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OPERATOR: Good morning, ladies and gentlemen. And welcome to your Wolfe Research Conference Call with CRC. All lines have been placed on a listen-only mode and the floor will be open for questions and comments following the presentation.

If you should require assistance throughout the conference, please press start zero to reach a live operator.

At this time, it is my pleasure to turn the floor over to your host, Paul Sankey. Sir, the floor is yours.

PAUL SANKEY: Hi. Thanks, Karen. And thanks for joining, everyone. I'm not going to mess around here. I'm going to hand it straight over to Scott – the IR, Scott Espenshade. He's the IR of CRC and on the line as well is Todd Stevens, the CEO. Scott?

SCOTT ESPENSHADE: Thank you, Paul. Thanks for the invitation from Paul Sankey and Wolfe Research to talk about our business and company this morning. As a reminder, today's conference call contains certain projections and other forward-looking statements within the meaning of the federal securities laws.

These statements are subject to risks 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 Company's 10-K. We would ask that you review it and the cautionary statements in this morning's 8-K and presentation.

Before we begin, we want to remind you that we will need to structure our discussion to ensure that we abide by the SEC's Fair Disclosure rules. We will be talking to you about existing public available information, including the slides that we filed on 8-K this morning in anticipation of this call. We will not be talking at all about our second quarter performance.

Our next earnings call is on August 6 and you can get information relating to our second quarter then. We will also not be updating any comments about forward looking guidance that we have previously provided to the market. Thanks for understanding these restrictions as we begin our discussion. At that, I'd like to turn it back to Paul, and then, for Todd.

SANKEY: Yes. Thanks a lot, Scott. So, Todd, let's start just by a little background on you. Can you just talk about how you came to be the CEO of CRC? And we'll move on, once you've done that, to talk about some of the baptism by fire you've had since you've been in charge. But if you could sort of talk a little bit about yourself, and then, really get the main message of what you want investors to get from this call to start out. Thanks a lot.

TODD STEVENS: Yes. I mean, I think what most people wouldn't appreciate is that I actually grew up around the oil business myself. I moved around a lot. Lived in a lot of oil towns, lived in Houston twice. I went to high school in Bakersfield, I was a Bakersfield high school driller and actually worked as a roustabout in the oil fields when I was younger.

I went to the United States Military Academy at West Point. I was an infantry officer, got out of the military and started and did a few different jobs based on my engineering degree, and then, went to graduate school and started at OXY a little over 20 years ago. I was Steve Chazen's first outside hire after he had been there about a little under a year at that point in time. It was a different company; Occidental more of a conglomerate at the time. And it was fun to be involved in growing the business and changing Occidental into what it is. And, in particular, I was very involved in what we did in the Permian and what we did in California.

So I think when time came to be considered for some leadership of the California business, I think my name came out as a person for that simply because I've been so involved in growing the business. Also, I think would have been considered at Occidental if I wanted to stay there too but that's a more complicated situation.

But I think what excited us most about the Permian and California was they were both underappreciated at a time when everyone was very interested in natural gas. And it was – I think TPH put out a note one time said that "oil is the new gas" and I think we hit that right from that standpoint. But I think we felt that these basins, particularly the Permian and California, had enormous amount of stacked pay and resource base.

And California, in particular, was highly underexploited and underexplored and we felt like really underappreciated in the market place due to the nature of how it had been held historically and that was what - gave us the opportunity to build the business. We had a small presence there in California until we bought the Elk Hills field from the government.

And then, the next really critical deal was the Vintage Petroleum acquisition, and then, we've done lots of other acquisitions that would continue to build the position. And we definitely have our criteria of what we think has a lot of remaining opportunity in the state and continue to work. And that's what really excites me and excites the workforce here is that they really understand and appreciate the fact that modern technology basically hasn't really been brought to bear here in the state and that really goes back to the nature of how things have been held in the state historically.

And I think that as we continue to go out and get away from just doing steam floods which is really what happened in California if you think back to the evolution of the oil and gas industry, it's really been a big focus on the steam floods by the supermajors as they controlled most of the state in the '60s and '70s.

And then, as they started divesting assets and really continue to focus on their major multi-billion barrel fields, it's been something that enabled us and other smaller parties to pick up pieces, and then, ultimately amalgamate those pieces.

