Gregg: They are a California-focused oil company and they have done a really nice job coming out of the down cycle, positioned themselves for growth. I'll let Todd tell the story and I'll pass it off to him.

Todd: Thanks, Gregg. Spend a little bit of time talking about the company and then spend some time with some Q&A. Really appreciate you taking some time today, visit and talk about our company this afternoon. I think it's really important to understand, going back to the spin, four years ago we were here in Miami at the BAML Conference and we're trading when issued at the time and not a dissimilar product price environment. But I think the one thing to understand is everything at CRC always started with and ended with value. And for us, it was something being very proactive and how we change and how we allocated our human and financial capital, the most important things that a management team can do. And it starts with our VCI metric, and it's on the slide here.

And our VCI metric was something that's very important to us, the Value Creation Index. You might otherwise know it from academic or other company's Present Value Index or DPI metric. It's really the basis for how we allocate our financial capital of the company and it's something that how we drive value creation for the company. And for us growth isn't the product of what we're trying to do. Growth is the product of pursuit of value. And so, that's really when you have to think about how we look at things as a company; that we're pursuing smart, value-driven growth.

And how does that really start? Talk a little bit about allocating financial capital, but it starts before that. The most important things management can do; allocating the human capital of the corporation and creating good life-of-field plans on how you want to allocate your financial capital going forward, and then how you allocate to manage the business and try to drive that entrepreneurial mindset and the attention to detail needed in a smaller enterprise. Like I said, four years ago we were trading when issued. We had a larger enterprise. We were 2100 plus employees, today we're 1,482 employees. It's the classic quote that that what doesn't kill you makes you stronger, and that's what the cycle did for us. Given the debt of $100 oil, we effectively did what we could to drive value every step of the way and we continue to do that today with the backdrop of ultimately strengthening our balance sheet. And I think you'll see, as we went through the cycle, we took the cards we were dealt and went to about always looking to strengthen the balance sheet along the way and manage the business.

We have a rather unique business and we'll talk a little bit about it, but it's the type of business that it's not what you normally see. It's a conventional business with every type of drive mechanism you might see. We do have some shale opportunities, but the shale opportunities for us don't compete for capital in the same way that our conventional assets do.

Real brief, third quarter. This is just a slide on it. We've gotten back to investing in the business after coming out of the downturn. And to be honest, I think a year ago we were talking about – showing error bars and the high end was $65 Brent, and we're Brent-based company. And we'll talk a little bit about why that is the case. But we feel perfectly comfortable where we are today. We don't see any reason why there's a collapse in the commodity prices. We think that 65 will do just fine for CRC. And I think it's important to understand we're back to investing in our business. And you'll see this in the third quarter highlights here.

Give you a little backdrop about California, and I think it's important to understand because it's a little bit of – because it's so concentrated in a few hands, it's a little bit of a backwater for the oil and gas industry. But remember, California produces one half of 1% of the world's oil and it's the fifth largest economy in the world. So what happens in the state? What does that mean? The state has a chronic energy shortage. About 72% of the crude is imported and imported meaning waterborne. So about 10% of that is coming from Alaska and the rest is from other foreign sources; Saudi Arabia, Ecuador, Iraq, Columbia, different sources that – what they need to have.

But the most interesting thing about California is an enormous oil in place, an enormous remaining oil in place. And there's a long history of why this happens. But some of the largest fields ever discovered in North America are in California, with the Wilmington being the largest, and we have a large position in all these assets. And I think it's important to understand that generally as you look at these big assets and big fields, they generally get bigger and get better over time. Quality doesn't get replaced by quantity. So I think the important thing here for us is also, and we'll talk about in a second, is exploration is a real value proposition for us going forward. And we have the unique situation where we're really, the assets of a super major trapped in an independent and with a balance sheet given for a different price environment. But we understand that and the great thing is having those assets of a super major, you have the opportunity to really create value for the long-term and also manage the business for value for the long-term, not thinking about short-term declines and short-term issues for the corporation.

