

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2020

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 001-36478

California Resources Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

46-5670947

(I.R.S. Employer
Identification No.)

27200 Tourney Road, Suite 200

Santa Clarita, California 91355

(Address of principal executive offices) (Zip Code)

(888) 848-4754

(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock	CRC	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer	☒	Accelerated Filer	☐	Non-Accelerated Filer	☐
Smaller Reporting Company	☐	Emerging Growth Company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

Shares of common stock outstanding as of May 31, 2020

49,453,297

California Resources Corporation and Subsidiaries

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Explanatory Note

As previously disclosed in the Current Report on Form 8-K filed by us on May 11, 2020, we delayed the filing of this Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 in reliance on the Securities and Exchange Commission's March 4, 2020 Order (Release No. 34-88318), as modified on March 25, 2020 (Release No. 34-88465).

Our business and operations have experienced disruptions due to the unprecedented conditions surrounding the COVID-19 pandemic. On March 19, 2020, the Governor of California issued Executive Order N-33-20 mandating that individuals living in the State of California stay at home subject to certain exceptions. As a result, our management team and substantially all of our office personnel, including our finance and accounting teams, worked remotely for an extended period of time. In addition, for the months of April and May 2020, we implemented reduced work hours for nearly all of our office employees in an effort to preserve liquidity after the further deterioration of commodity prices following the outbreak of the COVID-19 pandemic. These actions have resulted in delays in the preparation, review and completion of our financial statements for the quarter ended March 31, 2020 and affected the timely completion of our required internal controls over financial reporting.

PART I FINANCIAL INFORMATION

Item 1 Financial Statements (unaudited)

CALIFORNIA RESOURCES CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
As of March 31, 2020 and December 31, 2019
(in millions, except share data)

	March 31, 2020	December 31, 2019
CURRENT ASSETS		
Cash	\$ 77	\$ 17
Trade receivables	135	277
Inventories	60	67
Other current assets, net	84	130
Total current assets	356	491
PROPERTY, PLANT AND EQUIPMENT	22,910	22,889
Accumulated depreciation, depletion and amortization	(18,372)	(16,537)
Total property, plant and equipment, net	4,538	6,352
OTHER ASSETS	80	115
TOTAL ASSETS	<u>\$ 4,974</u>	<u>\$ 6,958</u>
CURRENT LIABILITIES		
Current maturities of long-term debt	—	100
Accounts payable	283	296
Accrued liabilities	260	313
Total current liabilities	543	709
LONG-TERM DEBT	4,860	4,877
DEFERRED GAIN AND ISSUANCE COSTS, NET	135	146
OTHER LONG-TERM LIABILITIES	715	720
MEZZANINE EQUITY		
Redeemable noncontrolling interests	816	802
EQUITY		
Preferred stock (20 million shares authorized at \$0.01 par value) no shares outstanding at March 31, 2020 and December 31, 2019	—	—
Common stock (200 million shares authorized at \$0.01 par value) outstanding shares (March 31, 2020 - 49,453,297 and December 31, 2019 - 49,175,843)	—	—
Additional paid-in capital	5,006	5,004
Accumulated deficit	(7,166)	(5,370)
Accumulated other comprehensive loss	(23)	(23)
Total equity attributable to common stock	(2,183)	(389)
Equity attributable to noncontrolling interests	88	93
Total equity	(2,095)	(296)
TOTAL LIABILITIES AND EQUITY	<u>\$ 4,974</u>	<u>\$ 6,958</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

CALIFORNIA RESOURCES CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
For the three months ended March 31, 2020 and 2019
(in millions, except share data)

	Three months ended March 31,	
	2020	2019
REVENUES		
Oil and natural gas sales	\$ 430	\$ 601
Net derivative gain (loss) from commodity contracts	79	(89)
Other revenue	64	178
Total revenues	573	690
COSTS		
Production costs	192	233
General and administrative expenses	60	83
Depreciation, depletion and amortization	119	118
Asset impairments	1,736	—
Taxes other than on income	41	41
Exploration expense	5	10
Other expenses, net	69	148
Total costs	2,222	633
OPERATING (LOSS) INCOME	(1,649)	57
NON-OPERATING (LOSS) INCOME		
Interest and debt expense, net	(87)	(100)
Net gain on early extinguishment of debt	5	6
Other non-operating expenses	(14)	(7)
LOSS BEFORE INCOME TAXES	(1,745)	(44)
Income tax	—	—
NET LOSS	(1,745)	(44)
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS		
Mezzanine equity	(30)	(28)
Equity	(21)	5
Net income attributable to noncontrolling interests	(51)	(23)
NET LOSS ATTRIBUTABLE TO COMMON STOCK	<u>\$ (1,796)</u>	<u>\$ (67)</u>
Net loss attributable to common stock per share		
Basic	\$ (36.43)	\$ (1.38)
Diluted	\$ (36.43)	\$ (1.38)

The accompanying notes are an integral part of these condensed consolidated financial statements.

CALIFORNIA RESOURCES CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Loss
For the three months ended March 31, 2020 and 2019
(in millions)

	Three months ended March 31,	
	2020	2019
Net loss	\$ (1,745)	\$ (44)
Net income attributable to noncontrolling interests	(51)	(23)
Comprehensive loss attributable to common stock	<u>\$ (1,796)</u>	<u>\$ (67)</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.

CALIFORNIA RESOURCES CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Equity
For the three months ended March 31, 2020 and 2019
(in millions)

Three months ended March 31, 2020						
	Additional Paid-in Capital	Accumulated (Deficit) Earnings	Accumulated Other Comprehensive (Loss) Income	Equity Attributable to Common Stock	Equity Attributable to Noncontrolling Interests	Total Equity
Balance, December 31, 2019	\$ 5,004	\$ (5,370)	\$ (23)	\$ (389)	\$ 93	\$ (296)
Net (loss) income	—	(1,796)	—	(1,796)	21	(1,775)
Distributions to noncontrolling interest holders	—	—	—	—	(26)	(26)
Share-based compensation, net	2	—	—	2	—	2
Balance, March 31, 2020	<u>\$ 5,006</u>	<u>\$ (7,166)</u>	<u>\$ (23)</u>	<u>\$ (2,183)</u>	<u>\$ 88</u>	<u>\$ (2,095)</u>

Three months ended March 31, 2019						
	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Equity Attributable to Common Stock	Equity Attributable to Noncontrolling Interests	Total Equity
Balance, December 31, 2018	\$ 4,987	\$ (5,342)	\$ (6)	\$ (361)	\$ 114	\$ (247)
Net loss	—	(67)	—	(67)	(5)	(72)
Contribution from noncontrolling interest holders, net	—	—	—	—	49	49
Distributions to noncontrolling interest holders	—	—	—	—	(21)	(21)
Share-based compensation, net	2	—	—	2	—	2
Balance, March 31, 2019	<u>\$ 4,989</u>	<u>\$ (5,409)</u>	<u>\$ (6)</u>	<u>\$ (426)</u>	<u>\$ 137</u>	<u>\$ (289)</u>

Note: The above tables exclude amounts related to redeemable noncontrolling interests reported as mezzanine equity. See *Note 6 Joint Ventures* for more information.

The accompanying notes are an integral part of these condensed consolidated financial statements.

CALIFORNIA RESOURCES CORPORATION AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
For the three months ended March 31, 2020 and 2019
(in millions)

	Three months ended March 31,	
	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss	\$ (1,745)	\$ (44)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation, depletion and amortization	119	118
Asset impairments	1,736	—
Net derivative (gain) loss from commodity contracts	(79)	89
Net proceeds from settled commodity derivatives	98	14
Net gain on early extinguishment of debt	(5)	(6)
Amortization of deferred gain	(17)	(18)
Dry hole expenses	—	3
Other non-cash charges to income, net	8	26
Changes in operating assets and liabilities, net	113	(24)
Net cash provided by operating activities	228	158
CASH FLOW FROM INVESTING ACTIVITIES		
Capital investments	(30)	(131)
Changes in capital investment accruals	(19)	(47)
Asset divestitures	41	—
Acquisitions	—	(2)
Other	(4)	(2)
Net cash used in investing activities	(12)	(182)
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from 2014 Revolving Credit Facility	449	615
Repayments of 2014 Revolving Credit Facility	(459)	(579)
Debt repurchases	(3)	(14)
2020 Senior Notes payment	(100)	—
Contributions from noncontrolling interest holders, net	2	49
Distributions paid to noncontrolling interest holders	(44)	(20)
Shares canceled for taxes	(1)	(1)
Net cash (used in) provided by financing activities	(156)	50
Increase in cash	60	26
Cash—beginning of period	17	17
Cash—end of period	\$ 77	\$ 43

The accompanying notes are an integral part of these condensed consolidated financial statements.

CALIFORNIA RESOURCES CORPORATION AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
March 31, 2020

NOTE 1 BASIS OF PRESENTATION

We are an independent oil and natural gas exploration and production company operating properties exclusively within California. We were incorporated in Delaware and became a publicly traded company on December 1, 2014. Except when the context otherwise requires or where otherwise indicated, all references to "CRC," the "Company," "we," "us" and "our" refer to California Resources Corporation and its subsidiaries.

Ability to Continue as a Going Concern

Our liquidity and ability to meet our debt obligations have been negatively impacted by the sharp decrease in commodity prices as a result of the Coronavirus Disease 2019 (COVID-19) pandemic and by the actions of foreign producers. Our primary sources of liquidity and capital resources are cash flow from operations and available borrowing capacity under our Credit Agreement with JPMorgan Chase Bank, N.A., as administrative agent, and certain other lenders (2014 Revolving Credit Facility). As of March 31, 2020, we had available liquidity of \$395 million, consisting of \$67 million in unrestricted cash and \$328 million of available borrowing capacity under our 2014 Revolving Credit Facility (before a \$150 million month-end minimum liquidity requirement). On April 30, 2020, our 2014 Revolving Credit Facility was amended to reduce the limit on our revolving credit facility from \$1 billion to \$900 million, among other things. Our ability to borrow under our 2014 Revolving Credit Facility is limited by our ability to comply with its covenants, including quarterly financial covenants, and by our borrowing base. Pursuant to a semi-annual borrowing base redetermination, our borrowing base was reduced from \$2.3 billion to \$1.2 billion effective as of May 18, 2020, with no further reduction in our ability to borrow under the 2014 Revolving Credit Facility. As of May 31, 2020, we had available liquidity of \$165 million, consisting of \$148 million in unrestricted cash and \$17 million of available borrowing capacity under our 2014 Revolving Credit Facility (before a \$150 million month-end minimum liquidity requirement). However, the Forbearance Agreements do not permit us to make any drawings under the 2014 Revolving Credit Facility until the expiration of the forbearance period described below. We expect that operating cash flow and expected available credit capacity will not be sufficient to meet our commitments over the next twelve months.

Our spin-off from Occidental Petroleum Corporation (Occidental) in December 2014 burdened us with significant debt which was used to pay a \$6 billion cash dividend to Occidental. Together with the activity level and payables that we assumed from Occidental and due to Occidental's retention of a vast majority of receivables, our debt peaked at approximately \$6.8 billion in May 2015. Since then, we have engaged in a series of assets sales, joint ventures, debt exchanges, tenders and other financing transactions to reduce our overall debt and improve our balance sheet. As of March 31, 2020, we had reduced outstanding debt to approximately \$4.9 billion, a substantial portion of which will mature in 2021. Our significant indebtedness, the unprecedented impact to our financial position resulting from commodity price decreases due to the COVID-19 pandemic and actions of foreign producers, and the continued challenging conditions in the credit and capital markets raise substantial doubt regarding our ability to continue as a going concern. As discussed further below, we are actively discussing the terms of a restructuring with our creditors and other stakeholders with the objective of enabling us to continue operations better positioned to capitalize on our asset base and operating capabilities.

On February 20, 2020, we launched offers to exchange a significant portion of our Second Lien Notes and our 5.5% Senior Notes due 2021 (2021 Notes) and 6% Senior Notes due 2024 (2024 Notes) into interests in an entity that would hold a term royalty interest in certain of our oil and natural gas assets or new term loans and warrants to purchase our common stock. If the offers were fully subscribed, we expected that the transactions would have reduced our net debt by approximately \$1 billion if successfully completed. On March 16, 2020, we announced the termination of the offers as a result of developments in the commodity and financial markets at that time that rendered the offers inadvisable and impractical.

On May 15, 2020, we did not make an interest payment of approximately \$4.3 million on our 2024 Notes. The indenture governing the 2024 Notes provides for a 30-day grace period and the payment was made on June 12, 2020.

On May 29, 2020, we did not pay approximately \$51 million in the aggregate of interest due under (i) our \$1.3 billion credit agreement with The Bank of New York Mellon Trust Company, N.A., as administrative agent, and certain other lenders (2017 Credit Agreement), and (ii) our \$1 billion credit agreement with The Bank of New York Mellon Trust Company, N.A., as administrative agent, and certain other lenders (2016 Credit Agreement). Our failure to make those interest payments constituted events of default under the 2017 Credit Agreement, 2016 Credit Agreement and, as a result of cross default, under the 2014 Revolving Credit Facility.

On June 2, 2020, we entered into forbearance agreements (Forbearance Agreements) with (i) certain lenders of a majority of the outstanding principal amount of the loans under the 2014 Revolving Credit Facility, (ii) certain lenders of a majority of the outstanding principal amount of the loans under the 2016 Credit Agreement, and (iii) certain lenders of a majority of the outstanding principal amount of the loans under the 2017 Credit Agreement. Pursuant to the Forbearance Agreements, the lenders who are parties to the Forbearance Agreements agreed to forbear from exercising any remedies under the 2014 Revolving Credit Facility, 2016 Credit Agreement and 2017 Credit Agreement with respect to our failure to make the aforementioned interest payments, through the earlier of June 14, 2020 or an event of termination as set forth in the Forbearance Agreements. On June 12, 2020, we amended the Forbearance Agreements to extend the forbearance period to June 30, 2020. The Forbearance Agreements include a requirement that we maintain an aggregate book cash balance of not less than \$40 million for more than three consecutive business days.

On June 15, 2020, we did not make an interest payment of approximately \$72.3 million on our 8% Senior Secured Second Lien Notes due 2022 (Second Lien Notes). The indenture governing the Second Lien Notes (Second Lien Notes Indenture) provides for a 30-day grace period, which will expire on July 15, 2020. A failure to pay the interest within the 30-day grace period would constitute an event of default under the Second Lien Notes Indenture and cross defaults under our other debt instruments and agreements.

We are actively discussing the terms of a restructuring with our creditors and other stakeholders with the objective of reaching an agreement before the forbearance period under the Forbearance Agreements expires on June 30, 2020. There can be no assurances that an agreement regarding a restructuring will be reached by the end of the forbearance period or at all or that we will be able to successfully restructure our indebtedness. In addition, no assurances can be given as to what values, if any, will be ascribed to each of our securities or what type or amounts of distributions, if any, our various stakeholders would receive in any restructuring. Any restructuring could result in holders of certain liabilities and/or securities, including common stock, receiving no distribution on account of their claims or interest. See *Part II, Item 1A – Risk Factors*, below for further discussion regarding risks related to our ability to continue as a going concern.

Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared assuming we will continue as a going concern. These financial statements do not include any adjustments that might result from the outcome of a going concern uncertainty. If we cannot continue as a going concern, adjustments to the carrying values and classification of assets and liabilities and the reported amounts of income and expenses could be required and could be material.

In the opinion of our management, the accompanying unaudited financial statements contain all adjustments (consisting of normal recurring adjustments) necessary to fairly present our financial position as of March 31, 2020 and December 31, 2019 and the statements of operations, comprehensive loss, equity and cash flows for the three months ended March 31, 2020 and 2019, as applicable. We have eliminated all significant intercompany transactions and accounts. We account for our share of oil and natural gas exploration and development ventures, in which we have a direct working interest, by reporting our proportionate share of assets, liabilities, revenues, costs and cash flows within the relevant lines on our condensed consolidated balance sheets, statements of operations, equity and cash flows.

We have prepared this report in accordance with generally accepted accounting principles in the United States (U.S.) and the rules and regulations of the U.S. Securities and Exchange Commission applicable to interim financial information, which permit the omission of certain disclosures to the extent they have not changed materially since the latest annual financial statements. We believe our disclosures are adequate to make the information not misleading. This Form 10-Q should be read in conjunction with the condensed consolidated financial statements and the notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2019.

NOTE 2 ACCOUNTING AND DISCLOSURE CHANGES

Recently Adopted Accounting and Disclosure Changes

We adopted the Financial Accounting Standards Board's new rules on current expected credit losses on January 1, 2020, using a modified retrospective approach to the first period in which the guidance is effective. The new rules change the measurement of credit losses for financial assets and certain other instruments, including trade and other receivables with a right to receive cash, and require the use of a new forward-looking expected loss model that will result in the earlier recognition of an allowance for losses. The adoption of these new rules did not have a significant impact to our condensed consolidated financial statements.

These rules apply to our trade receivables and joint interest billings to third-party customers. Credit exposure for each customer is monitored for outstanding balances and current activity. We actively manage our credit risk by selecting counterparties that we believe to be financially sound and continue to monitor their financial health. Concentration of credit risk is regularly reviewed to ensure that counterparty credit risk is adequately diversified. We believe exposure to counterparty credit-related losses at March 31, 2020 was not material and losses associated with counterparty credit risk have been insignificant for all periods presented.

NOTE 3 OTHER INFORMATION

Restricted cash — Cash at March 31, 2020 included \$10 million which was restricted under agreements to fund operating expenses at one of our joint ventures, fund a carbon capture feasibility study and hold for distributions to a joint venture (JV) partner. Cash at December 31, 2019 included \$3 million, which was restricted for distributions to a JV partner.

Other current assets, net — Other current assets, net as of March 31, 2020 and December 31, 2019 consisted of the following:

	March 31, 2020	December 31, 2019
	(in millions)	
Net amounts due from joint interest partners ^(a)	\$ 51	\$ 70
Derivative assets ^(b)	15	39
Prepaid expenses	18	19
Other	—	2
Other current assets, net	<u>\$ 84</u>	<u>\$ 130</u>

(a) Both March 31, 2020 and December 31, 2019 balances include \$19 million in an allowance for credit losses against the receivables from our joint interest partners.

(b) Derivative assets at March 31, 2020 include only commodity contracts held by the Benefit Street Partners joint venture (BSP JV). Derivative assets at December 31, 2019 included commodity contracts for our hedge positions and those held by the BSP JV.

Accrued liabilities — Accrued liabilities as of March 31, 2020 and December 31, 2019 consisted of the following:

	March 31, 2020	December 31, 2019
	(in millions)	
Accrued employee-related costs	\$ 63	\$ 116
Accrued taxes other than on income	64	57
Accrued interest	65	13
Lease liability	19	28
Asset retirement obligation	28	28
Other	21	71
Accrued liabilities	<u>\$ 260</u>	<u>\$ 313</u>

Other long-term liabilities — Other long-term liabilities included asset retirement obligations of \$495 million and \$489 million at March 31, 2020 and December 31, 2019, respectively. The remainder of the balance for each year consisted primarily of postretirement and pension benefit obligations, liabilities related to stock-based and deferred compensation arrangement and lease liabilities.

Supplemental Cash Flow Information

We did not make U.S. federal and state income tax payments during the three months ended March 31, 2020 and 2019. Interest paid, net of capitalized amounts, totaled \$45 million and \$69 million for the three months ended March 31, 2020 and 2019, respectively.

Fair Value of Financial Instruments

The carrying amounts of cash and other on-balance sheet financial instruments, other than debt, approximate fair value.

NOTE 4 INVENTORIES

Materials and supplies are valued at weighted-average cost and are reviewed periodically for obsolescence. Finished goods predominantly comprise oil and natural gas liquids (NGLs), which are valued at the lower of cost and net realizable value. Inventories as of March 31, 2020 and December 31, 2019 consisted of the following:

	March 31, 2020	December 31, 2019
	(in millions)	
Materials and supplies ^(a)	\$ 58	\$ 64
Finished goods	2	3
Total	\$ 60	\$ 67

(a) Based on our assessment of the utility of our inventory at March 31, 2020, we recorded a \$7 million write down to our materials and supplies, which is included in asset impairments on our condensed consolidated statements of operations.

NOTE 5 DEBT

As of March 31, 2020 and December 31, 2019, our long-term debt consisted of the following credit agreements, Second Lien Notes and Senior Notes:

	Outstanding Principal		Interest Rate	Maturity	Security
	March 31, 2020	December 31, 2019			
Credit Agreements	(in millions)				
2014 Revolving Credit Facility	\$ 507	\$ 518	LIBOR plus 3.25%-4.00% ABR plus 2.25%-3.00%	June 30, 2021	Shared First-Priority Lien
2017 Credit Agreement	1,300	1,300	LIBOR plus 4.75% ABR plus 3.75%	December 31, 2022 ^(a)	Shared First-Priority Lien
2016 Credit Agreement	1,000	1,000	LIBOR plus 10.375% ABR plus 9.375%	December 31, 2021	First-Priority Lien
Second Lien Notes					
Second Lien Notes	1,809	1,815	8%	December 15, 2022 ^(b)	Second-Priority Lien
Senior Notes					
5% Senior Notes due 2020	—	100	5%	January 15, 2020	Unsecured
5½% Senior Notes due 2021	100	100	5.5%	September 15, 2021	Unsecured
6% Senior Notes due 2024	144	144	6%	November 15, 2024	Unsecured
Total Long-Term Debt	\$ 4,860	\$ 4,977			

Note: For a detailed description of our credit agreements, Second Lien Notes and Senior Notes, please see our most recent Form 10-K for the year ended December 31, 2019.

(a) The 2017 Credit Agreement is subject to a springing maturity of 91 days prior to the maturity of our 2016 Credit Agreement if more than \$100 million in principal of the 2016 Credit Agreement is outstanding at that time.

(b) The Second Lien Notes require principal repayments of \$286 million in June 2021, \$57 million in December 2021, \$60 million in June 2022 and \$1,406 million in December 2022.

At March 31, 2020, we were in compliance with all financial and other debt covenants under our 2014 Revolving Credit Facility, 2016 Credit Agreement, 2017 Credit Agreement, Second Lien Notes, 2021 Notes and 2024 Notes. All obligations under our 2014 Revolving Credit Facility, 2016 Credit Agreement and 2017 Credit Agreement (collectively, Credit Facilities) as well as our Second Lien Notes and Senior Notes are guaranteed both fully and unconditionally and jointly and severally by all of our material wholly owned subsidiaries.

See *Note 1 Basis of Presentation* above for discussion of forbearance agreements entered into in connection with certain missed interest payments.

Net Deferred Gain and Issuance Costs

As of March 31, 2020 and December 31, 2019, net deferred gain and issuance costs consisted of the following:

	March 31, 2020	December 31, 2019
	(in millions)	
Deferred gain	\$ 193	\$ 211
Issuance costs and original issue discounts	(58)	(65)
Net deferred gain and issuance costs	<u>\$ 135</u>	<u>\$ 146</u>

2014 Revolving Credit Facility

As of March 31, 2020, we had \$328 million of available borrowing capacity under our 2014 Revolving Credit Facility, before a \$150 million month-end minimum liquidity requirement. On April 30, 2020, our 2014 Revolving Credit Facility was amended to reduce the limit on our revolving credit facility from \$1 billion to \$900 million, defer the redetermination of our borrowing base from May 1, 2020 to May 15, 2020, introduce a floor on the prevailing rate used in the calculation of our borrowing rate and make other technical amendments. Effective May 18, 2020, the borrowing base under this facility was reduced to \$1.2 billion, with no further reduction in our ability to borrow under the 2014 Revolving Credit Facility. Our 2014 Revolving Credit Facility also includes a sub-limit of \$400 million for the issuance of letters of credit. As of both March 31, 2020 and December 31, 2019, we had letters of credit outstanding of \$165 million. As of April 30, 2020 and May 31, 2020, we had letters of credit outstanding of \$152 million. These letters of credit were issued to support ordinary course marketing, insurance, regulatory and other matters.

As of May 31, 2020, we had available liquidity of \$165 million, consisting of \$148 million in unrestricted cash and \$17 million of available borrowing capacity under our 2014 Revolving Credit Facility (before a \$150 million month-end minimum liquidity requirement). However, the Forbearance Agreements do not permit us to make any drawings under the 2014 Revolving Credit Facility until the expiration of the forbearance period described in *Note 1 Basis of Presentation*. We expect that operating cash flow and expected available credit capacity will not be sufficient to meet our commitments over the next twelve months.

Note Repurchases

In the three months ended March 31, 2020, we repurchased \$7 million in face value of our 8% Second Lien Notes for \$3 million in cash resulting in a pre-tax gain of \$5 million, including the effect of unamortized deferred gain and issuance costs. In the three months ended March 31, 2019, we repurchased approximately \$18 million in face value of our Second Lien Notes for \$14 million in cash resulting in a pre-tax gain of \$6 million, including the effect of unamortized deferred gain and issuance costs.

Fair Value

At March 31, 2020, we estimate the fair value of our debt, which is classified as Level 1, based on prices from known market transactions or quoted market prices for our instruments. At December 31, 2019, the fair value of the variable rate portion of our debt was based on other observable (Level 2) inputs. The estimated fair value of our debt at March 31, 2020 and December 31, 2019, including the fair value of the variable-rate portion, was \$1.0 billion and \$3.8 billion, respectively, compared to a carrying value of \$4.9 billion and \$5.0 billion, respectively.

NOTE 6 JOINT VENTURES

Noncontrolling Interests

The following table presents the changes in noncontrolling interests for our consolidated JVs, which is reported in equity and mezzanine equity on the condensed consolidated balance sheets for the three months ended March 31, 2020 and 2019:

	Equity Attributable to Noncontrolling Interest			Mezzanine Equity - Redeemable Noncontrolling Interests		
	Ares JV	BSP JV	Total	Ares JV	Elk Hills Carbon JV	Total
	(in millions)					
Balance, December 31, 2019	\$ —	\$ 93	\$ 93	\$ 802	\$ —	\$ 802
Net income attributable to noncontrolling interests	2	19	21	30	—	30
Contributions from noncontrolling interest holders, net	—	—	—	—	2	2
Distributions to noncontrolling interest holders	(2)	(24)	(26)	(18)	—	(18)
Balance, March 31, 2020	<u>\$ —</u>	<u>\$ 88</u>	<u>\$ 88</u>	<u>\$ 814</u>	<u>\$ 2</u>	<u>\$ 816</u>
Balance, December 31, 2018	\$ 15	\$ 99	\$ 114	\$ 756	\$ —	\$ 756
Net (loss) income attributable to noncontrolling interests	(3)	(2)	(5)	28	—	28
Contributions from noncontrolling interest holders, net	—	49	49	—	—	—
Accrued distributions	—	(19)	(19)	—	—	—
Distributions to noncontrolling interest holders	(2)	—	(2)	(18)	—	(18)
Balance, March 31, 2019	<u>\$ 10</u>	<u>\$ 127</u>	<u>\$ 137</u>	<u>\$ 766</u>	<u>\$ —</u>	<u>\$ 766</u>

Ares JV

Our condensed consolidated statements of operations reflect the operations of our midstream JV with ECR Corporate Holdings L.P. (ECR), a portfolio company of Ares, with ECR's share of net income (loss) reported in net income attributable to noncontrolling interests. ECR's redeemable noncontrolling interests are reported in mezzanine equity due to an embedded optional redemption feature.

We hold 50% of the Class A common interest and 95.25% of the Class C common interest in the Ares JV. ECR holds 50% of the Class A common interest, 100% of the Class B preferred interest and 4.75% of the Class C common interest. The Ares JV is required to distribute each month its excess cash flow over its working capital requirements first to the Class B holders and then to the Class C common interests, on a pro-rata basis.

We can cause the Ares JV to redeem ECR's Class A and Class B interests, in whole, but not in part, at any time by paying \$750 million for the Class B interest and \$60 million for the Class A interest, plus any previously accrued but unpaid preferred distributions and a make-whole payment if the redemption happens prior to five years from inception. We have the option to extend the redemption period for up to an additional two and one-half years, in which case the interests can be redeemed for \$750 million for the Class B interest and \$80 million for the Class A interest, plus any previously accrued but unpaid preferred distributions and a make-whole payment if the redemption happens prior to seven and one-half years from inception.

ECR can sell its Class A and Class B interest or cause a sale of the Ares JV assets in certain circumstances, which include but are not limited to the following: (1) we do not cause the Ares JV to exercise its option to redeem the Class A and Class B interest held by ECR by the end of the seven and one-half year redemption period, (2) we fail to make payment for purchases of power or gas processing services followed by the failure to make a preferred distribution payment within 60 days, (3) we default on indebtedness in excess of \$100 million and such indebtedness is declared due and payable or (4) we commence bankruptcy proceedings.

