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Jason Gilbert: So, thank you, everyone, for joining us out here. We're pleased to have a couple folks from California Resources here. Mark Smith is EVP and Chief Financial Officer. Scott Espenshade is SVP and runs Investor Relations for CRC.

Mark is going to run through some slides quickly and then we're going to do some Q&A at the end. So, thank you Mark for being here and look forward to hearing what you have to say.

Mark Smith: Thanks, Jason. Appreciate the opportunity to be here. As Jason said, joining me this morning is Scott Espenshade who leads our Investor Relations team. We welcome the chance to tell the CRC story and thanks for being here bright and early with us.

This morning I want to focus on what it is that makes us different. You may see some other presentations at the conference from some other upstream E&P companies, but I want to spend a little bit of time visiting with you, a little bit about what sets us apart. One of the primary factors that makes us different, sets us apart, is our flexible and diverse portfolio. It's been proven to perform well across a wide variety of pricing scenarios.

Another factor that sets us apart is our disciplined capital allocation process. It's a process that is consistently focused on value, not growth for growth's sake. And you'll see how that comes into play as we talk a little bit further about how we've managed the fourth quarter of last year into first quarter this year.

Another factor that sets us apart is our management team. We've been pressure tested. We're quick to adapt. We're driven by operational excellence.

And then another important factor that sets us apart is a continued focus on strengthening our balance sheet, simplifying it, reducing the absolute levels of debt that we have. By capitalizing on our diverse and differentiated asset base we truly believe that we're working to lever our dynamic disciplined capital allocation approach to drive value and execute on our long-term strategy.

Now for those of you that aren't familiar with CRC, I just want to highlight that we operate exclusively in California. It's a state with compelling energy demands and I'd like to share with you some of the key aspects of those needs and provide a context to frame the state's regulatory landscape, particularly in light of some of the activity and discussion that we've seen over the last few weeks.

And one of the primary aspects is that California is the world's fifth largest economy. It consumes more gasoline than countries with populations over four times its size. Another key aspect to the regulatory landscape is that California is like what we refer to as an "energy island". There's no meaningful crude oil pipelines into the state and, as a result, California imports roughly 73% of its crude oil needs. This equates to sending $32 billion annually to Saudi Arabia, Iraq, Kuwait, places outside of California. So to frame this, these payments are roughly 26% of the State's General Fund Budget; very meaningful.

Another key aspect is that this imported energy doesn't apply California's well-regarded safety, labor and environmental standards. Our native production aligns with Californians' progressive values. And replacing native production here in California with foreign crudes has the undesirable effect of exporting much needed jobs and substituting lower environmental and safety standards of countries that don't share California's values.

Another key aspect that provides context to the regulatory landscape here is that the oil and gas industry provides high-paying, middle-class career paths. California is the wealthiest state with the highest poverty rate. Native production boosts the state's economy for thousands of needed local jobs. A healthy economy that creates good-paying jobs needs access to affordable and reliable energy.

Now, it's important to note one aspect that we refer to and that is energy inequality in the state. Essentially, it's the wide disparity in energy needs by those typically in the higher than average income areas along the coast compared to that of typically lower than average income levels in the inland and more arid regions of the state. We consider that misguided energy regulations tend to exacerbate this inequality and unduly impose outsized burden on those that can afford least to pay those incremental energy costs. The key point here is that jobs that support California native production enable Californians to achieve the American Dream.

Another key aspect is that California production is a key source of state, county and city revenues. I want to point out that native production doesn't only benefit our shareholders, workforce and consumers. The State Lands Commission is one of the largest mineral owners in the state. And specifically, CRC's Long Beach operations alone has generated almost $5 billion over the last 15 years for the state, for Los Angeles County, as well as the City of Long Beach.

So, the bottom line is that we consider recently proposed California legislative activity to be misguided. It would export good paying jobs, it would diminish public revenue, it would increase dependence on foreign oil from countries that don't share our environmental values and standards, and it would hit the pocketbook of the Californians who could least afford it.

We believe that responsible policymakers in Sacramento and across the state have and will continue to recognize all these facts and will continue to recognize the critical role of our industry and our related workforce. CRC will continue to work constructively with like-minded constituents across the state – not simply in the oil and gas industry, but others that share our perspectives – in order to engage legislators as we have in the past and we expect that the thoughtful leadership in Sacramento will continue to prevail.

So what are some of the key highlights that we had in our first quarter performance? Well, one is that we started with 10 rigs which we subsequently reduced to 6. Remember, it goes back to us being agile and disciplined.