Give you an idea of the assets in the state. California is rather unique, and I like to say it's the Permian Basin with tectonics, and it really is because it is a huge amount of stack pay. We have 400 discrete reservoirs we produce from within the state, but because of historical tectonics activity over millions of years, you have these discrete basins and these are just the four major ones we operate in. There are some other smaller basins. And you can get a feel for how large we are as a producer in each one of those basins. Clearly San Joaquin Basin is the prolific basin. Seventy percent of our reserves and production are in that area, some of the world's most prolific fields are in that area, and Bakersfield, where the oil and gas business in California is centered, is in that area. But I think the other thing to understand for us that's truly unique is we have 130 plus fields that we operate and only one field in our portfolio we don't operate, so we have an enormous amount of operating flexibility. So when we talk about prices dropping now or prices going up, we have the opportunity to drop, add rigs, do what we need to do, but also in a second we'll talk about our joint ventures and how that gives us added flexibility because we're so inventory-rich going forward.

People always ask, why did you do the spin. This is really the genesis of that. It was all about focus, focus, focus. The spin was accomplished because the two best assets in that company weren't being focused on and given the level of attention they needed. For us it was California. And you can see since the spin and approximately four years ago, our unproven resources have gone up over 400%. We've dedicated the time and effort to go into that. And also you can see our F&D costs has been in the single digit string the whole timeframe. And we've been managing the business through the whole time within cash flow. That's something that we've done since the spin and its demands within cash flow. And we continue to manage the business within cash flow, even when it wasn't popular and now I know it is popular.

I could talk about our inventory. We have enormous actionable inventory of projects. This is at $75 Brent. We've also put this slide out at lower prices of Brent, $65 and others. But it's a volatile price market at this point in time. This just gives you a flavor and shows you, if you looked at and did the math on the chart, you get a feel for all of our actionable projects. Again, they have above a 1.3 VCI, they're actionable for the company, have the all in F&D costs of around 10 bucks and it gives you kind of all the different drive mechanisms that could do that. It's very exciting for the company, but this also begs the question, when you have this much inventory, what's the best way to de-lever a company and grow a company? And that was why it screamed at us to do joint ventures. I think it was something important for us as a company to do that because it gives us some added flexibility.

What have the development joint ventures done for us, and we'll talk a little bit more about this in a second. But it really gives you an opportunity to de-risk resources you wouldn't otherwise got to in a while and helps you de-risk those other locations associated with that location. Helps you manage your cash flow and it also helps you bring forward your cash flow. So give you a feel for it. Some of these projects we might not get to for 7, 8, 9, 10 years. We can use our joint venture partners to de-risk them and bring that cash flow forward for the corporation. But also when prices dip like they are now, we can direct activity to our joint ventures and not lose our activity set within the corporation and that way we can continue the activity level and keep our cash flow positive at the same time.

One thing that's attractive, I mentioned it earlier about California, is our price realizations. We're based off of Brent pricing. We typically average between 95 and 100% of Brent. Natural gas prices, this will be a topic of conversation, but they're very volatile. Last quarter we had a disproportionate amount of gas trading because of our infrastructure, because we are a business. We had almost – you'll see it in our other line of $30 million, but about $24, $25 of that was due to a few weeks in July and August where it was really hot in California. So give you an idea, because we have a business, we had the infrastructure associated with the business not just a bunch of leases, that when these price spikes happen it's usually with cold or hot weather, we're able to take advantage of those situations where Citygate prices might be $20, $30 an Mcf and Border prices might be $3 an Mcf. NGLs, our NGLs are priced much different than Mont Belvieu, and I can go into any detail if you have a question on that, but I think the issue here you realize is it's pretty much always trading at a premium to Mont Belvieu.