Yes. As everyone knows, it's a very concentrated position in California. The top 3 players; ourselves, Chevron and Aera; are 76 percent of the production in the state that probably control in excess of 90 percent of the prospective mineral acres in the state. And this is just the nature of how things have been held historically going back…

SANKEY: Yes. Sorry. Thank you. What's – I think we'll just pick up on where you were going there a little bit - sorry to interrupt. Most people have seen a lot success in the Permian as sort of having been delivered. We have good multiples on the companies and obviously tremendous interest.

But California has really sort of disappointed investors, and it's really been the case over the past four or five within OXY. And I know there's almost the feeling that OXY sort of cut you guys loose almost to not have to deal with the issue any longer. Why has California been so relatively disappointing given what you if you say about the geology and the known amount of hydrocarbon? Thanks.

STEVENS: Yes. I think - it really hadn't been given – it wasn't' given actually its fair shake. If you think about how – well, what was happening at OXY at the time, in addition to some drama - boardroom drama- there was still a big focus on big multi-year, multi-billion dollar projects overseas. And when you engage and sign up those types of deals, it puts basically a fixed charge on the company.

And the places that suffered from a capital standpoint were really California and Permian because that's where you could dial things up or dial things down. And I know we had talked about California in 2010 and the opportunity set from the unconventional standpoint. But I think we did ourselves an injustice in not talking about the complete opportunity set across the board on all the different drive mechanisms and what really the opportunity set was.

And we didn't really change how we allocated our capital. I think what was most important how we changed is whether it's was California or the Permian, even though they were big parts of Occidental, they weren't the only thing at Occidental like it is at CRC.

California was managed in 5 separate business units and those business units had different criteria in how capital was allocated and what priorities each one had from a standpoint of production growth, cash flow or whatever you want to say, on how the business was managed. And, in some cases, they competed with each other in California whether it be permits with regulatory agencies, with oil services providers and within Occidental for personnel and the like. And that's really one of the big changes we've made at CRC is how we make it - what we call One CRC.

Everyone is working together. We are taking a very long view of how we manage the business from the standpoint of life of field economics. We've focused really in on what we call our value creation index, or VCI, which is really a DPI measure, if you want to think about it that way.

And the focus on getting people back to doing what's right for the company, not what's best for a particular business unit or a particular asset has really refocused the employee base on the right things and focused us as a management team on the right things to invest in.

And really - when you think about it, it was no surprise. It was almost a case study. If you incent a certain behavior, you're going to get a certain behavior. And if you need certain types of attributes out of those assets, whether it be cash flow or production growth, you are going to get those if you incent that behavior of the management teams of the those business units.

And so what we are really focused on is creating value through our VCI and having projects won't be considered for investment unless they have a 1.3 VCI going forward.

SANKEY: OK. So that's an interesting shift that you've made in just management structure. And are the staff now paid on the basis of returns or how does that work?

STEVENS: So it's based on - if you think about long term compensation, it's - VCI plays an important role and it also plays a role in short-term compensation, but the other part is margin. We don't – we don't want to focus just on costs. I think we focus on margins. Being an oil producer effectively, and we get oilier each day as we change our investment profile into more steam and water floods, we really want to focus on margin and how much margin we generate. And so, that really is getting the underlying business and underlying employees focused on what matters, which is generating cash margin and creating value for the shareholders.

SANKEY: Got it. The – I guess that brings us pretty quickly to probably the most controversial aspect of the company, which is the maintenance capital and what that is to stay flat in oil. And really - whether that's a one-year number, two-year, a four-year and really how you think about maintaining very low capex and abandoning growth as a long term strategy or whether it's a question of just waiting for the operators to recover before changing your strategy back. Thanks.

STEVENS: Yes. I think maintenance capital was misunderstood. And we did ourselves no favors when we came out because as we were shifting the way business was managed under Occidental to the this VCI-focused, life of field economics, you stop making decisions quarter over quarter, year over year, and you start focusing on what creates value over the long term.

And as we did that, and we started modeling the business on how we would invest in the business, we started realizing the maintenance capex was nothing what we appreciated - what we thought it was based on the previous models of the business. And it continues to evolve as we do better life of field planning going forward. And again, this goes back to just really focusing on creating value through investing with the VCI metric.

And we put out recently, kind of a longer term $600 million to 700 million maintenance capex. We've said short term, into 2016, that we could probably keep production flat year over year from an oil standpoint with around $500 million, but that doesn't necessarily set you up longer term.

So we feel like good maintenance capex over a three to five year time frame is probably $600 million to $700 million. And we feel good about that probably in the longer term. But at this point, this is the best visibility we have using our life of field plans going forward.