Another key highlight is we produced an average of 133 thousand barrels of oil per day. It's up 8% over the prior-year period, 63% oil. It's exhibiting the results of our capital allocation program which prioritizes higher-value, oil-weighted projects.

Another key highlight for the quarter, we invested $138 million in capital, with $104 million internally funded. The remaining capital, $34 million, was funded by our partners and was dedicated to our joint venture projects.

We had adjusted EBITDAX for the quarter of $301 million. That was up 20% over the prior year period. Over 140% growth since 2016. Our margin was healthy at 38%. And I want to point out that these improvements were all at a realized oil price of just over $65 and that's after the effect of hedges.

Another key highlight is that $1.2 billion was generated in terms of adjusted EBITDAX the last 12 months. So as you can see, we're pleased with our performance, the response of our assets and how we're positioned.

So what is it that differentiates our asset base? We have what we like to refer to as the characteristics of major encapsulated in an independent. It's truly a world-class investment grade asset base. One of the key factors that differentiates us is this diversity. We operate over multiple basins. We operate in four of the largest fields in the U.S., all multi-billion barrels in terms of original oil in place. Operate through multiple drive mechanisms, whether that's conventional primary, waterflood, steamflood, even some unconventional.

It's important to note that our high-level operating control allows us to take advantage of our diverse asset base. You saw that in the 2017 timeframe. You saw that again in the fourth quarter of 2018 leading into the first quarter of 2019.

Another key factor that differentiates CRC's asset base is its size, its sheer volume of oil in place. California is characterized by world-class oil fields. 50 billion barrels original estimated oil in place across the state. Nine fields, each estimated in excess of a billion barrels of original oil in place. So even though these fields have produced over many decades, we still generally have very low recovery factors across those fields. So, we estimate that over 10 billion barrels of oil in place remain in terms of recoverable resources across the state so there's lots of work left for us.

Another key factor that differentiates us is the quality of our reserve base. Proved reserves at year-end 2018 were 712 million barrels of oil equivalent. That was up 15% from year-end 2017 and that approaches levels that we saw at our spin, despite prices being roughly 25% lower.

Our reserve base is characterized by its very long-lived nature as opposed to a lot of our unconventional peers. We have a reserve-to-production ratio of nearly 15—indicating our very shallow decline rate. Our 2P reserves amount to well over a billion BOE.

Importantly, our finding and development costs this past year were $8.76 per BOE and our organic F&D costs has averaged $7.57 per BOE over the last 3 years. Very low F&D costs.

Our all-in reserve replacement ratio was 296%. 127% of that was from the drill bit alone last year. Importantly, our recycle ratio, organic recycle ratio registered 1.9 times in 2018. Our four-year average is 2.6 times. In my experience in the industry, finding a company that's underlying economics in their projects allow them a recycle ratio approaching 2, very, very strong—indicative of a very, very strong asset base.

Another factor that differentiates us is our deep regional insight that we have. We're the largest player in California, 2.2 million acres. 60% of that's held in fee. Most of our position is either held in fee or HBP. So, we're not faced with the situation of having to make marginal economic decisions in order to save a lease. It provides us additionally with flexibility and optionality. It's an area that's underexplored and underexploited. There's lots of deep potential here. The largest 3D seismic position in the state is held by CRC which gives us good proprietary insight. So, we have lots of running room with good insight across our position.

Another factor that differentiates CRC is our favorable market. We talked earlier about the amount of crude that's imported in the state in the form of Brent. As a result, the marginal barrel is waterborne and we receive Brent-based pricing, very healthy realizations. The first quarter we realized 99% of Brent. That realization reflects the ongoing strong demand for California crude, as well as the fact that the California refineries use that native crude to optimize their refinery yields.

On the natural gas front we have the ability to leverage our portfolio, our capacity, our infrastructure. It allows us to rapidly supply additional needed natural gas to the market in terms of peak demand. That can be seen in our other revenue and expense line items. In the first quarter we generated $20 million from that activity alone.

Now, another factor that differentiates CRC is our net asset value. At $75, Brent held flat, our NAV is in excess of $20 billion. At $65 it's greater than $16 billion. I want to point out that's just proved developed value. So no value given to unproven, no value to significant complementary infrastructure that we have, no value to our land position. So overall, our net asset value is much, much greater than our current enterprise value; again, giving one a sense for where we're going.