As a company, I think you see how we've managed the business through the cycle, and this just gives you a feel for the cards we were dealt. When we were here four years ago, I wasn't thinking about, oh boy, I'd really like to do some liability management transactions. But that was the cards we ended up being dealt. That was the best value proposition for our shareholders during that depths of 2016. And we did that and chip away at the debt. And we'll manage the business to the cash flow, and you can see the capital levels as we've done this. And we've now started to transition, in late 2017, back into more an offense, as opposed to what I say protect and preserve mode of our value for our shareholders, and now shifting back into investing in the business, going on offense, and creating value for our shareholders.

But the great part is during the downturn, we didn't conduct fire sales, we didn't do the things that we could have done that would have destroyed shareholder value. We did everything we could to preserve shareholder value and protect it so we get to the point where we're out of the cycle, where I consider ourselves today, so that we can utilize those assets to do the kind of things we wanted to do at the spin, to de-lever the balance sheet and strengthen it over the long-term.

So we're excited to be here today and we're excited for the end of here, 2018 and 2019. I will comment briefly on the fires in California. They've been around us, but they haven't affected our operations. It's been basically immaterial. We've had some proactive power shutdowns in some of our operations for hours, in some cases not even a day, so it really hasn't impacted. It actually impacted mostly on a few of our employees. You'll notice Joanna's here, not Scott Espenshade because Scott had a near miss with his house. Most of the houses in his neighborhood were lost, but he's taking care of that situation right now. He was one of the lucky ones.

And when we look through the cycle and how we managed our business, I think you'll understand it's always been value, it's always been living within cash flow. We feel like we're at a point where we're going to invest more in longer lead-time projects. We're not going to think about short-term liquidity type investments and worry about our liquidity as much. We're going to invest more to create long-term value for our shareholders and you'll see a modest uptick in our exploration investment.

And as our portfolio – as you know, we have every type of drive mechanism and this is just one way of looking at it here on slide 18 is the portfolio of investment depending on the oil and natural gas price ratios. Why is that so important? Because natural gas is an important component in our steamfloods and waterfloods because of the power component and because the steam component in our steamfloods. So that just gives you a feel for how, as a portfolio, the type of returns, the type of VCIs that are generated from the company in different price environments in different types of product mixes. And for us, that's why if gas continued, I've said this many times, if gas went upsidedown, like it used to be, and gas was 15 bucks and the like, we could shift the portfolio majority gas within five years and that's the kind of inventory opportunity we have at this point in time.

This is a quick slide on our joint ventures and it gives you an idea about our reversion estimations. And I think that's something that people don't understand is how that – when that cash flow starts reverting to us in a meaningful way. Both of them are a little different, how they work and MIRA's more traditional. But I also will say we've had numerous discussions with other parties, including our existing parties on augmenting these joint ventures and doing more. I think it's important when you're inventory-rich, like our company, to do that.

California, I don't think there's anyone that has our kind of expertise and experience in California. The right-hand side just gives you a feel of acreage in the San Joaquin Valley. That 3D seismic shoot, which is the large blob in the kind of middle right-hand bottom, that's 550 square miles, is the largest 3D shoot, I think west of the Rocky Mountains. And then the middle graph on the slide gives you a feel, we operate kind of everything in California, not just shallow steamfloods. That's a small subset of what we do. And I think that's what's really, for us, why we're such an integrated business and why we have so many different drive mechanisms.

I'd be remiss if I didn't talk about our Elk Hills asset. Most of you are familiar with the acquisition. We purchased Chevron's position in this earlier this year. That was a huge win for us. This is about 45% of our reserves and our production. We own it, fee simple. What does that mean? Everything. Surface minerals, everything. And it’s also home to a lot of our infrastructure assets. But I think the important thing to realize is when we bought it from Chevron, they’re incremental CapEx that we were purchasing was about $48 million and our synergies to date, we’ve realized over $30, $34 million of annualized synergies. Our long-term goal is to ultimately get that to be arguably for free, $48 million of synergies. That’s what we strive to do so and we think it’s within reach. We haven’t put any official targets out there, but I think from our standpoint, that’s what drives us every day.