SANKEY: Yes. I mean, I guess that's what you're saying - the original maintenance capex number I suspect you guys somewhat plucked from the air, I think it was about a billion wasn't it? And then obviously with the operator change, which you know, couldn't have been more dramatic given when the company first started trading on the stock exchange was the day – basically the day after the OPEC meeting last year that signaled a period of low prices.

There was a feeling that you guys came out with the 450 number you've seen as somewhat, again, plucked from the air. I think what you are saying to me is that the more work you've done, the more conviction you've had that you can hold oil volumes flat at something in the $600 to $700 million range and probably even beyond five years that would be the case. Is that right?

STEVENS: I think that's fair to say we've done better planning, better life of field plans. And when we – we couldn't have picked, I think, a worse day to get spun off, that December 1 which was the Monday after the Thanksgiving Friday when OPEC decided to do nothing. I think you're right Paul from that stand point.

SANKEY: Yes.

STEVENS: And then, we came out in early part of the year and, again, we've been committed to living within our cash flows and that was what drove our capital profile. And it's just the power and underlying resilience and really understanding the base decline of the businesses that we operate in the state of California and the types of reservoirs we operate is why it enables us to spend less money and effectively keep our production flat year over year on average.

SANKEY: Yes.

STEVENS: But I think going forward, as we have said, we feel like $600 to $700 million is, being conservative on what maintenance capex probably is trying to take into account all of the different types of spending that might occur as you go forward.

SANKEY: But I mean, this is hugely important and it sounds to me like you are very high conviction on this. This is not a number that was sort of cobbled together because the operator (undiscernible), right? This is a number where you really have done the work, have done the modeling and believe it. You can hold oil and I guess is a different subject. You can (ph) hold basically your volumes flat at this $600 to $700 million comfortably, basically.

STEVENS: Yes. We feel – we feel very comfortable with that kind of stuff. And I think if you look at our new slide deck we put out and give you some examples of our bigger fields. I think on page 19 it talks about Elk Hills; on page 25 it talks about Kern Front and this just gives you an appreciation.

Elk Hills is 40 percent of our production. And that is something that historically, had been declining in the 25 plus percent decline rate and now it's kind of got a base decline of around 15 percent, and then, that's migrating lower over time as we shift to secondary type recovery projects. So we feel pretty good about what we're doing.

And I think as investors start to appreciate the asset base here at CRC, and if you think about the problem we have, like you alluded to in the Permian, there's tons of companies and tons of people that do these things. But most of the assets we have - the suite of assets we have - people either aren't doing what we do or they sit within super majors and are a small part of a super major, so it's hard for people to have comparable companies or quickly look at things on a comparable basis.

SANKEY: Yes. Sure. I mean, the big issue with you guys, obviously, is you're very highly indebted compared to almost everyone else, certainly of your size in the oil and gas space. Can you talk about other options that you have for reducing your debt load and how you see that as an imperative? I guess the important point being that the debt doesn't mature for several years, beyond even three years - timeframe that you are planning your maintenance numbers on. Could you talk more about the monetization and whether you are going to pursue that? Thanks.

STEVENS: Yes. And so, yes, we're clearly going back - our balance sheet was built for $100 oil environment when Occidental prepared us for a spin off. And to give you an idea of what the debt is, there's $5bn in bonds. The first set of bonds don't come due for 2019. There's $1 billion term loan that's completely pre-payable with no penalty. And there's around $600 million drawn under our revolver in our credit facility. So as we came - spun off in early December, we recognized as we started looking at our plans that we could potentially have some tightness in our covenants.

So Mark Smith, our CFO and the financial team, we started working and realizing we were going to need to talk to the banks about getting an amendment and we did that early on in this year and got ourselves an amendment through 2016 understanding that the top priority now really is to deleverage and look at a lot of ways to do that. And I think a lot of people are oversimplifying this and only thinking about simple asset sales.

But the reality is, we own quite a business in California. When I say business, it's across the board, everything from power plants, to gas processing plants to pipelines and a lot of infrastructure around water handling and steam handling. You could think about it - in addition to our upstream acreage and our upstream assets. So if you combine all these things and think about it, there's an enormous amount of opportunity to look at a lot of creative ways to deleverage.

And a lot are things we were going to pursue anyways. One thing about CRC, when we were within Occidental we would preserve all of our options and all our underlying resource for ourselves. Now, we're really – we're sitting on so much resource in California, we can't get to it in yours and my lifetime.