Let's talk a little bit about our operating strategy and what it's comprised of. One of the key tenets is to thoughtfully develop our large and growing inventory of actionable projects. On the slide in front of you, you see that our reserve base translates into a deep inventory of actionable projects. At $65 flat Brent we have over 850 million barrels of oil equivalent, of projects available to us, all with what we refer to as VCI greater than 1.3 times. VCI is a PVI metric, present value to investment metric. And finding and development costs of less than $10 a barrel across that set of projects. That's roughly $10 billion of currently identified investment opportunities we have. Again, many years of work ahead of us.

Another key tenet of our operating strategy is disciplined capital allocation based on value. You heard me talk about that earlier in terms of what we did in 2017. And 2019, you'll see that in a second. But we work to proactively adjust our activity levels and mix. As prices have fallen at various points in time we've worked to quickly and meaningfully pull back our rig activity, stay within cash flow, defend our margins and preserve our value. As prices increased, we've increased our activity levels. Today we're focused on protecting our base and positioning ourselves for value-driven growth over the longer term. And we continue to be dedicated to using about 10% to 15% of our discretionary cash flow in order to strengthen our balance sheet.

Another key aspect of our operating strategy is leveraging our knowledge as well as infrastructure associated with our primary operating basins. One example of this is our Elk Hills area. You may recall that's the old Naval Petroleum Reserve. It had an estimated 10 billion barrels of original oil in place. It's been producing since the early 1900s. We've operated here for over 20 years. We acquired our interest from the U.S. It has very integral and complementary infrastructure associated with it in terms of our processing facilities, power plant. So we're using the significant knowledge that we have there, as well as our infrastructure, to improve the performance of adjacent fields, particularly Buena Vista and Coles Levee.

A key example of leveraging our knowledge base is our acquisition of Chevron's interest in the Elk Hills field. We acquired their remaining non-operated position last year. It varied from 20% to 22%. Their ownership varied by producing horizon. It included 10,000 surface acres and we now own 100% working interest, 100% net revenue interest, and all the surface in one of the largest fields in the Lower 48. Not very many independents that can say that. Lots of interesting opportunities here.

So the acquisition allows us to consolidate our operations, to streamline processes, to drive synergies and to improve capital efficiencies. Additionally, the acquisition delivers additional cash flow for reinvestment in the project inventory we looked at just a minute ago. And we've already recognized operational savings to date of roughly $34 million annually. And I want to point out that those numbers don't include an additional $20 million in capital avoidance costs. We can use infrastructure capital associated with the Chevron interest that we free up in operational improvements elsewhere in our operations. So, we're well ahead of our initial target of $20 million annually and there's more to come.

Now, another example of where we're leveraging our knowledge is in the southern San Joaquin basin. It's south of Elk Hills. You see it here down south in the slide. It's characterized by a series of very large fields with low recovery factors; again, hundreds of feet of stacked pay. Many of the same reservoirs. We're familiar with Elk Hills in the Buena Vista area. We're reworking those areas and those fields based on what we know from those areas up north. And we're using wellbore data, as well as proprietary 3D and integrated reservoir characterization, in order to identify additional opportunities, high grade them. And we think they hold significant workover, primary drilling, waterflood, even EOR potential. So again, we're having good success and we like what we see here.

Another example of where we're leveraging our knowledge and our infrastructure, this time infrastructure, again, southern San Joaquin. Simply put, we're using Elk Hills as an existing core area and as an infrastructure hub. We're tying the South Valley into Elk Hills Power, taking advantage of additional capacity we have up there, and we're bringing South Valley production back up to Elk Hills in order to gain the benefit of our processing infrastructure.

Another aspect of our strategy is the thoughtful use of relationships, particularly our joint ventures. It allows us to accelerate value, allows us to participate in the growth wedge, allows us to de-risk our inventory. And we have roughly $600 million of capital that's been committed toward development and exploration. Roughly $300 million of that has been funded in terms of development capital through the first quarter. And recall we've spoken about the fact that for every $100 million invested in the JV we expect gross peak production of about 3,500 to 4,000 barrels of oil equivalent a day with gross potential reserves generated in excess of 12 million BOE.

So I want to point out that as each of our partners has taken a look under the tent, they like what they see and they've all wanted to have incremental exposure, whether that was Benefit Street Partners, whether that was MIRA, or whether that was Ares. Additionally, we've had strong success with our exploration program. So we expect to use significant joint ventures as we go through the remainder of 2019 and we're in active discussions with multiple parties, both on development as well as exploration JVs.