This a great asset and a lot of opportunities for a further synergies there at Elk Hills. We’ve started processing other third party gas here at Elk Hills, so we started to use the infrastructure not just for our own benefit, for others’ benefit. And for that, we’ve done some modest ones in the past. This is the first time we’ve done a material amount. But I think this is an important thing that’ll play an important role when we look at some of the growth opportunities at CRC, particularly in the Southern San Joaquin Basin.

So in the upper left-hand corner of this map on the right is Elk Hills. A lot of our growth opportunities and exploration discoveries, to be honest, are down in the Southern San Joaquin, and you could see us now. And you’ve got to remember, Elk Hills has OpEx of around $10 plus or minus a BOE. And so, a lot of these fields down in Southern San Joaquin could really benefit from a lower cost of power, which we have at our Elk Hills power plant, and also the processing facilities and the higher yields we get with a sophisticated processing plant we have at Elk Hills. So by tying in the Southern San Joaquin Basin, where we’re doing a lot of activity both on the development and exploration front, is going to add real value for us as shareholders over the next few years.

And this next slide gives you a little feel about some of these fields we’re talking about and the current recovery factors and the things we’re looking to do in these different areas. To give you an idea, Paloma, the second listed field here, was simply abandoned not that long ago and it was something that we brought back into place and realize there was a lot of bypass things here. But this goes back to the story of California. It was controlled by the super majors. It was broken and sold off sometimes for the surface value, the acreage, to smaller operators. But as you saw on the other slide, three of us, ourselves, Chevron, and Aera, are the largest operators in the state, own and control over 75% of the production and over 90% of the mineral acreage. So it’s hard for a smaller operator to get a real foothold and do meaningful things here. But also you can get a feel for the technology’s never really brought to bear because everyone’s historically really only focused on shallow, heavy oil. And that’s what gives you a real opportunity when you look at the company in California.

And this is – people discount this, but you shouldn’t. Our exploration program is real value, and I’m not talking about two step-outs from a PUD. This is real wildcatting. And we've had tremendous success over the years, going back to the Gunslinger discovery, which I know Doug talked a lot about in 2010. But just in the last few years, it's really been funded with other people's money on joint ventures. And we announced in an earnings call two more joint ventures. This is something that's attracted a lot of outside capital. And I'd say the other joint ventures are extremely large, but they're always – there's a lot of interest in this. We've created over $200 million of present value from a net investment of $17 million from the company. This is something that continues to progress and go forward. And I think – some people asked at the Analyst Day about why would you invest in exploration? You're adding more inventory. For us it's been – it's real value-add. And to give you an idea, our Buena Vista Nose property, the one you saw on the Southern San Joaquin Basin, was an exploration discovery that we're still delineating from an aerial and vertical standpoint. And so, it's complementary to what we do on the development side and it adds real value for the shareholders.

All this going on also has the backdrop to strengthen the balance sheet. We understand from day one from the spin when we were there on Halloween in 2014 with our Spin Analyst Day, we knew we had to do over the balance sheet. That was important and we're looking at all the alternatives. Nothing's off the table. I think if you wanted to buy Elk Hills, you have to buy the company. But there's nothing sacrosanct from that standpoint. We're willing to do whatever it takes. We're not proud, but we want to bring down our absolute level of debt. You've seen us do different things and creative things and we continue to look at lots of different ways to get there, but it is an all of the above approach like you see on the slide.

