California Resources Corporation Announces Carbon Dioxide Management Agreement For CTV's First Permanent Carbon Storage Project

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Project Aims to Sequester Initial 100,000 Metric Tons of CO_2 Per Annum in 2025

LONG BEACH, Calif.--(BUSINESS WIRE)-- California Resources Corporation (NYSE: CRC) today announced a Carbon Dioxide Management Agreement (CDMA) between Carbon TerraVault JV Holdco, LLC (CTV JV) and Lone Cypress Energy Services, LLC (Lone Cypress), an independent energy company focused on the development of low-carbon hydrogen generation facilities and energy infrastructure, to sequester 100,000 metric tons (MT) of carbon dioxide (CO_2) per annum from a newly constructed blue hydrogen plant at the Elk Hills Field in Kern County. Called the Lone Cypress Hydrogen Project, the project aims to be California's first blue hydrogen facility producing 30 tons per day and has the potential to expand to 60 tons per day of blue hydrogen with up to 200,000 MT of CO_2 sequestration per annum.

Blue hydrogen is a net zero-carbon intensity fuel produced from natural gas. The CO_2 generated during the methane reforming process is captured and will be stored permanently underground.

"We are excited to be at the forefront of the energy transition in California. CRC is enabling the net zero energy economy by partnering with Lone Cypress to site a brand-new hydrogen facility at our Elk Hills Field as well as offering permanent CO_2 sequestration through Carbon TerraVault," said Mac McFarland, CRC's President and Chief Executive Officer. "Because capture and compression are built into the project development, we anticipate limited capital requirements from the CTV JV and EBITDA per metric ton within our previously stated range. This CTV storage project is a meaningful step forward in CRC's rollout of carbon capture and sequestration technology across the state and is the first of, what we believe, will be many projects to come. We are also excited about the ability to leverage our Elk Hills asset to create a Net Zero Industrial Park by combining green field development and carbon sequestration."

CDMA Highlights:

- The CDMA frames the contractual terms between parties by outlining the material economics and terms of the project and includes conditions precedent to close. The CDMA provides a clear path for the parties to reach final definitive documents and a Final Investment Decision (FID)
- The Lone Cypress Hydrogen Project will employ a proprietary steam methane reformation technology with an integrated carbon capture system. The facility is expected to produce 30 tons per day of hydrogen at startup with the ability to expand to 60 tons per day of hydrogen which is under consideration. This translates to an initial 100,000 MT per annum of associated CO_2 that will be permanently sequestered through CTV or 200,000 MT per annum of CO_2 that will be permanently sequestered if the project is expanded
- Project FID is targeted in late 2023, with full operations by the end of 2025, in line with the CTV JV's stated goal of first injection in 2025
- The CDMA provides Lone Cypress with access to 50 surface acres at the Elk Hills Field with the option for an additional 50 acres if expansion to a 60 ton per day project is pursued
- The CTV JV will provide infield transportation and a permanent CO2 sequestration site at 26R in exchange for an injection fee on a per ton basis that fits within the previously disclosed economic type-curve for projects that require a storage-only solution
- The project's location at Elk Hills will eliminate the need for long haul CO_2 transportation and certain midstream capital requirements
- CO_2 capture capital will be effectively eliminated as CO_2 capture equipment, the most capital-intensive portion of carbon capture and sequestration (CCS) projects, will be built into the design of the new Lone Cypress hydrogen facility
- These project attributes will enable CTV JV and Lone Cypress to supply cost competitive, blue hydrogen to California's burgeoning zero emissions mobility and industrial markets
- In addition, the CTV JV has the right to take a majority equity stake in the project, as well as to provide sequestration services for all subsequent Lone Cypress hydrogen projects in California

"Partnering with CTV JV represents an incredible opportunity to continue the growth of our hydrogen and carbon capture businesses. California is at the forefront of the global energy transition and through this partnership, we intend to be a leader in its low-carbon fuels market," said Greg Brooks, President and Founder of Lone Cypress Energy Services. "CTV's unique expertise in subsurface operations and permitting, large CO_2 storage position and ability to deliver on highly complex and capital-intensive projects provide us with a clear line of sight as we continue to evaluate additional projects in California. We are excited to generate the first blue hydrogen molecule in the state of California and provide the market with a low-cost low-carbon option to meet its decarbonization goals."

In line with Governor Newsom’s recently announced climate measures, the construction process of the new Lone Cypress Hydrogen Project and associated CCS infrastructure is expected to provide at its peak approximatively 125 temporary construction jobs and 18 permanent technical jobs, further benefitting California’s economy and supporting the state’s leading climate goals.

About Carbon TerraVault Joint Venture

Carbon TerraVault Joint Venture (CTV JV) is a carbon management partnership focused on carbon capture and sequestration development, and was formed between Carbon TerraVault (CTV), a subsidiary of CRC, and Brookfield Renewable. The CTV JV develops both infrastructure and storage assets required for CCS development in California. CRC owns 51% of the CTV JV with Brookfield Renewable owning the remaining 49% interest.

About California Resources Corporation

California Resources Corporation (CRC) is an independent oil and natural gas company committed to energy transition in the sector. CRC has some of the lowest carbon intensity production in the US and CRC is focused on maximizing the value of our land, mineral and technical resources for decarbonization by developing CCS and other emissions reducing projects. For more information about CRC, please visit www.crc.com.

