea, again, re-enforcing what I talked about earlier, the bottom left-hand corner shows what's going on with the big three producers in the state. CRC has been growing its production over time and Aera and Chevron have been declining about 7% to 8% per year.

And this has been done knowingly. They invest in steamfloods. It's very strong economics. They have enormous worldwide portfolio but they choose not to do much else in the realm of that whole portfolio.

On the right-hand, it gives you an idea, those are the top 25 of the 320 operators in the state, and I don't know anywhere else where you have this kind of world-class oil and gas province where the number 25 operator has 1,000 barrels a day. And again, it gets real quickly into the mom and pop-type operators as you go down this list.

How is this position built in California? Occidental has a rich history in California and going back to City Service and some of the other prior legacy companies, but what really changed for CRC and Occidental was the acquisition of Elk Hills in 1998.



But what I would argue as one of the more important acquisitions as we went forward is Thums, and Thums was purchased in 2000. And why is that, because it was outside the traditional oil and gas producing area of Kern County. It was in the Long Beach Harbor.

It was a partnership with the State of California, the City of Long Beach and the Port of Long Beach. And it was something that opened our eyes to the opportunity set that existed outside of Kern County in California in this huge oil and gas producing state.

And from that point forward, we started to understand how to do business better in different parts of the state and engage on a level that enabled us to be successful and truly understand the opportunity set in the subsurface in California.

And it opened our eyes really to the LA basin which is one of the most oil-rich provinces in the world. Darren might argue and tell you, it is better than some places he's seen anywhere else in the world.

And as you can see, as this was built through acquisitions and the drill bit over time including an acquisition we closed earlier this week, this is something that's very exciting to us and we built this and we've talked about this. Even four and a half years ago in the same room, we had a 1.3 net million acres.

So we continue to build this position, acquiring interests from large individuals or insurance companies or in some cases, in just simple individuals, farmers, mineral interests. And that's where we ended up today with our current minerals and producing position.

If you look at our leasehold, and we have a modest amount of leasehold, this breaks it down by basin, there are a few things to remember. California again is a very tightly controlled environment.

Our average leasehold costs in the states are \$50 an acre. So when you think about it from that perspective, obviously, it's much different than the competitive environment you see elsewhere. And a lot of this has to do with a lot of the minerals that are very tightly controlled by a few anyway. So from a large company, it's very difficult to come in and get scale in the state on a leasehold or otherwise position.

Our lease expirations, you'll get an idea, in 2015, 2016, we could drill eight wells and hold all of our current leasehold acreage.

The next two slides I'd really like to break down our asset base, and we can talk about it first geographically in the state. And this gives you a breakdown from a reserves standpoint to give you scale on the reserves and locations and the present value in each one of our major producing basins.

I'll start in the Northern part of the state, the Sacramento basin. Sacramento basin is a prolific dry gas producing province. It has produced an enormous amount of natural gas. For CRC, it's a gas optionality for us. It is an area where we currently produce but we don't invest a lot of money. We maybe drill a well once every two years, but we're continually doing workovers in this price environment.

If we wanted to go chase growth for growth's sake, we could send a rig up there and do cost of capital-type returns, but we're not -- we're working to create real value over the long term.

As we look at our portfolio, if gas prices materially change up to the \$5 or higher level. This is an area where we can deploy capital quickly. And from an operational control standpoint, engage and start drilling gas wells if the price environment changed.

And remember in California, we do already get a premium to NYMEX because 90% of the natural gas is imported into the state.

As you move a little further south, again, San Joaquin basin, it is an area that is highly prolific, has every type of opportunity set you might see, everything from dry gas to heavy oil. The majority of our operations, the majority of the state's production is in this area.



Multiple -- multiple multibillion barrel oil fields in this area, we are in Elk Hills which is our flagship asset in this area, you'll hear Bob talk a little more about that later on, but this is an area of growth for us also in the steamfloods. Our Kern Front and Lost Hills properties are in this area, in addition to many other properties.

Go down a little bit more, the Ventura basin, the Ventura basin, when we talk about the land that time forgot, it's an agricultural basin similar to the San Joaquin Valley, but what has gone on there, the majors really left that area in the 1960s or even before that.

So to give you an idea, we talked about the land the time forgot, we shot the very first 3D in the basin just last year. This is an area that has a lot of potential. And if you're familiar geographically in the state, that starts at the Oxnard, the Ventura area and goes inland to about Santa Clarita.

You move down from there to the L.A. basin, again, one of the most oil-rich basins in the world, a lot of fields were paved over for surface development over the years, has our prolific Wilmington asset, enormous field, third largest field ever discovered in the lower 48, a waterflood for us that we think has a lot of life left. Frank will be talking about that here in a little bit. Very exciting for us.

And it also includes our Huntington Beach field which we purchased in 2011, hasn't had a lot of activity on it and we're implementing a waterflood, it is an analog to Wilmington and that's what makes us so excited about it.

Now, let's look at the assets really on the next page when we look at drive mechanisms, and this is what makes CRC really unique, is we have a business that has a diversified portfolio of assets underneath it.

We talked about the 130 fields, but it's a whole bunch of different drive mechanisms. When you think about it, when we were here four and a half years ago, I was here, we were talking about one part of this chart way on the right-hand side, and not highlighting anything more for you other than the shale opportunities in the state.

So as you can see, it's a portfolio, and it's always been a portfolio of assets that has to compete for capital within whether it be Occidental or CRC. But as you can see, waterfloods are our biggest component at this point in time. Steamfloods are growing at 30% per year for us.

Again, the economics for steamfloods are very strong generally if oil to natural gas prices are more than five to one steamflood economics as a rule of thumb work fairly well. So you can imagine in this environment, where it's more than 20 to one, it's making a lot of money and that's why you see the super majors like Chevron and Aera investing very heavily along with ourselves in the state.

If you look on the right-hand side in our shales, it gives a broader range of returns. When we think about returns, that's simply because California again, it's very broken up from a fold and faulted standpoint. Mother Nature has done a lot of natural fracturing.

It is -- it can be different section to section. And as we have looked and unlocked different parts of the shale opportunity set, really in only the upper Monterey that's where we focused our efforts.

We've drilled and exploited that opportunity but that continues to work and we continue to really drive -- try to drive down costs. And you'll hear more about that later where we look to drive down costs and experiment in areas especially at CRC outside of our current producing areas.

On the far left, you may not think about it this way, but there's enormous opportunity set in California simply on conventional side. And this goes back to primary production. We have a great example on that in Pleito Ranch. It was a field in the San Joaquin Valley that people gave up on long ago.

We went in, started producing a few 100 barrels a day, and you can go out in the DOGGR website and see that producing now 1,000s of barrels a day for us as we continue to expand the aerial extent of the field and we look to expand it vertically also.

One thing I will point out in this chart is you look at the percent oil of our unconventional opportunities. And we talked about this four and a half years ago being 50%, 60% of the IP, and it still is 50%, 60% of the IP.



But as the wells pressure down, the gas comes out and it becomes gassier and gassier. This is the oil percentage when you're talking about PDP reserves producing assets. Shawn will talk a lot more about that unconventional and I will too before we get into this later.

Really going forward, we're talking about bringing modern technology and really know-how to California to grow. You've heard us talk about it in our Form 10 and on our conference call. We look for in the short term here 6% to 9% growth, longer term double-digit growth, but more importantly as I talked about upfront, double-digit growth on crude oil because that's really creating value.

Year-over-year, we grew 12% on crude oil. We look to grow over the next three years 12% to 15% on crude oil production growth even in this more difficult macroeconomic environment as prices have come down.

And this is really our focus on creating value for shareholders, not growth for growth's sake. We're going to live within our means and be a prudent steward of capital but we're going to do it in a way that creates value even in a lower price environment.

Now, for the few of you I know who were here four and a half years ago, this might be a little *deja vu* because a lot of these are very similar things. But what I will tell you is it's actually a very positive story and there are a lot of factors that lead to this -- to this conclusion.

Really what's happened since then, we've really focused on the upper Monterey. We've had a 50% increase in production from the upper Monterey since that time and we've become, I'll argue to say, masters of the upper Monterey in California.

But we haven't stepped out and really for a lot of reasons Bill outlined, the overall capital allocation strategy within Occidental really didn't change. It was very cash flow-focused. We didn't step out and look at doing things in the lower Monterey where there's been less than 25 wells even drilled and completed and tested. So to argue that it's condemned or argue that it's wonderful is very difficult at this point in time to do so.

The Kreyenhagen is something personally I'm very excited about. It's something that we are looking to test in a very short term. Moreno also, and again, we can talk about through this chart but you'll see this has a very compelling value proposition for CRC going forward.

Shawn will highlight this in some fashion and also Bob will talk about something that's called Kettleman North Dome which is an analog to our Elk Hills field and has all this type of potential associated with it.

This really demonstrates the power of our business, and it is a business, we don't have just a few oil and gas leases and sell oil or natural gas. We have a diversified business. And it doesn't just include upstream assets like we've talked about. It also includes midstream assets that are truly complementary and enhance the underlying value of our upstream assets.

Over the years, we've invested or purchased assets that enhance the value that it's not a fee business, our midstream assets, they're really there to enhance the underlying value. We'll talk a little bit more about it later but it's a power plant, it's processing plant, it's pipelines, those type of things.

And so if you look at the upper left-hand corner in the current environment we're in with oil prices relatively high and gas prices lower, this obviously drives you to steamfloods. What we're doing are -- they're going 30% per year. What Chevron, Aera and anyone else who has steamflood properties, they're turning natural gas into steam and changing the viscosity of the heavy oil in the ground.

In California, refineries are built to handle heavy oil. Very much high grading opportunities on the waterflood and even our unconventional opportunities. And the one thing I will talk about which makes it unique is electricity prices really don't go down in California but natural gas prices do.

And we will send more of our gas into our power plant at Elk Hills and sell the electricity into the grid. Only about 20% of our electricity at the Elk Hills power plant is used to power Elk Hills' operations, the other 80% is sold into the grid.

If we got into an environment like the upper right-hand corner where we have high oil and high gas prices, natural gas prices, this is something that you might think -- everyone would think is great but we have to monitor that from a steamflood perspective.



It is our critical cost. As you saw, year-over-year in our third quarterly results, our production cost rose slightly and that's really driven by natural gas prices. It's an important component of what we do on the steamflood side. In this -- in this case, we were high grade, our opportunity set on the value creation index and move forward.

And the real power in the portfolio is in the bottom left and the bottom right-hand corner. Bottom left, in a low oil and low natural gas price environment, again, steamfloods are a margin business. It isn't a typical oil and gas proposition. You're going to monitor that down to a very low oil and natural gas price environment.

Steam was still being injected in 1998, 1999 in Midway-Sunset and Kern River when oil prices were down in the low double digits. And this is something that you will manage in that environment.

In our -- in our -- just in oil project basis, about \$25 a barrel is our cash cost, on our natural gas projects, about \$2, blended basis, about \$20. So this gives you an idea of the leverage in our portfolio if prices were to moderate even more or go down to a much lower level as we've seen historically.

In the bottom right-hand corner, I alluded to this earlier, if gas prices materially moved higher and oil prices lower akin to what we've seen in the past where steamfloods are no longer economic, we could shift our investment into the Sacramento basin and actually within five years, shift our entire portfolio to being majority natural gas.

So this again goes back, I talked about the Sacramento basin having gas optionality in a huge amount of locations, this is something that we can do and manage with throughout the cycle.

To give you an idea about our margins right now, we're about 62-1/2% crude oil and margins are around \$50. We're moving -- as we move to more crude oil as we look to invest in more crude oil, we're obviously moving the chart to the left, the thing that's compelling here too is obviously our recycle ratio of around 2.4.

We talked about our infrastructure, our infrastructure, again, is not meant to be invested in from a fee business standpoint. It's integral to what we do. It very much compliments us. When we had our discovery in 2009 adjacent to our Elk Hills operation within our Elk Hills operations, if we didn't have the infrastructure, it would have been impossible to take advantage of that opportunity so quickly. And again, these are wells that came on producing 1,000 barrels of condensate and 24, 25 million a day of gas.

And this gives you an idea of how the kind of things we've done in California, natural gas LDCs and the Northern California's PG&E and Southern California's Southern California Edison, we've built the one pipeline that ties the two together and we can sell our gas into whichever market makes the most sense for us.

And this is -- this is small, a microcosm of what we've done on the facilities side, built a state-of-the-art cryogenic gas plant at Elk Hills, built a power plant at Elk Hills. The power plant that 80% of its excess power powers about 0.5 million homes in California.