Benefit Street Partners (BSP) JV

Our condensed consolidated results reflect the operations of our development JV with BSP, with BSP's preferred interest reported in equity on our condensed consolidated balance sheets and BSP's share of net income (loss) being reported in net income attributable to noncontrolling interests in our condensed consolidated statements of operations.

Elk Hills Carbon JV

In January 2020, we entered into an agreement with OGCI Climate Investments Elk Hills Carbon Inc. (OGCI) to determine the technical and economic feasibility of retrofitting the Elk Hills power plant with a post-combustion, carbon-capture system, which includes a Front-End Engineering Design scope and study. The project received financial assistance from the U.S. Department of Energy and project participants include us, Electric Power Research Institute, and Fluor Corporation. We formed Elk Hills Carbon LLC (Elk Hills Carbon JV) with OGCI to assist with the initial funding obligation. OGCI contributed approximately \$2 million to the Elk Hills Carbon JV in February 2020.

Our condensed consolidated statements of operations reflect the operations of the Elk Hills Carbon JV, with OGCI's share of net income (loss) reported in net income attributable to noncontrolling interests. OGCI's redeemable noncontrolling interests are reported in mezzanine equity due to an optional redemption feature.

Other

In July 2019, we entered into a development joint venture with Alpine Energy Capital, LLC (Alpine) to develop portions of our Elk Hills field (Alpine JV). Alpine made an initial commitment to invest \$320 million over a period of up to three years in accordance with a 275-well development plan. On March 27, 2020, Alpine elected to suspend its funding obligations pursuant to a contractual right that is triggered if the average NYMEX 12-month forward strip price for Brent crude oil falls below \$45 per barrel over a 30-trading day period. The suspension is automatically lifted and Alpine is obligated to renew funding at such time as the average price exceeds that threshold over any 30-trading day period. If prices remain below the threshold for over 100 consecutive trading days, the development phase may be terminated by us, subject to agreement by Alpine.

For more information on our other joint ventures that are not noncontrolling interests, including the Alpine JV, Macquarie Infrastructure and Real Assets Inc. (MIRA) JV, and Royale Energy, Inc. (Royale) JV, please see our most recent Form 10-K for the year ended December 31, 2019.

NOTE 7 LAWSUITS, CLAIMS, COMMITMENTS AND CONTINGENCIES

We, or certain of our subsidiaries, are involved, in the normal course of business, in lawsuits, environmental and other claims and other contingencies that seek, among other things, compensation for alleged personal injury, breach of contract, property damage or other losses, punitive damages, civil penalties, or injunctive or declaratory relief.

We accrue reserves for currently outstanding lawsuits, claims and proceedings when it is probable that a liability has been incurred and the liability can be reasonably estimated. Reserve balances at March 31, 2020 and December 31, 2019 were not material to our condensed consolidated balance sheets as of such dates. We also evaluate the amount of reasonably possible losses that we could incur as a result of these matters. We believe that reasonably possible losses that we could incur in excess of reserves accrued would not be material to our condensed consolidated financial statements taken as a whole.

NOTE 8 DERIVATIVES

We use a variety of derivative instruments in implementing our hedging program to protect our cash flow, operating margin and capital program from the cyclical nature of commodity prices and interest-rate movements. These derivatives are intended to help us maintain adequate liquidity and improve our ability to comply with the covenants of our Credit Facilities in case of price deterioration.

We did not have any derivative instruments designated as accounting hedges as of and during the three months ended March 31, 2020 and 2019. Unless otherwise indicated, we use the term "hedge" to describe derivative instruments that are designed to achieve our hedging program goals, even though they are not accounted for as accounting hedges.

Commodity-price risk — In March 2020, we monetized all of our crude oil hedges in place for April 2020 forward with our counterparties, except for certain hedges held by our BSP JV, for approximately \$63 million. We recognized the proceeds received in net derivative gain (loss) from commodity contracts on our condensed consolidated statements of operations in the first quarter of 2020. As a result, we did not have any commodity hedges that we would benefit from after the end of the first quarter.

The BSP JV holds crude oil derivatives and natural gas swaps for insignificant volumes through 2021 that are included in our consolidated results. The hedges entered into by the BSP JV could affect the timing of the redemption of BSP's preferred interest.

The following table presents the fair values (at gross and net) of our outstanding commodity derivatives as of March 31, 2020 and December 31, 2019:

March 31, 2020			
Balance Sheet Classification	Gross Amounts Recognized at Fair Value	Gross Amounts Offset in the Balance Sheet	Net Fair Value Presented in the Balance Sheet
Assets:	(in millions)		
Other current assets, net	\$ 15	\$ —	\$ 15
Other assets	2	—	2
Liabilities:			
Accrued liabilities	—	—	—
Total derivatives	\$ 17	\$ —	\$ 17
December 31, 2019			
Balance Sheet Classification	Gross Amounts Recognized at Fair Value	Gross Amounts Offset in the Balance Sheet	Net Fair Value Presented in the Balance Sheet
Assets:	(in millions)		
Other current assets, net	\$ 49	\$ (10)	\$ 39
Other assets	1	—	1
Liabilities:			
Accrued liabilities	(15)	10	(5)
Total derivatives	\$ 35	\$ —	\$ 35

Interest-rate risk — We hold derivative contracts that limit our interest-rate exposure with respect to \$1.3 billion of our variable-rate indebtedness. These interest-rate contracts reset monthly and require the counterparties to pay any excess interest owed on such amount in the event the one-month LIBOR exceeds 2.75% for any monthly period prior to May 2021. For the quarter ended March 31, 2020 and 2019, we reported no change in fair value and a \$3 million non-cash loss, respectively, on these contracts in other nonoperating expenses on our consolidated statements of operations.

Fair value of derivatives — Our derivative contracts are measured at fair value using industry-standard models with various inputs, including quoted forward prices, and are classified as Level 2 in the required fair value hierarchy for the periods presented. We recognize fair value changes on derivative instruments in each reporting period. The changes in fair value result from the relationship between our existing positions, volatility, time to expiration, contract prices or interest rates and the associated forward curves.

NOTE 9 EARNINGS PER SHARE

We compute basic and diluted earnings per share (EPS) using the two-class method required for participating securities. Certain of our restricted and performance stock awards are considered participating securities because they have non-forfeitable dividend rights at the same rate as our common stock.

Under the two-class method, undistributed earnings allocated to participating securities are subtracted from net income attributable to common stock in determining net income available to common stockholders. In loss periods, no allocation is made to participating securities because participating securities do not share in losses. For basic EPS, the weighted-average number of common shares outstanding excludes outstanding shares related to unvested restricted stock awards. For diluted EPS, the basic shares outstanding are adjusted by adding all potentially dilutive securities.

The following table presents the calculation of basic and diluted EPS for the three months ended March 31, 2020 and 2019:

	Three months ended March 31,	
	2020	2019
	(in millions, except per-share amounts)	
Basic EPS calculation		
Net loss	\$ (1,745)	\$ (44)
Net income attributable to noncontrolling interests	(51)	(23)
Net loss attributable to common stock	(1,796)	(67)
Net loss attributable to common stockholders	\$ (1,796)	\$ (67)
Weighted-average common shares outstanding — basic	49.3	48.7
Basic EPS	<u>\$ (36.43)</u>	<u>\$ (1.38)</u>
Diluted EPS calculation		
Net loss	\$ (1,745)	\$ (44)
Net income attributable to noncontrolling interests	(51)	(23)
Net loss attributable to common stock	(1,796)	(67)
Net loss attributable to common stockholders	\$ (1,796)	\$ (67)
Weighted-average common shares outstanding — basic	49.3	48.7
Dilutive effect of potentially dilutive securities	—	—
Weighted-average common shares outstanding — diluted	49.3	48.7
Diluted EPS	<u>\$ (36.43)</u>	<u>\$ (1.38)</u>
Weighted-average anti-dilutive shares	4.6	2.5

NOTE 10 PENSION AND POSTRETIREMENT BENEFIT PLANS

The following table sets forth the components of the net periodic benefit costs for our defined benefit pension and postretirement benefit plans for the three months ended March 31, 2020 and 2019:

	Three months ended March 31,			
	2020		2019	
	Pension Benefit	Postretirement Benefit	Pension Benefit	Postretirement Benefit
	(in millions)			
Service cost	\$ —	\$ 1	\$ —	\$ 1
Interest cost	1	1	1	1
Expected return on plan assets	—	—	(1)	—
Recognized actuarial loss	—	—	1	—
Total	<u>\$ 1</u>	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ 2</u>

We did not make contributions to our defined benefit pension plans in each of the three months ended March 31, 2020 and 2019, respectively. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) became law on March 27, 2020 and allows for the deferral of contributions to a single employer pension plan otherwise due during 2020 to January 1, 2021. We deferred contributions to our defined benefit pension plans of approximately \$5 million from the first quarter of 2020 until December 2020.

NOTE 11 REVENUE RECOGNITION

We derive substantially all of our revenue from sales of oil, natural gas and NGLs, with the remaining revenue generated from sales of electricity and marketing activities related to storage and managing excess pipeline capacity.

The following table provides disaggregated revenue for the three months ended March 31, 2020 and 2019:

	Three months ended March 31,	
	2020	2019
	(in millions)	
Oil and natural gas sales		
Oil	\$ 356	\$ 480
Natural gas	38	62
NGLs	36	59
	430	601
Other revenue		
Electricity	13	34
Marketing, trading and other	51	144
	64	178
Net derivative gain (loss) from commodity contracts	79	(89)
Total revenues	\$ 573	\$ 690

NOTE 12 LEASES

Balance sheet information related to our operating and finance leases as of March 31, 2020 and December 31, 2019 was as follows:

	Balance Sheet Location	March 31, 2020	December 31, 2019
		(in millions)	
Right-of-Use Assets			
Operating lease, net	Other assets	\$ 46	\$ 59
Finance lease, net	PP&E	—	2
Total right-of-use assets		\$ 46	\$ 61
Lease Liabilities			
Current			
Operating lease	Accrued liabilities	\$ 18	\$ 27
Finance lease	Accrued liabilities	1	1
Long-term			
Operating lease	Other long-term liabilities	35	37
Finance lease	Other long-term liabilities	1	1
Total lease liabilities		\$ 55	\$ 66

Our operating lease assets and liabilities decreased from year end 2019 primarily due to releasing five of our leased drilling rigs as a result of the current economic environment. Our remaining two leased drilling rigs have been cold stacked and were included with our proved properties in our impairment assessment as discussed in *Note 14 Asset Impairments*. These right-of-use assets were determined to not be impaired as of March 31, 2020.

NOTE 13 INCOME TAXES

We estimate our annual effective income tax rate to record our quarterly provision in the jurisdictions in which we operate. Statutory tax rate changes and other significant or unusual items are recognized as discrete items in the quarter in which they occur. We maintained a full valuation allowance against our net deferred tax assets after considering cumulative losses, including oil and natural gas asset impairments.

For the three months ended March 31, 2020 and 2019, we did not provide any current or deferred tax provision or benefit. The difference between our statutory tax rate and our effective tax rate of zero for the periods presented includes changes to maintain our full valuation allowance against our net deferred tax assets given our recent and anticipated future earnings trends. We believe that there is a reasonable possibility that some or all of this allowance could be released in the foreseeable future. However, the amount of the net deferred tax assets considered realizable depends on the level of profitability that we can achieve.

The CARES Act increased the limitation on the deductibility of business interest expense from 30% to 50% of adjusted taxable income in 2019 and 2020 along with other provisions intended to provide relief to corporate taxpayers. There was no impact on our income tax provision due to our full valuation allowance.

NOTE 14 ASSET IMPAIRMENTS

Triggered by the sharp drop in commodity prices at the end of the first quarter of 2020 due to decreased demand for oil and natural gas products as a result of the COVID-19 pandemic and coupled with the over-supply resulting from the OPEC+ price war, we performed impairment tests on all of our oil and natural gas properties and other assets at March 31, 2020. The following table presents a summary of our asset impairments:

	March 31, 2020
Asset Impairments:	(in millions)
Proved oil and natural gas properties	\$ 1,487
Unproved properties	228
Unrecovered capital costs	11
Inventory	7
Other	3
Total	\$ 1,736

Proved oil and natural gas properties — The fair values of our proved oil and natural gas properties were determined as of the date of the assessment using discounted cash flow models incorporating a number of fair value inputs which are categorized as Level 3 on the fair value hierarchy. These inputs were based on management's expectations for the future considering the current environment and included index prices based on forward curves until the market became illiquid and internally generated price forecasts thereafter, pricing adjustments for differentials, estimates of future oil and natural gas production, estimated future operating costs and capital development plans based on the embedded price assumptions. We used a market-based weighted average cost of capital to discount the future net cash flows. The impairment charge primarily related to a steamflood property located in the San Joaquin basin.

Unproved properties — In the current economic environment and for the foreseeable future our ability to develop our unproved properties is constrained. Accordingly, we do not intend to develop these assets and impaired all of our unproved properties, which primarily consist of leases held by production in the San Joaquin basin.

Unrecovered capital costs — Net amounts due from joint interest partners, which are included in other current assets on our condensed consolidated balance sheet, include amounts for capital and operating costs incurred by us that are recoverable solely from our partners' share of future production from associated fields. The dramatic commodity price decline during the first quarter of 2020 resulted in changes to our cash flow forecasts and we impaired the carrying value of these amounts.

NOTE 15 OTHER SUBSEQUENT EVENTS

Changes to the 2020 Compensation Programs

In connection with the unprecedented circumstances affecting the industry and market volatility resulting from the recent industry downturn, we reviewed our incentive programs for the entire workforce to determine whether those programs appropriately align compensation opportunities with our 2020 goals and ensure the stability of our workforce. Following this review, effective May 19, 2020, our Board of Directors approved changes in the variable compensation programs for all participating employees. The previously established target amounts of 2020 variable compensation programs did not change; however, all amounts that vest will be settled in cash and the replacement awards are no longer stock-based compensation. As a condition to receiving any award, participants waived participation in our 2020 annual incentive program and forfeited all stock-based compensation awards previously granted in 2020. There were no changes to stock-based compensation awards granted prior to February 2020.

Employee Stock Purchase Plan

On May 26, 2020, our Board of Directors approved the termination of the California Resources Corporation 2014 Employee Stock Purchase Plan. No additional shares will be purchased through the plan after March 31, 2020.

NOTE 16 CONDENSED CONSOLIDATING FINANCIAL INFORMATION

Our Credit Facilities, Second Lien Notes and Senior Notes are guaranteed both fully and unconditionally and jointly and severally by our material wholly owned subsidiaries (Guarantor Subsidiaries). Certain of our subsidiaries do not guarantee our Credit Facilities, Second Lien Notes and Senior Notes (Non-Guarantor Subsidiaries) either because they hold assets that are less than 1% of our total consolidated assets or because they are not considered a "subsidiary" under the applicable financing agreement. The following condensed consolidating balance sheets as of March 31, 2020 and December 31, 2019 and the condensed consolidating statements of operations and statements of cash flows for the three months ended March 31, 2020 and 2019, as applicable, reflect the condensed consolidating financial information of our parent company, CRC (Parent), our combined Guarantor Subsidiaries, our combined Non-Guarantor Subsidiaries and the elimination entries necessary to arrive at the information for the Company on a consolidated basis.

The financial information may not necessarily be indicative of results of operations, cash flows or financial position had the Guarantor Subsidiaries operated as independent entities.

Condensed Consolidating Balance Sheets
As of March 31, 2020 and December 31, 2019
(in millions)

March 31, 2020					
	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total current assets	\$ 9	\$ 289	\$ 65	\$ (7)	\$ 356
Investments in consolidated subsidiaries	4,304	131	—	(4,435)	—
Total property, plant and equipment, net	25	4,039	474	—	4,538
Other assets	1	65	14	—	80
TOTAL ASSETS	\$ 4,339	\$ 4,524	\$ 553	\$ (4,442)	\$ 4,974
Total current liabilities	139	404	7	(7)	543
Long-term debt	4,860	—	—	—	4,860
Deferred gain and issuance costs, net	135	—	—	—	135
Other long-term liabilities	158	553	4	—	715
Amounts due to (from) affiliates	1,230	(1,232)	2	—	—
Mezzanine equity	—	—	816	—	816
Total equity	(2,183)	4,799	(276)	(4,435)	(2,095)
TOTAL LIABILITIES AND EQUITY	\$ 4,339	\$ 4,524	\$ 553	\$ (4,442)	\$ 4,974
December 31, 2019					
	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total current assets	\$ 8	\$ 436	\$ 60	\$ (13)	\$ 491
Investments in consolidated subsidiaries	5,956	223	—	(6,179)	—
Total property, plant and equipment, net	35	5,846	471	—	6,352
Other assets	1	82	32	—	115
TOTAL ASSETS	\$ 6,000	\$ 6,587	\$ 563	\$ (6,192)	\$ 6,958
Total current liabilities	248	469	5	(13)	709
Long-term debt	4,877	—	—	—	4,877
Deferred gain and issuance costs, net	146	—	—	—	146
Other long-term liabilities	167	549	4	—	720
Amounts due to (from) affiliates	951	(953)	2	—	—
Mezzanine equity	—	—	802	—	802
Total equity	(389)	6,522	(250)	(6,179)	(296)
TOTAL LIABILITIES AND EQUITY	\$ 6,000	\$ 6,587	\$ 563	\$ (6,192)	\$ 6,958

Condensed Consolidating Statements of Operations
For the three months ended March 31, 2020 and 2019
(in millions)

Three months ended March 31, 2020					
	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenues	\$ —	\$ 526	\$ 116	\$ (69)	\$ 573
Total costs	47	2,189	55	(69)	2,222
Non-operating (loss) income	(95)	(1)	—	—	(96)
NET (LOSS) INCOME	(142)	(1,664)	61	—	(1,745)
Net income attributable to noncontrolling interests	—	—	(51)	—	(51)
NET (LOSS) INCOME ATTRIBUTABLE TO COMMON STOCK	<u>\$ (142)</u>	<u>\$ (1,664)</u>	<u>\$ 10</u>	<u>\$ —</u>	<u>\$ (1,796)</u>

Three months ended March 31, 2019					
	Parent	Combined Guarantor Subsidiaries	Combined Non-Guarantor Subsidiaries	Eliminations	Consolidated
Total revenues	\$ —	\$ 644	\$ 123	\$ (77)	\$ 690
Total costs	54	584	72	(77)	633
Non-operating (loss) income	(104)	3	—	—	(101)
NET (LOSS) INCOME	(158)	63	51	—	(44)
Net income attributable to noncontrolling interest	—	—	(23)	—	(23)
NET (LOSS) INCOME ATTRIBUTABLE TO COMMON STOCK	<u>\$ (158)</u>	<u>\$ 63</u>	<u>\$ 28</u>	<u>\$ —</u>	<u>\$ (67)</u>

Condensed Consolidating Statements of Cash Flows
For the three months ended March 31, 2020 and 2019
(in millions)

Three months ended March 31, 2020					
	Parent	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net cash (used in) provided by operating activities	\$ (188)	\$ 334	\$ 82	\$ —	\$ 228
Net cash provided by (used in) investing activities	1	(13)	—	—	(12)
Net cash provided by (used in) financing activities	187	(260)	(83)	—	(156)
Increase in cash	—	61	(1)	—	60
Cash—beginning of period	—	6	11	—	17
Cash—end of period	\$ —	\$ 67	\$ 10	\$ —	\$ 77

Three months ended March 31, 2019					
	Parent	Combined Guarantor Subsidiaries	Combined Non- Guarantor Subsidiaries	Eliminations	Consolidated
Net cash (used in) provided by operating activities	\$ (184)	\$ 267	\$ 75	\$ —	\$ 158
Net cash used in investing activities	—	(182)	—	—	(182)
Net cash provided by (used in) financing activities	184	(83)	(51)	—	50
Increase in cash	—	2	24	—	26
Cash—beginning of period	—	7	10	—	17
Cash—end of period	\$ —	\$ 9	\$ 34	\$ —	\$ 43

Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations

General

We are an independent oil and natural gas exploration and production company operating properties exclusively within California. We are incorporated in Delaware and became a publicly traded company on December 1, 2014. Except when the context otherwise requires or where otherwise indicated, all references to "CRC," the "company," "we," "us" and "our" refer to California Resources Corporation and its subsidiaries.

Business Environment and Industry Outlook

Our operating results and those of the oil and gas industry as a whole are heavily influenced by commodity prices. Oil and gas prices and differentials may fluctuate significantly as a result of numerous market-related variables, especially given current global geopolitical and economic conditions. These and other factors make it impossible to predict realized prices reliably.

Prices for oil and gas products in the first quarter of 2020 and in subsequent months have been strongly influenced by the Coronavirus Disease 2019 (COVID-19) pandemic and by the actions of foreign producers. The COVID-19 pandemic caused an unprecedented demand collapse related to the shelter-in-place orders, travel restrictions and general economic uncertainty, which negatively impacted crude oil prices. In the midst of the ongoing COVID-19 pandemic, members of the Organization of the Petroleum Exporting Countries (OPEC and together with Russia and other allied producing countries, OPEC+) and Russia did not extend existing oil production cuts expiring on April 1, 2020, and Saudi Arabia and Russia announced significant increases in crude oil production. The unprecedented dual impact of a severe global oil demand decline due to the COVID-19 pandemic repercussions coupled with a substantial increase in supply from Saudi Arabia and Russia resulted in a collapse in crude oil prices.

Reduced demand caused shortages in available storage facilities globally and required many oil and gas producers to shut in wells or curtail production. In April 2020, oil prices continued to decline precipitously temporarily reaching negative values for spot WTI crude. In May 2020, oil prices began to recover as producers across the world, including OPEC, Russia, the United States and others started cutting their production levels sharply and announced significant capital reductions, and an easing of shelter-in-place restrictions created partial demand recovery. However, the current futures forward curve for Brent crude indicates that prices may continue at relatively lower prices for an extended period of time.

We continue to closely monitor the impact of COVID-19, which negatively impacted our business and results of operations in the first quarter of 2020. In addition to lower average realized prices for the quarter and related negative impact to our liquidity, the sharp drop in commodity prices at the end of the first quarter of 2020 also resulted in an impairment charge of \$1.7 billion for the first quarter. The lower commodity prices have continued into the second quarter and are currently expected to remain depressed for an extended period of time based on current futures curves. The extent to which our total year operating results will be impacted by the pandemic will depend largely on future developments, which are highly uncertain and cannot be accurately predicted, including new information that may emerge concerning the severity of the pandemic and actions taken by government authorities to contain the pandemic or actions taken by other producers in response to commodity prices movements, among other things. See *Part II, Item 1A – Risk Factors*, below for further discussion regarding the impact of the pandemic and declines in commodity prices.

The following table presents the average daily Brent, WTI and NYMEX prices for the three months ended March 31, 2020 and 2019 and for the months of April and May 2020:

	Three months ended March 31,		Month ended April 30,		Month ended May 31,	
	2020	2019	2020		2020	
Brent oil (\$/Bbl)	\$ 50.96	\$ 63.90	\$ 26.63		\$ 32.41	
WTI oil (\$/Bbl)	\$ 46.17	\$ 54.90	\$ 16.70		\$ 28.53	
NYMEX gas (\$/MMBtu)	\$ 2.05	\$ 3.24	\$ 1.73		\$ 1.76	

Note: Bbl refers to a barrel; MMBtu refers to one million British Thermal Units.

Going Concern Analysis and Recent Developments

Our spin-off from Occidental Petroleum Corporation (Occidental) in December 2014 burdened us with significant debt which was used to pay a \$6.0 billion cash dividend to Occidental. Together with the activity level and payables that we assumed from Occidental and due to Occidental's retention of a vast majority of receivables, our debt peaked at approximately \$6.8 billion in May 2015. Since then, we have engaged in a series of assets sales, joint ventures, debt exchanges, tenders and other financing transactions to reduce our overall debt and improve our balance sheet. As of March 31, 2020, we had reduced outstanding debt to approximately \$4.9 billion, a substantial portion of which will mature in 2021. Our significant indebtedness, the unprecedented impact to our financial position resulting from the commodity price decreases due to the COVID-19 pandemic and actions of foreign producers, and the continued challenging conditions in the credit and capital markets raise substantial doubt regarding our ability to continue as a going concern. As discussed further below, we are actively discussing the terms of a restructuring with our creditors and other stakeholders with the objective of enabling us to continue operations better positioned to capitalize on our asset base and operating capabilities. However, there can be no assurances that we will be able to successfully restructure our indebtedness and no assurances can be given as to what value, if any, will be ascribed to each of our securities or what types or amounts of distributions, if any, our various stakeholders would receive in any restructuring. Any restructuring could result in holders of certain liabilities and/or securities, including our common stock, receiving no distribution on account of their claims or interest.

On February 20, 2020, we launched offers to exchange a significant portion of our Second Lien Notes and our 5.5% Senior Notes due 2021 (2021 Notes) and 6% Senior Notes due 2024 (2024 Notes) into interests in an entity that would hold a term royalty interest in certain of our oil and natural gas assets or new term loans and warrants to purchase our common stock. If the offers were fully subscribed, we expected that the transactions would have reduced our net debt by approximately \$1 billion if successfully completed. On March 16, 2020, we announced the termination of the offers as a result of developments in the commodity and financial markets at that time that rendered the offers inadvisable and impractical.

On May 15, 2020, we did not make an interest payment of approximately \$4.3 million on our 2024 Notes. The indenture governing the 2024 Notes provides for a 30-day grace period and the payment was subsequently made on June 12, 2020.

On May 29, 2020, we did not pay approximately \$51 million in the aggregate of interest due under (i) our \$1.3 billion credit agreement with The Bank of New York Mellon Trust Company, N.A., as administrative agent, and certain other lenders (2017 Credit Agreement), and (ii) our \$1 billion credit agreement with The Bank of New York Mellon Trust Company, N.A., as administrative agent, and certain other lenders (2016 Credit Agreement). Our failure to make those interest payments constituted events of default under our 2017 Credit Agreement and 2016 Credit Agreement and, as a result of cross default, under our Credit Agreement with JPMorgan Chase Bank, N.A., as administrative agent, and certain other lenders (2014 Revolving Credit Facility).

On June 2, 2020, we entered into forbearance agreements (Forbearance Agreements) with (i) certain lenders of a majority of the outstanding principal amount of the loans under the 2014 Revolving Credit Facility, (ii) certain lenders of a majority of the outstanding principal amount of the loans under the 2016 Credit Agreement, and (iii) certain lenders of a majority of the outstanding principal amount of the loans under the 2017 Credit Agreement. Pursuant to the Forbearance Agreements, the lenders who are parties to the Forbearance Agreements agreed to forbear from exercising any remedies under the 2014 Revolving Credit Facility, 2016 Credit Agreement and 2017 Credit Agreement with respect to our failure to make the aforementioned interest payments, through the earlier of June 14, 2020 or an event of termination as set forth in the Forbearance Agreements. On June 12, 2020, we amended the Forbearance Agreements to extend the forbearance period to June 30, 2020. The Forbearance Agreements include a requirement that we maintain an aggregate book cash balance of not less than \$40 million for more than three consecutive business days.

On June 15, 2020, we did not make an interest payment of approximately \$72.3 million on our 8% Senior Secured Second Lien Notes due 2022 (Second Lien Notes). The indenture governing the Second Lien Notes provides for a 30-day grace period, which will expire on July 15, 2020. A failure to pay the interest within the 30-day grace period would constitute an event of default under this indenture and cross defaults under our other debt instruments and agreements.

We are actively discussing the terms of a restructuring with our creditors and other stakeholders with the objective of reaching an agreement before the forbearance period under the Forbearance Agreements expires on June 30, 2020. There can be no assurances that an agreement regarding a restructuring will be reached by the end of the forbearance period or at all or that we will be able to successfully restructure our indebtedness. In addition, no assurances can be given as to what values, if any, will be ascribed to each of our securities or what types or amounts of distributions, if any, our various stakeholders would receive in any restructuring. Any restructuring could result in holders of certain liabilities and/or securities, including common stock, receiving no distribution on account of their claims or interest. See *Part II, Item 1A – Risk Factors*, below for further discussion regarding risks related to our ability to continue as a going concern.

Operations

Response to COVID-19 Pandemic and Industry Downturn

We have taken several steps and continue to actively work to mitigate the effects of the COVID-19 pandemic and the industry downturn on our operations, financial condition and liquidity.