And to give you a little quick snapshot, this is what our balance sheet looks like. And I think the important thing to understand here is we went from a very simple balance sheet, Lex was there and so was Gregg, where we had a revolving credit facility and bonds, publicly traded unsecured bonds, and then we'd knowingly complicated our balance sheet. But why do we do that? To create value for our shareholders. And now we have the opportunity to un-complicate it and make it simpler again. And you can look at the capital structure and you could target line items and I think obviously the 1.5 liens make a lot of sense, but then you start looking at make wholes and those kinds of things. But there's real value that could be added from both a fixed charge and a deleveraging component for the company. So we're excited about this and we continue to chip away at the all the above approach.

This snapshot of a capital program just gives you a feel from the standpoint of a percentage basis what we look at 2019. We will adapt to the price environment. We'll add activity or lower activity sets or push it into our joint ventures to manage our cash flow. But this just gives you a feel where it goes. And traditionally, if you look back at us, you'll see they're very similar. We're always about 15, 20% facilities, 15% plus or minus workovers. The one that seen – grown a little bit is obviously exploration.

This I show, but you shouldn't take more than this and this is simply a cash neutral scenario. We like to show people that if everything else was held static, the management didn't exist, and you just plowed all the money into the ground, could you organically de-lever? And this is simply a chart showing that we could organically de-lever over time by putting all the money in the ground. But as you've known since the spin, for those that watched us and followed us, we have been anything but static with all the things that we can do and all the levers we can pull, with all the assets and the business we have. So that's why we view this and show this as a scenario simply because if nothing else happened, static cash neutral scenario, this gives you a range of things that could – outcomes that can happen.

And how does this lead? This leads into showing how you can get into a reasonable long-term credit position, which I know is not important, but that's just from a cash neutral scenario. And we think that there's obviously a quicker way to get there, even in the current price environment, which I think everyone – a little bit of Chicken Little going on today because 65, 66 Brent is not that terrible. But this gives you a feel for how we could grow into the leverage ratios just by putting money back into the business on a cash neutral basis. But we haven't done any of that actually since the spin.

And what's the real value proposition here? I think – we trade at a discount. We understand we have the millstone of the debt that was given to us at the spin, but the great thing is we have great people, great assets. We made it through the worst part of the cycle and we continue to chip away at that millstone and make it better for our shareholders. We're trading clearly well under even our proved value, not understanding even the value of our mineral acreage or our surface acreage that we own, in addition to all of our facilities and infrastructure, which even the banks appraised that at $5 billion as a replacement value at one point in time.

With that being said, I mean why do you want to own CRC today? I think why would you want to own CRC? Because there's so many ways to win with CRC. We're not just a company with a little bit of acreage and a pumping unit that sells their oil or natural gas to somebody else. We have an integrated business and a business model that's successful. We are the largest producer in the fifth largest economy in the world. California is a serious oil and gas province. It's just not highlighted because it's so concentrated in so few hands. It has the integrated possibilities of growing production and we have done at CRC. We could simply win by simplifying our balance sheet over time and reducing fixed charges. We continue to look at more joint ventures to help bring forward value. Exploration can help you win.

I think it's one thing to understand that all the while, too, we're going to live within cash flow. We've done it since the spin and I actually had people on the spin roadshow tell me, you should lever up because you have so much inventory, even more to chase that inventory for growth. But we've been committed to that since day one and it's not a fad for us. VCI is important. We invest for value. From CRC's perspective, we are the value proposition you're going to see. We've been battle tested and we've been pressured tested, and we're going to do the things, the right things for our shareholders every time.

Thank you, and I'm glad to take your questions.

Gregg: So before I knew there was going to be a fireside chat, I'd like to introduce Kalei Akamine, to my right, he covers CRC on the equity side and I cover CRC on the debt side, so we're going to start off and then if you have some questions, please feel free to raise your hand.

But thank you for the presentation, Todd. I think obviously the crude oil movement has been the most interesting thing that happened in the last few weeks. And you've laid out an investment philosophy that transitions based on price. Obviously you just had your Analyst Day a month ago where you laid out what's probably – what seemed like more of $75 Brent case. How do you think about that potentially evolving with what's happened to the curve? Is that something that you would start shift capital over the next month or so or is something you're going to wait a little while to see how things play out?