Again, everything we do, we're looking to create value and enhance the value of our underlying assets, take advantage as we move forward and look to exploit and explore in California and really be successful. And having those assets makes a lot of sense for us to enable to quickly exploit them.

We operate in a lot of sensitive environments, in Kern County and the San Joaquin basin where we are amidst agriculture in most cases and sometimes habitats whether it'd be for Tule Elk or Wind Wolves or other things.

So we -- we're very cognizant no matter where we operate but what I thought I'd show you here is where we operate in sensitive environments on the coast. Because when a lot of people think of California, they think of the beach. They don't think of what Kern County looks like which I would argue is a little bit Oklahoma or West Texas with mountains. So it's a lot different than what people envision when they think of California which is more like the pictures here.



Upper left-hand corner here is actually Island Grissom. It's a manmade island used to produce our Thums operation in Long Beach. And it's one of the four manmade islands. And as you can see, we co-exist right there in Long Beach Harbor.

Bottom left-hand corner is an aerial view of our Huntington Beach field. Our operations are there right along the strip along PCH. And you can see homes right adjacent to it. And if you were to step out from that picture, you would see Platform Emmy which is in the bottom right-hand corner. It's about 1.3 miles off the shore of Huntington Beach. It's our only platform that we have within the CRC portfolio.

And I think the thing here to really realize is we have experience operating in these environments. And if you were to pin down, you know, even state regulators, I think you would -- you would hear that we're the operator of choice in this type of environments.

We know how to handle this. We operate in safe and environmentally responsible manner whether it be in Kern County, in an almond orchard, or here on the beach in Huntington Beach Surf City USA.

Why do we get such great margins here in California? And Mark will talk a little bit more about this later. It's because California has a structural energy deficit. I talked about it before. 90% of the natural gas is imported into the state. 62% of the oil is imported into the state.

To give you a little bit of idea where that comes from, about 12% from Alaska, a little over 50% from foreign sources. And a lot of them, Saudi, Iraq, Ecuador or different ones like that.

And what happen is when you import crude, and as you know, we're looking to -- a lot of people are looking to bring in rail crude or even barge crude, but if you talk to folks in -- I can't respect anyone more than the job that Greg Armstrong and Harry have done over at PAA, it's going to take you \$12 to \$15 a barrel to bring in rail crude into California.

So it's not a cheap proposition. You have to be very price-disadvantaged elsewhere to WTI, somewhere like Western Canada to maybe the Niobrara before you look at bringing crude into California.

But if you go back to our chart of what's happening with Aera and Chevron you can now see, we really do need those barrels over time to supply the crude oil here in California that's needed to power the economy and to power everyone's cars.

But what's most important about this, and I think everyone in all levels of government recognizes this, maybe not in the municipal level in some cases but clearly at the state level, is this business in this industry really powers California more than just from a standpoint of the actual energy but it creates jobs, good-paying jobs in an environment where there aren't that many good-paying jobs, pays taxes and it's an industry that actually pays taxes as opposed to some other industries. And it provides revenues to the state and all the effects that go with that with -- throughout the supply chain of all of our different businesses. It's -- it really is a value proposition for the state.

We have the management team here and this is a little backdrop on a lot of the folks here today, but what I -- I talked about earlier filling in the gaps. And I think you see we built a world-class management team. Bill referred to our board and I think we really have a world-class board and we're very excited about everything we have at CRC.

I can't emphasize enough the excitement level of the employees as we look to the spinoff from Occidental given the opportunity set we have going forward. And really, as the CEO of the company, really proud to be here today and talk to you about it, and really help you understand California a little better.

It is an area that is -- doesn't have any comparable or look through companies but we want to be able to have you go away from today understanding what California really is, what are the -- what's the true opportunity set and how do you do business in the state.

Yes, it is a stringent regulatory environment but it's misunderstood, it's a lot about planning and timing as opposed to road blocks. People in the state are fairly commercial whether it be the governor or the lieutenant governor. But there are people who are good at social media who want to have our industry go away also and that's not just in California, that's all over the country.



So again, I'll bring you back to the high points and the highlights of CRC anyway, before we get into it talking about the assets in some more detail.

We're a world-class resource base. We built this business over the last 18 years, it really is something that is wonderful and the opportunity set is unparalleled. I don't think you'll see anything like this that has the portfolio of assets from unconventional to dry gas and everything in between, steamfloods and the like.

And we're going to be very focused going forward on shareholder value and our value creation index. And there's no surprise that if you look at Southwestern or what Harold Korell did with PVI, for those of you who are familiar with that, I've known Harold for almost 30 years, I was very pleased to see him come on our board and I admire what he did at Southwestern and I really think it's a way to create real value long term for our shareholders.

I want turn it over to Shawn who is going to talk about some of our growth potential.

Shawn Kerns - California Resources Corporation - EVP - Corporate Development

Thank you, Todd. Good morning, everybody. Today, I'd like to talk to you briefly about the history of oil and gas development in California and really talk to you about why we have the tremendous asset base that we have here today.

And then I'm going to walk you through our recovery value chain, and this is where we're taking primary producing fields at low recovery factors and moving them through our process of secondary or waterflooding to tertiary or enhanced oil recovery techniques often at higher recovery factors.

And then I want to share with you some examples of some ongoing projects throughout our asset base to give you a better feel of what these projects look like in California.

So as Todd mentioned, California is a world-class petroleum province. Oil has been producing here for over 100 years. And if you look back at the history, from the 1900s to the 1930s, major world-class fields were discovered in all the basins in California. These basins are Los Angeles, Ventura, San Joaquin and Sacramento. We have operations in all four of those key basins.

You look at the exploration activity, and it continued from 1930s through the 1960s kind of tailing off as most of the major discoveries have been made. Around that same time in the '60s and '70s, you saw the advent of steamflood technology which tended to drive people's focus to the shallower oil reservoirs throughout the State.

Then in the '80s, as the oil price collapsed and most of the major investments started leaving California, many of these fields were left undeveloped and underinvested in and that's part of the position that we have here today.

Now, we've been in the state since 1950 and as Todd mentioned, had a major step up in our asset position with the acquisitions of Elk Hills and Wilmington field. We've been through that time exploring, finding new properties, redeveloping new fields and acquiring adjacent bolt-on positions that leave us with this asset base that we have here today.

This next slide on 31 just shows a timeline of the technology used throughout California. And as you can see as I've talked about many of these fields being left undeveloped, it's really since the mid-1990s that you've see the advancement of what we would call modern technology or new technological advances that weren't applied to these existing old fields that are left undeveloped.

What we've been working on since the mid-'90s and since we've been working on our asset position here is really implementing deep drilling techniques and becoming more efficient at it. This is using directional drilling and other -- other techniques to be able to target the reservoirs that we're looking at that contained a lot of times bypassed pay.

We've also been working on our capital cost efficiency and we've been able to reduce our well cost by 30% just over the last few years alone.

Another major advantage that we have in California with our broad position across the state is really our proprietary library of information on these California fields. And this really helps us identify additional targets to be able to go back and redevelop some of these properties.

We've been successful at developing and testing several stimulation and completion techniques although you would consider maybe many of these basic by today's technology standard. But we are looking at other shale plays around the country for any new technology to apply here in California.

We have production in 130 fields throughout California, nearly half of the active producing fields here today. We have deep California knowledge and we operate both conventional and unconventional reservoirs.

We've been growing our conventional plays with field redevelopments of known resources and we've been increasing the recoveries through this recovery value chain moving our properties from primary to secondary to higher recovery tertiary types.

At the same time, we've been building our unconventional success. We've been leveraging our lessons learned from the fields that we've been operating namely Elk Hills where we have good production from the shales and we're starting to accelerate the timing of those to develop these properties in new fields throughout California.

In addition to our production that we have in our existing fields, as Todd mentioned, we also have 2.3 million acres, 60% of which we hold in fee that's prospective for additional potential.

On slide 32 there at the bottom right-hand, you see the fields listed here by basin and the tremendous potential that we have with 40 billion barrels in place at only a 22% recovery factor.

Now, when I think about reservoir types throughout California, the figure on the left just shows an illustration of the stacked pay nature that we have and we see throughout all these basins in California.

Many times, this is several 1,000 feet thick and you have both conventional and unconventional opportunities often that can be accessed with one single wellbore that helps drive our capital efficiency cost down.

When we talk about conventional reservoirs, these are reservoirs that are capable of natural flow and our unconventional reservoirs are tight sands and shale that often require stimulation or advanced techniques from acidizing or hydraulic fracturing.

Although we have currently drilled most of our wells due to the stacked vertical pay with vertical wells, we also have used some horizontals in some fields.

So now, I'm going to talk about our conventional reservoir properties. These are base assets that are already in place. These are producing from wells today. They have installed facilities and infrastructure.

Now, we're moving these properties through the recovery value chain from primary which is typically low recovery through to EOR. As you can see here on slide 34, we have 93 fields that are in the primary production phase and this is production with just the natural reservoir energy or gravity drainage. And you can typically see recoveries of 10% to 20%.

We also have waterflood fields that 17 of those where we're getting incremental recovery beyond primary often you can see 30% to 40% of the original oil in place. And then we also have 12 steamflood fields or enhanced recovery techniques which sometimes you can see up to 70% recovery of the original oil in place.

Now, the development methods we choose are based on our analog experience from our other properties in California, the reservoir characteristics that we have in these fields and what our expected returns are from these projects.



So now, I'm going to move to the first phase of our recovery value chain with our primary projects. We have 90 fields with conventional opportunities. Over 8 billion barrels of original oil in place with 6,400 identified well locations.

Now, the depths of these vary from 1,500 feet to 15,000 feet. And the well cost can range from \$500,000 to \$6 million a well. IPs vary as well from 20 barrels a day to 225 barrels equivalent per day per well. And the EURs can range from 50,000 to 500,000 barrel a day -- 50 to 500,000 barrels per well. Many of these conventional projects are well-suited for waterfloods or EOR processing.

Now I'll show you an example of one of our conventional primary projects. This field was discovered in the '50s by a major oil company. There's multiple stacked pay from 9,000 to 15,000 feet deep.

We acquired this property in 2005 and based on our analog experience from other areas in San Joaquin basin, we were able to look at the subsurface a little differently than it had been when it was developed with original technology.

As a result of our recent redevelopment program, gross production has increased fivefold and we're producing 2,500 barrels a day and we have 100 potential locations left.

The graph at the bottom shows our typical type curve economics where we have well cost of \$5-1/2 million. Our DPIs are 2.2 and our EURs give us returns anywhere from 55% to 35%.

Next, I want to move along our recovery value chain to our secondary or our waterflood projects. We have 17 fields here with waterflood opportunities, over 22 billion barrels of original oil in place in these fields. We have 3,500 identified locations and the depths of these projects vary from 2,000 to 6,000 feet deep.

We have a range of cost from -- anywhere from \$700,000 a well to \$4.2 million a well and we see variable IPs here from 30 to 130 barrels a day. And per well EURs can range from 50,000 to 200,000 barrels per well. And the neat thing about these is many of these waterflood fields are suitable for future EOR opportunities.

So looking at an example of one of our ongoing waterflood projects, this field was discovered in 1920s by a major oil company. You have multiple stacked pay from 1,200 feet to 2,000 feet, 150 million barrels a day -- 150 million barrels of original oil in place at only a 6% recovery factor.

We acquired this property in 2009 and based on our analog experience and other parts of our asset base, we were able to embark on a kind of re-characterization of this field and implement our development program.

And as a result, the gross production from this field is nearly triple producing 2,700 Boe per day with over 200 wells left to drill here.

To give you an example of what the economics looks like for this type of a project, you can see down there on slide 38 our average pattern cost of \$600,000, you have DPIs of 4.85 and fantastic returns from 238%- 175% at different oil prices.

So moving along our recovery value chain, you get to steamflood projects and we have 12 fields of steamflood opportunities. These have nearly 2 billion barrels of original oil in place and these are low-risk projects that can be developed with proven technology.

There's over 3,000 identified locations and these are generally shallow -- shallower in nature, and so you see depths anywhere down to 3,000 feet.

The range of well costs here are relatively inexpensive from \$200,000 a well to \$800,000 a well and IPs can range from eight to 20 barrels per day. And EURs can vary significantly from these projects depending on the nature and the stage of development of these steamfloods.

The table at the bottom of slide 39 just shows our year-over-year performance from these steamflood at 37% recovery.



So on slide 40 here, I'll show you an example of one of our ongoing steamflood projects in the Eastern San Joaquin Valley. We have two major integrals from 1,500 to 2,500 feet. There's 0.5 billion barrels of original oil in place at a low recovery factor of 35%.