In early March, in response to the rapid fall in commodity prices, we reduced our 2020 capital budget to a level that maintains the mechanical integrity of our facilities to operate them in a safe and environmentally responsible manner and ceased all field development and growth projects. We also monetized all of our crude oil hedges for April 2020 forward with our counterparties, except for certain hedges held by our joint venture with Benefit Street Partners (BSP JV), for approximately \$63 million to enhance our liquidity. We shut in certain marginal wells to reduce operating costs which curtailed average gross production volumes by approximately 7 MBoe/d and average net production volumes by 6 MBoe/d in May 2020. As part of our operational efficiency measures, we also evaluated our diverse portfolio and our various production mechanisms with a focus on wells with higher operating costs. Our teams utilized our extensive automation controls, monitored weekly well margins, and made temporary adjustments to our producing wells to ensure our operations aligned with the price environment. As a result of these actions, our current operating expense run rate is below \$45 million per month compared to the first quarter average of \$64 million per month. At our current level of capital investment, we anticipate production will continue to decline at a moderate pace through the remainder of the year.

In early March 2020, we also implemented various measures to protect the health of our workforce and to support the prevention of COVID-19 at our plants, rigs, fields and administrative offices. These initiatives were in accordance with the orders and guidance of federal, state and local authorities to mitigate the risks of the disease, and included closing all our administrative offices and implementing remote working for most office employees. As a result, our management team and substantially all of our office personnel, including finance and accounting teams, worked remotely beginning in March 2020 and continuing into June 2020, when a phased return to the office began. In addition, on April 6, 2020, we implemented reduced work hours for nearly all of our office employees. This temporary arrangement ended at the end of May 2020. These reductions were made in an effort to preserve liquidity after the further deterioration of commodity prices following the outbreak of COVID-19. Our operational employees and contractors have been classified as an essential critical infrastructure workforce by government authorities and continue to work in their plant and field locations under our COVID-19 Health and Safety Plan that includes protocols for reporting of illness, self-quarantine, hygiene, applying social distancing to minimize close contact between workers, cleaning or disinfection of workspaces and protection of emergency response personnel. We have not experienced any operational slowdowns due to COVID-19 among our workforce.

Our Operations

We conduct our operations on properties that we hold through fee interests, mineral leases and other contractual arrangements. We are the largest private oil and natural gas mineral acreage holder in California, with interests in 2.1 million net mineral acres, approximately 60% of which is held in fee and 17% is held by production. Our oil and gas leases have primary terms ranging from one to ten years. Once production commences, the leases are typically extended on the producing acreage through the end of their producing life. As a result of our large mineral acre position held in fee, we have the flexibility to shut in wells while retaining our oil and gas leases which are held by production.

We also own or control a network of integrated infrastructure that complements our operations including gas processing plants, oil and gas gathering systems, power plants and other related assets. Our strategically located infrastructure helps us maximize the value generated from our production.

Our share of production and reserves from operations in the Wilmington field is subject to contractual arrangements similar to production-sharing contracts (PSCs) that are in effect through the economic life of the assets. Under such contracts we are obligated to fund all capital and production costs. We record a share of production and reserves to recover a portion of such capital and production costs and an additional share for profit. Our portion of the production represents volumes: (i) to recover our partners' share of capital and production costs that we incur on their behalf, (ii) for our share of contractually defined base production and (iii) for our share of remaining production thereafter. We generate returns through our defined share of production from (ii) and (iii) above. These contracts do not transfer any right of ownership to us and reserves reported from these arrangements are based on our economic interest as defined in the contracts. Our share of production and reserves from these contracts decreases when product prices rise and increases when prices decline, assuming comparable capital investment and production costs. However, our net economic benefit is greater when product prices are higher. These contracts represented approximately 18% of our net production for the quarter ended March 31, 2020.

In line with industry practice for reporting PSC-type contracts, we report 100% of operating costs under such contracts in our condensed consolidated statements of operations as opposed to reporting only our share of those costs. We report the proceeds from production designed to recover our partners' share of such costs (cost recovery) in our revenues. Our reported production volumes reflect only our share of the total volumes produced, including cost recovery, which is less than the total volumes produced under the PSC-type contracts. This difference in reporting full operating costs but only our net share of production equally inflates our revenue and operating costs and has no effect on our net results.

We own a large and geographically diverse portfolio of assets that generate the following revenue streams:

Crude Oil — We sell nearly all of our crude oil into the California refining markets, which offer relatively favorable pricing for comparable grades relative to other U.S. regions. Substantially all of our crude oil production is connected, via our gathering systems, to third-party pipelines and California refining markets and we have not encountered any issues with storage or reaching these markets during the recent industry downturn. We do not refine or process the crude oil we produce and do not have any significant long-term transportation arrangements.

California is heavily reliant on imported sources of energy, with approximately 72% of oil and 90% of natural gas consumed in 2019 imported from outside the state. Nearly all of the imported oil arrives via supertanker, mostly from foreign locations. As a result, California refiners have typically purchased crude oil at international waterborne-based Brent prices. We continue to receive a premium in comparison to other comparable grades due to the demand for our product in the state of California. We believe that the limited crude transportation infrastructure from other parts of the U.S. into California will continue to contribute to higher realizations than most other U.S. oil markets for comparable grades.

Natural Gas — We sell all of our natural gas not used in our operations into the California markets on a monthly basis at market-based index pricing. Natural gas prices and differentials are strongly affected by local market fundamentals, such as storage capacity and the availability of transportation capacity from producing areas. Transportation capacity influences prices because California imports approximately 90% of its natural gas from other states and Canada. As a result, we typically enjoy favorable pricing relative to out-of-state producers due to lower transportation costs on the delivery of our natural gas. Changes in natural gas prices have a smaller impact on our operating results than changes in oil prices as only approximately 25% of our total equivalent production volume and even a smaller percentage of our revenue is from natural gas.

In addition to selling natural gas, we also use natural gas for our steamfloods and power generation. As a result, the positive impact of higher natural gas prices is partially offset by higher operating costs of our steamflood projects and power generation, but higher prices still have a net positive effect on our operating results due to higher revenue. Conversely, lower natural gas prices lower the operating costs but have a net negative effect on our financial results.

We currently have sufficient firm transportation capacity contracts to transport our natural gas, where some capacity volumes vary by month. We sell virtually all of our natural gas production under individually negotiated contracts using market-based pricing on a monthly or shorter basis.

Natural Gas Liquid (NGL) — NGL price realizations are related to the supply and demand for the products making up these liquids. Some of them more typically correlate to the price of oil while others are affected by natural gas prices as well as the demand for certain chemical products for which they are used as feedstock. In addition, infrastructure constraints and seasonality can magnify pricing volatility.

Our earnings are also affected by the performance of our complementary processing and power-generation assets. We process our wet gas to extract NGLs and other natural gas byproducts. We then deliver dry gas to pipelines and separately sell the NGLs. The efficiency with which we extract liquids from the wet gas stream affects our operating results. Our natural gas-processing plants also facilitate access to third-party delivery points near the Elk Hills field.

We currently have a pipeline delivery contract to transport 6,500 barrels per day of NGLs to market. Our contract to deliver NGLs requires us to cash settle any shortfall between the committed quantities and volumes actually delivered. In connection with another pipeline delivery contract that expired, we made a one-time payment of \$20 million in April 2020. We sell virtually all of our NGLs using index-based pricing. Our NGLs are generally sold pursuant to contracts that are renewed annually. Approximately 31% of our NGLs are sold to export markets.

Electricity — Part of the electrical output from the Elk Hills power plant is used by Elk Hills and other nearby fields, which reduces operating costs and increases reliability. We sell the excess electricity generated to the grid and a local utility. The power sold to the utility is subject to agreements through the end of 2023, which include a monthly capacity payment plus a variable payment based on the quantity of power purchased each month. The prices obtained for excess power impact our earnings but generally by an insignificant amount.

Derivatives and Hedging Activities

We opportunistically seek strategic hedging transactions to help protect our cash flow, operating margin and capital program from both the cyclical nature of commodity prices and interest rate movements while maintaining adequate liquidity and improving our ability to comply with our debt covenants. We can give no assurances that our hedging programs will be adequate to accomplish our objectives. In early March 2020, in response to the rapid fall in commodity prices, we monetized all of our crude oil hedges in place for April 2020 forward with our counterparties, except for certain hedges held by our BSP JV, for approximately \$63 million to enhance our liquidity. As a result, we did not have any commodity hedges that we would benefit from after the end of the first quarter. Unless otherwise indicated, we use the term "hedge" to describe derivative instruments that are designed to achieve our hedging program goals, even though they are not accounted for as cash-flow or fair-value hedges.

We respond to economic conditions by adjusting the amount and allocation of our capital program while continuing to identify efficiencies and cost savings. Volatility in oil prices may materially affect the quantities of oil and gas reserves we can economically produce over the longer term. With our significant land holdings in California, we have undertaken initiatives to unlock additional value from our surface acreage, including pursuing renewable energy opportunities, agricultural activities and other commercial uses.

Development Joint Ventures

We have a number of joint ventures that have allowed us to accelerate the development of our assets which provided us with operational and financial flexibility as well as near-term production benefits. The following table summarizes the cumulative investment through March 31, 2020 by our development joint venture partners, before transaction costs:

	Cumulative Investment through March 31, 2020 (in millions)	
Alpine	\$	223
Royale		17
MIRA		140
BSP		200
Total Capital Investment	\$	580

For more information on our development joint ventures, please see our most recent Form 10-K for the year ended December 31, 2019.

Alpine JV

In July 2019, we entered into a development agreement with Alpine Energy Capital, LLC (Alpine). Alpine has committed to invest \$320 million, which may be increased to a total investment of \$500 million subject to the mutual agreement of the parties. The initial \$320 million commitment covers multiple development opportunities and is intended to be invested over a period of up to three years in accordance with a 275-well development plan.

On March 27, 2020, Alpine elected to suspend its funding obligations pursuant to a contractual right that is triggered if the average NYMEX 12-month forward strip price for Brent crude oil falls below \$45 per barrel over a 30-trading day period. The suspension is automatically lifted and Alpine is obligated to renew funding at such time as the average price exceeds that threshold over any 30-trading day period. If prices remain below the threshold for over 100 consecutive trading days, the development phase may be terminated by us, subject to agreement by Alpine.

Fixed and Variable Costs

Our production costs include (1) variable costs that fluctuate with production levels and (2) fixed costs that typically do not vary with changes in production levels or well counts, especially in the short term. The substantial majority of our near-term fixed costs become variable over the longer term because we manage them based on the field's stage of life and operating characteristics. For example, portions of labor and material costs, energy, workovers and maintenance expenditures correlate to well count, production and activity levels. Portions of these same costs can be relatively fixed over the near term; however, they are managed down as fields mature in a manner that correlates to production and commodity price levels. A certain amount of costs for facilities, surface support, surveillance and related maintenance can be regarded as fixed in the early phases of a program. However, as the production from a certain area matures, well count increases and daily per well production drops, such support costs can be reduced and consolidated over a larger number of wells, reducing costs per operating well. Further, many of our other costs, such as property taxes and oilfield services, are variable and will respond to activity levels and tend to correlate with commodity prices. As a result of the measures taken to address the recent industry downturn, we continue to believe approximately one-third of our operating costs are fixed over the life cycle of our fields and the remaining two-thirds costs are variable. We actively manage our fields to optimize production and minimize costs. When we see growth in a field, we increase capacities and, similarly, when a field nears the end of its economic life, we manage the costs while it remains economically viable to produce.

Production and Prices

The following table sets forth our average net production volumes of oil, NGLs and natural gas per day for the three months ended March 31, 2020 and 2019:

	Three months ended March 31,	
	2020	2019
Oil (MBbl/d)		
San Joaquin Basin	47	55
Los Angeles Basin	26	25
Ventura Basin	4	4
Total	77	84
NGLs (MBbl/d)		
San Joaquin Basin	14	14
Ventura Basin	—	1
Total	14	15
Natural gas (MMcf/d)		
San Joaquin Basin	152	165
Los Angeles Basin	2	2
Ventura Basin	6	7
Sacramento Basin	23	28
Total	183	202
Total Net Production (MBoe/d)	121	133

Note: MBbl/d refers to thousands of barrels per day; MMcf/d refers to millions of cubic feet per day; MBoe/d refers to thousands of barrels of oil equivalent (Boe) per day. Natural gas volumes have been converted to Boe based on the equivalence of energy content of six thousand cubic feet of natural gas to one barrel of oil. Barrels of oil equivalence does not necessarily result in price equivalence.

For the three months ended March 31, 2020 compared to the same period in 2019, total daily production decreased by approximately 12 MBoe/d or 9%. The decrease in production largely represented base decline resulting from low internal capital investment during the last 12 months. In addition, our May 2019 divestiture of a 50% working interest in certain zones within our Lost Hills field resulted in a decrease of approximately 2 MBoe/d in 2020 compared to the prior comparative quarter. Our PSC-type contracts positively impacted our oil production in 2020 by over 2 MBoe/d compared to 2019.

The following tables set forth the average realized prices and price realizations as a percentage of average Brent, WTI and NYMEX for our products for the three months ended March 31, 2020 and 2019:

	Three months ended March 31,			
	2020		2019	
	Price	Realization	Price	Realization
Oil (\$ per Bbl)				
Brent	\$ 50.96		\$ 63.90	
Realized price without hedge	\$ 50.78	100%	\$ 63.30	99%
Settled hedges	4.72		1.96	
Realized price with hedge (a)	\$ 55.50	109%	\$ 65.26	102%
WTI	\$ 46.17		\$ 54.90	
Realized price without hedge	\$ 50.78	110%	\$ 63.30	115%
Realized price with hedge	\$ 55.50	120%	\$ 65.26	119%
NGLs (\$ per Bbl)				
Realized price (% of Brent)	\$ 29.28	57%	\$ 42.52	67%
Realized price (% of WTI)	\$ 29.28	63%	\$ 42.52	77%
Natural gas				
NYMEX (\$/MMBtu)	\$ 2.05		\$ 3.24	
Realized price without hedge (\$/Mcf)	\$ 2.25	110%	\$ 3.43	106%
Settled hedges	0.10		(0.05)	
Realized price with hedge (\$/Mcf)	\$ 2.35	115%	\$ 3.38	104%

(a) March 31, 2020 prices exclude the effect of \$63 million of proceeds received in the first quarter of 2020 from settling derivative contracts with counterparties prior to maturity.

Oil — Brent index and realized prices were lower in the three months ended March 31, 2020 compared to the same prior-year period due to the combination of the supply increase caused by the Saudi-Russia price war and the severe demand decline caused by COVID-19 that began in March 2020. During April 2020, Brent index prices and our realizations further deteriorated to \$26.63 and 79%, respectively, and recovered slightly in May 2020 to \$32.41 and 93%, respectively.

NGLs — Prices for NGLs decreased from the same prior-year period as supply associated with high gas-producing basins outpaced steady demand, causing lower domestic NGL prices in the first quarter of 2020. We continue to receive premium prices for NGLs relative to national hub prices.

Natural Gas — Our natural gas realized prices were lower in the three months ended March 31, 2020 than the comparable period of 2019. The decrease was due to increased nationwide natural gas production, opposite of last year's local supply constraints, resulting in lower prices across the country, and decreased demand resulting from the shelter-in-place order related to COVID-19 that began in March 2020.

Balance Sheet Analysis

The following table sets forth changes in our balance sheet between March 31, 2020 and December 31, 2019:

	March 31, 2020	December 31, 2019
	(in millions)	
Cash	\$ 77	\$ 17
Trade receivables	\$ 135	\$ 277
Inventories	\$ 60	\$ 67
Other current assets, net	\$ 84	\$ 130
Property, plant and equipment, net	\$ 4,538	\$ 6,352
Other assets	\$ 80	\$ 115
Current maturities of long-term debt	\$ —	\$ 100
Accounts payable	\$ 283	\$ 296
Accrued liabilities	\$ 260	\$ 313
Long-term debt	\$ 4,860	\$ 4,877
Deferred gain and issuance costs, net	\$ 135	\$ 146
Other long-term liabilities	\$ 715	\$ 720
Mezzanine equity	\$ 816	\$ 802
Equity attributable to common stock	\$ (2,183)	\$ (389)
Equity attributable to noncontrolling interests	\$ 88	\$ 93

Cash — Cash at March 31, 2020 and December 31, 2019 included restricted cash of \$10 million and \$3 million, respectively. Cash increased in the first quarter of 2020 primarily as a result of monetizing our crude oil hedges in place for April 2020 forward (other than hedges held by our BSP JV). See *Liquidity and Capital Resources* for our cash flow analysis.

Trade receivables — The decrease in trade receivables was largely driven by lower production, realized product prices and trading activities in the first quarter of 2020 compared to the fourth quarter of 2019.

Other current assets, net — The decrease in other current assets, net was primarily due to the sale of our crude oil hedge positions resulting in a decrease in the fair value of the current portion of our derivative assets. Additionally, in March 2020, we recorded an \$11 million impairment on capital investments which were recovered from our joint interest partners solely from production. The dramatic commodity price declines at the end of the quarter resulted in changes to our cash flow forecasts and ultimate collectability of these development costs under our PSCs.

Property, plant and equipment, net — The decrease in property, plant and equipment, net primarily reflected the \$1.7 billion impairment of certain of our proved and unproved properties, depreciation, depletion, and amortization (DD&A) and sales of certain royalty interests and non-core assets in the first quarter of 2020 as a result of the sharp decrease in commodity prices. The decrease was partially offset by capital investments including the planned major maintenance at our Elk Hills power plant. For further detail about the asset impairment, see *Part I, Item 1 – Financial Statements, Note 14 Asset Impairments*.

Other assets — Other assets decreased primarily due to utilizing parts for the planned major maintenance of our Elk Hills power plant as well as a decrease in operating lease assets due to releasing drilling rigs in the first quarter of 2020.

Current maturities of long-term debt — Current maturities of long-term debt decreased by \$100 million reflecting payment in full of our 2020 Senior Notes due in January 2020.

Accrued liabilities — The decrease in accrued liabilities primarily reflected bonus payments made in the first quarter of 2020 as well as the timing of payments to our joint venture partners and interest payments to our lenders.

Mezzanine equity — Mezzanine equity predominantly reflected the carrying amount of the Class A common and Class B preferred interests held by the noncontrolling interest partner in our midstream JV.

Equity attributable to common stock — Equity attributable to common stock decreased primarily as a result of the net loss in the three months ended March 31, 2020.

Statements of Operations Analysis

Results of Oil and Gas Operations

The following represents key operating data for our oil and gas operations, excluding certain corporate items, on a per Boe basis for the three months ended March 31, 2020 and 2019:

	Three months ended March 31,	
	2020	2019
Production costs	\$ 17.38	\$ 19.46
Production costs, excluding effects of PSC-type contracts ^(a)	\$ 16.48	\$ 18.01
Field general and administrative expenses ^(b)	\$ 1.09	\$ 1.25
Field depreciation, depletion and amortization ^(b)	\$ 10.05	\$ 9.35
Field taxes other than on income ^(b)	\$ 3.08	\$ 2.67

(a) As described in the *Operations* section, the reporting of our PSC-type contracts creates a difference between reported production costs, which are for the full field, and reported volumes, which are only our net share, inflating the per barrel production costs. These amounts represent our production costs after adjusting for this difference.

(b) Excludes corporate expenses.

Consolidated Results of Operations

The following represents key operating data for our consolidated operations for the three months ended March 31, 2020 and 2019:

	Three months ended March 31,	
	2020	2019
	(in millions)	
Oil and natural gas sales	\$ 430	\$ 601
Net derivative gain (loss) from commodity contracts	79	(89)
Other revenue	64	178
Production costs	(192)	(233)
General and administrative expenses	(60)	(83)
Depreciation, depletion and amortization	(119)	(118)
Asset impairments	(1,736)	—
Taxes other than on income	(41)	(41)
Exploration expense	(5)	(10)
Other expenses, net	(69)	(148)
Interest and debt expense, net	(87)	(100)
Net gain on early extinguishment of debt	5	6
Other non-operating expenses	(14)	(7)
Loss before income taxes	(1,745)	(44)
Income tax	—	—
Net loss	(1,745)	(44)
Net income attributable to noncontrolling interests	(51)	(23)
Net loss attributable to common stock	\$ (1,796)	\$ (67)
Adjusted net (loss) income ^(a)	\$ (8)	\$ 31
Adjusted EBITDAX ^(a)	\$ 251	\$ 301
Effective tax rate	—%	—%

(a) Adjusted net (loss) income and adjusted EBITDAX are non-GAAP measures. See the *Non-GAAP Financial Measures* section below for reconciliations to their nearest GAAP measures.

Three months ended March 31, 2020 vs. 2019

Oil and natural gas sales — Oil and natural gas sales decreased 28%, or \$171 million, for the three months ended March 31, 2020 compared to the same period of 2019 due to lower realized prices and production as reflected in the following table:

	Oil	NGLs	Natural Gas	Total
	(in millions)			
Three months ended March 31, 2019	\$ 480	\$ 59	\$ 62	\$ 601
Changes in realized prices	(95)	(19)	(21)	(135)
Changes in production	(29)	(4)	(3)	(36)
Three months ended March 31, 2020	\$ 356	\$ 36	\$ 38	\$ 430

Note: See *Production and Prices* for index prices, realizations and production volumes for comparative periods.

The effect of settled hedges is not included in the table above. Net proceeds from settled hedges were \$35 million for the three months ended March 31, 2020 compared to net proceeds of \$14 million for the same period of 2019, which had a positive impact of \$21 million on our total revenue between periods. Including the effect of settled hedges and proceeds from derivative contracts sold in the first quarter of 2020, our oil and natural gas revenue decreased by \$87 million or 14% compared to the same prior-year period.

Net derivative gain (loss) from commodity contracts — Net derivative gain from commodity contracts was \$79 million for the three months ended March 31, 2020 compared to a loss of \$89 million in the same period of 2019, representing an overall change of \$168 million as reflected in the following table. Non-cash changes in the fair value of our outstanding derivatives resulted from the positions held at the end of each period as well as the relationship between contract prices, volatility, time to expiration and the associated forward curves.

	Three months ended March 31,	
	2020	2019
	(in millions)	
Non-cash derivative (loss) gain, excluding noncontrolling interest	\$ (35)	\$ (97)
Non-cash derivative gain (loss), noncontrolling interest	16	(6)
Total non-cash changes	(19)	(103)
Net proceeds on settled commodity derivatives	35	14
Net proceeds on derivative sales prior to maturity	63	—
Net derivative gain (loss)	\$ 79	\$ (89)

Other revenue — The decrease in other revenue of \$114 million to \$64 million for the three months ended March 31, 2020 compared to \$178 million in the same period of 2019 was due to lower natural gas trading activity and lower electricity sales due to a planned major maintenance at the Elk Hills power plant in 2020.

Production costs — Production costs for the three months ended March 31, 2020 decreased \$41 million to \$192 million compared to \$233 million for the same period of 2019, resulting in an 18% decrease. The decrease was primarily attributable to reduced downhole and surface maintenance activity across our fields, lower prices for natural gas used in our steamfloods, cost savings attributable to our October 2019 organizational redesign and additional cost saving initiatives implemented in March 2020 in response to lower commodity prices. Additionally, our production costs related to the Lost Hills field declined by approximately \$8 million in the first quarter of 2020 from the same period of 2019 as a result of our sale of a 50% working interest in the field in May 2019. Our current operating expense run rate is below \$45 million per month compared to the first quarter 2020 average of \$64 million per month.

General and administrative expenses — Our general and administrative (G&A) expenses decreased \$23 million to \$60 million for the three months ended March 31, 2020 compared to \$83 million for the same period of 2019, primarily due to lower cash-settled stock-based compensation expense resulting from a decline in our stock price between comparative periods. Additionally, G&A expenses were lower in 2020 as a result of cost savings attributable to our October 2019 organizational redesign and a reduced performance factor for certain performance-based awards.

Asset impairments — We performed impairment tests at March 31, 2020 due to the sharp drop in commodity prices at the end of the first quarter of 2020. As a result, in the first quarter of 2020, we recorded an impairment charge of \$1.7 billion, of which \$1.5 billion related to certain of our proved properties and \$228 million related to unproved acreage that we no longer intend to pursue.

The fair values of our proved oil and natural gas properties were determined as of the date of the assessment using discounted cash flow models based on management's expectations for the future considering the current environment. Inputs included estimates of future oil and natural gas production, index prices based on forward curves until the market became illiquid and internally generated price forecasts thereafter, pricing adjustments for differentials, estimated future operating costs and capital development plans based on the embedded price assumptions. We used a market-based weighted average cost of capital to discount the future net cash flows. For further detail about the asset impairment, see *Part I, Item 1 – Financial Statements, Note 14 Asset Impairments*.

Other expenses, net — The decrease in other expenses of \$79 million to \$69 million for the three months ended March 31, 2020 compared to \$148 million for the same period of 2019 was largely the result of lower gas trading activity in the first quarter of 2020.

Net income attributable to noncontrolling interests — The decrease in net income attributable to noncontrolling interests was primarily a result of a mark to market adjustment on derivatives related to our BSP JV between periods.

Stock-Based Compensation

Our consolidated results of operations for the three months ended March 31, 2020 and 2019 include the effects of long-term stock-based compensation plans under which awards are granted annually to executives, non-executive employees and non-employee directors that are either settled with shares of our common stock or cash. Our equity-settled awards granted to executives include stock options, restricted stock units and performance stock units that either cliff vest at the end of a three-year period or vest ratably over a three-year period, some of which are partially settled in cash. Our equity-settled awards granted to non-employee directors are stock grants that vest immediately or restricted stock units that cliff vest after one year. Our cash-settled awards granted to non-executive employees vest ratably over a three-year period.

Changes in our stock price introduce volatility in our results of operations because we pay cash-settled awards based on our stock price on the vesting date and accounting rules require that we adjust our obligation for unvested awards to the amount that would be paid using our stock price at the end of each reporting period. Cash-settled awards, including executive awards partially settled in cash, account for over 60% of our total outstanding awards. Equity-settled awards are not similarly adjusted for changes in our stock price.

Our ending stock price was as follows:

	March 31, 2020	December 31, 2019	Change	March 31, 2019	December 31, 2018	Change
Stock price	\$ 1.00	\$ 9.03	\$ (8.03)	\$ 25.71	\$ 17.04	\$ 8.67

Stock-based compensation is included in both G&A expenses and production costs as shown in the table below:

	Three months ended March 31,		
	2020	2019	Variance
	(in millions, except per Boe amounts)		
G&A expenses			
Cash-settled awards	\$ (2)	\$ 10	\$ (12)
Equity-settled awards	3	3	—
Total in G&A	\$ 1	\$ 13	\$ (12)
Total in G&A per Boe	\$ 0.09	\$ 1.09	\$ (1.00)
Production costs			
Cash-settled awards	\$ (1)	\$ 3	\$ (4)
Equity-settled awards	—	1	(1)
Total in production costs	\$ (1)	\$ 4	\$ (5)
Total in production costs per Boe	\$ (0.09)	\$ 0.33	\$ (0.42)
Total stock-based compensation expense	\$ —	\$ 17	\$ (17)
Total stock-based compensation expense per Boe	\$ —	\$ 1.42	\$ (1.42)

Changes to the 2020 Compensation Program

In connection with the unprecedented circumstances affecting the industry and market volatility resulting from the recent industry downturn, we reviewed our incentive programs for the entire workforce to determine whether those programs appropriately align compensation opportunities with our 2020 goals and ensure the stability of our workforce. Following this review, effective May 19, 2020, our Board of Directors approved changes in the variable compensation programs for all participating employees. The previously established target amounts of 2020 variable compensation programs did not change; however, all amounts that vest will be settled in cash and the replacement awards are no longer stock-based compensation. As a condition to receiving any award, participants waived participation in our 2020 annual incentive program and forfeited all stock-based compensation awards previously granted in 2020. There were no changes to stock-based compensation awards granted prior to February 2020. Changes to the variable compensation programs will have the effect of accelerating the associated payments into 2020 from future periods. However, the total amount of compensation to be paid under the variable compensation programs at target for 2020 remains largely the same as the amounts that would have been paid at target prior to the changes.

Non-GAAP Financial Measures

Adjusted net (loss) income — Our results of operations, which are presented in accordance with U.S. generally accepted accounting principles (GAAP), can include the effects of unusual, out-of-period and infrequent transactions and events affecting earnings that vary widely and unpredictably (in particular certain non-cash items such as derivative gains and losses) in nature, timing, amount and frequency. Therefore, management uses a measure called adjusted net income (loss) that excludes those items. This measure is not meant to disassociate these items from management's performance but rather is meant to provide useful information to investors interested in comparing our performance between periods. Reported earnings are considered representative of management's performance over the long term. Adjusted net income (loss) is not considered to be an alternative to net income (loss) reported in accordance with GAAP.