So we are going for partners, we're going to look to do joint ventures whether it be on the exploration side of the house or exploitation side of the house or even doing some R&D work on things that might not have been on our inventory for five or 10 years. We might bring in partners to try to accelerate some of that stuff forward. And we might look to do things on the midstream side.

There are a lot of creative ways to create value within the company that people, I don't think appreciate, the whole breath of our asset base.

SANKEY: Right.

STEVENS: And that's something we're very excited about. I think that's something that we will ultimately surprise some folks because it's not going to be as straight forward and simplistic as people think about.

SANKEY: What about the timing? I mean, it's – we're at 50, whatever we are, dollars a barrel. Presumably, this has to be done pretty quick, right?

STEVENS: Well, we have our amendment through the end of 2016. Obviously, we would like to not have to wait until the end of 2016. Our- we're working a lot of processes and parallels right now. And we're - as we've said, we're very interested in a lot of different opportunities. And we could have - and our hope is to have one or two of these announced by year end, but you just never know with how these things work when it comes to bringing in lawyers and level of complexity that these things work out with, right? So...

SANKEY: Yes.

STEVENS: …that's something that you know, it might or might not happen, but I don't think there's going to be one magic bullet here, but there'll be probably numerous different things we're going to do - numerous different size and that we're working- like I said, we're working a lot of parallel paths and some things are probably mutually exclusive and some of them are probably inclusive in that we could do them in conjunction with each other.

SANKEY: Right, and I'm guessing that some of that means disposals and some of that means an MLP potentially? Could you just some other stuff?

STEVENS: Yes, we're working everything. So if you think about the two baskets of assets you arguably have, if you want to oversimplify it: you have midstream and the like type asset and then you have upstream assets.

So if you think about the upstream, you're not in the perfect time in the cycle to sell upstream assets. But if you wanted to joint venture and look at people from an exploitation and exploration side of the house, I think there's a lot of opportunities there to have partners and bring them in. And again, we're talking to every type of potential partner you could talk to on that side of the house.

On the- on the midstream side, I think, to oversimplify it, then, we could talk about all the different types of assets. Essentially you're going to try to take advantage of the situation where that market is fairly liquid and fairly busy at this point in time, so you could take a slice of - if you want to call it EBITDA or whatever - and monetize that at a much higher multiple than you trade, there's an opportunity to that.

And it could be whether it be on the power side; whether it be on the processing side; or pipeline, water handling. You can talk about all these things, but effectively, you're going to take some level of costs on the income statement and monetize that on your balance sheet ultimately. That's what you're looking to do. And there's no break out now of any of this simply because it's all complimentary to what we've done. So what we would be doing is creating that EBITDA from putting in place agreements to do something along those lines to do those things in the midstream segment.

SANKEY: But what sort of the scale of dollars are we talking about here? I mean, could you get $2 billion of stuff done?

STEVENS: I mean, I think it's the whole suite. You could talk about from – look at what different types opportunities there are. On the midstream side or upstream side, I'd say our real priority here and through the mid-term as you look into the end of 2016 is to pay down the $1.6 billion - the term loan and the credit facility. And then, we're just – we're sitting with just our bond at that point in time.

As Mark as I have said numerous times, we look to manage ourselves at about 2x debt/EBITDA throughout the cycle, kind of mid cycle, so clearly we wouldn't be there at that point in time. But we will be able – be in a good place to continue to manage to that going forward because not only were we doing creative things to delever, but we're also growing EBITDA, and growing margins and cash flow just as we speak and as we continue to invest in the things we invest in. So we are pretty excited about that.

SANKEY: We're really bearish. I was talking to you before the call and saying that like the latest Saudi production number market is staggeringly high. It seems like the oil market is going to stay under pressure for quite a while. Can you guys handle a sustained period of $40 oil through that coming up?

STEVENS: So, for us, Brent is where we get priced. So $40 Brent I don't think would be good for good for us or good for anybody. I think we could handle $50 Brent if we had to. And we've shown we could do that. I think depending on where you sit in that cycle, we could withstand it simply because we can have such low declining asset. But I think that's - and they're oilier than not and generate good margin.

SANKEY: Yes. I think you've got official guidance here for a dollar change in Brent is $7.5 million of EBITDA to you guys is kind of an official number. And I'll highlight to people that you've published an 8-K today with the SEC which has some new information. We are a little bit tight for time, but is there anything that you would like to highlight in that presentation that came out that you think the investors should know?