We've been working this property and reinterpreting our geology and our subsurface understanding here and we find -- we do this a lot where we can find new areas of the reservoir to develop.

We expanded our facilities in 2012 and 2013 that gave us more steam to be able to inject into the ground. And as a result, our production is growing 45% and it's producing over 12,000 barrels a day and we still have 740 locations left to drill.

Typical all-in pattern economics here, \$1.8 million, we have a DPI of 2.4 and you see good returns here from 60% to 40% depending on the oil price. And our F&Ds are low here at \$10 a barrel.

So, talking in addition to our conventional opportunities, we also have our unconventional projects in California and as you can remember from the stack pay figure that I showed earlier, many times these unconventional reservoirs are layered in-between or around our conventional properties.

We've been gaining our California shale expertise, primarily with our development of the Monterey and Elk Hills, where we've seen steady commercial growth from these shale reservoirs.

We have over 50,000 barrels a day producing currently from the upper Monterey and we have confidence in our process that we're able to identify and understand where to go to find that kind of potential.

As I talked about before, you know, looking at the breadth of operations we have over all four of the key basins in California, we've really assembled a key library of information and knowledge about the Monterey and so we're gaining more understanding of what this geology looks like throughout California.

And as you'll hear from Darren Williams who will talk in a little bit, who was instrumental in setting up the Woodford Shale with his former employer. We're bringing in some outside perspective as well to look at this resource.

So, so far we've been working mostly close-in to our key properties in California for the Monterey but we're starting to expand out into new areas. So for the unconventional, we have a leading unconventional position in California, with over 9 billion barrels of original oil in place.

We have unconventional targets in over 70 of our existing fields, we have 4,600 locations and the depths of these targets range from 2,500 to 12,000 feet in depth. Our well cost can range from \$2 million to \$4.5 million a well, and we see IPs anywhere from 80 to 500 BOD per day or more.

Our EURs range from 75,000 barrels per well to 400,000 barrels a well. In addition to these unconventional opportunities that are within our existing fields, we also have 1 million acres of additional prospective locations that we're ready to exploit.

And so right now we've got programs ongoing in eight unique fields throughout California.

So on Slide 43 here, I'll talk about an unconventional example that's ongoing right now and you've probably guessed the trend by now. Field discovered in the 50s before modern technology by a major oil company, it has got multiple stack zones from 4000 feet to 7500 feet, 3 billion barrels of original oil in place at less than 2% recovery factor.

As we've been learning and applying our lessons learned from Elk Hills to other areas, we were also consolidating some positions in this field to where we have complete ownership.

And since that time we're able to apply those lessons learned from Elk Hills and start a redevelopment program here where production has already doubled since acquisition. The shale production from these reservoirs are producing 3800 barrels a day.



What one of these wells looks like from a type curve perspective, you have \$3 million in well cost, has a 1.3 DPI and rates of return from 22% to 17% at a \$9 F&D cost.

So in closing, I hope you've seen that we have a leading asset position here in California to exploit, you've got a tremendous in-place volume of 40 billion barrels in place at a 22% recovery factor.

We're working through our recovery value chain where we're taking lower recovery, primary reservoirs and we're able to move into secondary and tertiary recoveries to get more oil out of the ground.

In addition to those conventional reservoirs, we have unconventional success with great upside positioning and many untapped opportunities to apply technology advances to these ready bay positions in California.

And what that leaves us with is a really deep portfolio of high return projects, that can be -- withstand any different oil price. So with this, I'll turn it over to Bob Barnes who will talk about our Northern area operations.

Robert Barnes - California Resources Corporation - EVP - Northern Operations

Good morning. I'm Bob Barnes, and I'd like to talk to you about CRC's Northern operations in the San Joaquin and Sacramento basins. As Todd and Shawn have described the different types of drive mechanisms, when you think about the North operations, you can say all the above, as with a wide range of assets that we offer.

Our Sacramento basin provides tremendous options to our portfolio. With the right environment, we can add significant gas volumes in a short period of time. This is important and the state imports over 90% of its natural gas.

CRC operates many legacy fields that we have successfully redeveloped, fields such as Elk Hills. Elk Hills is CRC's largest asset and located in the world-class San Joaquin basin. Elk Hills is a prolific field with stacked pays and drive mechanisms ranging from primary to tertiary.

Elk Hills is in transition, transitioning from primary to secondary and beyond, as we push this asset to our recovery value chain. Later I'd like to also -- later I'd also like to describe our steamflood operations.

As we push -- later I'd like to describe our steamflood operations, the tremendous cash flows that they generate. Finally, I'd like to highlight a new asset for us, a field that we are excited about having tremendous opportunity, a field that we think is -- a analog to Elk Hills, with both conventional and unconventional resources, all in one area.

We're taking our learning from the Upper Monterey which is responsible for one-third of our production today and applying that to the unconventional resources that Kettleman Dome and the Kreyenhagen, Vaqueros and Moreno shale.

CRC has been operating the Sacramento basin since 1961 after discovering the Lathrop field. And CRC also operates about 85% of the gas that comes out of the basin. A Sacramento basin example of redeveloping a legacy field is in the Rio Vista area, where CRC explorationists took a field operated by another operator, bypassed by the majors and had a discovery using 3-D seismic.

Our current net production is 55 million feet a day. In a favorable environment, we will add more gas production in a short period of time using rigorous work-overs and other development prospects that are available now for prosecution.

The map on the right shows the locations where CRC fields that we are highlighting today. These CRC fields have over 25 billion original oil in place, and have a daily production of over 109,000 barrels a day equivalent, that's 70% of CRC's production.

In the San Joaquin basin, CRC operates primary development, secondary recovery waterfloods, and EOR steamfloods and nitrogen injection. As Todd has mentioned, there are many more redevelopment opportunities in the San Joaquin basin. Many of the major fields in the San Joaquin

basin, some of these fields in the top 50 in the United States, have never had 3-D seismic shot over their field. Thermal recovery started in the San Joaquin Basin in 1960 and today, CRC continues to produce steamfloods to generate profitable growth.

Steamfloods are a relatively low risk technique with a proven ability to deliver profits. I'd now like to walk you through a steamflood operation.

Thermalfloods have high recoveries, low declines, and are long-lived assets. Steamfloods are typically laid out in patterns over continuous sands, typically a bi-spot pattern with five acre spacing.

After the infrastructure is in place and steam is injected in the reservoir the displacement of the oil begins. The field is developed as additional patterns are added and the infrastructure is extended. It is common to have several continuous developments running at the same time over multiple years.

The thermal process can be described as with the infrastructure in place, a steam injection underway, the steam chest is beginning to develop. During the peak phase, individual steam injectors are modified to maximize flood efficiency.

During the mature -- excuse me -- during the material steamflood cycle, as recoveries have peaked, steam injection is reduced and the production enjoys a low decline and the profitability continues.

This graph illustrates the profitability of a pattern over time. In the early years, you have your cash outlay, as you pay for your steam infrastructure, your production gathering system, and the drilling of both your production and injection wells.

These are shallow, low-cost wells. With the infrastructure in place and the reservoir at temperature, the steam is managed then reduced and the great cash flows continue for many years.

The lower graph on the left hand side is an example of the cash flow from the production phase of a project. You can see the margins realized from the steam flood operations. As Todd mentioned before, the project cash flow is managed by the ratio of gas price to oil.

I'd now like to show you our flagship asset Elk Hills, an asset that delivers cash flow year after year. The yellow line on the map outlines Elk Hills' unit boundary, approximately 75 square miles, it's a little bit bigger than the Washington D.C. metropolitan area.

Elk Hills is over 100 years old and is 66 -- is 60% of CRC's San Joaquin production. This 100 year old field still delivers exploratory success and has primary drilling opportunities for decades to come.

Elk Hills with its over 7 billion barrels of original oil in place is an anomaly to the valley steamflood in the San Joaquin basin, as it produces light oil and associated gas from both conventional and unconventional reservoirs.

The production curve at the bottom of the slide, shows you CRC's net production after taking over operatorship of the field in February 1998. As you can see, we've been able to keep the field fairly flat after investment and enjoyed over \$11 billion in free cash flow.

Elk Hills' 3600 wells, major facilities, and daily activities are directed through a consolidated control room. We operate about a gross production of approximately 89,000 barrels a day equivalent.

I believe Elk Hills' integrated infrastructure is an operational advantage to us now and in the future. With the gas processing and capacity of 540 million feet a day, and Elk Hills' power capable of 550 megawatts, as Todd mentioned before, capable of producing electricity for 550,000 homes, we use about 20% for our daily operations there in Elk Hills.

This graph indicates the activity at Elk Hills since the purchase. CRC has aggressively redeveloped the field with over 70% of the well bores being drilled since 1998. Elk Hills has very good well bore integrity, and operates in a low corrosion environment.



So these well bores are long-lived, available for different services and different production to our stacked reservoirs. You might say Elk Hills is a mature asset with new well bores.

With the high number of deep shale wells, CRC has drilled at Elk Hills, our drilling and completion operations are constantly being reviewed and optimized. This has resulted in a significant reduction in our drill and equip cost and knowledge transfer to other CRC projects.

The slide indicates the stack pays at Elk Hills. Across the top of the slide, you see the name of the formation and the date that these wells -- that these reservoirs were discovered. Through the body of the slide, you see the average depth that these wells are drilled to, for the respective reservoir.

If you look at the four on the left, that's -- those reservoirs were responsible for the majority of the production at Elk Hills. The three in the middle represent the ultra deep tests that were drilled at Elk Hills.

Elk Hills is home to the deepest well in California. And at one time the historic wisdom was that there was no permeability below the Stevens formation. On all our deep tests, we have always found the reservoir and hydrocarbon. And in 2009, CRC exploration has hit a discovery of 1000 barrels a day and 24 million feet.

Elk Hills has over 7 billion barrels of oil in place, and it has produced over 1 billion barrels equivalent, with less than 20% recovery. To develop the remaining reserves, Elk Hills is transitioning from primary production to large scale waterfloods and EOR production.

With multiple stacked reservoirs, a continuous footprint, and extensive automation, Elk Hills will be able to implement the new recovery methods while maintaining our operational efficiency, our cost effectiveness.

So, on this graph, you'll see on the left hand side the shallow reservoirs. And on the right is the deeper Monterey and Carneros Formations. On the bottom, the color codes are the different opportunities we have by drive mechanism.

I'd like to talk to you now about Kettleman Dome. Kettleman is a new acquisition that we have taken over operatorship or are in the process of redevelopment phase. Kettleman fits the CRC game plan, redevelop in legacy assets with fit for purpose technology.

Kettleman is Elk Hills' analog, with stacked reservoirs and light oil, large oil in place and low recoveries. New opportunities include waterflooding in the Temblor, shale plays in the Moreno, Vaqueros, and Kreyenhagen.

The existing McAdams formation has additional development and workover opportunities. On the graph on the bottom, we are currently shooting 3-D seismic over the unit, and this is the shoots outlined in the area in yellow.

And we have an outstanding acreage position over this entire area. In addition to the seismic being gathered, additional gather -- data is being gathered in the forms of modern logs, cores, and pressures from new drills and workovers.

We have over 80 well bores available to us to capture this data versus having to drill new wells to capture some of this information. The chart below is just a little teaser of the potential of Kettleman.

If you look at the chart, this is the Kreyenhagen formation, only the area underneath the unit itself. So underneath the little green highlight there, that's all it is. If you look at 12,000 acres, we have an original oil in place of over 800 million barrels in an extremely low recovery.

So we are very, very excited about the running room at Kettleman Dome. As you can see by our Northern operations, we have tremendous opportunities to move our properties to the recovery value chain, from primary production to tertiary, increasing our recovery factors in this world-class basin.

We have the opportunity to grow our unconventional production and reserves from this large section of stacked pay. Thank you, and I'll now turn it over to Scott.



Scott Espenshade - *California Resources Corporation - IR VP*

Thanks for everyone's attention. We're going to take a short 15 minute break. For those on the webcast, we plan to get going with the presentation starting at 12 - 10.40 again. So, if everyone will return to their seats by 10.40, we'll start with the second half of the presentation.

Thank you.

(BREAK)

Scott Espenshade - *California Resources Corporation - IR VP*

If everyone would start taking their seats, we're going to get started in one minute.

Thanks everybody. Our next part of our presentation is going to last about another hour, leaving for a little over a half hour of Q&A at the end. So we want to take all your questions, we should have ample time. And again, we'll have the lunch opportunity, where you will be able to sit with the executives to ask them more questions about each of their particular areas.

Up next to start our presentation is Frank Komin, he runs our Southern operations and he'll speak specifically about our Wilmington field and also the Ventura basin. Frank?