The following table presents a reconciliation of the GAAP financial measure of net income to the non-GAAP financial measure of adjusted net income and presents the GAAP financial measure of net income (loss) attributable to common stock per diluted share and the non-GAAP financial measure of adjusted net income per diluted share:

	Three months ended March 31,	
	2020	2019
(in millions, except share data)		
Net loss	\$ (1,745)	\$ (44)
Net income attributable to noncontrolling interests	(51)	(23)
Net loss attributable to common stock	(1,796)	(67)
Unusual, infrequent and other items:		
Asset Impairment	1,736	—
Non-cash derivative loss from commodities, excluding noncontrolling interest	35	97
Non-cash derivative loss from interest-rate contracts	—	3
Net gain on early extinguishment of debt	(5)	(6)
Other, net	22	4
Total unusual, infrequent and other items	1,788	98
Adjusted net (loss) income	\$ (8)	\$ 31
Net loss attributable to common stock per diluted share	\$ (36.43)	\$ (1.38)
Adjusted net (loss) income per diluted share	\$ (0.16)	\$ 0.63

Adjusted EBITDAX — We define adjusted EBITDAX as earnings before interest expense; income taxes; depreciation, depletion and amortization; exploration expense; other unusual, out-of-period and infrequent items; and other non-cash items. We believe this measure provides useful information in assessing our financial condition, results of operations and cash flows and is widely used by the industry, the investment community and our lenders. Although this is a non-GAAP measure, the amounts included in the calculation were computed in accordance with GAAP. Certain items excluded from this non-GAAP measure are significant components in understanding and assessing our financial performance, such as our cost of capital and tax structure, as well as the historic cost of depreciable and depletable assets. This measure should be read in conjunction with the information contained in our financial statements prepared in accordance with GAAP. A version of adjusted EBITDAX is a material component of certain of our financial covenants under our 2014 Revolving Credit Facility and is provided in addition to, and not as an alternative for, income and liquidity measures calculated in accordance with GAAP.

The following table presents a reconciliation of the GAAP financial measure of net income (loss) to the non-GAAP financial measure of adjusted EBITDAX:

	Three months ended March 31,	
	2020	2019
	(in millions)	
Net loss	\$ (1,745)	\$ (44)
Interest and debt expense, net	87	100
Depreciation, depletion and amortization	119	118
Exploration expense	5	10
Unusual, infrequent and other items	1,788	98
Other non-cash items	(3)	19
Adjusted EBITDAX	<u>\$ 251</u>	<u>\$ 301</u>

The following table sets forth a reconciliation of the GAAP measure of net cash provided by operating activities to the non-GAAP financial measure of adjusted EBITDAX:

	Three months ended March 31,	
	2020	2019
	(in millions)	
Net cash provided by operating activities	\$ 228	\$ 158
Cash interest	49	72
Exploration expenditures	5	4
Working capital changes	(31)	67
Adjusted EBITDAX	<u>\$ 251</u>	<u>\$ 301</u>

Liquidity and Capital Resources

Cash Flow Analysis

	Three months ended March 31,	
	2020	2019
	(in millions)	
Net cash provided by operating activities	\$ 228	\$ 158
Net cash used (provided) by investing activities:		
Capital investments	\$ (30)	\$ (131)
Changes in capital investment accruals	\$ (19)	\$ (47)
Acquisitions, divestitures and other	\$ 37	\$ (4)
Net cash (used) provided by financing activities:		
Net debt transactions	\$ (113)	\$ 22
(Distributions) contributions with noncontrolling interest holders	\$ (42)	\$ 29
Issuance of common stock and other	\$ (1)	\$ (1)

Cash flows from operating activities — Our net cash provided by operating activities is sensitive to many variables, including changes in commodity prices. Commodity price movements may also lead to changes in other variables in our business, including adjustments to our capital program. Our operating cash flow increased 44%, or \$70 million, to \$228 million for the three months ended March 31, 2020 from \$158 million in the same period of 2019. This increase includes \$63 million of proceeds received in the first quarter of 2020 on the settlement of derivative contracts with counterparties prior to maturity. Changes in operating assets and liabilities, net in the first quarter of 2020 increased our operating cash flow by \$113 million compared to a reduction of \$24 million in the first quarter of 2019. Changes in working capital primarily related to a decrease in the balance of accounts receivable due to lower commodity prices between periods.

Cash flows from investing activities — Our net cash used in investing activities of \$12 million for the three months ended March 31, 2020 primarily reflected \$30 million of capital investments (excluding \$19 million in negative capital-related accrual changes). Cash used in investing activities also included proceeds of \$41 million related to a sale of royalty interests and a non-core asset in the first quarter of 2020. For the three months ended March 31, 2019, our net cash used in investing activities of \$182 million primarily included approximately \$2 million related to an asset acquisition and \$131 million of capital investments (excluding \$47 million in positive capital-related accrual changes), of which \$27 million was funded by BSP.

The amounts in the table below reflect our consolidated capital investment, excluding changes in capital investment accruals, for the three months ended March 31, 2020 and 2019:

	Three months ended March 31,	
	2020	2019
	(in millions)	
Oil and natural gas	\$ 29	\$ 94
Exploration	—	7
Corporate and other	1	3
Total internally funded capital	30	104
BSP funded capital	—	27
Total consolidated capital investment	\$ 30	\$ 131

Cash flows from financing activities — Our net cash used in financing activities of \$156 million for the three months ended March 31, 2020 primarily comprised \$44 million of distributions to our noncontrolling interest holders, \$3 million of debt repurchases on our Second Lien Notes, \$100 million for the repayment of the 2020 Senior Notes at maturity and \$10 million in net repayments on our 2014 Revolving Credit Facility, partially offset by \$2 million in contributions from a noncontrolling interest holder. For the three months ended March 31, 2019, our net cash provided by financing activities of \$50 million primarily comprised \$49 million in a net contribution from a noncontrolling interest holder and partially offset by \$14 million used for debt repurchases on our Senior Notes, \$20 million of distributions paid to our noncontrolling interest holders and \$36 million of net proceeds on our 2014 Revolving Credit Facility.

Liquidity

Our liquidity and ability to meet our debt obligations have been negatively impacted by the sharp decrease in commodity prices as a result of the COVID-19 pandemic and by the actions of foreign producers. Our primary sources of liquidity and capital resources are cash flow from operations and available borrowing capacity under our 2014 Revolving Credit Facility. As of March 31, 2020, we had available liquidity of \$395 million, consisting of \$67 million in unrestricted cash and \$328 million of available borrowing capacity under our 2014 Revolving Credit Facility (before a \$150 million month-end minimum liquidity requirement). On April 30, 2020, we amended our 2014 Revolving Credit Facility to reduce the limit on our revolving credit facility from \$1 billion to \$900 million, among other things. Our ability to borrow under our 2014 Revolving Credit Facility is limited by our ability to comply with its covenants, including quarterly financial covenants, and by our borrowing base. Pursuant to a semi-annual borrowing base redetermination, our borrowing base was reduced from \$2.3 billion to \$1.2 billion effective as of May 18, 2020, with no further reduction in our ability to borrow under the 2014 Revolving Credit Facility. As of May 31, 2020, we had available liquidity of \$165 million, consisting of \$148 million in unrestricted cash and \$17 million of available borrowing capacity under our 2014 Revolving Credit Facility (before a \$150 million month-end minimum liquidity requirement). However, the Forbearance Agreements do not permit us to make any drawings under the 2014 Revolving Credit Facility until the expiration of the forbearance period described below. We expect that operating cash flow and expected available credit capacity will not be sufficient to meet our commitments over the next twelve months.

In response to the significant and rapid decline in oil prices late in the first quarter of 2020 and in subsequent months, we initiated a series of financial and operational activities designed to reduce costs and preserve liquidity, including the following: reducing our 2020 capital budget to a level that maintains the mechanical integrity of our facilities as described further below; monetizing all of our crude oil hedges in place for April 2020 forward with our counterparties, except for certain hedges held by our BSP JV; shutting in certain marginal wells to reduce operating costs; and implementing reduced work hours for nearly all of our office employees to reduce costs and preserve liquidity. We continuously evaluate our current and projected capital spending, operating activities and funding requirements, with consideration of realized commodity prices and the results of our operations and may make further adjustments as warranted.

Our spin-off from Occidental in December 2014 burdened us with significant debt which was used to pay a \$6.0 billion cash dividend to Occidental. Together with the activity level and payables that we assumed from Occidental and due to Occidental's retention of a vast majority of receivables, our debt peaked at approximately \$6.8 billion in May 2015. Since then, we have engaged in a series of assets sales, joint ventures, debt exchanges, tenders and other financing transactions to reduce our overall debt and improve our balance sheet. As of March 31, 2020, we had reduced outstanding debt to approximately \$4.9 billion, a substantial portion of which will mature in 2021. Our significant indebtedness, the unprecedented impact to our financial position resulting from commodity price decreases due to the COVID-19 pandemic and actions of foreign producers, and the continued challenging conditions in the credit and capital markets raise substantial doubt regarding our ability to continue as a going concern. As discussed further below, we are actively discussing the terms of a restructuring with our creditors and other stakeholders with the objective of enabling us to continue operations better positioned to capitalize on our asset base and operating capabilities.

We are actively discussing the terms of a restructuring with our creditors and other stakeholders with the objective of reaching an agreement before the forbearance period under the Forbearance Agreements expires on June 30, 2020. There can be no assurances that an agreement will be reached by the end of the forbearance period or at all or that we will be able to successfully restructure indebtedness. In addition, no assurances can be given as to what value, if any, will be ascribed to each of our securities or what type or amounts of distributions, if any, our various stakeholders would receive in any restructuring. Any restructuring could result in holders of certain liabilities and/or securities, including our common stock, receiving no distributions on account of their claims or interest. See *Part II, Item 1A – Risk Factors*, below for further discussion regarding risks related to our ability to continue as a going concern.

As of March 31, 2020, our long-term debt consisted of the following credit agreements, Second Lien Notes and Senior Notes:

	Outstanding Principal	Interest Rate	Maturity	Security
Credit Agreements	(in millions)			
2014 Revolving Credit Facility	\$ 507	LIBOR plus 3.25%-4.00% ABR plus 2.25%-3.00%	June 30, 2021	Shared First-Priority Lien
2017 Credit Agreement	1,300	LIBOR plus 4.75% ABR plus 3.75%	December 31, 2022 ^(a)	Shared First-Priority Lien
2016 Credit Agreement	1,000	LIBOR plus 10.375% ABR plus 9.375%	December 31, 2021	First-Priority Lien
Second Lien Notes				
Second Lien Notes	1,809	8%	December 15, 2022 ^(b)	Second-Priority Lien
Senior Notes				
5½% Senior Notes due 2021	100	5.5%	September 15, 2021	Unsecured
6% Senior Notes due 2024	144	6%	November 15, 2024	Unsecured
Total long-term debt	\$ 4,860			

Note: For a detailed description of our credit agreements, Second Lien Notes and Senior Notes, please see our most recent Form 10-K for the year ended December 31, 2019.

(a) The 2017 Credit Agreement is subject to a springing maturity of 91 days prior to the maturity of our 2016 Credit Agreement if more than \$100 million in principal of the 2016 Credit Agreement is outstanding at that time.

(b) The Second Lien Notes require principal repayments of \$286 million in June 2021, \$57 million in December 2021, \$60 million in June 2022 and \$1,406 million in December 2022.

Interest Payment Deferrals and Forbearance Agreements

On May 15, 2020, we did not make an interest payment of approximately \$4.3 million on our 2024 Notes. The indenture governing our 2024 Notes provides for a 30-day grace period and the payment was subsequently made on June 12, 2020.

On May 29, 2020, we did not pay approximately \$51 million in the aggregate interest due under the 2017 Credit Agreement and the 2016 Credit Agreement. Our failure to make those interest payments constituted events of default under the 2017 Credit Agreement, 2016 Credit Agreement and, as a result of cross default, under the 2014 Revolving Credit Facility.

On June 2, 2020, we entered into Forbearance Agreements with (i) certain lenders of a majority of the outstanding principal amount of the loans under the 2014 Revolving Credit Facility, (ii) certain lenders of a majority of the outstanding principal amount of the loans under the 2016 Credit Agreement, and (iii) certain lenders of a majority of the outstanding principal amount of the loans under the 2017 Credit Agreement. Pursuant to the Forbearance Agreements, the lenders who are parties to the Forbearance Agreements agreed to forbear from exercising any remedies under the 2014 Revolving Credit Facility, 2016 Credit Agreement and 2017 Credit Agreement with respect to our failure to make the aforementioned interest payments, through the earlier of June 14, 2020 or an event of termination as set forth in the Forbearance Agreements. On June 12, 2020, we amended the Forbearance Agreements to extend the forbearance period to June 30, 2020. The Forbearance Agreements include a requirement that we maintain an aggregate book cash balance of not less than \$40 million for more than three consecutive business days.

On June 15, 2020, we did not make an interest payment of approximately \$72.3 million on our Second Lien Notes. The indenture governing the Second Lien Notes provides for a 30-day grace period, which will expire on July 15, 2020. A failure to pay the interest within the 30-day grace period would constitute an event of default under this indenture and cross defaults under our other debt instruments and agreements.

Debt Exchange Offer

On February 20, 2020, we launched offers to exchange a significant portion of our Second Lien Notes and our Senior Notes into interests in an entity that would hold a term royalty interest in certain of our oil and gas assets or new term loans and warrants to purchase our common stock. If the offers were fully subscribed, we expected that the transactions would have reduced our net debt by approximately \$1 billion if successfully completed. On March 16, 2020, we announced the termination of the offers as a result of developments in the commodity and financial markets at that time that rendered the offers inadvisable and impractical.

Note Repurchases

In January 2020, we repurchased \$7 million in face value of our 8% Second Lien Notes for \$3 million in cash resulting in a pre-tax gain of \$5 million, including the write-off of unamortized deferred gain and issuance costs.

Derivatives

Significant changes in oil and natural gas prices may have a material impact on our liquidity. Declining commodity prices negatively affect our operating cash flow, and the inverse applies during periods of rising commodity prices. To mitigate some of the risk inherent in the downward movement in oil prices, we may enter into various derivative instruments to hedge commodity price risk.

Commodity Contracts

In early March 2020, in response to the rapid fall in commodity prices, we monetized all of our crude oil hedges in place for April 2020 forward with our counterparties, except for certain hedges held by our BSP JV, for approximately \$63 million to enhance our liquidity. As a result, we did not have any commodity hedges that we would benefit from after the end of the first quarter.

We currently have Brent-based crude oil contracts for insignificant volumes through May 2021 all of which were entered into by our BSP JV and are included in our consolidated results. The BSP JV also entered into natural gas swaps for insignificant volumes for periods through May 2021. The hedges entered into by the BSP JV could affect the timing of the redemption of the BSP preferred interest.

2020 Capital Program

We entered 2020 with an internally funded capital program of \$100 million to \$300 million. In March 2020, we reduced our capital investment to a level that maintains the mechanical integrity of our facilities to operate in a safe and environmentally responsible manner in response to the collapse in crude oil prices. We made \$30 million of internally funded capital investments in the first quarter of 2020 and expect to invest up to an additional \$20 million through the end of 2020. In order to meet this level of investment, we have suspended all internally funded drilling and capital workovers for the second quarter and significantly reduced other activities.

Our JV partners invested \$91 million in the first quarter of 2020 and an additional \$10 million of capital has been invested in the second quarter of 2020 for completion costs. On March 27, 2020, Alpine elected to suspend its funding obligations under the Alpine JV. For further information, regarding the Alpine JV and its funding obligations, see the *Development Joint Ventures* section above.

The curtailment of the development of our properties will lead to a decline in our production and possibly reserves. A continued decline in our production and reserves would reduce our liquidity and ability to satisfy our debt obligations by negatively impacting our cash flow from operations and the value of our assets.

Seasonality

While certain aspects of our operations are affected by seasonal factors, such as energy costs, seasonality has not been a material driver of changes in our quarterly results.

Lawsuits, Claims, Commitments and Contingencies

We are involved, in the normal course of business, in lawsuits, environmental and other claims and other contingencies that seek, among other things, compensation for alleged personal injury, breach of contract, property damage or other losses, punitive damages, civil penalties, or injunctive or declaratory relief.

We accrue reserves for currently outstanding lawsuits, claims and proceedings when it is probable that a liability has been incurred and the liability can be reasonably estimated. Reserve balances at March 31, 2020 and December 31, 2019 were not material to our condensed consolidated balance sheets as of such dates. We also evaluate the amount of reasonably possible losses that we could incur as a result of these matters. We believe that reasonably possible losses that we could incur in excess of reserves accrued would not be material to our consolidated financial position or results of operations.

Significant Accounting and Disclosure Changes

See *Part I, Item 1, Note 2 Accounting and Disclosure Changes* in the Notes to the Condensed Consolidated Financial Statements of this Form 10-Q for a discussion of new accounting matters.

Forward-Looking Statements

The information included herein contains forward-looking statements that involve risks and uncertainties that could materially affect our expected results of operations, liquidity, cash flows and business prospects. Such statements include those regarding our expectations as to our future:

- financial position, liquidity, cash flows and results of operations, including our ability to operate as a going concern
- business prospects
- transactions and projects
- operating costs
- Value Creation Index (VCI) metrics, which are based on certain estimates including future production rates, costs and commodity prices
- operations and operational results including production, hedging and capital investment
- budgets and maintenance capital requirements
- reserves
- type curves
- expected synergies from acquisitions and joint ventures
- ability to pay our creditors
- ability to comply with the covenants in our debt agreements and instruments
- credit ratings

Actual results may differ from anticipated results, sometimes materially, and reported results should not be considered an indication of future performance. While we believe assumptions or bases underlying our expectations are reasonable and make them in good faith, they almost always vary from actual results, sometimes materially. We also believe third-party statements we cite are accurate but have not independently verified them and do not warrant their accuracy or completeness. Factors (but not necessarily all the factors) that could cause results to differ include:

- commodity price changes, including extended periods of low oil, NGL, or natural gas prices
- debt limitations on our financial flexibility
- inability to reach an agreement with our creditors with respect to a restructuring of our debt
- insufficient cash flow to fund planned investments, debt repurchases or changes to our capital plan
- insufficient capital or liquidity, including as a result of lender restrictions, unavailability of 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
- legislative or regulatory changes, including those related to drilling, completion, well stimulation, operation, maintenance or abandonment of wells or facilities, managing energy, water, land, greenhouse gases or other emissions, protection of health, safety and the environment, or transportation, marketing and sale of our products
- joint ventures and acquisitions and our ability to achieve expected synergies
- the recoverability of resources and
- unexpected geologic conditions
- incorrect estimates of reserves and related future cash flows and the inability to replace reserves
- changes in business strategy
- PSC effects on production and unit production costs
- effect of stock price on costs associated with incentive compensation
- effects of hedging transactions
- equipment, service or labor price inflation or unavailability
- availability or timing of, or conditions imposed on, permits and approvals
- lower-than-expected production, reserves or resources from development projects, joint ventures or acquisitions, or higher-than-expected decline rates
- 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 pandemic
- factors discussed in *Item 1A, Risk Factors* in CRC's Annual Report on Form 10-K available at www.crc.com.

Words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "goal," "intend," "likely," "may," "might," "plan," "potential," "project," "seek," "should," "target," "will" or "would" and similar words that reflect the prospective nature of events or outcomes typically identify forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and we undertake no obligation to correct or update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable law.

Item 3 Quantitative and Qualitative Disclosures About Market Risk

For the three months ended March 31, 2020, there were no material changes to commodity price risk, interest rate risk or counterparty credit risk from the information provided under Item 305 of Regulation S-K included under the caption *Management's Discussion and Analysis of Financial Condition and Results of Operations (Incorporating Item 7A) – Quantitative and Qualitative Disclosures About Market Risk* in the 2019 Form 10-K, except as discussed below.

Commodity Price Risk

In March 2020, we monetized crude oil hedge positions in place for April 2020 forward with our counterparties, except for certain hedges held by our BSP JV, for approximately \$63 million. We recognized the proceeds received in net derivative gain (loss) from commodity contracts on our condensed consolidated statements of operations in the first quarter of 2020. The BSP JV holds crude oil derivatives and natural gas swaps for insignificant volumes through 2021 that are included in our consolidated results. The hedges entered into by the BSP JV could affect the timing of the redemption of BSP's preferred interest.

Counterparty Credit Risk

Our credit risk relates primarily to trade receivables and derivative financial instruments. Credit exposure for each customer is monitored for outstanding balances and current activity. For derivative instruments entered into as part of our hedging program, we are subject to counterparty credit risk to the extent the counterparty is unable to meet its settlement commitments. We actively manage this credit risk by selecting counterparties that we believe to be financially strong and continuing to monitor their financial health. Concentration of credit risk is regularly reviewed to ensure that counterparty credit risk is adequately diversified.

As of March 31, 2020, the substantial majority of the credit exposures related to our business was with investment-grade counterparties. We believe exposure to counterparty credit-related losses related to our business at March 31, 2020 was not material and losses associated with counterparty credit risk have been insignificant for all periods presented.

Interest-Rate Risk

As of March 31, 2020, we had borrowings of \$1.3 billion outstanding under our 2017 Credit Agreement, \$1 billion outstanding under our 2016 Credit Agreement and \$507 million outstanding under our 2014 Revolving Credit Facility, all of which carry variable interest rates. A one-eighth percent change in the interest rates on these outstanding borrowings under these facilities would result in an approximately \$4 million change in annual interest expense assuming no payments are received under our interest-rate cap agreements described below.

In March 2018, we entered into derivative contracts that limit our interest-rate exposure with respect to \$1.3 billion of our variable-rate indebtedness. The interest-rate contracts reset monthly and require the counterparties to pay any excess interest owed on such amount in the event the one-month LIBOR exceeds 2.75% for any monthly period prior to May 4, 2021. We did not report any gains or losses on these contracts for the three months ended March 31, 2020. For the three months ended March 31, 2019, we reported \$3 million in losses on these contracts in other non-operating expense on our condensed consolidated statements of operations. No settlement payments were received in either 2020 or 2019.

Item 4 Controls and Procedures

Our President and Chief Executive Officer and our Senior Executive Vice President and Chief Financial Officer supervised and participated in our evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report. Based upon that evaluation, our President and Chief Executive Officer and our Senior Executive Vice President and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of March 31, 2020.

There were no changes in our internal controls over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934) during the three months ended March 31, 2020 that materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II OTHER INFORMATION

Item 1 Legal Proceedings

For information regarding legal proceedings, see *Part I, Item 1 – Financial Statements, Note 7 Lawsuits, Claims, Commitments and Contingencies* in the Notes to the Condensed Consolidated Financial Statements included in Part I of this Form 10-Q, *Part I, Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations, Lawsuits, Claims, Commitments and Contingencies* in this Form 10-Q, and *Part I, Item 3, Legal Proceedings* in the Form 10-K for the year ended December 31, 2019.

Item 1A Risk Factors

We are subject to various risks and uncertainties in the course of our business. A discussion of such risks and uncertainties may be found under the heading *Risk Factors* in our Form 10-K for the year ended December 31, 2019. Other than as provided below, there were no material changes to those risk factors during the three months ended March 31, 2020.

We have concluded there is substantial doubt about our ability to continue as a going concern. There can be no assurances that we will be able to successfully restructure our indebtedness and any restructuring could result in holders of certain liabilities and/or securities, including our common stock, receiving no distributions on account of their claims or interest.

Our significant indebtedness, the unprecedented impact to our financial position resulting from the sharp decrease in commodity prices as a result of the COVID-19 pandemic and the actions of foreign producers, and the continued challenging conditions in the credit and capital markets raise substantial doubt regarding our ability to continue as a going concern. As of March 31, 2020, we had approximately \$4.9 billion of debt outstanding and we had cash on hand of approximately \$77 million.

We currently have deferred interest payments of \$72.3 million with respect to the Second Lien Notes and approximately \$51 million in the aggregate under our 2016 Credit Agreement and 2017 Credit Agreement. The forbearance agreements we have entered into with certain of the lenders under our 2014 Revolving Credit Facility, 2016 Credit Agreement and 2017 Credit Agreement will expire at the earlier of June 30, 2020 or an event of termination as set forth in the respective Forbearance Agreements. Among other things, our failure to maintain aggregate book cash balances of at least \$40 million for any three consecutive business days would cause the Forbearance Agreements to terminate. Furthermore, our failure to pay the interest within the 30-day grace period under the Second Lien Notes Indenture would constitute an event of default under the Senior Lien Notes Indenture and cross defaults under our other debt instruments and agreements. See *Part I, Item 2 – Management's Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources* for additional information.

Our ability to continue as a going concern is subject to our ability to de-lever our balance sheet, which could include restructuring our existing debt or seeking additional financing. Further, external perceptions regarding our ability to continue as a going concern and our continued net operating losses increase the difficulty of achieving such actions, and there can be no assurances that such measures will prove successful.

We, with the assistance of our financial and legal advisors, are in active discussions with several of our stakeholders to restructure our capital and address our liquidity constraints.

We have a complicated capital structure with numerous stakeholders. Negotiating with numerous stakeholders makes reaching agreement on a restructuring more time consuming and uncertain. In addition, our senior management is required to spend a significant amount of time and effort dealing with the restructuring efforts instead of focusing exclusively on our business operations. We have incurred significant professional fees and other costs in connection with our restructuring negotiations with our creditors and other stakeholders and may continue to incur significant fees in connection with any restructuring. There can be no assurances that we will be able to successfully restructure our indebtedness and no assurances can be given as to what values, if any, will be ascribed to each of our securities or what types or amounts of distributions, if any, our various stakeholders would receive in any restructuring. Any restructuring could result in holders of certain liabilities and/or securities, including our common stock, receiving no distribution on account of their claims or interests.

The COVID-19 pandemic has caused crude oil prices to decline significantly in 2020, which has materially and adversely affected our business, results of operation, financial condition and liquidity.

The COVID-19 pandemic has adversely affected the global economy, and has resulted in, among other things, travel restrictions, business closures and the institution of quarantining and other mandated and self-imposed restrictions on movement. As a result, there has been an unprecedented reduction in demand for crude oil. In March 2020, crude oil prices declined significantly as a result of market concerns about the economic impact from the coronavirus pandemic, restrictions and other measures implemented in response to the pandemic as well as certain actions of OPEC, Russia and other foreign oil producers. In April 2020, oil prices continued to decline precipitously reaching negative prices for spot WTI crude. The severity, magnitude and duration of current or future COVID-19 outbreaks, the extent of actions that have been or may be taken to contain or treat their impact, and the impacts on the economy generally and oil prices in particular, are uncertain, rapidly changing and hard to predict. The current futures forward curve for Brent crude indicates that prices may continue at relatively lower prices for an extended period of time. As a result, we reduced our operating expenses and planned capital expenditures to those necessary to maintain mechanical integrity of its facilities to operate them in a safe and environmentally responsible manner. In addition, we have shut in approximately 6,000 barrels of oil equivalent per day in net production in May 2020. These operational decisions starting in March 2020 will negatively impact our production levels beginning in the second quarter and, combined with expected lower commodity prices, will materially adversely affect our operating cash flows and may materially and adversely affect the quantity of estimated proved reserves that may be attributed to our properties. Our operations also may be adversely affected if significant portions of our workforce are unable to work effectively, including because of illness, quarantines, government actions or other restrictions in connection with the pandemic. In addition, we are exposed to changes in commodity prices which have been and will likely remain volatile and depressed for the foreseeable future. The foregoing has placed significant pressure on our liquidity and financial condition and required us to record a material impairment charge.

The ability or willingness of OPEC and other oil exporting nations to set and maintain production levels has a significant impact on oil and natural gas commodity prices.

OPEC is an intergovernmental organization that seeks to manage the price and supply of oil on the global energy market. Actions taken by OPEC members, including those taken alongside other oil exporting nations, have a significant impact on global oil supply and pricing. For example, OPEC and certain other oil exporting nations have previously agreed to take measures, including production cuts, to support crude oil prices. In March 2020, members of OPEC and Russia considered extending and potentially increasing these oil production cuts. However, those negotiations were unsuccessful. As a result, Saudi Arabia announced an immediate reduction in export prices and Russia announced that all previously agreed upon oil production cuts would expire on April 1, 2020. These actions led to an immediate and steep decrease in oil prices, which reached a closing NYMEX price low of under negative \$37.00 per barrel of crude oil in April 2020. There can be no assurances that OPEC members and other oil exporting nations will agree to future production cuts or other actions to support and stabilize oil prices, nor can there be any assurances that they will not further reduce oil prices or increase production. Uncertainty regarding future actions to be taken by OPEC members or other oil exporting countries could lead to increased volatility in the price of oil, which could adversely affect our business, financial condition, results of operations and cash flows.

Item 5 Other Disclosures

None.