Todd: To give you an idea, four years ago when we were spun, at this point in time four years ago, we were running 27 rigs. By January we were running four rigs that next year because we do have that level of operating control and other people don't drive our activity set, so we will adjust to the activity. But I think the wildcard we have, which is the extra lever, is the joint ventures. So we have that opportunity to direct that activity into the joint ventures. And I think that'll be our first – our first movement would be what's enhanced our joint venture investment to mitigate our cash flow shortfall that might occur from lower prices. And then if it still occurred, then we'd look at curtail our net investment on the CRC side.

Greg: And just how does the plan to reduce debt with 10 to 15% of excess cash flow?

Todd: We're going to keep that no matter what. I think from our standpoint, we understand the backdrop, unless prices are going to collapse back into the 20s and 30s again, that's a different dynamic because then you're going to manage the business differently. But I think for us the 10 to 15% of discretionary cash flow, it's something that's important, that we'll continue to look to strength the balance sheet with, whether that's buying in debt. And we have a large basket to be able to buy in debt at a discount and/or do other things to help strengthen our balance sheet.

Gregg: Todd, as you think towards 2019, obviously CRC is spending a lot more capital and I think one of the understated messages coming out of the Analyst Day is that the complexion of projects that CRC is taking on is changing. So you're not only just investing in workovers, but you're also planning for the next stage of growth, whether that's steamflood patterns or additional infrastructure you need to bring on new producing areas. When you think about the oil volatility, does that cause you to pull back on some of those growth investments for perhaps a more stable oil price environment or do you go ahead and make those investments believing that oil is going to rise to your midcycle view?

Todd: I'm in my midcycle view, I think midcycle 65. But I foreshadowed a little bit when the Southern San Joaquin. Those investments that we're making to tie it into Elk Hills reduced costs and then you don't – you might curtail some of that development drawing you're going to do in the Southern San Joaquin, but the immediate impact of tying them in from a power and a processing perspective will greatly reduce costs and enhance your revenues. So I think some of this will clearly happen. I think activity set will be on sort of the margin because you'll direct some of the activity to the joint ventures. But I wouldn't say overall as an investment thesis that we're going to dramatically reduce it. I think the pie will stay, kind of from percentage standpoint, very similar. But the size of the pie will grow – will diminish a little bit, but it might be supplemented with a joint venture component of the pie.

Gregg: Can I just follow onto that for a sec? So you mentioned a focus on the Southern San Joaquin. When you look at that area, I can't imagine that you're the only producer. Are there acquisition opportunities that would make sense as far as gaining economies of scale for the projects that you're hoping to execute?

Todd: We actually – there are some small producers there, but if you look at the Southern San Joaquin, we almost own most of it and 100% mineral fee. Some of the exploration joint ventures we've done in the area obviously brought in working interest owners who are exploration-oriented. But I think from that standpoint there are some – there are some economies of scale and things to do and tie some people in, but we're already the dominant kind of player. In some cases where there were be operating, they have the working interest, we might have the net revenue interest already. So there is a consolidation opportunity, but I think the primary focus for us in the short-term there is really bringing down the costs and trying to mirror what we did at Buena Vista, which was, when you went to the next field next to Elk Hills as you go to the Southern San Joaquin, we've tied in Buena Vista. The cost there went from over $30 a BOE down to Elk Hills, kind of $11, $12 a BOE. So that's what we're trying to bring down to the rest of the Southern San Joaquin. We bought the right-of-ways, we own pipelines to get down there, so it's now just a question of not a lot of capital investment, but a modest amount to tie everything in, but it's quick payback.

Gregg: As the complexion of the changing or the question of the spending changes from the workovers to more primary drilling opportunities, do you foresee drilling permits as becoming an obstacle, perhaps like it was earlier in the decade?