Frank Komin - *California Resources Corporation - EVP - Southern Operations*

Okay, thank you Scott and welcome once again and good morning everybody. I hope most are back in their seats, but I'll go ahead and get started.

Again my name is Frank Komin, I'm responsible for CRC's Southern operations. I will be discussing our -- some of the more detail things that you've heard so far. Both Scott and Shawn have given you a good overview of some of our highlights and I will -- I'll try and fill in some of the more detailed blanks and perspectives.

And I'll start out today with the Ventura basin, as well as the Los Angeles basin, which is home to our giant Wilmington field. And in recent years, at Wilmington we typically begin the year with an inventory of about 1000 well locations.

And then we drill somewhere between 100 and 175 wells per year. And typically, at the end of the year, we end up with roughly the same 1000 well inventory that we started the year with.

And I think this underscores the significant remaining potential that we have and it provides further evidence to kind of the age old adage that big oil fields just tend to get bigger with time.

Wilmington is the third largest field in the United States and has helped provide CRC really with our license to operate in the coastal community, by building a strong reputation over the years as the operator of choice for our key stakeholders in the area which is the city of Long Beach and the state of California.

We are planning on taking our operations from the Wilmington field and then applying it down the road to the Huntington Beach field, which as I think you heard it earlier, this is a property that we bought just a few years ago, and really which hasn't had a significant drilling program in 25 years.

And then in the Ventura basin, we believe we can apply our waterflooding expertise there. We've -- we're taking the same approach as we have in other fields. I think Todd mentioned that in fact, we just acquired one of the very first 3-D seismic shot ever in the Ventura basin, just this last year.

So I'll begin my discussion with - here in the Ventura basin. The Ventura basin is a highly prolific hydrocarbon basin with a great deal of opportunity and a great deal of growth potential. CRC operates in 25 fields and many of those are owned in fee.

We have four active waterfloods that I would characterize as in the early stages of development. Some of the waterfloods in this area are direct offsets to major fields, like the world class Ventura Avenue field that's operated by Aera and that has waterflood recoveries that are approaching 30%.

Many of the CRC fields are future waterflood targets with a total original oil in place of 3-1/2 billion barrels, yet with a relatively low recovery factor averaging just 14%, and that's just so far, so we feel like we have a long way to go.

I'm going to move now a little bit down to the south to Los Angeles, to the Los Angeles basin. LA basin as you've heard a couple of times is one of the most hydrocarbon rich basins anywhere in the world on a per square mile basis. It's relatively underexplored.

Many of the majors have exited in the 70s and 1980s. The area is consistent with one of CRC's strategies and that is that of acquiring world-class oil field reservoirs and redeveloping those reservoirs through the use of technology, through the use of advanced reservoir engineering, expertise and the infusion of capital.

Our two largest fields in this area that have employed that same practice has been Wilmington and the Huntington Beach field, and I'll talk just a little bit about each of those.

We'll start with Wilmington, Wilmington is CRC's coastal flagship asset. This regional map that's on the upper right there, shows the fields that they form along a north west trending fault system.

And one of the things that makes this field truly unique is it happens to be located in a partly offshore environment, underneath the port of Long Beach and a very, very bustling city in the city of Long Beach. Wilmington is not only the largest field in the LA basin, but it's among the top 5 largest in North America.

It has produced well over 2.6 billion barrels of oil to date. The structure is a very classic anti cline. Although it is very, very highly faulted and it has multiple, multiple stack pays, on the lower right hand corner, the banners on the map highlight the steady progression of acquisitions that we've made since 2000 in the field.

It's a very, very highly mature waterflood and in fact we inject 1.5 million barrels per day of water on a daily basis into the reservoir and we currently produce at about 97% water cut which seems unusually high but really despite the maturity here, we're consistently finding new opportunities throughout the field and in fact, at the end of 2013 we have a remaining SEC reserve life that's in excess of 40 years for the field.

And then the lower left shows a history of strong reserve replacement. Combination approved and produced reserves have more than doubled since the initial acquisition of the field in 2000, largely through acquisitions and redevelopment expertise.

And then finally before switching the slide, Wilmington is an extreme cash generator that throws off consistent cash flow and income for CRC year after year. The past several years, cash flows of around \$100 million and income of about \$400 million annually from Wilmington.

Just a bit on the geology. Unlike most of the LA basin, the Monterey is an offshore marine turbidite geologic system, extremely rich. We have very, very good expertise, we have very good understanding of these systems.

The reservoirs are massive sequences of sand and shale, often with well over 1000 feet of net hydrocarbon pay. And in this area the Monterey equivalent is the source rock for the field.

This is always an interesting graphic, it's an example of an important technology for our field, and that is of geosteering. And this isn't actually a cartoon, but it's a real depiction of existing well bore traces that exist in the field.



Wilmington is by far among the densest concentrations of well bores anywhere in the world. And this well placement is critical to maximizing value, often requiring complex well designs to avoid colliding with existing well bores and reaching precise bottom hole targets of bypass pay.

This slide shows that the field actually has a very unique ownership arrangement which is a production sharing contract, with the state of California and with the city of Long Beach. And much like other PSCs that are common in many international locations, this particular PSC is even better in that here we recover our cost immediately after they're spent.

Most of the ownership comes in this field from two large production sharing contracts. It's the Long Beach unit which is typically referred to as THUMS and the on-shore Tidelands operation.

In this graph on the right shows basically how they work. But the blue area represents how the fields were expected to kind of play out without the additional intervention of -- in simply operating status quo, all the way through to depletion of the field.

And then the red area on top is -- represents what's called the OWPA which is an Optimized Waterflood Program Agreement. At the Long Beach unit on the upper right, an agreement was reached between the state of California who really owns the minerals in the field and the operator at the time.

The operator would be required to provide technical expertise, resources, and capital, and then the operator would guarantee the state their base profits which are shown in blue and in return to split any incremental oil generated above the baseline shown in red, and that would be split about 71% to the state and about 49% to CRC.

And that was -- originated back in the 1990s. This -- that agreement has been so successful for both the state, the city and CRC that Oxy purchased the adjacent Tidelands property in the same field and negotiated a similar agreement with both the state and the city of Long Beach, which was executed in 2010.

And since that time, you can see on the lower right, through our redevelopment program, incremental production has steadily grown by over 4000 barrels per day.

And one last thing to point out on the production sharing contract, CRC recovers all of our profits and costs in the form of oil production. So the production sharing contract is sensitive to swings in oil price.

An example of that is that for every dollar in price swing, there's a production impact of about 125 barrels of oil per day for the year. And because of the many -- because of the reservoir's consistent multiple stack pays, with significant faulting, it creates many, many areas of bypass oil and future drilling opportunities.

We're using a multitude of modern technologies among those 3-D seismic imaging in the fields, reservoir simulation techniques to improve our understanding of those reservoirs. And as I mentioned previously we have an excess of 1000 future locations remaining in Wilmington. And of those 80% are crude reserves.

You know, although it's a mature field, it's been around for a long time, there's still modest growth year over year. This shows production performance for the past four years. The field requires a steady capital program but it really results in a very, very low predictable performance.

In the Wilmington field, we currently have five drilling rigs that are actively operating.

Here's a slide that looks very similar to what Todd went through recently, but wanted to shift gears from Wilmington and head down the road about 20 miles south to Huntington Beach.

All of our operations as Todd mentioned, all throughout the state are in sensitive areas, and we believe we have developed a very unique expertise with many years of successfully coexisting in sensitive urban settings, all along the coast of California.

The Huntington Beach operations are depicted here in the two lower photos, and very much like Wilmington which is shown to the upper left, we are drilling wells directionally from very small surface pads and they result in very, very minimal -- minimal surface footprints and very, very little impact to the environment in the area.

I'm going to move to Huntington Beach. Bob had mentioned the Kettleman Dome as an analog to Elk Hills. This is something similar that we believe is an analog to Huntington Beach.

Huntington Beach was recently acquired by CRC in 2011, was followed by another in-field property acquisition in 2013. We basically own almost all of the field. We recently began the first significant development program in the field in over 25 years and currently have two rigs that are actively working one of the -- you look at that photograph on the bottom right, that depicts one of the two drilling rigs that are actively working in the field.

Todd mentioned one of those is a -- is our lone offshore production rig that is working just offshore. This particular rig was specially designed for us as an urban rig, which is very, very high tech in minimizing sound and moves on its own over well cellars.

It is located close to homes in the area, so we've set up soundproofing and done a great deal to make sure that this rig is compatible with the offset community.

We believe that the field is very, very much opportunity rich with many similar to -- similarities to the Wilmington field, and absolute direct applications. The production rate has grown steadily, as you can see.

Since the 2011 acquisition is expected to continue to grow profitably into the future. We do intend to leverage off of what we learned at Wilmington and apply it here in Huntington Beach.

And in addition to these two fields, we also believe and down the road, there are other opportunities within the Los Angeles basin as rich as it is in hydrocarbons, that we'll be able to use the same model elsewhere within the LA basin.

And finally I'm going to close. To summarize in the south, we do have a world class asset, tremendous new opportunity, a lot of room for further growth.

And I'm going to leave it at that, and I'm going to turn over at this time and give our exploration manager Darren Williams a chance to review California, so thank you for your attention.

Darren Williams - *California Resources Corporation - EVP - Exploration*

Thank you Frank.

Good morning everybody. As Frank mentioned, my name is Darren Williams and I'm the EVP of Exploration. As you've heard already today, I'm one of the new members of the team. I'm very excited to be here and working with everybody on these great set of assets.

I've been here only a short time, but during that short tenure I think I've been very impressed by the capabilities of the technical teams, the quality of the opportunities, as well as the depth of the portfolio. And I'm very excited to see the role and the continued value creation that the exploration program can deliver for CRC moving forward.

Okay, continuing what you've heard a number of times today, California is a state that's seen a significant under investment in exploration. On this slide we show a summary of the exploration history in the four basins where CRC is active.

The San Joaquin, the Ventura, LA, and Sacramento basins. In the charts, in the top right hand corner, you have the information that's available from DOGGR that presents the annual discovered resource, as well as the creaming curve in the red line.



As you look at this data, I'd say there's a few trends that stand out, but certainly what I would point out is certainly that establishment of California as a world-class hydrocarbon province. When you look at the data from the 1880s through the 1940s, you see at least 10 separate occasions where over 1 billion barrels of resource was discovered.

Secondly, when you see following on from the -- what Shawn presented already, from the 1970s onward you see a reduction in the size of the bars, and effectively a lack of additional new resource being discovered.

This isn't through a lack of success or failures, this is through a difference in activity, a lower amount of activity and the -- effectively the operator switching into enhanced oil recovery and development mode.

Next, I'd like to kind of just move to the chart, in the bottom right hand corner, this is now a zoom up of the more recent activities, looking at the information from the 1960s onwards.

And then in the red bars to the right hand side there, we've added the recent reserve additions that CRC has been delivering. What you can see there is that the exploration program from CRC has been delivering real and tangible success from a refocused exploration program that started in the late 2000s.

As I look through this data or as I look at this data through the eyes of an explorer, really there's a few things that get me excited about this. Firstly, when you take this from the CRC asset base, and look at the extensive land position, we're a company that's sitting in a world-class hydrocarbon province with over 2 million acres of acreage, really the opportunity scope that offers is outstanding.

Then secondly, in terms of an ongoing exploration program, when you look at those red bars, you see continued year-on-year success that's being delivered from the program. Again, that gives me confidence in the processes, the skills of the individuals involved, as well as the high grade and processes that we apply.

And then lastly, when you look at the red chart and certainly from a statistical standpoint to an explorer, you can see a breakout or a uptick starting to occur on that creaming curve. And again, that's pointing to that renewed success and the potential in an exploration program that could be delivered.

When you look at the CRC exploration program, I think there's one thing that - if that's the only thing you take away from here today that's very clear, the CRC exploration program is focused on delivering value driven growth for the corporation.

We basically operate under three basic principles. We operate a balanced and prioritized capital investment approach, that is driven to deliver immediate returns. Secondly, we maximize the competitive advantage, our land, technical knowledge, and proprietary data provides to us.

And lastly we maintain a diverse portfolio of opportunities that provides the optionality in different commodity prices that we've heard elsewhere already today.

I think I'd like to just put a little bit more color and set the scene a little bit around the balanced and prioritized capital investments approach. Really what we see there within the exploration program are two key areas for -- of investment.

The primary focus area is on in terms of activity, as well as capital, is in our higher growth, lower risk near field exploration program.