Item 6 Exhibits

- 3.1 [Amended and Restated Certificate of Incorporation of California Resources Corporation \(filed as Exhibit 3.1 to Registrant's Current Report on Form 8-K filed June 3, 2016 and incorporated herein by reference\).](#)
- 3.2 [Amended and Restated Bylaws of California Resources Corporation \(filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed November 10, 2015 and incorporated herein by reference\).](#)
- 10.1 [California Resources Corporation Executive Severance Plan, dated as of March 20, 2020 \(filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K filed March 24, 2020 and incorporated herein by reference\).](#)
- 10.2 [Tenth Amendment to the Credit Agreement, dated as of April 30, 2020, among the Company, as the Borrower, JPMorgan Chase Bank, N.A., as Administrative Agent, and the lenders party thereto \(filed as Exhibit 10.1 to Registrant's Current Report on Form 8-K filed May 6, 2020 and incorporated herein by reference\).](#)
- 10.3 [Forbearance Agreement, dated as of June 2, 2020, by and among the Company, as the Borrower, the other Guarantors party thereto, the various Lenders identified therein, and JP Morgan Chase Bank, N.A., as Administrative Agent \(filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed June 8, 2020 and incorporated herein by reference\).](#)
- 10.4 [Forbearance Agreement, dated as of June 2, 2020, by and among the Company, as the Borrower, the other Guarantors party thereto, the various Lenders identified therein and the Bank of New York Mellon Trust Company, N.A., as Administrative Agent \(filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed June 8, 2020 and incorporated herein by reference\).](#)
- 10.5 [Forbearance Agreement, dated as of June 2, 2020, by and among the Company, as the Borrower, the other Guarantors party thereto, the various Lenders identified therein and the Bank of New York Mellon Trust Company, N.A., as Administrative Agent \(filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed June 8, 2020 and incorporated herein by reference\).](#)
- 10.6 [First Amendment to Forbearance Agreement, dated as of June 12, 2020, by and among the Company, as the Borrower, the other Guarantors party thereto, the various Lenders identified therein, JPMorgan Chase Bank, N.A., as Administrative Agent \(filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed June 15, 2020 and incorporated herein by reference\).](#)
- 10.7 [First Amendment to Forbearance Agreement, dated as of June 12, 2020, by and among the Company, as the Borrower, the other Guarantors party thereto, the various Lenders identified therein and The Bank of New York Mellon Trust Company, N.A., as Administrative Agent \(filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed June 15, 2020 and incorporated herein by reference\).](#)
- 10.8 [First Amendment to Forbearance Agreement, dated as of June 12, 2020, by and among the Company, as the Borrower, the other Guarantors party thereto, the various Lenders identified therein and The Bank of New York Mellon Trust Company, N.A., as Administrative Agent \(filed as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed June 15, 2020 and incorporated herein by reference\).](#)
- 10.9* [Form of Quarterly Incentive Award.](#)
- 10.10* [Form of Retention Bonus Agreement.](#)
- 10.11* [Quarterly Incentive Plan dated May 19, 2020.](#)
- 10.12* [Notice and Severance Pay Plan dated May 26, 2020.](#)
- 10.13* [Form of 2020 Nonstatutory Stock Option Award Terms and Conditions.](#)
- 10.14* [Form of 2020 Restricted Stock Unit Award Terms and Conditions.](#)
- 10.15* [Form of 2020 Performance Stock Unit Award Terms and Conditions.](#)
- 31.1* [Certification of CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2* [Certification of CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1* [Certifications of CEO and CFO Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101.INS* Inline XBRL Instance Document.
- 101.SCH* Inline XBRL Taxonomy Extension Schema Document.

101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
104	Cover Page Interactive Data File (formatted in inline XBRL and contained in Exhibits 101).

* - Filed herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CALIFORNIA RESOURCES CORPORATION

DATE: June 25, 2020

/s/ Roy M. Pineci

Roy M. Pineci

Executive Vice President - Finance

(Principal Accounting Officer)

May 19, 2020

<<Employee Name>>

Re: Incentive Award

Dear <<Employee Name>>

This letter (the “Award Letter”) sets forth our agreement regarding your participation in the California Resources Corporation (the “Company”) Quarterly Incentive Plan (the “Plan”). Capitalized terms used but not defined in this Award Letter have the meanings given to such term in the Plan. For valuable consideration, the receipt and sufficiency of which are hereby acknowledged, you and the Company hereby agree as follows:

1. Target Incentive Award. Your Target Incentive Award, on a quarterly basis, is \$●. Your Award represents the opportunity to earn cash payments in five installments as follows:

Target Quarterly Awards		Aggregate Target Incentive Award
1/1/2020 – 6/30/2020 Performance Period	Each Quarterly Performance Period from 7/1/2020 - 6/30/2021	
2x Target Incentive Award	1x Target Incentive Award	\$●

2. Quarterly Payments. The first Quarterly Payment will be earned at 100% of target. The remaining Quarterly Payments that you earn may vary from 0% to 200% of the Target Quarterly Award for the applicable Performance Period based on the level at which the Performance Metrics set forth in the Plan are achieved. In addition, your Quarterly Payment for the April 1, 2021 – June 30, 2021 Performance Period may be increased based on achievement of the Cumulative Performance Goals, as described in the Plan. Except as provided in Section 3.5 of the Plan, you must remain employed with the Company or its subsidiaries through the last day of a Performance Period to be eligible for the earned Quarterly Payment, and you agree to repay a prorated portion of the after-tax value of any Quarterly Payment that is paid prior to vesting in the event that you do not earn that payment as provided in Section 3.5 of the Plan.

3. Existing 2020 Incentives. In consideration for your participation in the Plan, you hereby agree to the surrender and cancellation of all of your rights arising under or relating to the Company’s annual incentive program for 2020 and any stock options, performance stock, restricted stock or other long-term incentive awards granted to you in 2020 (the annual incentive and long-term incentives, collectively, the “Existing Incentives”). You acknowledge and agree that by signing below, the Existing Incentives will automatically be cancelled, void and of no further force and effect. You hereby acknowledge and agree that you will not participate in any other short-term or long-term incentive plan or program until further notice from the Company and that the terms of this Section 3 will not constitute the right to resign for “good reason” under any agreement with, or arrangement sponsored by, the Company or any of its subsidiaries.

4. Terms of Participation. Your receipt of Quarterly Awards under the Plan is subject to the terms and conditions of the Plan, a copy of which is enclosed. Please read the Plan carefully. This Award Letter and the Plan constitute the entire agreement between the parties and supersedes all prior communications, agreements and understandings, written or oral, with respect to the terms and conditions of your Award.

5. Counterparts. This Award Letter may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

CALIFORNIA RESOURCES CORPORATION

Retention Bonus Agreement

May 19, 2020

<<Employee Name>>

Re: Retention Bonus

Dear <<Employee Name>>:

In light of your importance to the continued success of California Resources Corporation (the “**Company**”) and to provide you with an incentive to remain with the Company during the coming year, the Company will provide you with a cash retention bonus of \$<<Bonus Amount>> (your “**Retention Bonus**”), less applicable withholdings and deductions, on May 21, 2020 (the “**Payment Date**”), subject to the terms and conditions of this Retention Bonus Agreement (this “**Agreement**”).

1. Repayment on Early Termination. If you terminate your employment with the Company without Good Reason or the Company terminates your employment for Cause (each as defined in the Company’s Executive Severance Plan or any successor thereto) before the earliest of (i) the first anniversary of the Payment Date, (ii) the completion of a successful restructuring of the Company (as determined in the sole discretion of the Company’s board of directors), or (iii) the effective date of a Change in Control of the Company (as defined in the Company’s Long-Term Incentive Plan) (the earliest of (i), (ii) and (iii), the “**Retention Date**”), then you must repay the after-tax value of your Retention Bonus to the Company within 10 days following your termination of employment. This is a full recourse obligation to you, meaning that you are personally liable for any repayment obligation under this Agreement.

2. No Repayment Upon Certain Terminations. For the avoidance of doubt, you will not be required to repay your Retention Bonus if (i) your employment terminates after the Retention Date for any reason, (ii), in the event of your death or termination due to your disability, or (iii) your employment is terminated by the Company without Cause or by you for Good Reason; provided that, in each case, you (or, in the event of your termination due to death, your estate) executes and does not revoke a release of claims in a form reasonably satisfactory to the Company within 60 days after such termination.

3. No Right to Continued Employment. Nothing in this Agreement will confer upon you any right to continued employment with the Company (or its subsidiaries or their respective successors) or interfere in any way with the right of the Company (or its subsidiaries or their respective successors) to terminate your employment at any time.

4. Settlement of Claims. In the event that you are required to repay the Retention Bonus pursuant to Section 1, the Company may offset any amounts owed by the Company or its affiliates to you against the amount that you are required to repay.

5. Benefits Bearing. The Retention Bonus will be taken into account as a regular annual bonus for purposes of computing the amount of compensation used to determine any retirement or other benefit under any Company benefit plan or arrangement.

6. No Assignments; Successors. This Agreement is personal to you and you may not assign or delegate any right or obligation under it. This Agreement will inure to the benefit of any successor to the Company.

7. Governing Law. This Agreement will be governed by, and construed in accordance with, the laws of the State of California, without regard to principles of conflict of laws.

8. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

9. Entire Agreement; Amendment. This Agreement constitutes the entire agreement between you and the Company with respect to the Retention Bonus and supersedes any and all prior agreements or understandings between you and the Company with respect to the Retention Bonus, whether written or oral. This Agreement may be amended or modified only by a written instrument executed by you and the Company.

CALIFORNIA RESOURCES CORPORATION
QUARTERLY INCENTIVE PLAN

Article I.
Establishment and Purpose

- 1.1. Establishment. The Compensation Committee of the Board of Directors (“Board”) of California Resources Corporation (the “Company”) established this California Resources Corporation Quarterly Incentive Plan (the “Plan”) effective May 19, 2020.
- 1.2. Purpose. The purpose of the Plan is to promote the interests of the Company by providing incentives to key employees of the Company to make extraordinary efforts to execute the strategic objectives of the Company in a manner beneficial to the Company and its stakeholders.

ARTICLE II.
Definitions and Construction

- 2.1. Definitions. Where the following capitalized words and phrases appear in the Plan, they will have the respective meanings set forth below unless a different context is clearly expressed herein.
- (a) “Award” means an incentive award opportunity granted under this Plan.
 - (b) “Award Letter” means a written document evidencing an Award that sets forth the applicable terms and provisions and incorporates the terms and conditions of the Plan.
 - (c) “Board” has the meaning provided in Section 1.1.
 - (d) “Cause” has the meaning ascribed to such term in the Company’s Executive Severance Plan or any successor thereto.
 - (e) “Change in Control” has the meaning ascribed to such term in the Company’s Long-Term Incentive Plan.
 - (f) “Company” has the meaning provided in Section 1.1.
 - (g) “Compensation Committee” means the Compensation Committee of the Board.
 - (h) “Cumulative Performance Goals” means the performance metrics set forth on Annex A.
 - (i) “Disability” has the meaning ascribed to such term under the Company’s long-term disability plan.
 - (j) “Final Quarter” has the meaning provided in Section 3.6.
 - (k) “Good Reason” has the meaning ascribed to such term in the Company’s Executive Severance Plan or any successor thereto.
 - (l) “Participant” means each employee of the Company and its subsidiaries who is selected by the Compensation Committee in its sole discretion and designated as a Participant.

- (m) “Performance Metrics” has the meaning provided in Section 3.2.
- (n) “Performance Period” has the meaning provided in Section 3.1.
- (o) “Plan” has the meaning provided in Section 1.1.
- (p) “Quarterly Payment” has the meaning set forth in Section 3.1.
- (q) “Section 409A” means Section 409A of the Internal Revenue Code of 1986, as amended and the Treasury Regulations promulgated and other official guidance issued thereunder.
- (r) “Target Incentive Award” means the quarterly dollar amount, as set forth in each Participant’s Award Letter, that the applicable Participant would be paid pursuant to this Plan upon the achievement of each of the target levels of the Performance Metrics as set forth in Annex A.
- (s) “Target Quarterly Award” means, with respect to the first Performance Period, two times the Participant’s Target Incentive Award and, with respect to each other Performance Period, one times the Participant’s Target Incentive Award.
- (t) “Vesting Date” has the meaning set forth in Section 3.1.

ARTICLE III.

Incentive Awards

- 3.1. Incentive Award Opportunity. Each Award represents the opportunity to earn cash payments in five installments (each installment, a “Quarterly Payment”) on the last day of each of the following performance periods: January 1, 2020 – June 30, 2020; July 1, 2020 – September 30, 2020; October 1, 2020 – December 31, 2020; January 1, 2021 – March 31, 2021 and April 1, 2021 – June 30, 2021 (each, a “Performance Period”). The last day of each Performance Period is a “Vesting Date”. The amount of each Quarterly Payment will be determined in accordance with Section 3.2.
- 3.2. Earned Awards. The Target Quarterly Award for the January 1, 2020 – June 30, 2020 Performance Period will be earned at 100% of target. With respect to all other Performance Periods, the Target Quarterly Award will be earned based on the level of achievement of the performance metrics set forth on Annex A (the “Performance Metrics”). The Compensation Committee will determine the level of achievement of each Performance Metric as soon as reasonably practicable following the completion of the applicable Performance Period. The portion of the Target Quarterly Award applicable to each Performance Metric (as set forth on Annex A) will be earned in accordance with the table below:

<u>Actual Performance</u>	<u>Percentage Earned</u>
Below Threshold	0%
Threshold*	50%
Target*	100%
Maximum or greater*	200%

*Percentage earned for performance above threshold and between levels will be determined using straight-line interpolation.

No portion of the Target Quarterly Award applicable to a Performance Metric will be earned if the threshold level of performance is not achieved for the Performance Period.

- 3.3. Catch-Up. The Compensation Committee will determine the level of achievement of the Cumulative Performance Goals as soon as reasonably practicable following June 30, 2021. The portion of the Award applicable to each Cumulative Performance Goal (as set forth on Annex A) will be earned in accordance with the table in Section 3.2 above. The final Quarterly Payment earned by each Participant will be increased if, and to the extent that, the aggregate value of the earned Quarterly Payments for performance over July 1, 2020 through June 30, 2021 is less than the amount earned under the Cumulative Performance Goals.
- 3.4. Vesting; Payment. Each Quarterly Payment, to the extent earned in accordance with Section 3.2 and Section 3.3 as applicable, will be paid in cash less applicable withholdings as soon as practicable (but in no event later than 60 days) following the applicable Vesting Date, subject to the Participant's continued employment with the Company or its subsidiaries through the Vesting Date. The Compensation Committee may determine to pay the first Quarterly Payment before the first Vesting Date at 100% of target.
- 3.5. Treatment on Termination of Employment. If a Participant's employment with the Company and its subsidiaries is terminated by the Company without Cause, by the Participant for Good Reason, or due to the Participant's death or Disability, then, subject to the Participant's execution and non-revocation of a release of claims within 30 days following termination (or such longer period required to comply with age discrimination laws) in a form acceptable to the Company, the Participant will be entitled to the Quarterly Payment earned on the next Vesting Date, prorated based on the number of days elapsed during the applicable Performance Period through the date of the Participant's termination, and will forfeit any remaining unpaid portion of the Award. If a Participant's employment with the Company and its subsidiaries terminates for any other reason, then any unpaid portion of the Award will be forfeited. If the first Quarterly Payment is paid before the first Vesting Date and the Participant's employment is terminated by the Company for Cause or by the Participant without Good Reason before the first Vesting Date, then the Participant will be required to repay a prorated portion (based on the number of days in the first Performance Period through the termination date) of the after-tax value of the Quarterly Payment to the Company within 10 days following termination, and such repayment will be a full recourse obligation to the Participant. In the event that a Participant is required to repay any amounts to the Company pursuant to this Section 3.5, the Company may offset any amounts owed to the Participant against the amount that the Participant is required to repay.
- 3.6. Change in Control. If a Change in Control occurs before June 30, 2021, then the Compensation Committee, in its sole discretion, may terminate the Plan and each Award at any time following the Change in Control. If the Plan and Awards are terminated in accordance with this Section 3.6, then the Compensation Committee will measure performance for the Performance Period in which the Plan is terminated (the "Final Quarter") and determine the earned Quarterly Payment. The Compensation Committee also will measure cumulative performance for the period from July 1, 2020 through the Final Quarter, and increase that Quarterly Payment if, and to the extent that, the aggregate value of the earned Quarterly Payments for that period is less than the amount earned based on cumulative performance for

that period. The Quarterly Payment earned by each Participant employed on the Plan termination date will be prorated based on the number of days in the Final Quarter through the Plan termination date. For the avoidance of doubt, the Quarterly Payment payable to each Participant whose employment terminated during the Final Quarter and before the Plan termination date, if any, will be determined in accordance with Section 3.5.

ARTICLE IV.

Other Provisions

4.1. Administration.

- (a) This Plan will be administered by the Compensation Committee. The Compensation Committee will have exclusive power to interpret and make determinations and decisions with respect to the Plan and each Award Letter, including the power to: (a) determine the terms, conditions, restrictions and/or limitations, if any, of any Award, which may differ from the terms set forth in the Plan as determined by the Compensation Committee and (b) determine the amount(s) earned under any Award. The Compensation Committee's determinations under this Plan and the Award Letters need not be uniform among Participants (whether Participants are similarly situated or not). The Compensation Committee's interpretations and determinations with respect to the Plan and each Award will be final, binding, and conclusive on all parties.
- (b) The Committee may, in its discretion, adjust any Performance Metrics or Cumulative Performance Goals to take into account any acquisitions or dispositions consummated during a Performance Period or otherwise affecting the Performance Metrics or Cumulative Performance Goals or any other event or circumstance that the Committee determines appropriate. The determination of the Performance Metrics and Cumulative Performance Goals (and calculations thereof) and any adjustments thereto by the Committee will be final, conclusive and binding on all Participants and other persons.

4.2. No Funding. The Company will be under no obligation to fund or set aside amounts to pay obligations under this Plan.

4.3. No Third Party Beneficiaries. Except as expressly provided herein, this Plan and the applicable Award Letter will not confer on any person other than the Company and the Participant any rights or remedies.

4.4. Non-Benefits Bearing. Any amount paid under this Plan will not be "benefits bearing." This means the amount will not be taken into account, or considered for any reason, for purposes of determining any company provided benefits or compensation to which the Participant becomes eligible, including, by way of illustration and not by way of limitation, any pension, retirement benefits, severance, or separation pay benefits.

4.5. No Right to Continued Employment. Nothing contained in this Plan or in any Award Letter will confer upon any Participant any right to continued employment with the Company or its subsidiaries.

4.6. Non-Transferability of Awards. No Award (or any rights or obligations thereunder) may be sold, exchanged, transferred, assigned, pledged, hypothecated or otherwise disposed of in any manner, whether voluntarily or involuntarily and whether by operation of law or otherwise, other than by will or by the

laws of descent and distribution. Any sale, exchange, transfer, assignment, pledge, hypothecation, or other disposition of an Award (or rights or obligations thereunder) in violation of the provisions of this Section 4.6 will be null and void and such Award will be forfeited immediately. All of the terms and conditions of this Plan and any Award Letter will be binding upon any permitted successors.

- 4.7. Section 409A. Awards under this Plan are intended to be exempt from the requirements of Section 409A and this Plan and each Award Letter will be interpreted, administered and construed in accordance with such intent; provided that in no event will the Company be liable for any taxes, interest or penalties that may be imposed on a Participant by Section 409A. Each payment under an Award will be a separate payment for purposes of Section 409A.
- 4.8. Governing Law. This Plan and any Award Letter will be governed by and construed in accordance with the laws of the State of California, without regard to principles of conflict of laws.
- 4.9. Successor and Assigns. The terms of this Plan will be binding upon and inure to the benefit of the Company and any successor entity.
- 4.10. Entire Agreement. This Plan contains the entire agreement of the parties with respect to the subject matter hereof and supersedes all prior agreements, promises, covenants, arrangements, communications, representations and warranties between them, whether written or oral with respect to the subject matter hereof. Any reference herein to an agreement in writing will be deemed to include an electronic writing to the extent permitted by applicable law.
- 4.11. Amendment. The Compensation Committee may amend or revise the terms of this Plan, as permitted by applicable law; provided that no amendment or revision may materially adversely affect a Participant's rights and obligations under an Award without such Participant's consent (or the consent of his or her estate, if such consent is obtained after such Participant's death).
- 4.12. Headings. The headings in this Plan are for the purpose of convenience only and are not intended to define or limit the constructions of the provisions herein.

Annex A

The Compensation Committee shall determine the Performance Metrics and Cumulative Performance Goals in its sole discretion. By accepting an Award Letter, each Participant agrees that the Compensation Committee's determination of the Performance Metrics and Cumulative Performance Goals is not an amendment of the Plan or any Award Letter.

Notice and Severance Pay Plan

Summary Plan Description

May 26, 2020

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Refer to subsequent California Resources Corporation benefits newsletters for any material changes to the Plan made after the date of this document.

May 26, 2020

May 26, 2020 1 Notice and Severance Pay

PURPOSE

The California Resources Corporation Notice and Severance Pay Plan (“Plan”) provides severance and other benefits to lessen the economic impact resulting from loss of your job and termination of employment. This Plan is amended as of ●, 2020 (the “Effective Date”), and as of the Effective Date, is the successor plan to the Company’s Executive Severance Plan. The amendments to this Plan will not affect the terms of any benefits provided under this Plan to any employee who received a notice of termination of employment prior to the Effective Date.

ELIGIBILITY

You are eligible to participate in the Plan if you are a regular, full-time, nonbargaining hourly or salaried employee of California Resources Corporation or an affiliated company (“CRC”). For this purpose, “affiliated company” means any company in which 80 percent or more of the equity interest is owned by California Resources Corporation. Temporary employees and employees of Tidelands Oil Production Company are not eligible to participate. You are considered a full-time employee under the Plan if you are regularly scheduled to work at least 30 hours per week. Generally, you are eligible to participate if you are paid on a U.S. dollar payroll, are designated as eligible to participate by your employer, do not participate in a similar type of employer-sponsored plan, are in good standing until released by CRC from reporting to work, and satisfy the eligibility requirements set forth below. If you are part of a collective bargaining group, you are eligible to participate in the Plan only if your negotiated bargaining agreement specifically provides for your participation.

Option A and Option B Eligibility

In addition to the above, to be eligible for severance benefits under Option A or Option B, your job must be either eliminated or relocated and you are not offered continued employment by CRC.

Notwithstanding satisfying the applicable eligibility criteria, you are not eligible for the severance and other benefits described under Options A or B of the Plan if:

- as a result of the sale of a facility, merger, spin-off, or any other transfer of any unit, operation, or business of CRC, you become employed by or you are offered employment by the receiving entity;
- you have entered into a written agreement with CRC or its predecessors which (1) waives eligibility for benefits under the Plan, or (2) provides for any form of separation payments or benefits (except where the written agreement provides for payments under this Plan);

- you are entitled to payments under another severance plan or other arrangement, including the benefits under Option C, provided by CRC or a predecessor company, including, but not limited to, an acquired entity, whether or not the payments have begun;
- you are offered continued employment which CRC determines, in its discretion, requires relocation of your residence, and you reject the offer;
- you are offered and accept employment with any CRC entity which grants credit for CRC service under that entity's benefit plans; or
- you are terminated for cause. For purposes of Option A and Option B under this Plan, "cause" includes, but is not limited to, unsatisfactory performance, gross misconduct, intentional violation of or negligent disregard for CRC's rules, policies, or procedures, insubordination, theft, violent acts or threats of violence, or possession of alcohol or controlled substances on the property of CRC, all as determined by CRC or the Plan Administrator, in its sole discretion.

Option C Eligibility

Certain employees who are selected by the Compensation Committee (the "Committee") of the CRC Board of Directors (the "Board") in its sole discretion will be eligible to receive separation payments and benefits pursuant to Option C. Such employees may be eligible to receive benefits under this Option C in the event of either (or both) a Qualifying Termination not in connection in a Change in Control, or a Qualifying Termination in connection with a Change in Control (each as defined below).

Notwithstanding satisfying the applicable eligibility criteria, you are not eligible for the severance and other benefits described under Option C if:

- you have entered into a written agreement with CRC or its predecessors which (1) waives eligibility for benefits under the Plan, or (2) provides for any form of separation payments or benefits (except where the written agreement provides for payments under this Plan);
- you are entitled to payments under another severance plan or other arrangement provided by CRC or a predecessor company, including, but not limited to, an acquired entity, whether or not the payments have begun; or
- you are terminated for cause. For purposes of Option C under this Plan, "cause" has the meaning set forth in your employment agreement or similar agreement with CRC, and if not expressly defined in an employment or similar agreement, means the termination of your employment with CRC following the occurrence of any one or more of the following: (i) you are convicted of, or plead guilty or nolo contendere to, a felony; (ii) you willfully and continually fail to substantially perform your duties with CRC (other than any such failure resulting from your incapacity due to physical or mental illness) after a written demand for substantial performance is delivered to you from the Board

which specifically identifies the matter in which the Board believes that you have not substantially performed your duties; (iii) you willfully engage in conduct that is materially injurious to CRC, monetarily or otherwise; (iv) you commit an act of gross misconduct in connection with the performance of your duties to CRC; (v) your willful violation of any material CRC policy; or (vi) you materially breach any employment, confidentiality, restrictive covenant or other similar agreement with CRC, provided that for purposes of this definition of “cause” (as applicable to Option C), no act or failure to act will be considered “willful” unless done or omitted to be done in bad faith and without your reasonable belief that the action or omission was in the best interests of CRC.

OPTION A AND OPTION B: BENEFITS UNDER THE PLAN

All employees who meet the applicable eligibility criteria may elect either Option A or Option B, below, subject to the applicable conditions. As set forth in “Eligibility,” employees eligible for Option C may not participate in Option A or Option B.

Option A

If you sign and deliver to CRC a Separation Agreement and General Release in such form as CRC may determine from time to time (“Separation Agreement”), consistent with the time periods specified in the Separation Agreement, and do not revoke the Separation Agreement, you will receive the following:

- **Notice:** At the discretion of CRC, you may be released from reporting to work either immediately or at any time during your Notice. For purposes of this Plan, your Notice is the two-month period following written notification that your employment will end. Where applicable, this two-month Notice is provided to fulfill the notice obligation required under the Worker Adjustment and Retraining Notification Act (the WARN Act). Employees not covered by the WARN Act will be provided with the same two-month Notice. You will continue to receive Base Pay during your Notice, even if you are released before the end of your Notice.
- **Severance:** Immediately following Notice your Base Pay will continue for a specified period based on the length of your CRC service through the end of your Notice (“Severance”). Severance will be according to the Option A: Notice and Severance Pay Schedule. For the purpose of determining your Severance, where applicable, a partial year of service will be rounded up or down to the nearest full year. If you are rehired after receiving benefits under the Plan, any future Severance will be calculated based on Years of CRC Service since your rehire date. Your Severance will be paid on your regular payroll dates.

- **Compensation and Benefit Plans:** Your participation in CRC's compensation and benefit plans and programs will continue during your Notice, subject to the terms of each applicable plan and program. You will be paid for any banked vacation and vacation earned but not taken as of the end of your Notice. However, even if you begin to receive benefits under a CRC short-term disability plan or program, it will not change your Notice or extend your period of employment.

Except as otherwise may be specifically indicated in the Plan, coverage, contributions and participation in all CRC compensation and benefit plans, except medical and dental, will cease at the end of your Notice.

Medical (or retiree medical) and dental (or retiree dental) coverage will continue to be available for the duration of any Severance. Disposition of benefits under other compensation and/or benefit plans will be according to the applicable plan provisions.

- **Retiree Medical and Dental Coverage:** Currently, eligibility for retiree medical and dental coverage under the California Resources Corporation Retiree Medical Plan ("Retiree Medical Plan") and the California Resources Corporation Retiree Dental Plan ("Retiree Dental Plan") generally is limited to employees who retire directly from service on or after age 55 with 10 years of eligible service.

However, under this Option A, you may become eligible for the retiree coverage available under the Retiree Medical Plan and Retiree Dental Plan when you reach age 55, if on the last day of your Severance you are enrolled in medical and/or dental coverage under an CRC-sponsored medical or dental plan option (or are covered under your spouse's plan or another group plan on your last day of Severance), and you meet one of the following criteria:

- you have at least 30 years of eligible service, or
- you are at least age 50 and have at least 5 years of eligible service, with combined age and eligible service of 65 years or more.

To determine your eligibility for such future coverage, calculate your combined age and service by adding your years and months of age and eligible service as of the last day of your Severance, counting any partial month of age or service as a whole month.

Retiree medical and dental coverage will be provided under the Retiree Medical Plan and the Retiree Dental Plan as in effect at the time you enroll for coverage, and will be subject to the terms and conditions covering the Retiree Medical and Retiree Dental Plans, including CRC's right to modify, amend, change or terminate that plan at any time.

While you are receiving Severance, if you accept employment with CRC or with the new employer, owner, operator or purchaser of a sold or transferred business or operation, all Plan payments and benefit plan participation will stop.