STEVENS: Yes, I think what's important is really we highlighted and talked about some of our biggest assets and really focused a little bit on inventory and base decline. We talked about, like I said before, Elk Hills on page 19 and 20 really talking about, life of field plans and operating costs.

I think the critical ones we talked about, Wilmington fields on 22, one of the great fields ever discovered in North America. And then on Kern Front which is where we are spending a lot of our drilling and other dollars this year on page 25 to give people appreciation for some of these opportunities and gives us a little more granularity in some of our bigger capital projects and bigger assets.

SANKEY: Yes. Just – I won't get too into the presentation. I'll allow guys to look at it in their own time. Could you talk a little bit about the California environment? Has there been some changes there - regulatory changes? Thanks.

STEVENS: Yes. It's ever evolving. I think the biggest change that has occurred was July 1st of this month was SB4, Senate Bill 4. The reg[ulation]s became finalized. We've been operating under interim regs.

For people not familiar with the California environment, (it goes through) well stimulation regulations, so those are hydraulic fracturing and the like. So those are things we've been prepared to work under and continue to work under going forward.

I think the thing that's the hot button issue in California right now is anything related to water and the drought. I don't think a day goes by where all the major newspapers in the state don't have an article about the drought. So we're fortunate to be in a position where we're actually a net water provider to agriculture and we're looking to do more of that. Last year it was about two billion gallons of water to ag[riculture] and we recycle approximately 79 percent of our water use currently and we look to raise that number too over time.

And I think that's something going forward that is going to be a hot button issue. And you have probably read a little bit about the underground injection well permits that are related to water issues that are out there now kind of make (ph) what I say is noise in the system. But those are really the issues in California as you go forward.

SANKEY: So that was..

STEVENS: Again, I think…

SANKEY: I was just going to (multiple speakers) on SB 4. I wasn't clear what the impact of SB4 on you.

STEVENS: It's just like everything else related to regulation in California; it's really an issue of timing and planning. It adds more time to your Gantt chart and how you plan your projects.

SANKEY: Is there any – is there any other major – is there any other major risks out there from that kind of thing? I mean, you're saying that arguably beneficiary isn't the right word, but the water drought situation is something that you can work around. Is there any other major regulatory threats?

STEVENS: Yes. I think the one that's out there is this UIC issue. And so, I think that's something we are working on. And that ultimately won't have any kind of material impact on what we do; but there's always something - and I don't care if you are in West Texas or the prairie chicken where (ph) - but there's always some issue where you're working on with regulators to deal with different things that might ultimately impact you.

SANKEY: Yes, but it feels like the major risks to your company is actually just the oil price, right, that you firmly believe that the maintenance capital number that you've given and ultimately it becomes a play on where oil prices go over the coming years.

STEVENS: I think we have more operating leverage to oil than most, to say the least. But also, I think we have more opportunities that when we think about how underexploited and underexplored the assets here are in the state. So I think that's going to help us deleverage and work through this and enable us to succeed even if we had to stay in a lower oil priced environment for a longer period of time.

SANKEY: Yes. Because essentially you would apply the more focused management structure and methodologies that were not present under OXY and, therefore, you have the ability to drive improvement performance.

STEVENS: And we've seen it firsthand in first quarter performance. We've only put out a few quarters, but you can look at it. And we'll be putting out some quarters here in early August – second quarter results. But I think if you looked at the quarterly results we put out to date, you will see that we've done what we said we can do and we have to continue to execute.

SANKEY: Is there anything in particular before we move to Q&A that you would say to, first, the bears that have put out, you know, sort of zero dollar price target and stuff? Was there anything in their analysis that was particularly wrong in your view?

STEVENS: Well, when I was in the army, there was always the- I used to get this saying from Colonel Bob Jordan, who's a Vietnam vet who was battlefield (ph) commission. He said, "Lieutenant, there's a lot of precision and no accuracy."

And I think that's what that report showed to me was a lot of precision, a lot of weight to it and - but no accuracy. I think they missed the point of how you actually run businesses as opposed to one well somewhere and trying to model one well and trying to extrapolate that over fields and business, ultimately. So that would be my commentary on that.

And I think it goes back to really the challenge for us getting spun out of Occidental and not having a lot of comparable companies, people don't appreciate the California oil and gas business.