This program is exploring prospects, improving reservoirs in known plain trends, often stepping out only a short distance from known production. This is a program we're operating today, we're running rigs in it today. We have a portfolio that's high-graded today and we're effectively executed in a methodical manner.

Secondly, we're focused on unlocking the potential and long-term growth from the significance resource we see in the perspective shale reservoirs of the Lower Monterey, Kreyenhagen and Moreno shales.

At this time, I would describe it as being in the data acquisition, evaluation and regional understanding phase with a view to planning our ultimate execution program, leveraging the operating capabilities that have been established previously in unconventional and driving down the competitive route to -- or delivering those competitive returns.

As I mentioned, the exploration program is driven to deliver immediate returns and focus on creating value. To demonstrate that, I think I'd just like to go through what the program has delivered over the last few years.

This slide shows the results of the program from 2007 to 2013. Some of the highlights that you see on this chart are 3P reserves of 187 million barrels of oil equivalent. I think I just like to reiterate there that from an exploration program, there's 187 million barrels of reserves, not resources, those are engineer reserves. And I think if you would to compare that back to the 3P program, or the 3P base corporate level today, that's approximately close to 15 to 20% of the present day resource base or 3P reserves of 1.1 billion barrels.

Those reserves have been delivered at a finding cost of \$3.65 for Boe, which is very competitive relative to the industry's peer group.

Probably just as importantly, in 2014, this program delivered 18 thousand barrels of oil a day equivalent of CRC's daily program, or effectively 12% of that program.

Substantially, all of those wells that were drilled in -- or 100 plus wells that were drilled in that program found strong oil and gas shows and we have a 70% geologic success rate.

So I think if I could summarize, the exploration program is delivering reserves, it's delivering reserves at competitive finding cost, it's turning those reserves into production and it has a very strong geologic success rate. Again, if you were to go to industry benchmarking, you'd see that the geologic success rate on a whole for industry averages around 39% on a global sense.

So those are - some outstanding results of the programs delivered. I think what I just probably like to put in perspective is what drives those results.

And really, it's a clear execution strategy to focus on the highest value creation and lowest risk opportunities. I think that's a clever way of saying we drill the best things first.

So underpinning that program, we basically have a rigorous portfolio management and a continuous high grade that effectively drive those best opportunities.

And then thirdly, we have a strong core team of technical professionals who have significant experience operating worldwide, as well as in California, and they're able to leverage that database and skillset we have to unlock the resources that we see within the portfolio.

So I think lastly, what you can never lose sight of in the exploration program is the competitive advantage that our extensive land position provides. In a basic success case, it provides running room for you to move onto offset acreage and harvest additional opportunities. And then as you always find in all of our exploration wells, you usually learn something. You learn something new from every well you learn. And again, by having that extensive land position, you're able to refine your geologic models, build new opportunities, and again, move onto offset in acreage and kind of discover additional resources and unlock new plays.

One of the key foundations for that success is our utilization of the technology and the technical skills.

I think as Todd referred to already, we own 90% of the available 3D seismic data in the state and approximately 50% of our acreage across California is covered by seismic.

In the map on the left hand side of this slide, you'll see our acreage position in the San Joaquin Basin and you could see in that key asset area are the blue outlines of the seismic data coverage and you can see in that key asset area, our seismic coverage is in excess of 50% in those areas. And really, that talks to a deliberate value creation through the seismic acquisition to drive additional resource finds.

In the center display, we have just a quick graphical representation of how seismic data is used. We're really able to leverage that dataset to identify opportunities that others maybe aren't.

The other key thing that the extensive seismic coverage provides is that we can look at our prospects from a regional perspective. We aren't just focused on an individual prospect. We're able to put prospects into an overall play perspective, analyzing what -- maybe seismic amplitude was successful or what the seismic amplitude was in a successful well and how it may compare to a dry well.

So again, we're able to continually integrate that into that high grading process.

These techniques really have been critical in the evolution and significant resource assets that have come out of the Stevens sands play in the Central San Joaquin Basin.

In certain areas, we may not have seismic coverage or the seismic data may not be of sufficient quality to be able to map the prospects as we'd like. In those areas, the CRC technical team is applying what they term forensic geoscience integrating regional geology, proprietary log data, analogs and outcrop data.

These techniques exclusively led to the discovery of the Gunslinger discovery within the Elk Hills Field, as well as being able to extend the Pleito Ranch Field into some offset acreage too.

Ultimately, I'd say regardless of the technology or techniques that are applied, the critical differentiator for CRC is really the integration of those skills into the extensive acreage position. Again, these techniques are being applied elsewhere on a daily basis by geoscientists and engineers. But really what you are able to do is take our portfolio for that high risk -- sorry, that high graded risk assessment on a regional basis and would truly be able to compare every prospect and drive that into our exploration program.

It's those kinds of activities that allows us to deliver that 70% geologic success rate.

Those last few slides really are designed to give you a feel for the CRC exploration program, the recent track records and the competitive advantages that we leverage.

Really at this point now, we'd like to go into the overall portfolio that exists today.

When we look at the exploration portfolio, we define it into two key areas; the near field exploration program, improving play trends; and then secondly the prospective shale plays that exist in the basin.

Our near field program includes both conventional and unconventional reservoirs in the San Joaquin, Sacramento and Ventura basins. That portfolio has approximately 1.5 billion barrels of oil at an unrisks basis. That portfolio has the potential to deliver a little over 5,100 identified locations.

Secondly, our portfolio prospective shale plays is concentrated in the San Joaquin Basin and is defined by three key reservoirs; the Lower Monterey, the Kreyenhagen and Moreno. That program has a net unrisks resource of 2 billion barrels of oil and the potential to deliver a little over 5,300 net prospective drill locations.

These data are essentially what underpins our balance and prioritize exploration strategy. We clearly have a deep portfolio of near field exploration projects that build off the recent success along with some longer term growth that is offered by the prospective shale plays.

Now as you can see in that information, really much like elsewhere, the San Joaquin Basin makes up a significant portion of our portfolio.

So really, I just like to provide a little bit extra color on the San Joaquin Basin and the exploration portfolio that exists there.



As you look at this slide, we have a few key things. On the left side of the chart, we have the stratigraphic column which describes the main -- the key units in the basin as well as their ages. The central green bar signifies where we have unconventional reservoirs as well as conventional reservoirs. And then the column just the right of that describes the fields that may be productive in those individual units. Now that's not an exhaustive list clearly. As we've heard today, we have a 130 fields around California. Really, that's just designed to show you some of the fields that you have heard about today and where they sit in the field -- in the stratigraphic column and the type of reservoirs that exist.

The San Joaquin Basin is essentially Cenozoic in age, which is upper cretaceous and younger. You've heard this many times already today but it's true, there's multiple stack targets throughout this basin. And really as I stand here, as an explorationist, that's something I really like to see because you can develop a play based upon a primary reservoir. But one of the greatest tools you can have in exploration is serendipity. And so having those secondary targets that you can find additional resources is a great way to again, maintain that success rate and again as a key driver in being able to deliver that 70% geologic success rate.

In the bottom-right hand corner, we have a cartoon representation of the basin. As you go through that display, you'll see on the left hand side this representation of the structural trends which form the traps in the Elk Hills and Buena Vista Fields. As you move into the central basin area, you see the stacked nature of sand reservoirs that have fault traps, stratigraphic traps and are interbedded with the potential -- the prospective shale plays in the portfolio.

As you move to the right side of the display, you get to the east side of the basin and you see the structural traps which form the Mount Poso Field, as well as the diagenetic field -- diagenetic changes in the Monterey which form the Rose-North Shafter Fields.

Though really I've only been here a short time, but what I've come to learn, I think, is that if a geoscientist can dream up a play concept, the San Joaquin Basin probably offers you an opportunity somewhere to go and pursue that opportunity and drill some wells.

From the portfolio standpoint, clearly we split the opportunities into the near field and shale plays. So I'd like to just kind of provide a little bit more context on that.

As we say our near field exploration program is a high return, low risk exploration program that is delivering immediate returns today. I probably can't state that too many times as an explorationist because we're often delivering resources but not -- actually hitting the bottom line in many companies.

Again, we have the stratigraphic column on the left hand side, but now we've placed in the middle of this display a typelog. Really, this typelog is there to show that stacked nature of the reservoirs. In this display, the orangey colors are the representation of the sandy intervals, and then you'll see the grey intervals interbedded between which are the shales.

To the left of the log, you'll see some green highlighted bars. These green bars signify where existing production comes from within the basin. So clearly, every sand produces. So going to that stacked nature, it offers that multiple reservoirs that you can go through.

The other thing I would point out is the scale on the right hand side of the log which shows that this log goes from a depth of around 2 thousand feet down to just over 10 thousand feet. When you look at that log, it's effectively a two-mile section. If you would to turn that on its side, 90 degrees, you'd have basically over 5 thousand feet of gross reservoir potential in a two mile horizontal.

So if you were to compare that to some of the other plays, you can see why this stacked potential has been developed from vertical wells on 10 to 40 acre spacing.

In the San Joaquin Basin, we have a substantial portfolio of opportunities in the proven reservoirs and existing play trends. We have in excess of 25 identified prospects and leads that have the potential to develop 4 thousand net drilling locations on 10 to 40 acre spacing.

Moving ahead to the second element of the portfolio and the prospective shale plays, similar to the last slide, we now have a typelog in the center of the display that again shows the stacked nature of these shales too.



This time, the bars to the left of the log display once again show green where we have a producing interval, which show brown to signify where the exploration targets in these shales exist. Clearly, we're highlighting that exploration potential in the Lower Monterey, Kreyenhagen, and Moreno Shales.

As you look at the prospective exploration shales, a number of things are evident. I think each of these shales -- as Todd showed earlier on one of his tables, each of these shales compare favorably in terms of reservoir properties, maturity and thickness to other ongoing developments around the U.S.

In the shale plays within the San Joaquin Basin, we have individual shale reservoirs which vary in thickness from 200 feet to in excess of 750 feet. And each individual reservoir has the potential for multiple target intervals. On this log alone, we have over 2,500 feet of exploration shale potential.

Similar to many other shales you've seen around the U.S., these are high TOC content intervals and these rocks have formed -- are the source rocks for the main field to the San Joaquin Basin today.

From a portfolio standpoint, CRC maps out a 650 acre gross play trend for these stacked shales. Within those trends, you will have the potential for multiple targets.

From a maturity and hydrocarbon production standpoint, these shales are predominantly in the oil window.

Ultimately, we see the potential for approximately 5,300 net prospective locations on an 80-acre development scenario. These shales clearly offer us significant long-term growth potential. And as I've said already, our focus is on data acquisition, data revaluation, and understanding our regional variation in the shales. As well as focusing on applying our prior experiences and learning the curves -- or lessons learned, I should say, to be able to drive down cost and deliver competitive returns from the shale portfolio.

Moving on to the other assets that sit within the portfolio, as Frank alluded to, we have the Ventura Basin just to the south of the San Joaquin Basin. In the Ventura Basin, we have a strong portfolio of near field exploration prospects. This is another highly prospective basin with greater than 6 billion barrels of oil in place and 2.2 billion barrels of oil produced to date. And like the San Joaquin Basin, this basin is characterized by stacked reservoir potential.

The fields and exploration prospects in this area are predominantly structural plays and are basically featured or accumulations along some major structural faults that trend north -- sorry, west to east through the basin.

Activity to date has really focused on -- from a development, as well as exploration standpoint has really focused on the shallow reservoir depths. And we see the continued potential to try and pursue deeper targets in this basin.

CRC has a portfolio of over 40 prospects and leads which have the potential to deliver 700 net locations on 10 to 40 acre spacing.

I think as Todd alluded to, this is an immature area from a seismic standpoint. However, we do have the -- an extensive position in terms of our technical expertise and our proprietary data from both the regional understanding and log database.

Moving forward in addition to testing our existing portfolio, we really are focused on continuing to identify new prospects and develop new plays as we continue to build a depth of opportunities in this basin.

Lastly, the two other basins that have exploration opportunities are the Sacramento and LA basins.

In the Sacramento basin, we have a set of opportunities in the dry gas basin that provides diversity and optionality to our program. Once again, we see an underexplored basin with stacked reservoir potential and where CRC has a leading acreage position and expertise.



Similarly to the south, I think Todd mentioned it already, I think the LA basin is acknowledged as one of the most prospective basins in the world, if not one of the -- if not, the most prospective basin in the world based upon a per unit basin basis.

Over 25 billion barrels of oil in place and 8.7 billion barrels produced to date, again, with multiple stacked reservoirs. Really, we see the potential to go deeper in these fields again and continue to pursue the deeper reservoirs that could exist within this basin.