Also, in the event that Plan payments pursuant to this Option A contravene Internal Revenue Code section 409A, relating to inclusion in gross income of deferred compensation, or any other applicable law or Internal Revenue Code provision, Plan payments will stop.

Tax withholding and other applicable deductions will be made from all Plan payments.

For purposes of this Option A, “Base Pay” means regular base wages or salary, excluding overtime, bonuses, and all other types of compensation and special payments.

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Option A: Notice and Severance Pay Schedule

<u>Years of CRC Service</u>	<u>Notice</u>	<u>Severance</u>
0-3 years	2.0 months*	1.0 months
4	2.0	1.5
5	2.0	2.0
6	2.0	2.5
7	2.0	3.0
8	2.0	3.5
9	2.0	4.0
10	2.0	4.5
11	2.0	5.0
12	2.0	5.5
13	2.0	6.0
14	2.0	6.5
15	2.0	7.0
16	2.0	7.5
17	2.0	8.0
18	2.0	8.5
19	2.0	9.0
20 or more	2.0	10.0

Option B

If you do not enter into a Separation Agreement, you will not receive the special separation benefits described in Option A, above. Instead, you will receive the following:

- **Notice:** At the discretion of CRC, you may be released from reporting to work either immediately or at any time during your Notice. For purposes of this Plan, your Notice is

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the two-month period following written notification that your employment will end. Where applicable, this two-month Notice is provided to fulfill the notice obligation required under the Worker Adjustment and Retraining Notification Act (the WARN Act). Employees not covered by the WARN Act will be provided with the same two-month Notice even though it is not legally required.

- **Compensation and Benefit Plans:** Your participation in CRC's compensation and benefit plans and programs will continue during Notice, subject to the terms of each applicable plan and program. However, receipt of benefits under a CRC short-term disability plan or program will not change your Notice or extend your period of employment.

You will receive no Severance or associated benefit coverage. All of your compensation and benefits will cease at the end of your Notice. Disposition of benefits under compensation and/or benefit plans will be according to the applicable plan provisions.

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OPTION C: BENEFITS UNDER THE PLAN

Option C

If you meet the applicable eligibility requirements for Option C, experience a Qualifying Termination (as defined below) and sign and deliver to CRC a Separation Agreement, substantially in the form attached hereto as Exhibit A with such modifications determined by CRC, and do not revoke the Separation Agreement, you will receive the following:

- **Qualifying Termination – No Change in Control:** If your Qualifying Termination occurs prior to or more than two years following a Change in Control (as defined in CRC's Long-Term Incentive Plan), then CRC will provide you with:
 - o cash severance equal to the result of multiplying the applicable Severance Multiple set forth in the Option C Notice and Severance Pay Schedule by the sum of (x) your Base Salary and (y) your Target Annual Incentive Award, to be paid in substantially equal installments over the Severance Period (as defined below) in accordance with CRC's regular payroll beginning on the first payroll that is on or after the date of your Qualifying Termination; and
 - o continued participation in CRC's group medical and dental plans in which you participate as of the date of your Qualifying Termination upon substantially the same terms and conditions, including contributions required by you for such benefits, as existed immediately prior to the date of your Qualifying Termination, for the Severance Period (or, if earlier, until the date on which you begin employment with a subsequent employer); provided that (a) your benefits under this Option C will cease on the date that you become eligible under CRC's retiree medical and dental plans and (b) the provisions of this Option C will be effected in a manner that is compliant with the non-discrimination rules applicable to health plans under the Patient Protection and Affordable Care Act of 2010 and related regulations and guidance promulgated thereunder (the "Benefits Continuation").
 - o All equity awards that you hold will be treated in accordance with their terms.
- **Qualifying Termination After a Change in Control:** If your Qualifying Termination occurs during the two-year period following a Change in Control, then CRC will provide you with:
 - o cash severance equal to the result of multiplying your applicable Severance Multiple by the sum of (x) your Base Salary and (y) your Target Annual Incentive Award, paid in substantially equal installments over the Severance Period in accordance with CRC's regular payroll beginning with the first payroll that is on or after the date of your Qualifying Termination;

othe Benefits Continuation; provided that such benefits will not extend for more than 24 months after the date of your Qualifying Termination; and

oawards granted under CRC's Long-Term Incentive Plan (or any successor) will vest, with any performance conditions deemed earned at the level contemplated in the applicable award agreement. The awards that vest in accordance with the foregoing sentence will be settled in cash or shares (as provided in the applicable award agreement) in accordance with their terms.

Your receipt of, or right to retain, payments and benefits under this Option C will be conditioned on your execution of a Separation Agreement in a form acceptable to CRC, which will be provided to you no later than five days after the date of your Qualifying Termination and must be executed by you, become effective and not be revoked by the 58th day following your Qualifying Termination. If you do not timely execute, or if you revoke, the Separation Agreement, then no additional payments or benefits will be provided pursuant to this Plan and you will be required to repay promptly any cash amounts paid under this Plan.

Definitions

For purposes of this Option C:

“Annual Incentive Award” means the annual cash incentive bonus awarded to you (if any) by CRC (or its affiliates) from time to time.

“Base Salary” means your annual rate of base salary in effect as of the date of your Qualifying Termination (or, if greater, the highest annual rate of base salary during the twelve-month period immediately prior to your date of termination).

“Good Reason” means (unless otherwise expressly provided in an employment agreement or similar agreement with CRC), the occurrence of any of the following events without your written consent:

- (i) a material reduction and adverse change in your position, duties or responsibilities from those in effect immediately prior to such change;
- (ii) a reduction in your rate of annual base pay (other than a reduction prior to or more than two years following a Change in Control that is applicable to all similarly situated employees or a reduction of up to 20% within two years following a Change in Control);
- (iii) a relocation of your primary work location to a distance of more than 150 miles from its location as of immediately prior to such change; or
- (iv) a material breach by CRC (or a successor) of this Plan or any employment agreement between you and the Company.

provided, however, that such event will not constitute Good Reason under this Plan unless (1) you provide notice to CRC within 30 days following the initial existence of the event constituting Good Reason, (2) CRC does not remedy such event (if remediation is possible) within 30 days following CRC's receipt of notice of such event and (3) you separate from service with CRC within 90 days following the initial existence of such event constituting Good Reason.

"Qualifying Termination" means a termination of your employment with CRC (i) by CRC other than for Cause or (ii) after a Change in Control, by you for Good Reason. Termination of your employment on account of death, disability (as defined in the long-term disability plan of CRC as in effect on the day in question, whether or not you are covered by such plan), by CRC for Cause or by you other than for Good Reason will not be treated as a Qualifying Termination. Notwithstanding the preceding sentence, your death after notice of termination for Good Reason or without Cause has been validly provided will be deemed to be a Qualifying Termination.

"Severance Multiple" means the applicable multiple set forth on the Option C: Notice and Severance Pay Schedule corresponding to your level of participation as determined by the Committee and communicated to you by CRC.

"Severance Period" means a number of months equal to your Severance Multiple multiplied by twelve.

"Target Annual Incentive Award" means your target Annual Incentive Award (if any) for the year in which your termination of employment occurs.

- **Section 280G of the Code:** In the event that any payments or benefits to you (i) constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code (the "Code"), and (ii) but for this paragraph, would be subject to the excise tax imposed by Section 4999 of the Code, then such payments and benefits will be either (x) delivered in full, or (y) delivered as to such lesser extent that would result in no portion of such payments and benefits being subject to excise tax under Section 4999 of the Code, whichever of the foregoing amounts, taking into account the applicable federal, state and local income and employment taxes and the excise tax imposed by Section 4999 of the Code (and any equivalent state or local excise taxes), results in your receipt on an after-tax basis of the greatest amount of benefits, notwithstanding that all or some portion of such payments and benefits may be taxable under Section 4999 of the Code. Any reduction in payments and/or benefits required by this provision will occur in the following order: (i) reduction of cash payments; (ii) reduction of vesting acceleration of equity awards; and (iii) reduction of other benefits paid or provided to you. In the event that acceleration of equity awards is to be reduced, such acceleration of vesting will be cancelled in the reverse order of the date of grant for equity awards. If two or more equity awards are granted on the same date, each award will be reduced on a pro-rata basis.

- Section 409A of the Code:** To the extent you would otherwise be entitled to any payment or benefit that under this Option C, or any plan or arrangement with CRC, that constitutes “deferred compensation” subject to Section 409A of the Code (“Section 409A”) and that if paid or provided during the six months beginning on the date of your Qualifying Termination would be subject to the Section 409A additional tax because you are a “specified employee” (within the meaning of Section 409A and as determined by CRC), the payment or benefit will be paid or provided (or will commence being paid or provided, as applicable) on the earlier of the first day of the seventh month following your termination of employment or your death. In addition, any payment or benefit due upon a termination of your employment that represents a “deferral of compensation” within the meaning of Section 409A will be paid or provided only upon your “separation from service” as defined in Treasury Regulation Section 1.409A-1(h). Each severance payment made under this Plan will be deemed to be a separate payment, and amounts payable under this Plan will be deemed not to be a “deferral of compensation” subject to Section 409A to the extent provided in the exceptions in Treasury Regulation Sections 1.409A-1(b)(4) (“short-term deferrals”) and (b)(9) (“separation pay plans,” including the exception under subparagraph (iii)) and other applicable provisions of Treasury Regulation Section 1.409A-1 through A-6. Notwithstanding anything to the contrary in this Plan or elsewhere, in the event that you waive the provisions of another severance or change in control agreement or arrangement to participate in this Plan and such participation in this Plan is later determined to be a “substitution” (within the meaning of Section 409A) for the benefits under such agreement or arrangement, then any payment or benefit under this Plan that you become entitled to receive during the remainder of the waived term of such agreement or arrangement will be payable in accordance with the time and form of payment provisions of such agreement or arrangement.
- No Duplication of Benefits:** Except as otherwise expressly provided pursuant to this Plan, this Plan will be construed and administered in a manner that avoids duplication of compensation and benefits which may be provided under any other plan, program, policy or other arrangement or individual contract or under any statute, rule or regulation. In the event that you are covered by any other plan, program, policy, individually negotiated agreement or other arrangement, in effect as of your termination of employment, that may duplicate the payments and benefits provided for under this Plan, the Committee is specifically empowered to reduce or eliminate the duplicative benefits provided for under this Plan.
- Amendment and Termination:** Notwithstanding CRC’s rights to amend or terminate this Plan without the consent of any participants as described below, participants to this Option C must be given at least 9 months’ notice of amendments that are adverse to the interests of such participants (except that termination of a participant’s participation in Option C or this Plan may be made with 3 months’ notice) or a planned termination of this Plan, and any termination or amendments to this Plan that are adverse to the interests of any participant to this Option C and are made in anticipation of a Change in Control will give each such participant the right to enforce his or her rights pursuant to this paragraph. Notwithstanding the foregoing, during the period commencing on a Change

in Control and ending on the 2nd anniversary of the Change in Control, no participant's participation in Option C or this Plan may be terminated and this Plan may not be terminated or amended in any manner that is materially adverse to the interests of any such participant without the prior written consent of such participant.

Option C: Notice and Severance Pay Schedule

Severance Multiples

Non-Change in Control Qualifying Termination

Participation Level	Severance Multiple
Chief Executive Officer	2
EVP and SVP Level	1.5
VP Level	1

Change in Control Qualifying Termination

Participation Level	Severance Multiple
Chief Executive Officer	2.5
EVP and SVP Level	2
VP Level	1.5

CLAIMS PROCEDURE

Generally, an employee who is eligible to receive benefits under this Plan does not have to file a claim for such benefits. If you believe that you did not receive a benefit to which you are entitled, you may file a written claim with the Plan sponsor at the following address stating all of the facts on which your claim is based:

Attention:

Plan Sponsor, Notice and Severance Pay Plan
CRC Services, LLC
27200 Tourney Road, Suite 200
Santa Clarita, California 91355
888-848-4754

Within 60 days following receipt of your claim, the Plan sponsor will:

- request any additional information needed to make a decision regarding the claim;
- pay benefits provided by the Plan; or
- send notification to you of a decision to deny the claim in whole or in part.

If additional information is requested or required in order to make a decision regarding your claim, you will have 60 days from the date you receive such a request to provide the information. The Plan sponsor's decision to pay benefits or deny your claim in whole or in part will be postponed to allow you to respond to the request. If you do not provide the information within 60 days after you receive the request, your claim will be denied unless you have requested and been granted additional time to provide the information.

If the Plan sponsor denies your claim in whole or in part, you will receive written notice of the denial within 60 days from the date any requested additional information was received. The notice will provide the following:

- the specific reasons for the denial of the claim (including the facts upon which the denial is based) and reference to any pertinent Plan provisions on which the denial is based;
- if applicable, a description of any additional material or information necessary for you to perfect the claim and an explanation of why such material is necessary; and
- an explanation of the claims review appeal procedure including the name and address of the person or committee to whom your appeal should be directed.

Within 60 days after you receive the notice of denial from the Plan sponsor, you may request a review of your claim by the California Resources Employee Benefits Committee (Committee). Your request must be in writing and must state the reason or reasons why you believe your claim should not have been denied. You should also include with your written request for an appeal any and all documents, materials, or other evidence which you believe supports your claim for benefits. Your request should be addressed to the Committee at the address of the Plan sponsor.

Generally, the Committee will give you written notice of its decision within 60 days of the date your request for review was received by the Committee. However, if the Committee finds that special circumstances exist, its decision may be given to you more than 60 days after the date your request was received, but not later than 120 days after such date. The Committee's notice of its decision will include specific reasons for its decision and specific references to the provisions of the Plan on which its decision is based. The decision of the Committee shall be final, conclusive, and binding on all employees, participants, and beneficiaries.

Legal Proceedings

Unless prohibited by applicable law, no legal action may be commenced prior to the completion of the benefits claims procedure described in this Summary Plan Description. In addition, no legal action may be commenced after the later of: (i) 180 days after receiving a written response of the Plan Administrator to an appeal or (ii) 365 days after the date the claimant was terminated.

GENERAL INFORMATION

Your Rights as a Plan Participant

As a participant in this Plan, you are entitled to certain rights and protections under the Employee Retirement Income Security Act of 1974 (ERISA), as follows:

Receive Information About Your Plan and Benefits

- Examine, without charge, at the Plan Administrator's office and at other specified locations, all documents governing the Plan, including insurance contracts and a copy of the latest annual report (Form 5500 Series) that is filed by the Plan with the U.S. Department of Labor and available at the Public Disclosure Room of the Employee Benefits Security Administration.
- Obtain, upon written request to the Plan Administrator, copies of all documents governing the operation of the Plan, including insurance contracts and the latest annual report (Form 5500 Series), and an updated summary plan description. The Plan Administrator may make a reasonable charge for the copies.
- Receive a summary of the Plan's annual financial report. The Plan Administrator is required by law to furnish each participant with a copy of this summary annual report.

Prudent Action by Plan Fiduciaries

In addition to creating rights for Plan participants, ERISA imposes duties upon the people who are responsible for the operation of the employee benefit plan. The people who operate your Plan, called “fiduciaries” of the Plan, have a duty to do so prudently and in the interest of you and other Plan participants and beneficiaries.

No one, including your employer or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a welfare benefit or exercising your rights under ERISA.

Enforce Your Rights

If your claim for a welfare benefit is denied or ignored, in whole or in part, you have a right to know why this was done, to obtain documents relating to the decision without charge and to appeal any denial, all within certain time schedules.

Under ERISA, there are steps you can take to enforce the above rights. For instance, if you request materials from the Plan and do not receive them within 30 days, you may file suit in a Federal court. In such a case, the court may require the Plan Administrator to provide the materials and pay up to \$110 a day until you receive the materials, unless the materials were not sent because of reasons beyond the control of the Plan Administrator.

If you have a claim for benefits that is denied or ignored, in whole or in part, you may file suit in a state or Federal court.

If it should happen that Plan fiduciaries misuse the Plan’s money or if you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor or you may file suit in a Federal court. The court will decide who should pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds your claim is frivolous.

Help With Your Questions

If you have any questions about your Plan, you should contact the Plan Administrator. If you have any questions about this statement or about your rights under ERISA, or if you need assistance with obtaining documents from the Plan Administrator, you should contact:

- The nearest office of the Employee Benefits Security Administration, U.S. Department of Labor, listed in your telephone directory; or
- Division of Technical Assistance and Inquiries
Employee Benefits Security Administration
U.S. Department of Labor
200 Constitution Avenue, N.W.
Washington, D.C. 20210

You may also obtain certain publications about your rights and responsibilities under ERISA by calling the publications.

Plan Documents

This document shall serve as both the plan document and the summary plan description for the Plan.

Discretionary Authority of Plan Administrator

In accordance with sections 402 and 503 of Title I of ERISA, the Plan sponsor has designated a Named Fiduciary under the Plan, who has complete authority to review all denied claims for benefits under the Plan. The Plan Administrator has discretionary authority to determine who is eligible for coverage and to determine eligibility for benefits under the Plan. In exercising its fiduciary responsibilities, the Named Fiduciary shall have discretionary authority to determine whether and to what extent covered Plan participants are eligible for benefits, and to construe disputed or doubtful Plan terms. The Named Fiduciary shall be deemed to have properly exercised such authority unless it has abused its discretion hereunder by acting arbitrarily and capriciously.

No Guarantee of Employment

By adopting and maintaining the California Resources Corporation Notice and Severance Pay Plan for certain eligible employees, CRC has not entered into an employment contract with any employee. Nothing contained in the Plan documents or in this summary gives any employee the right to be employed by CRC or to interfere with CRC's right to discharge any employee at any time. Similarly, this Plan does not give CRC the right to require any employee to remain employed by CRC or to interfere with the employee's right to terminate employment with CRC at any time.

Future of the Plan and Plan Amendment

CRC expects and intends to continue the Plan, but does not guarantee any specific level of benefits or the continuation of any benefits during any periods of active employment, inactive employment, disability or retirement. Benefits are provided solely at CRC's discretion. CRC reserves the right, at any time or for any reason, through an action of the Vice President of Compensation and Benefits of CRC Services, LLC, to suspend, withdraw, amend, modify, or terminate the Plan, in whole or in part. In the case of a material change in this description of the Plan, such action will be evidenced by a written announcement to affected individuals. This Plan will survive any Change in Control (as defined in CRC's Long-Term Incentive Plan), and the provisions of this Plan will be binding upon the surviving corporation, which will be treated as CRC hereunder.

Plan Administration

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The additional information in this section is provided to you in accordance with the Employee Retirement Income Security Act of 1974 (ERISA) regarding the Notice and Severance Pay Plan and the persons who have assumed responsibility for its operation.

Plan Name	California Resources Corporation Notice and Severance Pay Plan
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Employer Identification Number	46-5676989
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Plan Number	508
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Plan Administrative Services Provided by	CRC Services, LLC 27200 Tourney Road, Suite 200 Santa Clarita, California 91355 888-848-4754
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Plan Administrator	California Resources Employee Benefits Committee
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Plan Sponsor and Address for Legal Process	CRC Services, LLC 27200 Tourney Road, Suite 200 Santa Clarita, California 91355 888-848-4754
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Named Fiduciary	California Resources Employee Benefits Committee
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Plan Year Ends	December 31
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Plan Type	ERISA Welfare Plan
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Source of Funding	CRC General Assets
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EXHIBITS

Exhibit A – Form of Separation Agreement and General Release

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SEPARATION AGREEMENT AND GENERAL RELEASE

1. I understand that by signing this Separation Agreement and General Release ("Agreement"), I will be provided with certain severance benefits, as described in the California Resources Corporation Notice and Severance Pay Plan, that are available only to those employees who sign this Agreement. I further understand that I have at least forty-five (45) days to consider whether to sign this agreement; provided, however, that I must sign and return this Agreement by _____, or I will not be eligible to receive any of these benefits.

2. In consideration for receiving the special severance benefits package offered to me, I absolutely and forever release and discharge California Resources Corporation and its parent corporation ("Company"), past and present subsidiaries and affiliated corporations, partners, and each of their shareholders, officers, directors, employees, agents, representatives, insurance carriers, benefit plans, fiduciaries and attorneys, or any other related parties (collectively "Released Parties"), with respect to and from any claims, demands, damages, losses, liabilities, debts, judgments, obligations, accounts, causes of action or claims for attorneys fees that I have, or anyone claiming for me might have, or claim to have, for any reason whatsoever from the beginning of the world through the date of my signing this agreement. These claims include, but are not limited to, any act or omission relating to or arising out of my employment, or the termination of my employment, benefits or other terms of employment, under any employment agreement, employment law or any California, Texas, or other state, municipal, or Federal constitution, statute, regulation or ordinance, order or common law, including without limitation, Title VII of the Civil Rights Act of 1964, as amended; the Civil Rights Act of 1991; the Civil Rights Act of 1866, as amended; the Equal Pay Act, as amended; the Age Discrimination in Employment Act of 1967, as amended; the Older Workers Benefit Protection Act; the Employee Retirement Income Security Act of 1974, as amended; the Americans with Disabilities Act; the Family and Medical Leave Act of 1993; United States Executive Orders 11246 and 11375; the Texas Commission Human Rights Act (TCHRA); California Government Code Section 12900 et seq.; the UNRUH Civil Rights Act, as amended; California Civil Code Section 51 et. seq.; the Regulations of the Office of Federal Contract Compliance Program, as amended; the Rehabilitation Act of 1973, as amended; the Worker Adjustment Retraining and Notification Act; any claims based on misrepresentation, fraud, an accounting, wrongful or constructive discharge, breach of privacy, retaliation, breach of covenant of good faith and fair dealing, violation of public policy, defamation, negligent or intentional infliction of emotional distress, discrimination on any basis prohibited by statute, common law, ordinance or public policy, loss of consortium, negligence, interference with business opportunity or with contracts, breach of fiduciary duty, unfair insurance practices or any other federal, state or local civil rights, employee benefit, labor contract, tort, or common law arising out of or related to any act or omission occurring before this Agreement is executed. I further understand that I am waiving only those claims that I have or believe I might have as of the date I sign this Agreement, and not any claims that might arise in the future.

This Agreement does not apply to my right to receive benefits that are already vested in my favor under the terms of any of the Released Parties benefit plans or under the Notice and Severance Pay Plan. Similarly, this Agreement does not waive claims I could make, if available, for

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unemployment compensation or worker's compensation benefits, and this Agreement does not release any claims the law does not permit me to release. I understand that I do not waive my right to file a charge with a government administrative agency ("agency") enforcing the civil rights laws, the National Labor Relations Board, or any other state or federal agency, or to participate in any investigation or proceeding conducted by such agency, nor shall any provision in this Agreement adversely affect my right to engage in such conduct. However, I waive my right to obtain any monetary relief or other recovery, including without limitation reinstatement, as a result of or with regard to the matters alleged in the charge or to collect any monies or compensation as a result of filing or participating in such a charge or complaint.

I acknowledge that California Resources Corporation has agreed to pay me: (i) any base salary and bonus that had accrued but had not been paid (including accrued but unpaid vacation time) on and before my last day of employment, (ii) any long-term incentive award that was payable or will become payable according to its terms and conditions, and (iii) any employee reimbursement due to me pursuant to company policy. I further acknowledge that upon payment of the amounts described in the previous sentence, I shall have received all leaves (paid or unpaid), compensation, wages, bonuses, long-term incentive awards, commissions, and/or benefits to which I have been entitled, and no other leave (paid or unpaid), compensation, wages, bonuses, commissions and/or benefits are due me as a result of the services I have performed for any of the Released Parties through the date of my signature on this Agreement. I further agree that upon payment of the amounts described above, none of the Released Parties shall owe me any wages, commissions, bonuses, long-term incentive awards, sick pay, disability leave pay, family leave pay, severance pay, vacation pay, paid time off, or any other compensation, benefit, payment or remuneration of any kind or nature, except for vested benefits under any ERISA plan to which I may be entitled.

3. As part of the general release of claims under this Agreement, I expressly waive all of my rights under Section 1542 of the California Civil Code or any comparable applicable law in any jurisdiction. Section 1542 of the California Civil Code states:

"A general release does not extend to claims which the creditor or releasing party does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him must have materially affected his or her settlement with the debtor or released party."

I understand and agree that I may hereafter discover claims or facts in addition to or different from those which I now know or believe to be true with respect to the subject matters of this Agreement, but that it is nevertheless my intention by signing this Agreement to fully, finally and forever release any and all claims whether now known or unknown, suspected or unsuspected, which now exist, may exist, or previously have existed as set forth above.

4. ADEA Release

I acknowledge and agree that this Agreement includes a waiver and release of all claims which I have or may have under the Age Discrimination in Employment Act of 1967, as amended

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("ADEA"). The following terms and conditions apply to and are part of the waiver and release of ADEA claims under this Agreement.

The waiver and release of claims under the ADEA contained in this Agreement does not cover rights or claims that may arise after the date on which I sign this Agreement. I have been advised in writing to consult with an attorney prior to signing this Agreement. I further acknowledge that I have been given at least forty-five (45) days to think about signing this Agreement, and that I may voluntarily choose to execute the Agreement before the end of the forty-five (45) day period. I also understand that I will have seven (7) days after I sign this Agreement during which I may revoke my signature and cancel the Agreement for any reason, and this Agreement shall not become effective or enforceable until after this revocation period has expired. I hereby acknowledge and agree that I am knowingly and voluntarily waiving and releasing my rights and claims only in exchange for consideration (something of value) in addition to anything of value to which I am already entitled.

5. Should any part of this Agreement, with the exception of the releases and related provision embodied in Paragraphs 2, 3 and 4 be declared or determined by any Court or other tribunal of appropriate jurisdiction to be invalid or unenforceable, any such invalid or unenforceable part, term or provision shall be stricken and severed from this Agreement and all other terms of the Agreement shall remain in full force and effect to the fullest extent permitted by law. The releases and related provisions embodied in Paragraphs 2, 3 and 4 are the essence of this Agreement and should any of the paragraphs be deemed invalid or unenforceable, this Agreement shall be null and void.

6. To the fullest extent permitted by law, I agree not to disparage, criticize or otherwise speak of any of the Released Parties in an unflattering way. I understand and acknowledge that nothing herein will prevent me from responding accurately and fully to any question, inquiry or request for information when required by legal process; provided, however, that I will provide Company with reasonable prior written notice before responding to such a question, inquiry or request, unless such notice to Company is prohibited under applicable law.

7. I agree that I will return to California Resources Corporation any and all property and documents which I may have in my possession, custody or control and I agree that I will continue to comply after my last day of employment with any existing agreement with or for the benefit of the Released Parties regarding confidential, proprietary or non-public information, including trade secrets and patents. Additionally, except as required by law, I agree that I am prohibited from disclosing or communicating any knowledge, information, data, assessments or opinions that were acquired as part of my employment with any of the Released Parties (including Occidental Petroleum Corporation and its affiliates) to any third parties, including, without limitation any information that could lead to new mineral and lease land acquisitions, exploration farmins and farmouts, acquisitions of undeveloped fields and producing assets. I agree that I am required to maintain strictly confidential all such knowledge and information including, but not limited to:

(a) Any confidential or proprietary information or knowledge that could be used by a third party to evaluate or acquire an oil and gas asset in California.

(b) All subsurface and petrotechnical workflows, concepts, ideas and models.

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- (c) All knowledge acquired from access to Company's well and seismic data and interpretation, including opinions formed based upon access to that data as well as opinions expressed by Company's employees and contractors.
- (d) All knowledge acquired from access to Company's active exploration and development drilling operations, including, without limitation, well results, drilling and completion techniques, proprietary technology.
- (e) All knowledge acquired and opinions formed in relation to the generation, identification, assessment and evaluation of exploration new ventures and business development opportunities.
- (f) Company's current land ownership, intent to acquire new leases, quitclaim or terminate existing leases either historically or in the future.
- (g) All strategy and portfolio information with respect to Company's exploration assets, activities and plans.

Notwithstanding anything to the contrary in this Agreement or otherwise, nothing will limit my rights under applicable law to provide truthful information to any governmental entity or to file a charge with or participate in an investigation conducted by a governmental entity.

8. I agree that for one year following my last day of employment, I will not, directly or indirectly (including through another entity), use confidential, proprietary or trade secret information to induce or attempt to induce any employee of the Company or its subsidiaries to leave the employee of the Company or its subsidiaries, or in any way interfere with the relationship between the Company or its subsidiaries and any employee thereof or hire any person who was an employee of the Company or its subsidiaries within 180 days prior to the date of hire.

9. I acknowledge and agree that if I materially breach the provisions embodied in Paragraphs 6, 7 or 8 of this Agreement, Company will have the right to recoup from me all payments and benefits (or the value thereof as determined by the Compensation Committee of the Company's Board of Directors in its sole discretion) provided to me under the California Resources Corporation Notice and Severance Pay Plan and any obligation of Company to make or provide any payments or benefits under this plan will cease.