I think people don't understand Kern County in California is still the number one oil producing county in the lower 48 in the United States. It's a vibrant oil and gas business in the state. It's just highly concentrated and there's not a lot of public look thru comparable companies and ways to figure it out.

I know we're holding an analyst day later this year and we'll give some more criteria. But we're trying to do a better job of making sure we educate folks. And from my perspective, that one report was a little bit where we failed to do a good job of just educating folks and we continue to work and make sure people appreciate what our business does and doesn't do here in California.

SANKEY: Yes. To be frank with you, I think there's been some frustration that, you know, the note has been out there and it's got this dramatic zero price target that frankly you guys haven't been very aggressive about refuting it. What's your response to that?

STEVENS: I think, from my perspective, we don't want to get into a tit for tat with something that – you know, like I said, a lot of precision, no accuracy. I think we want to, you know, continue to do what we do and provide the data to our investors on forums like this and others and highlight our business, what it does and what it doesn't do, and what it's capable of going forward. I think you don't want to get into that kind of exchange of ideas.

SANKEY: Yes. The other side of the argument is very bullish on your guys and I guess it's pertaining to the potential for you to improve performance. How do we think about that? Is it a lower and lower maintenance capital number? What's the mega bull case in your stock?

STEVENS: I think there's numerous things here, because I think you're talking about – when you think about companies our size generally; usually, you are talking about one basin; one drive type, certain types of opportunities.

Here, you're talking about the entire suite of drive types that you might see in the entire world and you have untapped exploration potential and untapped unconventional potential essentially. The optionality in our portfolio is enormous and the ability to pull different levers and do different things is unparalleled.

I mean, if oil and gas prices shifted, we have so much gas inventory and went back to like, you know, the early to mid-2000s where gas is in the high single digits and oil is much lower, we could shift our entire portfolio, the majority of gas within 5 years.

I don't think people appreciate all the opportunities and the business we have in California. I also tell young folks here in our company, "Look you can go work in a big company and get transferred every three years or four years around the world or you can be within this state and see every drive mechanism you might want to see and further your career."

We do pretty much everything and we have this opportunity set going forward to really tap into an enormous amount of resource and enormous amount of option value going forward. And I think it's really - the story is appreciated by some of the more sophisticated investors who are willing to spend the time on it. And I think as more continue to spend time on it, they will understand the base business and understand what we do and what we don't do.

SANKEY: Understood. I'm very keen to let people ask questions. Karen, can you open it to the investors, please? Thanks.

OPERATOR: Absolutely, ladies and gentleman, the floors is now open for questions. If you have a question please press star one on your telephone key pad at this time. If you're using a speaker phone, we ask that while posing your question, you pick up your handset to provide favorable sound quality.

Again, ladies and gentlemen, if you do have a question or comment, please press star one on your telephone keypad at this time. Please hold as we poll for questions.

SANKEY: Thank you, Karen. And please keep your questions short and to the point and appropriately polite. Thank you; Scott will cut you off if there's any nonsense. Karen?

OPERATOR: Again, that's star one if you do have a question or comment.

SANKEY: Scott, is there anything you want to add before we stumble into Q&A? It may be people will be too shy to ask questions. I do warn you, but we'll see.

ESPENSHADE: No. I think, Todd, hit a lot of the highlights. This morning's 8-k really speaks to our inventory and highlights some of the decline and not only some of our major fields like Elk Hills but also we're investing our money in the steam floods at Kern Front.

I think, again, it's just the opportunity set here in California. We have 2.4 million acres under our control, so we are one of the significant players in the state. And so, that brings a lot of opportunity for us not only to invest going forward, but also, for the potential to bring in joint venture partners to be able to delever and bring forward some of our inventory.

SANKEY: Sure. Thank you, Scott

ESPENSHADE: Particularly as we are limited on cash flow due the lower price environment.

SANKEY: Got it. We may have to come back to you if there's no questions. Karen, is there anything?

OPERATOR: Not at this time.

SANKEY: Got it, ok well, Scott that gives you the opportunity to keep talking. I'm just going back through the questions – I think you've done a good job on what's misunderstood. Perhaps the thing to do here is actually to go a bit as Scott was saying, we were high level, is there any specific detail that you would like to get into? For example, in terms of some of the specific areas that you earlier talked about?

STEVENS: I think I want to add - like you talked about is Elk Hills. This is 40 percent of our production and it's something that we bought it from the United States government. It's been drilled up on primary and now we're starting to shift it to secondary recovery mechanisms.