So in summary, hopefully I kind of recognized or delivered and notified for all of you that the exploration program at CRC is focused on delivering value and creating real growth for the company. I think the phrase Todd likes to use is it's not advertised in dollars, these are money that is creating real growth.

CRC has an exciting inventory of exploration prospects in underexplored world-class basins. And the exploration program has a demonstrated track record of year-on-year consistent growth delivery.

Our execution strategy will continue to be value-focused and implement a balanced portfolio approach to deliver immediate returns, as well as long-term growth.

With that, I'd like to hand over to Charlie who will discuss our regulatory and community involvement.

Charlie Weiss - California Resources Corporation - EVP - Public Affairs

Thank you very much Darren, and thank you all again for coming today to hear our story at California Resources.

California Resources Corporation management and operations have worked productively for decades in California's regulatory environment. Our operations and facilities in established fields and in communities that appreciate our industry provide us with an ideal base for California resources to thrive and grow.

I'll summarize how CRC is significantly expanding our community and regulatory outreach to maximize the value of our tremendous portfolio.

CRC's regulatory program employs three key commitments shown on slide 81, to increase shareholder value. First, as Todd and Frank have indicated, we have a proven track record of safety and environmental performance.

Second, we engage proactively with regulators and local communities to educate them about our operations and to address any issues or questions openly and transparently.

Third, we serve as an active community partner, building coalitions with local businesses, organized labor, agriculture and the non-profit sector who recognize that California Resources is an operator of choice in sensitive urban, coastal and agricultural environments.

For instance, the Long Beach Oil Production Island shown on the left side of this slide, includes award-winning design features. In fact, local residents call us to ask if we rent the island for weddings.

Whether in a big city harbor, or a remote location, we design and maintain our facilities with our neighbors, communities and the environment in mind.

As reflected on slide 82, CRC's employees and contractors demonstrate our commitment to safety and environmental protection every day. Our work force achieved record safety performance in 2013 and most recently our largest work site, the Elk Hills Field won the prestigious National Safety Achievement Award in September.

CRC is also deeply committed to conservation of natural resources. As Todd noted, the drought is the number one issue in the State of California currently. Even with dependable long-term water supplies, we've invested in water conservation and in recycling of our produced water long



before California's drought became a public focus. As a result, our operations in the San Joaquin basin actually supplied more water for agriculture, about 135 million gallons per year than they purchase. And we're continuing to expand our recycling every year to make more water available for agriculture.

Many of California's political, business and labor leaders and a growing segment of the population recognize our essential contributions to the state and our communities noted on slide 83. Through local production, CRC increases energy security by reducing the state's chronic dependence on imports from Saudi Arabia, Iraq and other sources. And helps California maintain the energy value chain within the state.

We are a key economic engine supporting 2 thousand vendors and tens of thousands of jobs with our \$2.6 billion supply chain in 2013. As the largest producer on state lands, CRC also generated around \$600 million in direct revenues, taxes and fees for the state and local governments in 2013.

We already enjoy terrific community support in our core operating areas. But recognition of these broad statewide contributions helps us gain even broader support throughout the state for our projects as we expand beyond our existing fields.

California Resources is an active and constructive participant in the state's development of legislation, regulation and energy policy as shown on slide 84. We build coalitions with diverse community stakeholders who have a common interest in replacing imports with reliable and affordable local energy. This outreach has achieved positive results. Earlier this year, we marshaled our coalition of businesses, labor and community groups to defeat a drilling moratorium in the City of Carson and a State Senate Bill that would've imposed a statewide moratorium on hydraulic fracturing.

Through these actions, we demonstrated that CRC will actively pursue safe, responsible projects that are needed to sustain the state's energy, supply and economic future.

From a regulatory perspective, you may recall during 2010 and 2011 that DOGGR, the state's leading geoscience agency was headed by a lawyer without a technical background who significantly delayed oil and gas permitting. After this individual was replaced, DOGGR's permitting activity resumed during 2012 and 2013. Late last year, California's Senate Bill 4 created a new well stimulation permit program that took effect in January of this year.

While the state was designing its new permit program, we leveraged CRC's diverse asset base to rapidly shift our drilling rigs to areas that did not require hydraulic fracturing. In addition, we formed a dedicated permit team of geologists, hydrologists, and engineers and their sole job was to provide DOGGR with timely, technically proficient applications and to ensure an immediate response to any questions or comments from DOGGR and other agencies.

This emphasis on quality and follow-through, helps the regulatory agencies meet their responsibilities as efficiently as possible and advances our projects. As a result, we've obtained scores of new well stimulation permits for our key fields and exploratory prospects and we're completing new wells with hydraulic fracturing as we speak.

We believe that California's regulatory development will further stabilize over the next 18 months. And I think that for several reasons. First, the governor appointed an accomplished geoscientist from Lawrence Livermore National Laboratory in June as the state's new oil and gas supervisor. And he is committed to making DOGGR more effective and efficient.

Second, as I mentioned earlier, the pace of DOGGR's well stimulation permitting has increased in the second half of the year, and other agencies such as the State and Regional Water Boards are also streamlining their approval processes.

Third, the scientific studies of hydraulic fracturing required under Senate Bill 4, as well as other environmental reviews are scheduled to be completed next year. And this will culminate in final well stimulation regulations scheduled for July 2015.

We believe these developments will provide more predictable timing for permits including in emerging areas outside of our existing fields.



As you've heard today, California Resources has an unparalleled portfolio of diverse opportunities. With multiple types of production from primary to improved and enhanced recovery, CRC isn't dependent on any single technology, drive mechanism, product or location. This diversity affords us the flexibility to succeed in virtually any regulatory requirement.

Our active community and regulatory engagement has positioned California Resources to thrive and grow by producing energy for California by Californians in both our core areas and our emerging plays.

Mark Smith, our Senior Executive Vice President and Chief Financial Officer will now provide you a financial overview of CRC. Thank you.

Mark Smith - California Resources Corporation - CFO

Thanks Charlie. I'd just like to frame briefly where we are this morning.

Over the last couple of hours, we've walked you through CRC's world-class resource base, demonstrated our potential for meaningful growth. And we've also spoken to the nature of our investment opportunities, relatively low risk, with solid returns. And to our disciplined approach, to our investment program with the commitment to invest within our cash flow.

We also addressed our operational flexibility, the ability to redirect our investments in the face of changing commodity prices between oil and gas, as well as our diverse assets and drive mechanisms.

And I'd like to move on to outline our product markets where we enjoy premium pricing which tends to support our strong margins. I'll then shift to our balance sheet, provide a framework for comparison of our free cash flow and margins. And finally, I'll address the nature of our capital investment program.

So turning to slide 87, as Todd outlined, California is characterized by a structural energy deficit. The state imports roughly 62% of its crude oil needs, roughly 50% of this from non-US supplies. And most of this is waterborne. As Bob outlined in his comments, approximately 90% of the state's natural gas needs are imported.

As a result, crude within the state tends to price off waterborne Brent pricing and natural gas tends to price at a premium to NYMEX.

Slide 88 illustrates that the state has two primary refining complexes. The first in the San Francisco Bay Area, and then the second in the LA area; each with meaningful refining capacity. Imports into the state as we've discussed this morning from Alaska have continued to decline, and as we've seen, so has production from other major producers within the state.

California refiners have filled this need with international waterborne cargos. As a result, we see good demand for our production. And as I've said, our production, our crude tends to be priced off waterborne Brent.

We have the necessary infrastructure in place to get our product to key sales points, and we don't have any long-term crude transportation arrangements.

Moving on to natural gas markets, on slide 89. California only produces roughly 650 million a day of its roughly 6.7 Bcf a day of consumption, only 10%. The remainder is sourced from the Rockies, Permian basin, San Juan basin, Canada. This significant structural deficit has supported some of the strongest basis in the US and eliminates the need for any significant interstate natural gas transportation commitments by CRC. And we tend to sell almost all our natural gas under individually negotiated contracts on a short-term basis, again at premium prices to NYMEX.

In terms of NGL markets on slide 90, CRC is the largest producer in California, approximately 20 thousand Boe per day. We process substantially all of our NGLs through our integral processing plants which provide strategic access to third party delivery points near Elk Hills.



And toward the bottom of the slide, one can see represented NGL pricing levels. But I want to point out on a blended basis, NGL realizations have been running approximately 51% of WTI.

Now I'll shift to our financial position. Our balance sheet, cash flow investment program.

If you'll look with me at slide 91, in the upper-right hand corner, our overall capitalization is comprised first of the \$3 billion senior credit facility broken into two tranches.

And the first, the \$2 billion unsecured revolving credit facility. You'll note that most of our peers have bank facilities that are secured with a borrowing base. Instead, ours simply has covenants. This provides us with meaningful financial flexibility, the operative covenant under our credit facilities of 4.5 times debt to EBITDAX covenant. It affords us meaningful liquidity and demonstrates the comfort that the banks have with our overall risk profile.

The second tranche is a billion dollar term loan priced on a floating basis. It's pre-payable. It provides us with the ability to prepay and delever with free cash flow if we choose as we go forward.

Now underpinning the bank facilities, is a \$5 billion in public unsecured term debt. Series of 10s, 5s, -- excuse me, 10s, 7s, and 5.5-year tranches. Investment grade covenants, corporate family and senior unsecured ratings of Ba1 and BB+ from Moody's and S&P respectively.

In terms of credit statistics as we complete this spin, we'll have a debt to EBITDAX level approximately 2.2 times right out of the box. Asset coverage of 2013 year end PV 10 to total debt of 2.3 times, both strong measures.

If you move with me to slide 92, this gives one a sense of our cash flow generation, and our margins compared to our peers. Note that very few of our peers have been generating free cash flow, rather they're meaningfully outspending their cash. This slide also provides a sense for the relative strength of our margins compared to our peers.

Now turning to our 2014 capital investment program on slide 93, one can see we plan to invest roughly 2.1 billion, 80% of this will be directed toward drilling development and workover activity. In terms of geographic focus, nearly 70% will be directed to the San Joaquin basin, with nearly 30% directed to the LA basin.

Looking at investment by drive mechanism; roughly 70% of our investment will be directed toward the recovery value chain that Shawn discussed earlier; primary moving to secondary, moving to tertiary. Again, we want to emphasize low risk, well understood progression.

As Todd indicated in his earlier comments, I'm one of the new additions to the CRC team. And I'm truly excited to be here. As I was considering joining the company, I made my own investment decision. So as I wrap up my comments this morning, I'd like to share with you the thought process associated with my decision.

As I had the opportunity to review the company's overall position, I quickly recognized the giant oilfields that have been discussed with you this morning, the foundation of CRC's asset base. As Shawn pointed out, five fields with 2 billion or more of original oil in place, thousands of feet of stacked pay. Multiple proven pay zones, many with multiple potential pay zones still to be exploited.

Many still with very low initial recovery factors, moving progressively through the lifecycle -- their lifecycle, and what Shawn so correctly characterized as the recovery value chain.

I also saw 2.3 million acres of underexploited, underexplored assets, 60% of which were held in fee, or are held in fee. Much of that fee simple -- and the remainder with minimal risk of lease expiration, and all with limited application of proven modern technology. Huge optionality in a tremendous asset base.

In short, I saw a target-rich environment.



So it was clear that with significant levels of cash, there's been upstream, there's dividend of the company's parent for quite some time. As a standalone entity, CRC would be positioned -- well-positioned to reinvest back directly into the business.

As a result of these factors coupled with a quality management team which you've seen this morning, a track record of technical capability which you've heard this morning, a track record of regulatory compliance as you've heard from Charlie; these all serve to create in my mind a unique once-in-a-career opportunity, very similar to the investment opportunity that you have in front of you this morning.

With that, I'd like to turn it back over to Todd to wrap up.

Todd Stevens - California Resources Corporation - President, CEO

Thanks, Mark.

Hopefully, you can all do the analysis Mark did as he looked to join CRC. But I'd like to bring you back to where we started here. Again, as we've shown you today, CRC is a diversified oil and gas business in a world-class oil and gas province that's underexploited, underexplored, and poised to grow that business and create value throughout the commodity cycle.

Our management team is poised to create value through application of modern technology and modern production techniques and our proprietary surface -- sub-surface models.

Our focus capital allocation and value creation strategy will drive double-digit crude oil growth while living within our means, which is truly unique when you think about growth companies here in the market today.

We're now ready to take your questions and please wait for the mic because we are being webcast.

Okay, up here to Doug.

QUESTIONS AND ANSWERS

Doug Leggate - Bank of America-Merrill Lynch - Analyst

Thanks, Todd. Doug Leggate from Bank of America.