Todd: We don't see that. We have a record level and we're running 10 rigs right now and 11, I think here shortly. We have a record level of permit days. We have almost half a year of rig permits effectively. Our target is 90 [day permit inventory per rig line] and we're well above that and we continue to strive to do better. So we haven't seen that historically how it is and I think it goes a lot – at the spin, how do we change? We were very much very reactive and we went to being very proactive in how we engage with the community, with the regulators, with the state. And it helps that we're the partners with the City of Long Beach in the State of California, down in Long Beach at the THUMS operation. So I feel like that hasn't been the issue. There are things on the margin, but overall our rig lines filled for a good part, if not all of next year, so we're in good shape.

Obviously we have a new governor. He was Lieutenant Governor for eight years and the most important revenue bearing asset that he stood on when he was on the State Lands Commission was our operation in THUMS in Long Beach. I think he has appreciation for what we do and what we don't do. And I feel good about the changes at the state level. He's more of a businessman that Governor Brown and he owns his own businesses and been very successful in his own right.

Kalei: So you mentioned the all of the above opportunity, which puts – gives you a lot of flexibility to try to reduce leverage and also create value for the company. If you were to maybe talk a little bit about sort of the M&A environment, are there more Elk Hills assets where you can add on with – from a partner, sort of those types of acquisitions out there? What's the opportunity set beyond something that's right next door to you?

Todd: I think when you – well, obviously Elk Hills was adding incremental working interest. It's hard to get much better than that except adding incremental working interest elsewhere. But I think when you look at the assets that are in the vicinity of our assets, we generally have lower costs, whether it be power processing or just operating costs in general. So I think the opportunity set with the acquisition opportunities, when you look at the potential producers out there, you have Sentinel Peak, which is the former PXP assets, which were sold by Freeport-McMoRan. Those assets eventually – or they're in private equity hands will be sold at some point. Barry was spun off, but it's still controlled by its debt holders, so no one knows what'll happen there. Those assets, particularly the ones in the San Joaquin Basin, we could definitely lower the costs of their assets from that standpoint.

You've got to remember, we see in CRC in California every drive mechanism you might see anywhere else. And that was really the catalyst by our prior parent; why so many people were always taken out of California and sent to other assets elsewhere. So it doesn't preclude us from looking at other things. But we have such great inventory, it would have to compete and be on the same level with our conventional assets in California and with most of the rest of the US being enamored with shale, which is a different type of asset compared to the conventional assets we have. We have shale, but it doesn't compete as well for capital as what we have from the conventional side.

Kalei: If you were to say, what do you think's more likely, an M&A event or divestiture of some sort, which would you say?

Todd: I think both because we've done it, but it's been small scale. We've already divested some small scale assets on the fringes. And we've also bought, obviously the Chevron assets, and we bought some small modest pieces of working interest in small fields adjacent to our opportunities, to Clays Point, and that wasn't necessarily in the Southern San Joaquin, but they're in the area. When we see things, we're opportunistic and we try to be opportunistic. You've got to remember the Elk Hills deal. We needed to come up with a slug of cash. That was why we constructed the transaction with Ares.

You have to look at those in concert. Why did we do the Ares transaction? The Ares transaction was done to provide us with the cash to be able to do the Elk Hills deal and create all the value we'd be able to create. So from our standpoint, we still look at, could we utilize our infrastructure to do something else to be creative, whether it be an acquisition, a divestment of some kind or some other creative deal to potentially buy in the 1.5 liens, the trading LIBOR plus 10-3/8$^{th}$. That's not our cost to capital. I mean we can take out a significant amount of value there by bringing those out and taking those out.

Kalei: Do you have the flexibility to buy in the 1.5s today?

Todd: We do, but there's a make whole, there's issues there, the value. But I think when you look at it all in, I have a chart I keep in my briefcase. It shows where the market has to be for us. And so, I think we're getting into the environment, which really started in September, where you look at it almost weekly to see, does it make sense to continue to monitor the capital markets and the macro economic environment for what makes the most sense.