I think it goes back to what - part of our plan of taking huge amounts of resource and moving them through the value recovery chain – primary, secondary and tertiary recovery. And as we flatten the decline at Elk Hills, I think people got to understand that this is 40 percent of our production that has a high teens type decline right now.

And as we continue to flatten as we move into secondary recovery, this is something - that again is bolstering our discussion of base decline of the business. As you look at Elk Hills flattening, that's an enormous part of it even as we invest in more things that have single digit type decline rates with steam floods and water floods.

So I think over time as you continue to do this, you will see the business will ultimately flatten even more and that would translate at some point, into less maintenance capex too, as you have a lower base decline.

SANKEY: I guess that's a key point you're making, in fact, the view that your decline rates would be accelerating is actually false, and it's - it would be going the other way as you go into more secondary activity basically.

STEVENS: Exactly, I don't think people appreciate that.

SANKEY: Could you talk about all the drive types being available in California? Could you just run through what they are and what they offer and which are the most attractive? Thanks.

STEVENS: Yes. I think if you think about it we've broken it up into four baskets of unconventional, primary, steam floods, water floods. If you want to talk about unconventional; there are two real sets that we see in California.

One is the shale opportunity, and it's not just the Monterrey Shale. You're talking about Kreyenhagen and Moreno - there's a lot of different types of shales to pursue in the state. But you're also talking about unconventional tight sands which used to be in the Rocky Mountains in the late 1990's. There are opportunity sets along those lines which are highly competitive for capital even with steam floods and water floods.

If you think about a lot of the opportunity sets, we have over 90 fields still on primary production and some of those are dry gas stuff in the Sac basin. But these types of things have not been steam flood, water flood and CO2 flood as we look to potentially get a source of CO2 flood ultimately for some of our fields.

So you have fields like South Mountain which is 5 percent recovery and it hasn't had an effective water flood put in place. It's a billion barrels of oil in place and this is where Unocal started and it's just south of Santa Paula (ph).

So, there's areas where we have shot the first 3D seismic in a tectonically active margin basin – it just hasn't been really been explored or exploited. I think from an exploration standpoint you can't get people more excited than when they look at the rocks in California.

SANKEY: Yes, sure. I've got a specific question by email that I'm going to hit you with. I apologize, it's a little bit granular but we can go through it. Your priority is understood to be drilling steam and water floods in this oil and gas price environment. But for how long can you continue that strategy for? From the 10-K it looks like you have a total of 4,000 proved and identified steam flood locations in the San Joaquin and 1,600 water floods in the L.A. basin. If we assume you are drilling about 500 locations in 2015, can we infer you have an 11-year runway? I hope you could follow that.

STEVENS: I understand the basic question which is – and that's really what we tried to talk about in the new slides here; particularly in slide 22, we talk about Wilmington field – here's a very mature water flood, high water cut at this point in time, and it just continues to just keep getting better.

We have about 1,000 locations. We drill about 100 a year and add about 100 a year. I think people don't - this isn't finite in a lot of cases because it's so underexploited and underexplored. Activity usually begets more locations and more activity. It's not that this is going to run out at some point in time.

From my standpoint, you - we could run and do what we're doing now at - for the foreseeable future. I think that -if you look at that, slide 22 is the perfect example. Wilmington field, I could be wrong, but I think it's the third largest field ever discovered in North America. And this is something that keeps getting better over time and we're doing good surveillance and reservoir maintenance. Huge amount of stacked pay.

I don't think people appreciate, what I like to say, California is the Permian basin with tectonics. It's got an enormous amount of stacked pay. The Monterrey shale at some points is over 3,000 feet thick. And that's just one part of the formation. I think people have to go back and appreciate all the different parts that you're dealing with here and all the different opportunities that you have in one wellbore.

SANKEY: Yes. I mean…

ESPENSHADE: The second example where are spending a lot of our money in Kern Front this morning is the steam flood that's relatively shallow, but there's still has a lot of stacked pay opportunity. And so, the capital efficiency of that field, it's not just about drilling new wells. As Todd just highlighted, sometimes it's about recompleting into different zones for additional opportunity at much lower costs.

So under our VCI metric, you get very high VCI returns with the ability to recomplete wells into different zones. So I think it's the stacked pay nature that you look at, we can drill these wells relatively cheaply and they certainly benefit us as shown in the production results we've had in particular at Kern Front.