From all the details this morning, it's been a long time for this, I guess.

I have two questions if I may. I'm not sure if you want to direct one of these to Mark. Steve Chazen has often talked about a buyback program at Occidental as a function of if you can buy back a stock cheaper than finding development cost in the portfolio. If you look at your F & D cost and your reserve numbers, that would put you at about a \$14 billion threshold for enterprise value, you know, 20 bucks and \$150 million more or less.

So how do you think about that in the context of the market recognizing value for growth per share as opposed to just growing for growth? And I've got a follow up, please.

Todd Stevens - California Resources Corporation - President, CEO

Yeah, I think from my standpoint, that's not unlike the M&A market also when you look out there and you think about, you know -- I'm trading like this, is it cheaper to buy reserves in the ground or buy someone else from that perspective. And if our stock, after initial volatility that goes with the spinoff, settles down in a range that doesn't make sense from a management team and we're executing. I think we have to talk with our board



of directors and look at other opportunities to create value because we're in a business of creating value for shareholders. And I think nothing is off the table including, you know, share buybacks at that point in time.

But I do think we have to get by the few initial first months of volatility in the shares as they look to find their proper home.

Doug Leggate - *Bank of America-Merrill Lynch - Analyst*

My follow up is really more specific on the unconventional economics. I guess considering the fee sample as well as the cost and the tight curves, a low 20% IRR doesn't really seem to correlate with what Steve had also said which was any incremental spending in California would go towards the unconventional because 22% just doesn't compete with the waterfloods for example.

So can you explain what is the basis of those economics, how are you loading them, is it just, you know, drilling and completion costs? You know, if you could just give us some color as to why the returns look that low. Thanks.

Todd Stevens - *California Resources Corporation - President, CEO*

Yeah, I think the unconventional program -- if you look at it as part of our portfolio of all of our opportunity sets, within the unconventional program, there's another entire portfolio of opportunity set in there. And what happens is we spend a lot of time because of the massive resource base of investing in the unconventional space, and we drive down cost, and that's what's enabled us over time looking at completion techniques and cost.

For example, in the shale program at Elk Hills, we've driven down cost from \$5 million to what, \$2 million per well, right Bob?

Robert Barnes - *California Resources Corporation - EVP - Northern Operations*

Right. [With just] wells under \$2 million ...

Todd Stevens - *California Resources Corporation - President, CEO*

Yeah. It's under \$2 million. And so we really look to drive cost out of the system. And in some cases, once we get the cost in line or the completion technique in line, you'll see us really truly move to exploit and that's where you get the higher returns.

But in the other cases, we're spending time, it's almost R&D-type spending because the resource is so huge, you're trying to apply what you know from all your other library of data to enable yourself to exploit the other opportunity sets that are out there as you get into the Lower Monterey, Kreyenhagen. Because the Upper Monterey -- again, we've done really well in it. We're trying to translate that as Shawn showed you to eight other -- seven other fields. And we have 70 other fields in our whole portfolio that have Kreyenhagen, Lower Monterey, or Moreno-type opportunities.

No, that includes everything. When you look at the economics, these aren't an incremental well that you might look at from the standpoint of other opportunities or other investment opportunities you might make. We really have our facilities loaded in and we have every cost you might have. There's no corporate G&A, but I would say field level G&A is also included in all our economics.

So yeah, that's why they might look on a standalone basis different from other ones that might show you 100% rates of return on an incremental well, but they haven't spent the capital that's necessary from a facilities standpoint.

Todd Stevens - *California Resources Corporation - President, CEO*

Faisel, right here in the front -- or in the back, never mind. Sorry. Yes, sir?



Unidentified Audience Member

Yeah, hi, can you please talk about your thoughts about a future hedge program and how the current oil price might affect your CapEx plans for next year?

Todd Stevens - California Resources Corporation - President, CEO

Yeah, hedging -- I think you have to view that as a financing decision. And clearly from our perspective, we think people want to buy us from an exposure to crude oil and growing crude oil.

When we look at hedging, I think it's a strategic decision around either an acquisition or some event like that. So when we think about what you might do is if you had to purchase something you want to walk in interim economics, I think that's important. Or Sacramento basin, and we talked about gas optionality; San Francisco City natural gas prices sometimes blow out 50 cents or more. So for some reason, they got to a level that we could hedge a program of moving our rig into the Sacramento basin. I think that's a thing we could do.

When you look at the lower price environment, you know, we're scenario planning currently and we're looking at a variety of different scenarios as Brent settles down.

So as I had mentioned on the call, that might moderate our short-term growth rate depending on where that settles. But it wouldn't be much lower than the 6 to 9%, but we're still working that and we haven't settled for where we'll ultimately be. But really, that scenario planning is ongoing as we speak.

Faisal Khan - Citigroup - Analyst

Thanks. Just a few questions. It's Faisal from Citigroup.

Just you know, on page 15 where you list all the small players in California, is there still any room to consolidate a lot of those smaller operators and to sort of exploit the resource better than what the smaller operators have, similar to what you sort of discussed already in the presentation? And I have a few more questions, too.

Todd Stevens - California Resources Corporation - President, CEO

Sure. That's definitely an opportunity. That's what we've been doing to give you an idea. Again, it's already fairly concentrated, but there's a lot of very small players. And in some cases, you can purchase minerals from the mineral owner where you might already be operating.

So yeah, I think it's not a massive scale. They're probably \$50, \$100 million-type deals or lower. But we probably do 5 to 10 a year of small-type deals, maybe \$10 million. But we did close one on this Wednesday where we purchased a bolt-on acquisition in the Ventura basin for just under \$200 million.

So those kinds of deals will come around once every few years. And I do think -- you're right, there is a shopping list of smaller oil and gas producers, in some cases mom and pop type operators that we could look to go purchase at some point in time.

Faisal Khan - Citigroup - Analyst

And then just on page 19 where you discussed all the different plays and sort of, you know, what they're producing and, you know, what the average production of oil is, just back on that unconventional sort of description where you have 34% of net production coming from oil, but 60% of the reserves are oil and liquids, can you explain again how that works and why that's -- you know, why you do not see the uplift right now?



Todd Stevens - California Resources Corporation - President, CEO

Yeah, well what happens is initially in the Upper Monterey that we've been drilling, you see a 50%, 60% oil cut when you -- on the IP. And then from right then and there, it starts going down. As the pressure starts dropping, oil -- gas starts coming out of the oil and it starts picking up over time. And that's what we see from our current PDP, is a higher gas cut overtime.

And then as it settles down, is it like, 60/40, Shawn, is that -- approximately maybe a little less than that. But on average, across the spectrum. But some of them are clearly more gassy than others; the different Upper Monterey shales.

Faisal Khan - Citigroup - Analyst

Okay. And then on Gunslinger, on page 71 where you talked about exploration and you talked about the resource capture from exploration, you know, isn't Gunslinger a big component of that captured resource? And so, I mean does that -- how does that -- if I take that out, what is the exploration program really look like?

Todd Stevens - California Resources Corporation - President, CEO

It's a part of it, but I wouldn't say it's the biggest part, but it's not, you know, it's not 80% of what we're showing there. We've had some other significant exploration, I'll say discoveries, whether it be extensions or actually new field discoveries. We don't want to talk too much about them for competitive reasons. But we have some that we're very excited about right now, currently ongoing.

Faisal Khan - Citigroup - Analyst

Okay. And then just on crude transportation, you mentioned that you don't have a lot of firm contracts to move crude out of the basin to the refiners. Do you worry at all with all this crude by rail coming -- potentially coming into the state that, you know, that could sort of work ahead of your -- in the pipeline capacity and so that might limit some of your market access?

Todd Stevens - California Resources Corporation - President, CEO

It's something we're looking at right now whether we should take active space on Line 63 or some of those other ones going north to south. It is an issue, because most of the rail they're talking about along others is landing in Bakersfield and that gives them the optionality obviously to move north or south. So yeah, it is something we're considering. We haven't done it yet, but we're looking at it at this point in time.

Faisal Khan - Citigroup - Analyst

And the last question from me -- sorry; just in terms of, you know, you have a lot of infrastructure within the company, 20 thousand miles of gathering systems. You have a, you know, a large fee interest in your acreage. Is there any contemplation now of maybe looking into MLP structure, you know, or the royalty sort of structure in hyping out some of those cash flow streams for better value?

Todd Stevens - California Resources Corporation - President, CEO

Yeah, I think when you look at the mid-stream, it's -- we're not in a fee business and we -- it's so underexploited, underexplored in the state, tying in new discoveries. It's just -- it takes too much value out of the system. And the royalties, they underpin our economics so strongly and some of our plays are based on being able to have those.

So I just think it from -- if it was a super mature basin and it was established, maybe you look at some of that stuff. But from the fact that we're growing, we're continuing to exploit and explore, we want to be able to quickly tie back those things and capture all the value.

In the back -- right over here.

Matt Portillo - *Tudor Pickering - Analyst*

Matt Portillo from Tudor Pickering.

Just a quick question on your budgeting process long-term. And you talked about your 69% growth rate. What is the underpinning of that in terms of the commodity price that you're looking at to budget that both from an oil and gas perspective? And then I have a follow up question on capital allocation.

Todd Stevens - *California Resources Corporation - President, CEO*

On an oil and gas perspective -- so think about gas right now. Gas price environment is relatively positive for steamflood, but not so positive for dry gas wells.

So when we look at that, that's not really the consideration for our capital program. A modest amount of capital goes up into the Sacramento basin and from the standpoint of behind pipe-type opportunities.

For our long-term planning right now, we're looking at different scenarios all the way down to \$80 Brent. And our environment from the 6 to 9% growth rate, I think from -- we're talking about Boes, I think that could be moderated at an \$80 probably, environment. But as you look going forward, I think that still leads our crude oil in still double-digit type growth with our opportunity set, simply because our steamfloods, our waterfloods are so strong economically that you can work much further down the value chain on an oil and gas price scenario well below 50 and still do well for yourself in that environment. And those are -- you know, the steamfloods won't even be touched. In fact, we might invest more in them in this environment going forward.

So the short answer is the Boe target might be impacted, but the double-digit crude oil production growth will probably be unimpacted when we talk about a lower price environment down to \$80 Brent. And we're in about \$85, \$86 Brent today.

Matt Portillo - *Tudor Pickering - Analyst*

Thank you. And a second follow up, just in regards to your capital allocation decisions, can you talk a little bit about kind of the three key components -- so as we look at steamfloods, waterfloods and unconventional resource, I assume there's obviously the rate of return aspect of that, but there's also the toggle in terms of timing of investment to first production. And as we look out into 2015 and 2016, should we think about that toggle really coming from the unconventional side of your program as you guys maybe looked to scale back your program a bit given the commodity price change that we've seen so far?

Todd Stevens - *California Resources Corporation - President, CEO*

Yeah, when you think about the programs particularly the waterfloods and steamfloods, they are very -- they ebb and flow because of the facility spending. When you get out in advance, so you want to expand whether it be infill or a pattern going out, you're going to put into water handling, you're going to put in the steam generators. We've actually made that investment this year and we're going to bear some fruit at Kern Front and Lost Hills in the steamflood side over the next few years before you look at expanding the next pattern.



So what happens is the spending -- backtracking to your original question, again, we're going back to what we're calling our value creation index. Everything is getting considered if it can create a 1.3 from that standpoint. And once it's in that bucket, then we'll take into consideration, operational considerations, timing issues, movement of rigs, those kind of things going forward.

But I think from a standpoint of steamfloods and waterfloods, again the spending comes and goes and as the impact from the drilling then happens.

Matt Portillo - *Tudor Pickering - Analyst*

Thank you very much.

Todd Stevens - *California Resources Corporation - President, CEO*

(inaudible), right here.

Sven Del Pozzo - *IHS - Analyst*

Sven with IHS.

Back to the unconventional for a second, what accounts for the \$20 shift in oil price doesn't really move the -- I don't know what percentage that is, if it is a pretax, internal rate of return or -- just basically, what qualities in the well allow it to be -- the economics to be sturdy in a face of a \$20 drop in oil price?

Todd Stevens - *California Resources Corporation - President, CEO*

What are you referring to?

Sven Del Pozzo - *IHS - Analyst*

It's page 43 in the presentation. There's a matrix with a lot of percentages under different oil price assumptions. And basically, it doesn't move very much when oil changes by \$10 or \$20.

Todd Stevens - *California Resources Corporation - President, CEO*

That's because it's mostly gas. So you're talking about get back to what Faisal asked about earlier.

Sven Del Pozzo - *IHS - Analyst*

Okay.