Now, I spoke earlier about how we shifted our activity in periods of low prices. This slide demonstrates how we strategically use joint ventures to manage our capital during periods of time like that. So if you look back at our actions in 2017, commodity prices dropped in the middle portion of the year and you'll see that we worked to maintain our activity in the field, and we allocated a rig line back to a joint venture. That allowed us to reduce our capital and stay within cash flow, but yet at the same time maintain our activity levels in the field and maintain efficiencies that we've already gained. We did that in the fourth quarter. You heard me earlier talk about how we reduced rigs from 10 down to 6 as we moved from the fourth quarter of 2018 into the first quarter of 2019.

Another example of our operating strategy is the framework we use for our capital allocation through the commodity price cycle. This slide illustrates that. In a downside price environment, we work to protect our base. We'll tend to focus on steamfloods and waterfloods, high-value workovers, and use a secondary measure of payout in order to focus on our liquidity. In a mid-cycle pricing environment we'll tend to invest in value-oriented growth projects, and we'll focus on longer-term value and then we'll work to extend the payout criteria.

So, what's the outlook for CRC? How do we see ourselves in terms of capital allocation as we move through 2019? Well, one expectation is that we'll continue to invest within our forecasted cash flow. You saw us adjust in the first quarter. You can expect to see us execute like that as we go forward. Specifically, we've announced our 2019 internally funded capital budget of $300 million to $385 million. We intend to supplement that with additional $100 million to $150 million of joint venture funding. It supports a total program of approximately $500 million and amounts to nearly a 35% reduction in CRC's capital compared to last year. Again, it demonstrates our responsiveness and our dedication to discipline.

So another expectation is that you can see our capital investment program being dynamic. We'll scale it up or down to align with our outlook for expected cash flows as we move through the remainder of the year.

Another expectation is we'll focus our investments toward oil-weighted projects. That will largely be waterfloods, steamfloods, and conventional production based in Buena Vista, Elk Hills, Wilmington, Kern Front in order to further delineate and appraise these areas. And as a reminder, as we've stated in the past, that we believe that $300 million to $400 million of drilling and completion capital can hold our oil production roughly flat.

Now in terms of our activities to strengthen our balance sheet, we continue to use an all-of-the-above approach, including monetizations. On that note, we recently sold a 50% working interest and we transferred operatorship in portions of our Lost Hills fields for consideration in excess of $200 million. $168 million of that was in cash. It also includes a carry on a 200-well development program. We used the $168 million of cash to pay down our revolver, build our liquidity. As a result, we'll gain the benefit from accelerated development on our projects with that carry. And then we continue to strategically repurchase bonds at a discount in the open market to further strengthen our balance sheet.

Now when we spun, we had a near investment grade balance sheet. We didn't sell assets at fire sale prices. We worked diligently to do the right things. Rather, we executed on a series of transactions which had a much more favorable economic outcome for us, much more favorable benefits. In the process, we knowingly introduced complexity into our balance sheet. As a result, we've experienced a burden of a deep non-investment grade balance sheet. In the current pricing environment, we're very motivated to improve our balance sheet to be back again to near investment grade in order to complement our investment grade asset base.

So, we've demonstrated we'll be opportunistic. We'll continue to execute what we refer to as an all-of-the-above strategy. We're committed to continuing to allocate our capital in a disciplined fashion to reduce our leveraging, to simplify our balance sheet, improve our financial flexibility, to be opportunistic. And again, we're committed to dedicating 10% to 15% of our discretionary cash flow to strengthen our balance sheet.

In terms of options that we're considering, there are a number of options that we continue to monitor and evaluate, whether that's asset monetization, whether that's the use of additional joint ventures, whether that's a sale of non-core assets, whether that's the sale of a royalty or mineral interest, or whether that's just refinancing some of our existing debt complex. So, we're keenly focused on improving and strengthening our balance sheet.

And in summary, we look at a number of—we have a number of factors that set us apart. One of the factors is our diverse portfolio with its strong optionality and its demonstrated performance over multiple periods in the cycle. Another factor that sets us apart is our disciplined capital allocation process. Another is our management team that's pressure tested. And finally, another factor that sets us apart is our continued focus on balance sheet strengthening. So, we believe we're well positioned to continue executing on our strategy to deliver long-term value.

And with that, I'll open it up for questions.

Jason Gilbert: Thanks, Mark. So this is going to be a bit of a lightning round since we only have five minutes left. Scott, did you want to come up here?

There are three topics I think—I just want to hit on really quickly and then, if we have time, we'll let the audience have some. The first one is that AB-345, the California bill that's been introduced, it's twofold. Is this different this time or is this just business as usual in California? And then the second part of the question is, if it passes in its current form, what's the impact to your reserves and production do you think?