STEVENS: I think someone pointed out to me a while ago that particularly when you work on giant, mature, legacy-type field, people don't appreciate what the work over/maintenance rig does for you. And when you have those type of low decline, giant legacy fields, I don't think people really appreciate what utilizing that work over maintenance rig does for you when you have these type of assets that you are dealing with.

SANKEY: Yes sure, that's quite high return to the operator there. There's a further specific type question, if you wouldn't mind. I know how hard it is to answer these in the ether. But locations, if you drilled a total of 2,236 wells in Elk Hills. According to the analyst day slide 52 you show 3,244 producing wells; slide 53 shows 72 percent of wellbores drilled after 1998 purchase. Are those currently producing primary locations already included in the potential secondary recovery locations in your identified secondary locations? How should we think about the pipeline for the secondary recovery locations as the portfolio ages?

ESPENSHADE: I think you see that in what we show in our Elk Hills slide, you can almost start to see it in the very end and how they're starting to flatten on its base decline. There is opportunity. Elk hills has 75 decline curves in it and the natural progression is from primary to secondary. So yes, we've started to see more secondary recovery out of Elk Hills but there's still opportunity to do more in that regard.

SANKEY: Great, OK. The – so, when is – sorry, when is the analyst meeting coming up?

ESPENSHADE: So upcoming disclosure events, obviously, we highlighted on August 6 is going to be our second quarter earnings call. And then, in about mid-October, we have an analyst day we are going to host. It's actually going to be a site visit into two of our locations, both our THUMS Island, and then, up to Bakersfield to see some of our assets at Elk Hills.

Due to the nature of the sites, we will be limited in the number of people we can take. So if anyone is interested, please reach out and contact me. But I would note that our strong preference is your ability to take part in the full tour. It gets into logistical issues if people are trying to do – just catch part of it. And so we're going to be limited as well for safety and logistics reasons, so we do have finite availability. We will, of course, be posting all the slides to comply with FD and working on webcasting.

SANKEY: Yes. It's – thanks a lot. You know, we agreed to do this call or at least I asked you to do this call because I think there's been a struggle with communication regarding California and actually and I think I'm taking that away from the call that, essentially, we tried to - we've tried to model this thing since 2010 and, at times, it gets an insane upside value that never gets delivered.

At times it should grow like a weed and it doesn't. And then, we get very confused at all these different drives and how we think about – you know what I mean? It's just been very hard.

ESPENSHADE: We've said all along that 2015 is going to be the year of education because there's just no look through companies and the historical comparisons to even some of the public companies were just a small part of what we do overall as a company. So we knew we had to be in front of the market to try to educate them.

Last year as part of our analyst day we gave some of the asset overview and highlighted the strategy and some of the changes coming out of OXY. As we go forward, we know there needs to be additional granularity to get - for people to get updates as there's the quest for knowledge and really understanding California. So we plan to continue to execute and we're trying to provide as many updates to continue to educate the market.

SANKEY: Yes. I appreciate that. I think it's obviously going to have to ultimately come through in the financials, but – and I think you need (ph) to strip out all these various types of activities would be very, very helpful and help us sort of model out – do a better job of working out what the future looks like.

Because I always felt that under Chazen the California message was kind of like a Sudoku puzzle where he deliberately left you two number short, in a sort of matrix of stuff that looked very bullish, but you couldn't quite say for sure that it was. And then, time and time again what we got was actually disappointing performance. So that's my little speech.

And, on that note, Karen, can we do a final check if there's anyone actually in queue with a question (ph)?

OPERATOR: Yes, we absolutely do have a question and it comes from Mark LeSaffre from Elm Ridge. Please state your question.

Mark LaSaffre: Hi, you actually answered my question. Thank you though.

SANKEY: Alright thanks, Mark. OK. Any more, Karen? Mark, are you done with that?

OPERATOR: Not at this time. But, once again, that's star one if you do have a question.

SANKEY: OK. Listen, Todd and Scott, I greatly appreciate you taking the time. We'll be providing you with a full recording and a transcript which will be made publicly available, and we'll also let you see who dialed in. You have the floor if you have any final thoughts and if not feel free to hang up.

ESPENSHADE: Thank you, Paul for the invitation here and to participate in this call. We appreciate it and look forward to hearing from people on our August 6th earnings call. Thanks again.

SANKEY: Thanks everyone

OPERATOR: Ladies and gentleman this does conclude our conference call and you may now disconnect.