About Lone Cypress Energy Services

Lone Cypress Energy Services, LLC is an independent energy company focused on the development and operation of infrastructure across the entire energy value chain. Headquartered in Tulsa, OK, Lone Cypress offers a full suite of technology-enabled solutions including project development, project management, EPC contracting, and asset operations. Lone Cypress specializes in the development of hydrogen generation and distribution projects, waste to energy plant solutions, and traditional oil and gas midstream facilities. For more information, please visit www.lonecypressenergyservices.com.

Forward-Looking Statements

This document contains statements that CRC believes to be “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than historical facts are forward-looking statements, and include statements regarding CRC's future financial position, business strategy, projected revenues, earnings, costs, capital expenditures and plans and objectives of management for the future. Words such as "expect," “could,” “may,” "anticipate," "intend," "plan," “ability,” "believe," "seek," "see," "will," "would," “estimate,” “forecast,” "target," “guidance,” “outlook,” “opportunity” or “strategy” or similar expressions are generally intended to identify forward-looking statements. Such forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, such statements.

Although CRC believes the expectations and forecasts reflected in CRC's forward-looking statements are reasonable, they are inherently subject to numerous risks and uncertainties, most of which are difficult to predict and many of which are beyond CRC's control. No assurance can be given that such forward-looking statements will be correct or achieved or that the assumptions are accurate or will not change over time. Particular uncertainties that could cause CRC's actual results to be materially different than those expressed in CRC's forward-looking statements include:

- fluctuations in commodity prices and the potential for sustained low oil, natural gas and natural gas liquids prices;
- equipment, service or labor price inflation or unavailability;
- legislative or regulatory changes, including those related to (i) the location, drilling, completion, well stimulation, operation, maintenance or abandonment of wells or facilities, (ii) the management of energy, water, land, greenhouse gases (GHGs) or other emissions, (iii) the protection of health, safety and the environment, (iv) CRC's ability to claim and utilize tax credits or other incentives, or (v) the transportation, marketing and sale of CRC's products and CO_2;
- availability or timing of, or conditions imposed on, permits and approvals necessary for drilling or development activities and carbon management projects;
- changes in business strategy and CRC's capital plan;
- lower-than-expected production, reserves or resources from development projects or acquisitions, or higher-than-expected decline rates;
- incorrect estimates of reserves and related future cash flows and the inability to replace reserves;
- the recoverability of resources and unexpected geologic conditions;
- CRC's ability to successfully execute on the construction and other aspects of the infrastructure projects and enter into third party contracts on contemplated terms;
- CRC's ability to realize the benefits contemplated by the business strategies and initiatives related to energy transition, including carbon capture and storage projects and other renewable energy efforts;
- CRC's ability to successfully identify, develop and finance carbon capture and storage projects and other renewable energy efforts, including those in connection with the Carbon TerraVault JV;
- CRC’s ability to finalize definitive documents and reach a final investment decision with respect to the project contemplated by a carbon development management agreement, and its ability to enter into new carbon development management agreements that are under discussion with other counterparties;
- the ability of the Lone Cypress Hydrogen Project to achieve expected production volumes of hydrogen and associated CO_2 and the ability of the CTV JV to sequester such CO_2 volumes;
- global geopolitical, socio-demographic and economic trends and technological innovations;

- changes in CRC's dividend policy and its ability to declare future dividends under its debt agreements;
- changes in CRC's share repurchase program and its ability to repurchase shares under its debt agreements;
- production-sharing contracts' effects on production and operating costs;
- limitations on CRC's financial flexibility due to existing and future debt;
- insufficient cash flow to fund CRC's capital plan and other planned investments, stock repurchases and dividends;
- insufficient capital or lack of liquidity in the capital markets or inability to attract potential investors;
- limitations on transportation or storage capacity and the need to shut-in wells;
- inability to enter into desirable transactions, including acquisitions, asset sales and joint ventures;
- CRC's ability to achieve expected synergies from joint ventures and acquisitions;
- CRC's ability to utilize its net operating loss carryforwards to reduce its income tax obligations;
- CRC's ability to successfully gather and verify data regarding emissions, its environmental impacts and other initiatives;
- the compliance of various third parties with CRC's policies and procedures and legal requirements as well as contracts it enters into in connection with CRC's climate-related initiatives;
- the effect of CRC's stock price on costs associated with incentive compensation;
- changes in the intensity of competition in the oil and gas industry;
- effects of hedging transactions;
- climate-related conditions and weather events;
- disruptions due to accidents, mechanical failures, power outages, transportation or storage constraints, natural disasters, labor difficulties, cyber-attacks or other catastrophic events;
- pandemics, epidemics, outbreaks, or other public health events, such as the COVID-19; and
- other factors discussed in Part I, Item 1A – Risk Factors in CRC's Annual Report on Form 10-K and its other SEC filings available at www.crc.com.

CRC cautions you not to place undue reliance on forward-looking statements contained in this document, which speak only as of the filing date, and CRC undertakes no obligation to update this information. This document may also contain information from third party sources. This data may involve a number of assumptions and limitations, and CRC has not independently verified them and do not warrant the accuracy or completeness of such third-party information.

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