Todd Stevens - *California Resources Corporation - President, CEO*

So that's why it's not going to materially move with oil prices.



Sven Del Pozzo - IHS - Analyst

Alright. Is that -- yeah, is that example that you gave us -- is that a Lower Monterey shale, is it in a particular area? I'm not sure ...

Todd Stevens - California Resources Corporation - President, CEO

These are all Upper Monterey. Again, Lower Monterey there's probably -- if 25 wells drilled, probably less than 25 wells ever drilled and completed into the Lower Monterey across the state. Yeah, but that's Upper Monterey.

Sven Del Pozzo - IHS - Analyst

And perspectively, are there any areas in California where there might be -- have material exposure to all three of the shales that you might co-mingle, or in -- yeah, how much exposure might you have to something like that?

Todd Stevens - California Resources Corporation - President, CEO

There in the San Joaquin Valley, they're pretty much everywhere where'd we have exposure to all three. They might be called different names in other parts of the state, but we have exposure to most of them, particularly the Monterey and throughout the state.

So yeah, it's potentially -- when you look at a lot of different things, Darren referred to looking at things with a vertical well and effectively doing a horizontal. But there's a lot of other ways to look at it too, as you talk about, you know, different laterals and multilaterals. So all those things are ongoing.

Sven Del Pozzo - IHS - Analyst

Okay. How much might a well -- last question -- do you have an idea of completed well cost, in the Moreno for example?

Todd Stevens - California Resources Corporation - President, CEO

At this point in time, it's probably \$3 or \$4 million.

Sven Del Pozzo - IHS - Analyst

Alright, thank you.

Todd Stevens - California Resources Corporation - President, CEO

Doug, right here.

Doug Leggate - Bank of America-Merrill Lynch - Analyst

Thanks. I figured Faisel set the pace for all the questions. So look, I might throw in another couple.

If I may, just a point of clarification - I've got to go by some of the legacy history here again, Todd. I think you, back in 2010 and Steve over the years has talked about 200 thousand net acres being derisked on 10 acre spacing. That's an awful lot of locations compared to the locations you've disclosed to as today and in your Form 10. So I wonder if you could close the gap there. I don't know if that's at issue but ...

Todd Stevens - *California Resources Corporation - President, CEO*

I heard -- this is you and Steve talking on a conference call years ago. And I don't know -- Steve's a brilliant man, but I don't know what he was -- exactly what he was referring to there.

But in our Form 10, those locations are engineered locations. So we're not doing resource basin math at that point in time. But from our standpoint, what we wanted to put out was actual locations that were engineered as opposed to a resource-type look at it. And we try to get away from that because that's just a part of our portfolio and we don't want to hype something that's a part of our portfolio. And in fact it's not -- it struggles to compete for capital sometimes and especially in this environment.

So yeah, I can't know what Steve was thinking when he told you that. But I don't know the real -- the background behind that.

Doug Leggate - *Bank of America-Merrill Lynch - Analyst*

Okay. My only other question really is, I'm guessing on those tight curves, vertical tight curve that you've given us for the unconventional, in your Form 10 again, you talk about the assets have been kind of neglected or hasn't been modern technology and so on applied to these. I assume you're talking about horizontal drilling and fracking and so on. So could you just elaborate as to what that means and what -- where it fits into the overall CapEx and allocation?

Todd Stevens - *California Resources Corporation - President, CEO*

We're experimenting with a variety of completion and drilling techniques. We don't want to get into too much. But you're right, I mean, you can look at all kinds of different opportunity sets from multi-laterals to horizontal drilling, depending on the reservoir and try to optimize your costs effectively to capture the resource.

But yeah, we are doing everything you might think of working with the service providers and working with our own in-house group that reports up through Shawn about how we're going to execute this program.

Yes, sir?

Okay, so the question was what kind of price would you need on the oil side to have the unconventional be as just competitive as the steamflood.

Unfortunately, it's -- you know, they're correlated -- there's a lot of correlation going on there, because as oil price continues to go up, the steamfloods look better and better if gas price stays the same.

But I would say overall if you look at them from a waterflood basis, if Brent pricing sustained over 100, you'd spend, you know, more on the unconventional side of the house than you might have historically.

Yes, sir? Back here.

Joseph Allman - *JP Morgan - Analyst*

Joseph Allman with JP Morgan. Could you talk about vertical integration at CRC and your relationship with service companies?

Todd Stevens - *California Resources Corporation - President, CEO*

I think we have exceptional relationships with service companies. And actually as Bob really -- because Bob -- one of the strongest operating guys we've had in Occidental for years, long history with Occidental; worked the Permian, worked Argentina and has been in California now. This is I think the third time. He can give you a perspective of service providers in Permian versus what he sees in California.

Robert Barnes - *California Resources Corporation - EVP - Northern Operations*

On the California assets, you know, we're using the -- it's a seamless approach with the service company. Everything from desk engineers, we have access to the research facilities, a lot of benchmarking on the other plays and from other basins.

You know, we try to seek to understand what they're doing and apply it to the reservoir properties we have.

So it's a really a seamless approach a hand in glove type of deal.

On the Permian, the Permian is moving very, very fast. And I think that we're putting a little bit more engineering into the -- into our designs and stuff as opposed to the break neck pace that the Permian is running at.

Joseph Allman - *JP Morgan - Analyst*

So just a few more questions, if I could. So does your vision or name preclude you from branching out outside of California?

Todd Stevens - *California Resources Corporation - President, CEO*

As you've seen in the Form 10, there is an AMI in place with Occidental that lasts for five years. And effectively it's a prep fight if we try to do something outside of California for 51%.

From my perspective, as we step out here, we have this huge inventory base in California. As a management team, we need to execute our strategy on that. And if we're three, four, five years from now, we look at something outside -- I'm fundamentally a growth person, you know, we're not going to rule that out if it made sense.

California for Occidental for years was a training ground of employees, and it is because California is a place where you can go as an engineer or geoscientist, and as Darren said, you can be exposed to everything you might ever want to be exposed to in your career without having to travel around the world, around the country.

So our training and what we do here is applicable elsewhere around the world and around this country. So I wouldn't rule that out, but it's not something, you know, we think about at this point in time. We'll look at that as, you know, the opportunity presents itself later.

Joseph Allman - *JP Morgan - Analyst*

And just on the unconventional, so can you just describe how the unconventional testing and the development program has gone for the past few years at Oxy and CRC? And are you optimistic that you're going to actually make it much better than it's been in recent years?

Todd Stevens - *California Resources Corporation - President, CEO*

I'll give you a little bit of history and then I'll talk about -- let Shawn talk about what we've done recently and how we're changing.

So if we go back in time four and a half years, we're in the same room talking about California unconventional. We had had a recent exploration discovery and have bear the fruits really quickly from Faisal as he referred to Gunslinger. And that was bearing fruit from my technical work in the state. And we had very early success there on the shales.

Again, the overall strategy in the company didn't change and the money wasn't really invested. And it was really a focus on cash flow, you had some board room drama more than once and we're here today.

And I think what we've done is staff ourselves to really focus on how we're going to create value by investing in this resource. And I'll let Shawn talk a little bit quickly about what we're exactly doing today.

Shawn Kerns - California Resources Corporation - EVP - Corporate Development

Yeah. You know, on the unconventional, we just continue to acquire more data in information and understand how these things produce and where they are productive. And so we try different things, different completion techniques, different stimulation treatments. And you end up with this kind of portfolio of opportunities and we look at those in terms of value and try to progress the highest value ones first.

Joseph Allman - JP Morgan - Analyst

So the last question -- is there anything that can prevent that would prevent California from being similar to the Permian in terms of, you know, multi-stack pay, successful, you can develop it quickly?

Todd Stevens - California Resources Corporation - President, CEO

No, I mean, not that I foresee. We work effectively in the state. Again, as we talked about earlier, it's really a timing and planning issue where it might take you a shorter period of time to execute things in the Permian. It's just a planning issue from California.

We do have a lot of issues happening in the state constantly. But we feel like it's a workable environment with the governor, lieutenant governor, speaker of the assembly, everyone there understands and appreciates our industry. So I'm not -- there's nothing that really would prevent it from becoming like the Permian and I'd argue that San Joaquin Valley -- if you went out there, it's as prolific in the amount of activity and is very close to the Permian at a smaller scale.

Yes, sir?

Unidentified Audience Member

Could you elaborate on the project profitability calculation that you alluded to, earlier?

Todd Stevens - California Resources Corporation - President, CEO

Yeah. It's effectively discounted profitability index, present value index. So what we're talking about was a value creation index because it really -- I want to get everyone focused -- we renamed it for ourselves -- focused on creating value over the long haul, over the life of the field over the project.

So it's net present value of the project at 10% divided by the undiscounted investment that you've made.



Unidentified Audience Member

Okay. And sorry -- does that include the cost to replace the acreage and the reserves, sort of on a similar quality basis?

Todd Stevens - California Resources Corporation - President, CEO

What do you mean?

Unidentified Audience Member

I guess you're using a declining in asset. Does it sort of include the cost of replacing that declining asset?

Todd Stevens - California Resources Corporation - President, CEO

It includes -- you know, all the stuff, facilities, lease hold, whatever you might have, invested in the project going forward for the life of the field over the project. Anything beyond that is not going to be in the calculation.

Unidentified Audience Member

Okay, thank you. And then I guess, how clearly -- how closely do you stick to sort of those outputs? Do you do the highest projects first?

Todd Stevens - California Resources Corporation - President, CEO

Obviously, they are the most competitive projects if you looked at them on a return or other basis. Sometimes, there's slight differences. So you really look at it and you're really looking to invest in the highest quality ones -- sometimes there's a strategic reason or an operational reason where you might move a tier down. But most of the time, you're doing all those projects.

Unidentified Audience Member

Alright, thank you.

Todd Stevens - California Resources Corporation - President, CEO

Yes, sir?

Unidentified Audience Member

Your balance sheet is certainly, you know, reasonable. It's much less reasonable than your parent.

And -why wouldn't you consider growing a little slower and building your cash flow and paying down debt to a you know, much more conservative level and similar to how your parent has been operating?

Todd Stevens - California Resources Corporation - President, CEO

Yeah, I think as you look at it ...

Unidentified Audience Member

Given the recent oil price decline.

Todd Stevens - California Resources Corporation - President, CEO

When you look at our balance sheet, the 5 billion in bonds and the 1 billion term loan, I think the term loan is there for -- it gives us the opportunity to prepay debt. We also look to delever through growth, you know, creating value in our EBITDAX growing over time.

Yeah, there is -- there might be something that's said to do that, but I think at this point in time, we feel pretty good about ourselves relative to our peers. And I mean, we're on the cusp of investment grade and we are BB+ and BA1. But I think we are a very strong version of both of those.

So I would guess over time if we executed our plan, we be pulled up into an investment grade. But most of our peers and similar sized companies, the vast majority of them are actually in that category of high yield. So we don't see any reason and particularly in today's marketplace with interest rates to try to pursue high, you know, value of investment grade proposition simply because you're still -- if you looked at our suite of covenants, you'll see that we have investment grade covenants on our debt. So we feel pretty good about that and I think that's a recognition by the banks and our bond investors of what kind of assets we really have.

Yes, sir?

Matt Portillo - Tudor Pickering - Analyst

Just one additional follow up. Matt Portillo from Tudor Pickering Holt.

Just in terms of the unconventional resources, you mentioned the majority of the wells drilled today have been kind of the vertical wells. Have you guys -- as you look at the horizontal side of the testing program, have you guys looked at potentially extending the horizontal completions here? And is there any step change you've seen so far in terms of the economics from any of that horizontal drilling? Or how should we kind of think about that similar in context to kind of the Permian moving from the wolfberry to kind of the wolf camp type development overtime?

Todd Stevens - California Resources Corporation - President, CEO

Yeah, when we look at things, we don't do a whole lot of horizontal, it's something that's emerging and we do more and more of it. I think over time, it could play more of a role. I think at Elk Hills, we do a little bit and elsewhere. But overall because of the stacked nature of pay here, and we're not targeting one little interval which, you know, I talked about the wolf camp, the Bakken, or you know, different parts of the Eagle Ford.

So I think really, we're expanding our use of it, but it might not be in the same way you're thinking about it at this point in time. But it is something as a tool we have in our toolbox, but it's not something that's, you know, top priority because we're more than effective from vertical or slant drilling.

Any other questions?

I think we're ready to go for lunch?

Scott Espenshade - California Resources Corporation - IR VP

Yeah, thank you for your time today. We will have lunch in the other room. I appreciate everyone that listened in on the webcast as well. And if you have any further questions, please contact the investor relations department to follow up. Thank you for today.



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