Kalei: And you mentioned the make whole, but is there actually the ability to use your excess cash to buy first in the open market, the 1.5 in the open market?

Todd: If they traded at a discount and they don’t trade at a discount, so.

Kalei: That’s right.

Gregg: Todd, can you talk about CRC’s operational capacity to spend? I think you’ve spoken about a range between $1 billion and $1.5 billion. I just wonder if you can boil that down a little bit and talk about the kind of activity that considers. Is that primarily D&C? Does that include infrastructure? What’s the real capacity for CRC?

Todd: I think that’s a good – still a good indicator of the activities that we could support as an organization if we had to. And I include joint ventures in there, so if you add that extra layer to get you there. And that’s why I think we continue to look at adding more joint ventures to get us to that level. And that includes that whole pie we showed of activity set because being conventional and all those different drive mechanisms, there’s a certain amount of facilities associated with them all. There’s a certain amount every year you have to invest in. There’s always some workovers. I mean that’s the one thing that’s the wildcard that’s really like super majors. When you own the whole wellbore, you have the opportunity to do workovers.

To give you an idea, in the Ventura Basin, we haven’t had a drilling rig there with the exception of chasing an exploration prospect doing development activity. They brought the gross production in the Ventura Basin from 6,000 to 7,000 over a few months this year simply by doing workover activity. And so that gives you a feel for, but it’s not what everyone’s conditioned to in the shale environment. If you’re not drilling, you’re not getting rate. But that’s something we were doing with simply with workovers rigs.

Gregg: So we got a couple minutes left. So maybe a higher level question. It kind of closes out. So the challenge for CRC in the past, call it three or four years, has just been to survive the downturn. More recently the narrative has turned a lot more positive with oil prices turning higher. When you look towards 2019, what are the challenges and the objectives that you see for CRC and for the industry as a whole?

Todd: I think the challenges for CRC are still what they were day one, which is bring our debt level down over time. But I think we have a clear path even in the current price environment or even lower from here where we can drive that activity to get to the balance sheet we want to get to. I think that’s our long-term goal. All the while continue to invest for value and growing the value for our shareholders. I think for the industry overall, you have to be – we have to be more proactive telling our story. I think everyone sees that now, particularly you saw the 112 in Colorado and some of these other places. That is just normal operating stuff in California for us.

But it's about being proactive, engaging with the regulators, government officials, the communities you live and work in so they understand what we really bring to bear. And in California where you're an energy starved state, importing energy from elsewhere, you're either going to create jobs and have native production that pay taxes and do all those good follow-on, trickle down effects or you're going to export the jobs elsewhere. And I think a lot of people in our industry, you have to tell that story better, no matter whether you're in the Permian Basin, you're in California or you're in Alaska.

Gregg: What do you think of the capital discipline story from the industry? Do you think it's real?

Todd: I think it's real for some people. I have the benefit of – I have a lot of good friends who are CEOs or higher ups at a lot of places and get together with them pretty regularly, and I think they have some religion. I think it's – and these are household names so. But I do think that it's something that needs to be paid heed to. I think people got to stop chasing the growth at all cost model, which I knew it didn't work from day one. I was really – I felt like from being an M&A guy at Oxy for 20 plus years, I was exposed to every type of business model you could have seen and I try to adopt best practices into CRC. And I feel like our value model goes back to old Tenneco Oil, it goes back to Harold Korell at Southwestern. It's those kind of things where we're trying to create and assure ourselves that we create value for our shareholders, not just chase some IRR that's on a well over a short period of time, that you don't even know the long-term decline's going to be on the well.

Gregg: Thanks, Todd. With that, I think we're out of time.

Todd: Thank you, guys.

Kalei: Thank you, Todd.

[END]