10. My failure or the failure of the Released Parties to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver thereof or deprive that party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement.

11. Nothing in this Agreement constitutes an admission by the Released Parties as to the violation of any law, or breach of any duty, contract or agreement, express or implied.

12. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California, without giving effect to any choice of law rules or principles thereof.

13. This Agreement shall be binding upon my heirs, executors, and assigns.

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14. I agree that, except for (a) existing confidentiality, trade secret and patent obligations owed by me to California Resources Corporation and/or its past or present parent, affiliate or subsidiary corporations, which obligations of mine shall remain in full force and effect, and (b) prior releases I have executed in favor of any or all of the Released Parties, which releases by me shall remain in full force and effect and may be enforced by the Released Parties in addition to the releases I have made in this Agreement, this Agreement is the entire agreement between California Resources Corporation and me and supersedes all prior and contemporaneous negotiations, representations, understandings or agreements (whether oral or written) between California Resources Corporation and/or its past or present parent, affiliate or subsidiary corporations and me. Once this Agreement becomes effective, its terms can only be altered, revoked or rescinded with the express written agreement of the parties.

15. California Resources Corporation has advised me to consult with an attorney and/or any other advisors of my choice before signing this Agreement. I understand that this Agreement is legally binding and by signing it I give up certain rights.

16. I understand that this Agreement does not waive any rights or claims that may arise after this Agreement is signed.

17. I have voluntarily chosen to enter into this Agreement and have not been forced or pressured in any way to sign it.

Signature Date

CALIFORNIA RESOURCES CORPORATION

By: _____

Its Date

ELECTION TO EXECUTE EARLY

I, _____, understand that I have at least forty-five (45) days to consider and execute this Agreement. After careful consideration and/or consultation with counsel, however, I have freely and voluntarily elected to execute the Agreement before expiration of the forty-five (45) day period.

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Signature Date

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NONSTATUTORY STOCK OPTION AWARD TERMS AND CONDITIONS

Stock at the Date of Grant. For all purposes of these Terms and Conditions, the Fair Market Value of a share of Common Stock shall be determined in accordance with the provisions of the Plan.

3. Vesting and Exercise of Option. Subject to the earlier expiration of this Option as herein provided, this Option may be exercised, by written notice to CRC at its principal executive office addressed to the attention of its corporate secretary (or such other officer, employee or designee of the Company as CRC may designate from time to time), at any time and from time to time after the Date of Grant, but, except as otherwise provided below, this Option shall not be exercisable for more than that portion of the aggregate number of shares of Common Stock offered by this Option determined under the vesting schedule set forth above.

This Option may be exercised only while the Grantee remains an employee of the Company and will terminate and cease to be exercisable upon the Grantee's termination of employment with the Company, except that:

(a) If, prior to the final Vesting Date, the Grantee dies, becomes permanently disabled while in the employ of the Company and terminates employment as a result thereof, retires with the consent of the Company, or the Grantee's employment is terminated by the Company on or after the date a Change in Control occurs and as a result of such event (each of the foregoing, an **"Unscheduled Vesting Event"**), then the unvested portion of this Option shall become vested and exercisable with respect to such unvested shares of Common Stock offered by this Option as of the date of the Unscheduled Vesting Event (and shall remain exercisable for the remaining term of this Option with respect to such shares as well as the shares with respect to which this Option became vested and exercisable prior to the Unscheduled Vesting Event).

(b) If the Grantee terminates employment voluntarily or the Grantee's employment is terminated for cause (as determined by the Company) before the final Vesting Date, then (i) the Grantee shall forfeit the portion of this Option that has not become vested and exercisable prior to the Grantee's termination date and (ii) this Option may be exercised by the Grantee (or the person who acquires this Option by will or the laws of descent and distribution or otherwise by reason of the death of Grantee) at any time during the period ending at the earlier 60 days following such termination or the term of this Option, but only as to the number of shares the Grantee was entitled to purchase hereunder as of the date the Grantee's employment so terminates.

(c) If, prior to the final vesting date, the Grantee terminates employment without cause (as determined by the Company) for the convenience of the Company (a **"Forfeiture Event"**), then the unvested portion of this Option will be reduced on a pro rata basis based upon the number obtained by (i) multiplying the aggregate number of shares of Common Stock offered by this Option by a fraction, the numerator of which is the number of days between and including the Date of Grant and the Forfeiture Event, and the denominator of which is the number of days between and including the Date of Grant and

the final Vesting Date, and (ii) subtracting from the product the number of shares of Common Stock with respect to which this Option became vested and exercisable prior to the Forfeiture Event. This Option shall become vested and exercisable with respect to such pro rata unvested shares of Common Stock offered by this Option as of the date of the Forfeiture Event (and shall remain exercisable for the lesser of the remaining term of this Option or 180 days with respect to such shares as well as the shares with respect to which this Option became vested and exercisable prior to the Forfeiture Event), and this Option shall cease to be exercisable as of such date with respect to any other shares of Common Stock offered under this Option that have not become vested and exercisable on or prior to such date. Any such determination by the Committee is binding on the Grantee.

Notwithstanding anything herein to the contrary, in no event will this Option be exercisable after the expiration of seven years from the Date of Grant. The purchase price of shares as to which this Option is exercised shall be paid in full at the time of exercise (i) in cash, cash equivalent, or by electronic funds transfer, (ii) if permitted by the Committee in its sole discretion, by delivering or constructively tendering to CRC shares of Common Stock having a Fair Market Value equal to the purchase price (provided such shares used for this purpose must have been held by the Grantee for such minimum period of time as may be established from time to time by the Committee), (iii) if the Common Stock is readily tradable on a national securities exchange, through a "cashless exercise" in accordance with a Company established policy or program for the same, or (iv) in any other legal consideration the Committee deems appropriate. No fraction of a share of Common Stock shall be issued by CRC upon exercise of an Option or accepted by CRC in payment of the exercise price thereof; rather, the Grantee shall provide a cash payment for such amount as is necessary to effect the issuance and acceptance of only whole shares of Common Stock. Unless and until a certificate or certificates representing such shares shall have been issued by CRC to the Grantee, the Grantee (or the person permitted to exercise this Option in the event of the Grantee's death) shall not be or have any of the rights or privileges of a stockholder of CRC with respect to shares acquirable upon an exercise of this Option.

4. Taxes and Withholding. Regardless of any action the Company takes with respect to any or all income tax (including U.S. federal, state and local tax and non-U.S. tax), social insurance, payroll tax, payment on account or other tax-related items related to the Grantee's participation in the Plan and legally applicable to the Grantee ("**Tax-Related Items**"), the Grantee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and may exceed the amount actually withheld by the Company. The Grantee further acknowledges that the Company (i) makes no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of this Nonstatutory Stock Option Award, including the grant, vesting or exercise of the Nonstatutory Stock Option Award; and (ii) does not commit to and is under no obligation to structure the terms of the grant or any aspect of the Nonstatutory Stock Option Award to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result. Further, if the Grantee has become subject to tax in more than one jurisdiction between the Date of Grant and the date of any relevant

taxable event, the Grantee acknowledges that the Company may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to the relevant taxable event, the Grantee shall pay or make adequate arrangements satisfactory to the Company to satisfy all Tax-Related Items. In this regard, the Grantee authorizes the Company to withhold all applicable Tax-Related Items legally payable by the Grantee, first, from the shares purchased upon exercise of this Nonstatutory Stock Option Award and, if not sufficient, from the Grantee's wages or other cash compensation. The Grantee shall pay to the Company any amount of Tax-Related Items that the Company may be required to withhold as a result of the Grantee's receipt, vesting or exercise of this Nonstatutory Stock Option Award that cannot be satisfied by the means previously described.

5. Compensation Recoupment. Grantee's receipt of this award is expressly conditioned on Grantee's agreement to the terms and provisions of this Section, and Grantee acknowledges that Grantee would not have received this award in the absence of such agreement. By accepting this award, Grantee acknowledges and agrees that:

(a) the compensation (or any portion thereof) payable pursuant to this award and any other award granted to Grantee under the Plan (whether granted before, on or after the Date of Grant) shall be subject to recovery, revocation, recoupment or "clawback" by the Company or any of its Affiliates pursuant to (i) the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Act**"), (ii) any rules or regulations promulgated under the Act or by any stock exchange on which the Company's common stock is listed (collectively, the "**Rules**"), or (iii) any compensation recoupment or clawback policies or procedures adopted by CRC or any of its Affiliates, in each case with respect to clauses (i), (ii) and (iii) above as such provisions, rules, regulations, policies and procedures may be adopted and amended from time to time (including with retroactive effect); and

(b) any other compensation or benefit (or any portion thereof) payable to or on behalf of Grantee from the Company or any of its Affiliates (whether payable before, on or after the Date of Grant, but excluding any compensation or benefit payable pursuant to an award granted under the Plan) shall be subject to recovery, revocation, recoupment or clawback by the Company or any of its Affiliates pursuant to the Act, the Rules or any compensation recoupment or clawback policies or procedures adopted by CRC or any of its Affiliates in accordance with the requirements of the Act and the Rules, in each case as the Act, the Rules and such policies and procedures may be adopted and amended from time to time (including with retroactive effect).

In addition, Grantee hereby agrees (on behalf of Grantee and any other individual, entity or other person claiming under or through Grantee) that: (a) compensation payable pursuant to this award and any other compensation or benefit payable to or on behalf of Grantee (whether under the Plan or otherwise) shall be subject to recovery, revocation, recoupment or clawback as provided in the preceding provisions of this Section; and (b) Grantee (or any such individual, entity or other person) shall not seek indemnification or

contribution from the Company or any of its Affiliates with respect to any amount so recovered, revoked, recouped or clawed back.

6. Employment Relationship. For purposes of these Terms and Conditions, the Grantee shall be considered to be in the employment of the Company as long as the Grantee remains an employee of any of the Company, an Affiliate, or a corporation or other entity or a parent or subsidiary of such corporation or other entity assuming or substituting a new option for this Option. Without limiting the scope of the preceding sentence, it is expressly provided that the Grantee shall be considered to have terminated employment with the Company at the time of the termination of the "Affiliate" status under the Plan of the entity or other organization that employs the Grantee. Nothing in the adoption of the Plan, nor the award of this Option thereunder pursuant to these Terms and Conditions, shall affect in any way the right of the Grantee or the Company or any such Affiliate or other entity to terminate such employment at any time. Unless otherwise provided in a written employment agreement or by applicable law, the Grantee's employment by the Company or any such Affiliate or other entity shall be on an at-will basis, and the employment relationship may be terminated at any time by either the Grantee or the Company or any such Affiliate or other entity for any reason whatsoever, with or without cause or notice. Any question as to whether and when there has been a termination of the Grantee's employment with the Company or any such Affiliate or other entity, and the cause of such termination, shall be determined by the Committee, and its determination shall be final.

7. Acknowledgements Regarding Section 409A of the Code. The Grantee understands that if the purchase price of the Common Stock under this Option is less than the fair market value of such Common Stock on the date of grant of this Option, then the Grantee may incur adverse tax consequences under section 409A of the Code. The Grantee acknowledges and agrees that (a) he is not relying upon any determination by the Company, any Affiliate, or any of their respective employees, directors, managers, officers, attorneys or agents (collectively, the "**Company Parties**") of the fair market value of the Common Stock on the date of grant of this Option, (b) he is not relying upon any written or oral statement or representation of the Company Parties regarding the tax effects associated with the Grantee's acceptance of these Terms and Conditions and his receipt, holding and exercise of this Option, and (c) in deciding to accept these Terms and Conditions, the Grantee is relying on his own judgment and the judgment of the professionals of his choice with whom he has consulted. The Grantee hereby releases, acquits and forever discharges the Company Parties from all actions, causes of actions, suits, debts, obligations, liabilities, claims, damages, losses, costs and expenses of any nature whatsoever, known or unknown, on account of, arising out of, or in any way related to the tax effects associated with the Grantee's acceptance of these Terms and Conditions and his receipt, holding and exercise of this Option.

8. Notices. Any notices or other communications provided for in these Terms and Conditions shall be sufficient if in writing. In the case of the Grantee, such notices or communications shall be effectively delivered if hand delivered to the Grantee at the

Grantee's principal place of employment or if sent by certified mail, return receipt requested, to the Grantee at the last address the Grantee has filed with the Company. In the case of the Company, such notices or communications shall be effectively delivered if sent by certified mail, return receipt requested, to CRC at its principal executive offices.

9. Privacy Rights. By accepting this Award, the Grantee explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Grantee's Data (as defined below) by and among, as applicable, the Company and its affiliates for the exclusive purpose of implementing, administering and managing the Grantee's participation in the Plan. The Company holds or may receive from any agent designated by the Company certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of this Nonstatutory Stock Option Award or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding in the Grantee's favor, for the purpose of implementing, administering and managing the Plan, including complying with applicable tax and securities laws ("**Data**"). Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan. These recipients may be located in the Grantee's country or elsewhere, and may have different data privacy laws and protections than the Grantee's country. By accepting these Terms and Conditions, the Grantee authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes described above. The Grantee may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting the administrator in writing. Refusing or withdrawing consent may affect the Grantee's ability to participate in the Plan.

10. Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents related to this Nonstatutory Stock Option Award granted under the Plan or future awards that may be granted under the Plan (if any) by electronic means or to request the Grantee's consent to participate in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and, if requested, to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

11. Binding Effect. These Terms and Conditions shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under the Grantee.

12. Entire Agreement; Amendment. These Terms and Conditions constitute the entire agreement of the parties with regard to the subject matter hereof, and contains all the covenants, promises, representations, warranties and agreements between the parties with respect to this Option; provided, however, that the terms of these Terms and Conditions shall not modify and shall be subject to the terms and conditions of any

employment and/or severance agreement between the Company (or an Affiliate) and the Grantee in effect as of the date a determination is to be made under these Terms and Conditions. Without limiting the scope of the preceding sentence, except as provided therein, all prior understandings and agreements, if any, among the parties hereto relating to the subject matter hereof are hereby null and void and of no further force and effect. The Committee may, in its sole discretion, amend these Terms and Conditions from time to time in any manner that is not inconsistent with the Plan; provided, however, that except as otherwise provided in the Plan or these Terms and Conditions, no amendment will adversely affect the rights of the Grantee under these Terms and Conditions in any material respect without the Grantee's consent. Notwithstanding the foregoing, Attachment B may only be modified or revoked pursuant to the terms set forth in its Paragraph 14, and Attachment B shall survive the termination of Employee's employment relationship with the Company, the termination of the Plan and the termination of the Terms and Conditions.

13. Grantee's Agreement to General Terms of Employment. By accepting this Nonstatutory Stock Option Award, the Grantee agrees, to the extent not contrary to applicable law, to the General Terms of Employment set out on Attachment 1, which is incorporated in these Terms and Conditions by reference

14. Governing Law. The laws of the State of Delaware govern the interpretation, performance, and enforcement of these Terms and Conditions.

Attachment 1
GENERAL TERMS OF EMPLOYMENT

A. Except as otherwise required by law or legal process, the Grantee will not publish or divulge to any person, firm, corporation or institution and will not use to the detriment of CRC, or any of its subsidiaries or other affiliates, or any of their respective officers, directors, employees or stockholders (collectively, "**CRC Parties**"), at any time during or after the Grantee's employment by any of them, any trade secrets or confidential information of any of them (whether generated by them or as a result of any of their business relationships), including such information as described in CRC's ethics code and other corporate policies, without first obtaining the written permission of an officer of the Company.

B. At the time of leaving employment with the Company, the Grantee will deliver to the Company, and not keep or deliver to anyone else, any and all credit cards, drawings, blueprints, specifications, devices, notes, notebooks, memoranda, reports, studies, correspondence and other documents, and, in general, any and all materials relating to the CRC Parties (whether generated by them or as a result of their business relationships), including any copies (whether in paper or electronic form), that the Grantee has in the Grantee's possession or control.

C. The Grantee will, during the Grantee's employment by the Company, comply with the provisions of CRC's ethics code and other policies.

D. Except as otherwise required by the Grantee's job or permitted by law, the Grantee will not make statements about any CRC Parties (1) to the press, electronic media, to any part of the investment community, to the public, or to any person connected with, employed by or having a relationship with any of them without permission of an officer of the Company or (2) that are derogatory, defamatory or negative. Nothing herein, however, shall prevent Grantee from making a good faith report or complaint to appropriate governmental authorities. To the fullest extent permitted by law, Grantee will not interfere with or disrupt any of the Company's operations or otherwise take actions intended directly to harm any of the CRC Parties.

E. All inventions, developments, designs, improvements, discoveries and ideas that the Grantee makes or conceives in the course of employment by the Company, whether or not during regular working hours, relating to any design, article of manufacture, machine, apparatus, process, method, composition of matter, product or any improvement or component thereof, that are manufactured, sold, leased, used or under development by, or pertain to the present or possible future business of the Company shall be a work-for-hire and become and remain the property of CRC, its successors and assigns.

The provisions of this Section do not apply to an invention that qualifies fully under the provisions of Section 2870 of the California Labor Code, which provides in substance that provisions in an employment agreement providing that an employee shall assign or

offer to assign rights in an invention to his or her employer do not apply to an invention for which no equipment, supplies, facilities, or trade secret information of the employer was used and which was developed entirely on the employee's own time, except for those inventions that either (a) relate, at the time of conception or reduction to practice of the invention, (1) to the business of the employer or (2) to the employer's actual or demonstrably anticipated research or development, or (b) result from any work performed by the employee for the employer.

F. The Grantee has executed a Mutual Agreement to Arbitrate with the Company.

G. The foregoing General Terms of Employment are not intended to be an exclusive list of the employment terms and conditions that apply to the Grantee. The Company, in its sole discretion, may at any time amend or supplement the foregoing terms. The Grantee's breach of the foregoing General Terms of Employment will entitle the Company to take appropriate disciplinary action, including, without limitation, reduction of the Nonstatutory Stock Option Award granted pursuant to these Terms and Conditions and termination of employment.

**CALIFORNIA RESOURCES CORPORATION
LONG-TERM INCENTIVE PLAN**

**RESTRICTED STOCK UNIT AWARD
TERMS AND CONDITIONS**

Grantee: <<Grantee Name>>

Date of Grant: February 18, 2020

Restricted Stock Units: <<Units Granted>>

Vesting Date Schedule: One-third of the Restricted Stock Units on February 17, 2021; One-third of the Restricted Stock Units on February 17, 2022; One-third of the Restricted Stock Units on February 17, 2023 (each being a "**Vesting Date**")

The following Terms and Conditions (these "**Terms and Conditions**") are set forth as of the Date of Grant between CALIFORNIA RESOURCES CORPORATION, a Delaware corporation ("**CRC**" and, with its subsidiaries, the "**Company**"), and the eligible employee receiving this award (the "**Grantee**").

1. Grant of Restricted Stock Units. In accordance with these Terms and Conditions and the California Resources Corporation Long-Term Incentive Plan, as the same may be amended from time to time (the "**Plan**"), CRC grants to the Grantee as of the Date of Grant, the number of Restricted Stock Units ("**RS Units**") set forth above, subject to adjustment under the Plan and Section 6 of these Terms and Conditions. Subject to the provisions of Section 4, a RS Unit is a bookkeeping entry that represents the right to receive upon vesting, as set forth in Section 3, one share of CRC Common Stock, \$0.01 par value (the "**Common Stock**"). RS Units are not Common Stock and have no voting rights or, except as stated in Section 5, dividend rights. "**Plan Value**" means the last reported sale price of a share of Common Stock on the New York Stock Exchange Composite Transactions on the applicable scheduled Vesting Date, Forfeiture Event, or vesting date described in Section 3(c), as applicable.

2. Restrictions on Transfer. Neither these Terms and Conditions nor any right to receive Common Stock or cash pursuant to these Terms and Conditions may be transferred or assigned by the Grantee other than (i) to a beneficiary designated on a form approved by the Company (if enforceable under local law), by will or, if the Grantee dies without designating a beneficiary of a valid will, by the laws of descent and distribution, or (ii) pursuant to any applicable domestic relations order (if approved or ratified by the Committee).

3. Vesting and Forfeiture of Restricted Stock Unit Award.

(a) If the Grantee fails to accept this award prior to <<Accept by Date>>, then, notwithstanding any other provision of this award, the Grantee shall forfeit this award and all rights hereunder and this award will become null and void. For purposes of these Terms

and Conditions, acceptance of the award shall occur on the date the Grantee accepts this Restricted Stock Unit Award through Fidelity NetBenefits or any on-line system designated by the Company.

(b) The Grantee must remain in the continuous employ of the Company through the applicable Vesting Date to receive payment of this award in the number of RS Units shown for such Vesting Date. The continuous employment of the Grantee will not be deemed to have been interrupted by reason of the transfer of the Grantee's employment among the Company and its affiliates or an approved leave of absence. However, if, prior to any Vesting Date, the Grantee dies, becomes permanently disabled while in the employ of the Company and terminates employment as a result thereof, retires with the consent of the Company, or terminates employment without cause (as determined by the Company) for the convenience of the Company (each of the foregoing, a "**Forfeiture Event**"), then the number of unvested RS Units will be reduced on a pro rata basis to the number obtained by (i) multiplying the total number of RS Units granted by a fraction, the numerator of which is the number of days between the Date of Grant and the Forfeiture Event, and the denominator of which is the number of days between the Date of Grant and the final Vesting Date and (ii) subtracting from the product the number of RS Units, if any, that vested prior to the Forfeiture Event. Such pro rata unvested RS Units shall vest as of the date of the Forfeiture Event and, subject to Section 22 of these Terms and Conditions, become immediately payable, and all other RS Units shall be forfeited as of the date of the Forfeiture Event. If the Grantee terminates employment voluntarily or the Grantee's employment is terminated for cause (as determined by the Company) before the last scheduled Vesting Date, then the Grantee shall forfeit the RS Units that have not vested prior to the Grantee's termination date and the right to receive payment with respect thereto.

(c) If a Change in Control event occurs prior to the last scheduled Vesting Date and the Grantee's employment is terminated by the Company on or after the date of such event and as a result of such event, then all unvested RS Units shall immediately vest and become nonforfeitable as of the date of such termination of employment unless, prior to the occurrence of the Change in Control event, the Committee, as provided in Section 7.1 of the Plan, determines that such event will not accelerate vesting of any of these RS Units. Any such determination by the Committee is binding on the Grantee.

4. Payment of Awards. Payment for vested RS Units, as adjusted pursuant to Sections 3 and 6 of these Terms and Conditions, will be made 50% in the form of shares of Common Stock (equal in number to 50% of the number of RS Units, rounded up to the next whole unit, with respect to which payment is being made on the applicable date) and 50% in cash (equal to the product of 50% of the number of RS Units, rounded down to the previous whole unit, with respect to which payment is being made on the applicable date times the Plan Value on the applicable date, as herein defined). Payment of the cash and issuance of the shares will be made to the Grantee as promptly as practicable after the applicable scheduled Vesting Date, Forfeiture Event, or vesting date described in Section 3(c), as the case may be, and in any event no later than the 15th day of the third month following the end of the first taxable year in which the award is no longer subject to a substantial risk of forfeiture.

5. Crediting and Payment of Dividend Equivalents. With respect to the number of RS Units listed above, the Grantee will be credited on the books and records of CRC with an amount (the “**Dividend Equivalent**”) equal to the amount per share of any cash dividends declared by the Board on the outstanding Common Stock as and when declared during the period beginning on the Date of Grant and ending, with respect to any portion of the RS Units covered by these Terms and Conditions, on the date on which the Grantee’s right to receive such portion becomes nonforfeitable, or, if earlier, the date on which the Grantee forfeits the right to receive such portion. CRC will pay in cash to the Grantee an amount equal to the Dividend Equivalents credited to the Grantee as promptly as may be practicable after the Grantee has been credited with a Dividend Equivalent, and within 70 days of the relevant record date.

6. Adjustments. The number of RS Units covered by these Terms and Conditions may be adjusted as the Committee determines, pursuant to Section 7.2 of the Plan, in order to prevent dilution or expansion of the Grantee’s rights under these Terms and Conditions as a result of events such as stock dividends, stock splits, or other change in the capital structure of CRC, or any merger, consolidation, spin-off, liquidation or other corporate transaction or event having a similar effect. If any such adjustment occurs, the Company will give the Grantee written notice of the adjustment containing an explanation of the nature of the adjustment.

7. Compensation Recoupment. Grantee’s receipt of this award is expressly conditioned on Grantee’s agreement to the terms and provisions of this Section, and Grantee acknowledges that Grantee would not have received this award in the absence of such agreement. By accepting this award, Grantee acknowledges and agrees that:

(a) the compensation (or any portion thereof) payable pursuant to this award and any other award granted to Grantee under the Plan (whether granted before, on or after the Date of Grant) shall be subject to recovery, revocation, recoupment or “clawback” by the Company or any of its Affiliates pursuant to (i) the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “**Act**”), (ii) any rules or regulations promulgated under the Act or by any stock exchange on which the Company’s common stock is listed (collectively, the “**Rules**”), or (iii) any compensation recoupment or clawback policies or procedures adopted by CRC or any of its Affiliates, in each case with respect to clauses (i), (ii) and (iii) above as such provisions, rules, regulations, policies and procedures may be adopted and amended from time to time (including with retroactive effect); and

(b) any other compensation or benefit (or any portion thereof) payable to or on behalf of Grantee from the Company or any of its Affiliates (whether payable before, on or after the Date of Grant, but excluding any compensation or benefit payable pursuant to an award granted under the Plan) shall be subject to recovery, revocation, recoupment or clawback by the Company or any of its Affiliates pursuant to the Act, the Rules or any compensation recoupment or clawback policies or procedures adopted by CRC or any of its Affiliates in accordance with the requirements of the Act and the Rules, in each case as the Act, the Rules and such policies and procedures may be adopted and amended from time to time (including with retroactive effect).

In addition, Grantee hereby agrees (on behalf of Grantee and any other individual, entity or other person claiming under or through Grantee) that: (a) compensation payable pursuant to this award and any other compensation or benefit payable to or on behalf of Grantee (whether under the Plan or otherwise) shall be subject to recovery, revocation, recoupment or clawback as provided in the preceding provisions of this Section; and (b) Grantee (or any such individual, entity or other person) shall not seek indemnification or contribution from the Company or any of its Affiliates with respect to any amount so recovered, revoked, recouped or clawed back.

8. No Employment Contract. Nothing in these Terms and Conditions confers upon the Grantee any right with respect to continued employment by the Company, nor limits in any manner the right of the Company to terminate the employment or adjust the compensation of the Grantee. Unless otherwise agreed in a writing signed by the Grantee and an authorized representative of the Company, the Grantee's employment with the Company is at will and may be terminated at any time by the Grantee or the Company. For purposes of these Terms and Conditions, the Grantee shall be considered to be in the employment of the Company as long as the Grantee remains an employee of any of the Company, an Affiliate, or a corporation or other entity or a parent or subsidiary of such corporation or other entity assuming or substituting a new award for this award. Without limiting the scope of the preceding sentence, it is expressly provided that the Grantee shall be considered to have terminated employment with the Company at the time of the termination of the "Affiliate" status under the Plan of the entity or other organization that employs the Grantee.

9. Taxes and Withholding. Regardless of any action the Company takes with respect to any or all income tax (including U.S. federal, state and local tax and non-U.S. tax), social insurance, payroll tax, payment on account or other tax-related items related to the Grantee's participation in the Plan and legally applicable to the Grantee ("**Tax-Related Items**"), the Grantee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and may exceed the amount actually withheld by the Company. The Grantee further acknowledges that the Company (i) makes no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of this Restricted Stock Unit Award, including the grant or vesting of the Restricted Stock Unit Award and the receipt of Dividend Equivalents; and (ii) does not commit to and is under no obligation to structure the terms of the grant or any aspect of the Restricted Stock Unit Award to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result. Further, if the Grantee has become subject to tax in more than one jurisdiction between the Date of Grant and the date of any relevant taxable event, the Grantee acknowledges that the Company may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to the relevant taxable event, the Grantee shall pay or make adequate arrangements satisfactory to the Company to satisfy all Tax-Related Items. In this regard, the Grantee authorizes the Company to withhold all applicable Tax-Related Items legally payable by the Grantee first from the cash payable pursuant to this Restricted Stock Unit Award (including Dividend Equivalents) and, if not sufficient, second from the Common Stock payable pursuant to this Restricted Stock Unit Award and, if not sufficient, from Grantee's wages or other cash compensation. The Grantee shall pay to the Company any amount of Tax-Related Items that the Company may be required to

withhold as a result of the Grantee's receipt of this Restricted Stock Unit Award that cannot be satisfied by the means previously described.