Mark Smith: Well, I think our view, Jason, is that it's just too early to speculate about what the outcome of AB-345 will be, any regulatory action. Any comment on that at this point in time is just speculation. What I would like to point out is that CRC has a proven track record of both constructive outreach, as I spoke about earlier, to like-minded constituents across the state and within the communities in which we operate, as well as we have a track record of successfully operating within California's stringent regulatory environment for decades. Scott, do you have anything to add to that?

Scott Espenshade: No. I would just echo what Mark said, is that it's premature right now to look at it. The important thing to remember is Kern County, where a major part of our production is, went through an environmental assessment and based on that they have current setback provisions in place. In fact, most counties and cities already in California have setback provisions in place that range up to 750 feet. So there's a lot of things suggested are already here. We think that the legislation is a little bit arbitrary in its setback provisions and we think there's significant flaws in the bill that will come to light once the responsible legislators continue to review it.

Jason Gilbert: Great. We could talk about that for an hour, but let's move on. The second topic I wanted to hit on really quickly is non-borrowing base assets that you guys have that could be potentially monetizable. Could you just review those really quickly?

Mark Smith: Sure. I think—in order to frame it, I think it's important to recognize what constitutes borrowing base properties. And what constitutes borrowing base properties for us are oil and gas producing assets that have been delivered to the banks in the form of our reserve report. So it excludes our infrastructure assets that I talked about earlier. And then there will be specific assets that we will work closely with the banks on that we may think we may have an upcoming transaction on that we'll work to excluding from the borrowing base. Because the baskets that we can build, that we can execute on to strengthen our balance sheet, are built through the sale or monetization in part by our non-borrowing base assets. So Lost Hills, I think to your point, represented a portion of those non-borrowing base assets that we have and gives us some additional flexibility to build baskets to execute on our deleveraging activities.

Jason Gilbert: And in terms of specific assets, you've got the Huntington Beach—the surface real estate, right?

Mark Smith: Yes.

Jason Gilbert: And then you've got a gathering system, is that correct? What are the assets that you have that could be—?

Mark Smith: Well, we have very significant infrastructure assets in and around Elk Hills. So we've got steam-generating facilities, we've got steam distribution lines, we've got electrical distribution lines, we've got liquids gathering, whether that's oil or water, we've got surface around. So I think we've got—we have significant non-producing oil and gas assets that fall in that infrastructure category. And then we have some other assets that we will exclude from the borrowing base if we don't think that they're getting us good value within the borrowing base.

Jason Gilbert: Your water and liquids gathering systems, are those all CRC volumes or are you moving third-party volumes?

Mark Smith: Well, those in Elk Hills are now all CRC. So there's limited third-party—because we have a very, very high working interest in our properties, there's very little third-party volumes moving through our infrastructure.

Jason Gilbert: And then my last—the last thing I'd hit on is you showed the debt maturity profile a couple slides ago. What's the plan for dealing with the tower in 2021 and the tower in 2022?

Mark Smith: Well, I think the important thing to recognize is that we believe that we have significant liquidity to handle our current maturities as they come forward. And we continue to look—as I talked about, we continue to look at an all-of-the-above strategy as it relates to addressing additional maturities as they come due.

Jason Gilbert: And I guess just one of the things we think about is that maybe when—if we look at the reversions of the JVs, and you haven't told us specifically when that's going to happen, but it seems to me it might not be a coincidence that we have those reverting around the same time some of those maturities come due.

Mark Smith: No, I think that's a very good point. I think that's an issue that a lot of folks don't fully understand and don't fully give credence to. I think there's some pretty significant production volumes that can come as a result of the reversion of those JVs.

Jason Gilbert: All right, so I guess we're technically out of time. Let's just take one question from the audience, if there is on.

Unidentified Audience Member: Can you tell us a little about your hedging program?

Jason Gilbert: Can you repeat that?

Unidentified Audience Member: Yeah. Can you tell us about how you think about your hedging program?

Mark Smith: The hedging program? Our strategy is to hedge between roughly 50% of our expected volumes over the next 18 to 24 months. Now, when you experience periods of time like we're in right now where you've got some high volatility, it makes that—as you go out, it makes it a little more expensive. So we've hedged roughly 50% of our volumes certainly in the first part of 2019. Slightly less than that in the back portion of 2019 and we're hedging into 2020 even as we speak. So, we continue to put that position in place. But the purpose of our hedging is in order to underpin our expected capital program.

Jason Gilbert: Great. I think that's all the time we've got. Mark, Scott, thank you very much.

Mark Smith: Thank you.

Scott Espenshade: Thanks, Jason.