10. Compliance With Law. The Company will make reasonable efforts to comply with all federal, state and non-U.S. laws applicable to awards of this type. However, if it is not feasible for the Company to comply with these laws with respect to the grant or settlement of these awards, then the awards may be cancelled without any compensation or additional benefits provided to the Grantee as a result of the cancellation.

11. Relation to Other Benefits. The benefits received by the Grantee under these Terms and Conditions will not be taken into account in determining any benefits to which the Grantee may be entitled under any profit sharing, retirement or other benefit or compensation plan maintained by the Company, including the amount of any life insurance coverage available to any beneficiary of the Grantee under any life insurance plan covering employees of the Company. Additionally, this Restricted Stock Unit Award is not part of normal or expected compensation or salary for any purposes, including, but not limited to calculation of any severance, resignation, termination, redundancy, end of service payments, bonuses or long-service awards. The grant of this Restricted Stock Unit Award does not create any contractual or other right to receive future grants of Restricted Stock Unit Awards or benefits in lieu of Restricted Stock Unit Awards, even if the Grantee has a history of receiving Restricted Stock Unit Awards or other cash or stock awards.

12. Amendments. The Plan may be modified, amended, suspended or terminated by the Board at any time, as provided in the Plan. Any amendment to the Plan will be deemed to be an amendment to these Terms and Conditions to the extent it is applicable to these Terms and Conditions; however, except to the extent necessary to comply with applicable law, no amendment will adversely affect the rights of the Grantee under these Terms and Conditions in any material respect without the Grantee's consent.

13. Severability. If one or more of the provisions of these Terms and Conditions is invalidated for any reason by any tribunal, the invalidated provisions shall be deemed to be separable from the other provisions of these Terms and Conditions, and the remaining provisions of these Terms and Conditions will continue to be valid and fully enforceable.

14. Entire Agreement; Relation to Plan; Interpretation. Except as specifically provided in this Section, these Terms and Conditions and the Attachments incorporated in these Terms and Conditions constitute the entire agreement between the Company and the Grantee with respect to this Restricted Stock Unit Award. These Terms and Conditions are subject to the terms and conditions of the Plan. In the event of any inconsistent provisions between these Terms and Conditions and the Plan, the provisions of the Plan control. Capitalized terms used in these Terms and Conditions without definitions have the meanings assigned to them in the Plan. References to Sections and Attachments are to Sections of, and Attachments incorporated in, these Terms and Conditions unless otherwise noted.

15. Successors and Assigns. Subject to Sections 2 and 3, the provisions of these Terms and Conditions shall be for the benefit of, and be binding upon, the successors, administrators,

heirs, legal representatives and assigns of the Grantee, and the successors and assigns of the Company.

16. Governing Law. The laws of the State of Delaware govern the interpretation, performance, and enforcement of these Terms and Conditions.

17. Privacy Rights. By accepting this Restricted Stock Unit Award, the Grantee explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Grantee's Data (as defined below) by and among, as applicable, the Company and its affiliates for the exclusive purpose of implementing, administering and managing the Grantee's participation in the Plan. The Grantee understands that the Company holds, or may receive from any agent designated by the Company, certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of this Restricted Stock Unit Award or any other entitlement to cash or shares of stock awarded, canceled, exercised, vested, unvested or outstanding in the Grantee's favor, for the purpose of implementing, administering and managing the Plan, including complying with applicable tax and securities laws ("**Data**"). Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan. These recipients may be located in the Grantee's country or elsewhere, and may have different data privacy laws and protections than the Grantee's country. By accepting these Terms and Conditions, the Grantee authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes described above. The Grantee may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting the Committee in writing. Refusing or withdrawing consent may affect the Grantee's ability to participate in the Plan.

18. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to this Restricted Stock Unit Award granted under the Plan or future awards that may be granted under the Plan (if any) by electronic means or to request the Grantee's consent to participate in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and, if requested, to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

19. Grantee's Representations and Releases. By accepting this Restricted Stock Unit Award, the Grantee acknowledges that the Grantee has read these Terms and Conditions and understands that (i) the grant of this Restricted Stock Unit Award is made voluntarily by CRC in its discretion with no liability on the part of any of its direct or indirect subsidiaries and that, if the Grantee is not an employee of CRC, the Grantee is not, and will not be considered, an employee of CRC but the Grantee is a third party (employee of a subsidiary) to whom this Restricted Stock Unit Award is granted; (ii) all decisions with respect to future awards, if any, will be at the sole discretion of CRC; (iii) the Grantee's participation in the Plan is voluntary; (iv) this Restricted Stock Unit Award is an extraordinary item that does not constitute a regular and recurring item of base

compensation; (v) the future amount of any payment pursuant to this Restricted Stock Unit Award cannot be predicted and CRC does not assume liability in the event this Restricted Stock Unit Award has no value in the future; (vi) subject to the terms of any tax equalization agreement between the Grantee and the entity employing the Grantee, the Grantee will be solely responsible for the payment or nonpayment of taxes imposed or threatened to be imposed by any authority of any jurisdiction; and (vii) CRC is not providing any tax, legal or financial advice with respect to this Restricted Stock Unit Award or the Grantee's participation in the Plan.

In consideration of the grant of this Restricted Stock Unit Award, no claim or entitlement to compensation or damages shall arise from termination of this Restricted Stock Unit Award or diminution in value of this Restricted Stock Unit Award resulting from termination of the Grantee's employment by the Company (for any reason whatsoever) and, to the extent permitted by law, the Grantee irrevocably releases the Company from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a tribunal to have arisen, then, by accepting this Restricted Stock Unit Award, the Grantee shall be deemed irrevocably to have waived his or her entitlement to pursue such claim.

20. Grantee's Agreement to General Terms of Employment. By accepting this Restricted Stock Unit Award, the Grantee agrees, to the extent not contrary to applicable law, to the General Terms of Employment set out on Attachment 1, which is incorporated in these Terms and Conditions by reference.

21. Imposition of Other Requirements. CRC reserves the right to impose other requirements on the Grantee's participation in the Plan and on this Restricted Stock Unit Award, to the extent CRC determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

22. Compliance With Section 409A of the Code. All amounts payable under these Terms and Conditions are intended to comply with the "**short term deferral**" exception from Section 409A of the U.S. Internal Revenue Code ("**Section 409A**") specified in Treas. Reg. § 1.409A-1(b)(4) (or any successor provision) and shall be paid within the period necessary to qualify for such exception. Notwithstanding the foregoing, to the extent that it is determined that the Plan or this award is subject to Section 409A, these Terms and Conditions shall be interpreted and administered in such a way as to comply with the applicable provisions of Section 409A to the maximum extent possible. In addition, if this award is subject to Section 409A, then (i) if the Grantee must be treated as a "specified employee" within the meaning of Section 409A, any payment made on account of the Grantee's separation from service (as defined for purposes of Section 409A) (other than by reason of death) will be made at the time specified above in these Terms and Conditions or, if later, on the date that is six (6) months and one (1) day following the date of the Grantee's separation from service; (ii) any payment on a Change in Control event will be made only if the Change in Control also qualifies as a change of control event within the meaning of Section 409A; and (iii) any determination by the Committee not to accelerate the award on a Change in Control shall be made only to the extent such determination is consistent with Section 409A. To the extent that the Committee determines that the Plan or this award is subject to Section 409A

and fails to comply with the requirements of Section 409A, the Committee reserves the right (without any obligation to do so) to amend or terminate the Plan and/or amend, restructure, terminate or replace this award in order to cause this award either to not be subject to Section 409A or to comply with the applicable provisions of such section.

Attachment 1
GENERAL TERMS OF EMPLOYMENT

A. Except as otherwise required by law or legal process, the Grantee will not publish or divulge to any person, firm, corporation or institution and will not use to the detriment of CRC, or any of its subsidiaries or other affiliates, or any of their respective officers, directors, employees or stockholders (collectively, "**CRC Parties**"), at any time during or after the Grantee's employment by any of them, any trade secrets or confidential information of any of them (whether generated by them or as a result of any of their business relationships), including such information as described in CRC's ethics code and other corporate policies, without first obtaining the written permission of an officer of the Company.

B. At the time of leaving employment with the Company, the Grantee will deliver to the Company, and not keep or deliver to anyone else, any and all credit cards, drawings, blueprints, specifications, devices, notes, notebooks, memoranda, reports, studies, correspondence and other documents, and, in general, any and all materials relating to the CRC Parties (whether generated by them or as a result of their business relationships), including any copies (whether in paper or electronic form), that the Grantee has in the Grantee's possession or control.

C. The Grantee will, during the Grantee's employment by the Company, comply with the provisions of CRC's ethics code and other corporate policies.

D. Except as otherwise required by the Grantee's job or permitted by law, the Grantee will not make statements about any CRC Parties (1) to the press, electronic media, to any part of the investment community, to the public, or to any person connected with, employed by or having a relationship with any of them without permission of an officer of the Company or (2) that are derogatory, defamatory or negative. Nothing herein, however, shall prevent Grantee from making a good faith report or complaint to appropriate governmental authorities. To the fullest extent permitted by law, Grantee will not interfere with or disrupt any of the Company's operations or otherwise take actions intended directly to harm any of the CRC Parties.

E. All inventions, developments, designs, improvements, discoveries and ideas that the Grantee makes or conceives in the course of employment by the Company, whether or not during regular working hours, relating to any design, article of manufacture, machine, apparatus, process, method, composition of matter, product or any improvement or component thereof, that are manufactured, sold, leased, used or under development by, or pertain to the present or possible future business of the Company shall be a work-for-hire and become and remain the property of CRC, its successors and assigns.

The provisions of this Section do not apply to an invention that qualifies fully under the provisions of Section 2870 of the California Labor Code, which provides in substance that provisions in an employment agreement providing that an employee shall assign or offer to assign rights in an invention to his or her employer do not apply to an invention for which no equipment, supplies, facilities, or trade secret information of the employer was used and which was developed entirely on the employee's own time, except for those inventions that either (a) relate, at the time of

conception or reduction to practice of the invention, (1) to the business of the employer or (2) to the employer's actual or demonstrably anticipated research or development, or (b) result from any work performed by the employee for the employer.

F. The Grantee has executed a Mutual Agreement to Arbitrate with the Company.

G. The foregoing General Terms of Employment are not intended to be an exclusive list of the employment terms and conditions that apply to the Grantee. The Company, in its sole discretion, may at any time amend or supplement the foregoing terms. The Grantee's breach of the foregoing General Terms of Employment will entitle the Company to take appropriate disciplinary action, including, without limitation, reduction of the Restricted Stock Unit Award granted pursuant to these Terms and Conditions and termination of employment.

CALIFORNIA RESOURCES CORPORATION

LONG-TERM INCENTIVE PLAN

PERFORMANCE STOCK UNIT AWARD
TERMS AND CONDITIONS

Grantee: <<Grantee Name>>
Date of Grant: February 18, 2020
Performance Stock Units: <<Units Granted>>
Vesting Date: February 17, 2023
Performance Period: January 1, 2020 through December 31, 2022

The following Terms and Conditions (these “**Terms and Conditions**”) are set forth as of the Date of Grant between CALIFORNIA RESOURCES CORPORATION, a Delaware corporation (“**CRC**” and, with its subsidiaries, the “**Company**”), and the eligible employee receiving this award (the “**Grantee**”).

1. Grant of Performance Stock Units. In accordance with these Terms and Conditions and the California Resources Corporation Long-Term Incentive Plan, as the same may be amended from time to time (the “**Plan**”), CRC grants, subject to Section 8, to the Grantee as of the Date of Grant, up to 200% of the number of Performance Stock Units (“**PS Units**”) set forth above, subject to adjustment under the Plan and Section 7 of these Terms and Conditions. Subject to the provisions of Section 5, a PS Unit is a bookkeeping entry that represents the right to receive upon achievement of the Performance Goal, as set forth in Section 4, one share of CRC Common Stock, \$0.01 par value (the “**Common Stock**”). PS Units are not Common Stock and have no voting rights or, except as stated in Section 6, dividend rights.

2. Restrictions on Transfer. Neither these Terms and Conditions nor any right to receive Common Stock or cash pursuant to these Terms and Conditions may be transferred or assigned by the Grantee other than (i) to a beneficiary designated on a form approved by the Company (if enforceable under local law), by will or, if the Grantee dies without designating a beneficiary of a valid will, by the laws of descent and distribution, or (ii) pursuant to any applicable domestic relations order (if approved or ratified by the Committee).

3. Performance Goal. The **Performance Goal** is based 50% on Total Shareholder Return (defined as Total Stockholder Return in the Plan) of the Peer Companies listed below, as set forth on Attachment 2 and 50% on Cumulative Value Creation Index, as set forth in Attachment 2. The **Performance Payout Factor** shall be the sum of (a) 50% times the TSR Performance Factor, determined as set forth on Attachment 2, and (b) 50% times the VCI Performance Factor, determined as set forth in Attachment 2. Total Shareholder Return shall be calculated for each Peer Company, assuming reinvestment of all dividends, using the average of its last reported sale price per share of common stock on the New York Stock Exchange - Composite Transactions for the trading days during the 30 calendar day period immediately preceding and excluding the first day of the Performance Period and the average of its last reported sale price per share of common stock on the New York Stock Exchange - Composite Transactions for the trading days during the 30 calendar day period ending with and including the last day of the applicable Performance Period. In addition to CRC, the Peer Companies are: Cabot Oil and Gas Corporation, Callon Petroleum Company, Cimarex Energy Co., Denbury Resources, Inc., Diamondback Energy, Inc., Gulfport Energy Corporation, Laredo Petroleum, Inc., Matador Resources Company, Murphy Oil Corporation, Oasis Petroleum Inc., Parsley Energy, Inc., PDC Energy, Inc., QEP Resources, Inc., Range Resources Corporation, SM Energy Company, Southwestern Energy Company, Whiting Petroleum Corporation, and WPX Energy Inc. (collectively, the "Peer Companies" and individually, a "Peer Company"); provided however, if at any time during the Performance Period, a Peer Company is acquired, then such company will be removed and treated as if it had never been a Peer Company and the achievement of the Performance Goal will be determined with respect to the remaining Peer Companies as set forth on Attachment 2.

4. Vesting and Forfeiture of Performance Stock Unit Award.

(a) If the Grantee fails to accept this award prior to <<Accept by Date>>, then, notwithstanding any other provision of this award, the Grantee shall forfeit this award and all rights under this award and this award will become null and void. For purposes of these Terms and Conditions, acceptance of the award shall occur on the date the Grantee accepts this Performance Stock Unit Award through Fidelity NetBenefits or any replacement on-line system designated by the Company.

(b) The Grantee must remain in the continuous employment of the Company through the Vesting Date to receive payment under this award. The continuous employment of the Grantee will not be deemed to have been interrupted by reason of the transfer of the Grantee's employment among the Company and its affiliates or an approved leave of absence. However, if the Grantee dies or becomes permanently disabled while in the employ of the Company and terminates employment as a result thereof, retires with the consent of the Company, or terminates employment without cause (as determined by the Company in its sole discretion) for the convenience of the Company (each of the foregoing, a **"Forfeiture Event"**), then the number of unvested PS Units will be reduced on a pro rata basis to the number obtained by multiplying the total number of PS Units granted by a fraction, the numerator of which is the number of days between and including the Date of Grant and the Forfeiture Event, and the denominator of which is the number of days between and including the Date of Grant and the Vesting Date. If the Forfeiture Event is death or permanent disability, such pro rata unvested PS Units shall vest as of the date (the **"Unscheduled Vesting Date"**) of the Forfeiture Event and, subject to Section 24 of these Terms and Conditions, become immediately payable, and all other PS Units shall be forfeited as of the date of the Forfeiture Event. If the Grantee terminates employment voluntarily or the Grantee's employment is terminated for cause (as determined by the Company in its sole discretion), then the Grantee shall forfeit this award and all remaining rights hereunder and this award will become null and void.

(c) Subject to satisfaction of these Terms and Conditions including Section 4(d), the Grantee shall have the right to receive payment of this award in an amount equal to the product of the PS Units multiplied by the Performance Payout Factor, rounded up to the nearest whole unit, which right shall be based on, and become nonforfeitable upon, the Committee's certification of the attainment of the Performance Goal.

(d) If a Change in Control occurs prior to the Vesting Date and the Grantee's employment is terminated by the Company (or its successor) on or after the date of such event and as a result of such event (a **"CIC Event"**), then the Grantee shall have the right to receive payment of this award in an amount equal to the product of the PS Units multiplied by the Performance Payout Factor (calculated using 100% for the VCI Performance Factor and actual performance through the termination date for the TSR Performance Factor), rounded up to the nearest whole unit, unless, prior to the occurrence of the CIC Event, the Committee, as provided in Section 7.1 of the Plan, decides in its sole discretion that such event will not accelerate vesting of any of these PS Units. Any such decision by the Committee is binding on the Grantee. Any such vesting of PS Units due to a CIC Event shall be in lieu of payment of this award under Section 4(c).

5. Payment of Awards. Payment for vested PS Units that become payable pursuant to Section 4 up to 100% of the number of PS Units set forth above, as adjusted pursuant to Section 7 of these Terms and Conditions, will be made 50% in the form of shares of Common Stock (equal in number to the number of PS Units with respect to which payment is being made in shares on the applicable date) and 50% in cash (equal to the product of the number of PS Units with respect to which payment is being made in cash times the Plan Value). Payment for vested PS Units that

become payable pursuant to Section 4 in excess of 100% of the number of PS Units set forth above, as adjusted pursuant to Section 7 of these Terms and Conditions, will be made solely in cash (equal to the product of the number of such PS Units times the Plan Value). Payment will be made to the Grantee as promptly as practicable after the Committee's certification of attainment of the Performance Goal, CIC Event, or Unscheduled Vesting Date, as the case may be, and in any event no later than the 15th day of the third month following the end of the first taxable year in which the award is no longer subject to a substantial risk of forfeiture. As used herein, "**Plan Value**" means the last reported sale price of a share of Common Stock on the New York Stock Exchange Composite Transactions on the date of the Committee's certification of attainment of the Performance Goal, CIC Event, or Unscheduled Vesting Date, as applicable.

6. Crediting and Payment of Dividend Equivalents. With respect to each PS Unit listed above, the Grantee will be credited on the books and records of CRC with an amount (the "**Dividend Equivalent**") per PS Unit equal to the amount per share of any cash dividends declared by the Board on the outstanding Common Stock as and when declared during the period beginning on the Date of Grant and ending, with respect to such PS Unit, on the date on which the Grantee's right to receive such portion becomes nonforfeitable. CRC will pay in cash to the Grantee an amount equal to the Dividend Equivalents credited to the Grantee, adjusted, if applicable, to reflect the same payment percentage that is used to determine the payout of the PS Units following certification of the attainment of the Performance Goal, the CIC Event, or Unscheduled Vesting Date, as the case may be, as promptly as may be practicable following such certification, CIC Event, or Unscheduled Vesting Date but, in any event, no later than the 15th day of the third month following the end of the first taxable year in which the award is no longer subject to substantial risk of forfeiture.

7. Adjustments. The number of PS Units covered by these Terms and Conditions may be adjusted as the Committee determines, pursuant to Section 7.2 of the Plan, in order to prevent dilution or expansion of the Grantee's rights under these Terms and Conditions as a result of events such as stock dividends, stock splits, or other change in the capital structure of CRC, or any merger, consolidation, spin-off, liquidation or other corporate transaction or event having a similar effect. If any such adjustment occurs, the Company will give the Grantee written notice of the adjustment containing an explanation of the nature of the adjustment. In addition, the Committee may adjust the Performance Goal or other features of this award as permitted by Section 5.2.1 of the Plan.

8. Compensation Recoupment. The Grantee's receipt of this award is expressly conditioned on the Grantee's agreement to the terms and provisions of this Section, and the Grantee acknowledges that the Grantee would not have received this award in the absence of such agreement. By accepting this award, the Grantee acknowledges and agrees that:

(a) the compensation (or any portion thereof) payable pursuant to this award and any other award granted to the Grantee under the Plan (whether granted before, on or after the Date of Grant) shall be subject to recovery, revocation, recoupment or "clawback" by the Company or any of its Affiliates pursuant to (i) the provisions of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Act**"), (ii) any rules or regulations promulgated under the Act or by any stock exchange on which the Common

Stock is listed (collectively, the “**Rules**”), or (iii) any compensation recoupment or clawback policies or procedures adopted by the Company or any of its Affiliates, in each case with respect to clauses (i), (ii) and (iii) above as such provisions, rules, regulations, policies and procedures may be adopted and amended from time to time (including with retroactive effect); and

(b) any other compensation or benefit (or any portion thereof) payable to or on behalf of the Grantee from the Company or any of its Affiliates (whether payable before, on or after the Date of Grant, but excluding any compensation or benefit payable pursuant to an award granted under the Plan) shall be subject to recovery, revocation, recoupment or clawback by the Company or any of its Affiliates pursuant to the Act, the Rules or any compensation recoupment or clawback policies or procedures adopted by the Company or any of its Affiliates in accordance with the requirements of the Act and the Rules, in each case as the Act, the Rules and such policies and procedures may be adopted and amended from time to time (including with retroactive effect).

In addition, the Grantee hereby agrees (on behalf of the Grantee and any other individual, entity or other person claiming under or through the Grantee) that: (a) compensation payable pursuant to this award and any other compensation or benefit payable to or on behalf of the Grantee (whether under the Plan or otherwise) shall be subject to recovery, revocation, recoupment or clawback as provided in the preceding provisions of this Section; and (b) the Grantee (or any such individual, entity or other person) shall not seek indemnification or contribution from the Company or any of its Affiliates with respect to any amount so recovered, revoked, recouped or clawed back.

9. No Employment Contract. Nothing in these Terms and Conditions confers upon the Grantee any right with respect to continued employment by the Company, nor limits in any manner the right of the Company to terminate the employment or adjust the compensation of the Grantee. Unless otherwise agreed in a writing signed by the Grantee and an authorized representative of the Company, the Grantee's employment with the Company is at will and may be terminated at any time by the Grantee or the Company. For purposes of these Terms and Conditions, the Grantee shall be considered to be in the employment of the Company as long as the Grantee remains an employee of any of the Company, an Affiliate, or a corporation or other entity or a parent or subsidiary of such corporation or other entity assuming, or that provides a new award in substitution for, this award. Without limiting the scope of the preceding sentence, it is expressly provided that the Grantee shall be considered to have terminated employment with the Company at the time of the termination of the “Affiliate” status under the Plan of the entity or other organization that employs the Grantee.

10. Taxes and Withholding. Regardless of any action the Company takes with respect to any or all income tax (including U.S. federal, state and local tax and non-U.S. tax), social insurance, payroll tax, payment on account or other tax-related items related to the Grantee's participation in the Plan and legally applicable to the Grantee (“**Tax-Related Items**”), the Grantee acknowledges that the ultimate liability for all Tax-Related Items is and remains the Grantee's responsibility and may exceed the amount actually withheld by the Company. The Grantee further acknowledges

that the Company (i) makes no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of this Performance Stock Unit Award, including the grant or vesting of the Performance Stock Unit Award and the receipt of Dividend Equivalents; and (ii) does not commit to and is under no obligation to structure the terms of the grant or any aspect of the Performance Stock Unit Award to reduce or eliminate the Grantee's liability for Tax-Related Items or achieve any particular tax result. Further, if the Grantee has become subject to tax in more than one jurisdiction between the Date of Grant and the date of any relevant taxable event, the Grantee acknowledges that the Company may be required to withhold or account for Tax-Related Items in more than one jurisdiction.

Prior to the relevant taxable event, the Grantee shall pay or make adequate arrangements satisfactory to the Company to satisfy all Tax-Related Items. In this regard, the Grantee authorizes the Company to withhold all applicable Tax-Related Items legally payable by the Grantee first from the cash payable pursuant to this Performance Stock Unit Award (including Dividend Equivalents) and, if not sufficient, second from the Common Stock payable pursuant to this Performance Stock Unit Award and, if not sufficient, from Grantee's wages or other cash compensation. The Grantee shall pay to the Company any amount of Tax-Related Items that the Company may be required to withhold as a result of the Grantee's receipt of this Performance Stock Unit Award that cannot be satisfied by the means previously described.

11. Compliance with Law. The Company will make reasonable efforts to comply with all federal, state and non-U.S. laws applicable to awards of this type. However, if it is not feasible for the Company to comply with these laws with respect to the grant or settlement of these awards, then the awards may be cancelled without any compensation or additional benefits provided to the Grantee as a result of the cancellation.

12. Relation to Other Benefits. The benefits received by the Grantee under these Terms and Conditions will not be taken into account in determining any benefits to which the Grantee may be entitled under any profit sharing, retirement or other benefit or compensation plan maintained by the Company, including the amount of any life insurance coverage available to any beneficiary of the Grantee under any life insurance plan covering employees of the Company. Additionally, this Performance Stock Unit Award is not part of normal or expected compensation or salary for any purposes, including, but not limited to calculation of any severance, resignation, termination, redundancy, end of service payments, bonuses or long-service awards. The grant of this Performance Stock Unit Award does not create any contractual or other right to receive future grants of Performance Stock Unit Awards or benefits in lieu of Performance Stock Unit Awards, even if the Grantee has a history of receiving Performance Stock Unit Awards or other cash or stock awards.

13. Amendments. The Plan may be modified, amended, suspended or terminated by the Board at any time, as provided in the Plan. Any amendment to the Plan will be deemed to be an amendment to these Terms and Conditions to the extent it is applicable to these Terms and Conditions; however, except to the extent necessary to comply with applicable law, no amendment will adversely affect the rights of the Grantee under these Terms and Conditions in any material respect without the Grantee's consent.

14. Severability. If one or more of the provisions of these Terms and Conditions is invalidated for any reason by a court of competent jurisdiction, the invalidated provisions shall be deemed to be separable from the other provisions of these Terms and Conditions, and the remaining provisions of these Terms and Conditions will continue to be valid and fully enforceable.

15. Entire Agreement; Relation to Plan; Interpretation. Except as specifically provided in this Section, these Terms and Conditions and the Attachments incorporated in these Terms and Conditions constitute the entire agreement between the Company and the Grantee with respect to this Performance Stock Unit Award; provided, however, that the terms of these Terms and Conditions shall not modify and shall be subject to the terms and conditions of any employment and/or severance agreement between the Company (or an Affiliate) and the Grantee in effect as of the date a determination is to be made under these Terms and Conditions. Without limiting the scope of the preceding sentence, except as provided therein, all prior understandings and agreements, if any, among the parties hereto relating to the subject matter hereof are hereby null and void and of no further force and effect. These Terms and Conditions are subject to the terms and conditions of the Plan. In the event of any inconsistent provisions between these Terms and Conditions and the Plan, the provisions of the Plan control. Capitalized terms used in these Terms and Conditions without definitions have the meanings assigned to them in the Plan. References to Sections and Attachments are to Sections of, and Attachments incorporated in, these Terms and Conditions unless otherwise noted.

16. Successors and Assigns. Subject to Sections 2 and 4, the provisions of these Terms and Conditions shall be for the benefit of, and be binding upon, the successors, administrators, heirs, legal representatives and assigns of the Grantee, and the successors and assigns of the Company.

17. Governing Law. The laws of the State of Delaware govern the interpretation, performance, and enforcement of these Terms and Conditions.

18. Notices. Any notices or other communications provided for in these Terms and Conditions shall be sufficient if in writing. In the case of the Grantee, such notices or communications shall be effectively delivered if hand delivered to the Grantee at the Grantee's principal place of employment or if sent by certified mail, return receipt requested, to the Grantee at the last address the Grantee has filed with the Company. In the case of the Company, such notices or communications shall be effectively delivered if sent by certified mail, return receipt requested, to CRC at its principal executive offices.

19. Privacy Rights. By accepting this Performance Stock Unit Award, the Grantee explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of the Grantee's Data (as defined below) by and among, as applicable, the Company and its affiliates for the exclusive purpose of implementing, administering and managing the Grantee's participation in the Plan. The Grantee understands that the Company holds, or may receive from any agent designated by the Company, certain personal information about the Grantee, including, but not limited to, the Grantee's name, home address and telephone number, date of birth, social insurance number or other identification number, salary, nationality, job title, any shares of stock or directorships held in the Company, details of this Performance Stock Unit Award or any other

entitlement to cash or shares of stock awarded, canceled, exercised, vested, unvested or outstanding in the Grantee's favor, for the purpose of implementing, administering and managing the Plan, including complying with applicable tax and securities laws ("**Data**"). Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan. These recipients may be located in the Grantee's country of residence or elsewhere, and may have different data privacy laws and protections than the Grantee's country of residence. By accepting these Terms and Conditions, the Grantee authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes described above. The Grantee may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting the Committee in writing. Refusing or withdrawing consent may affect the Grantee's ability to participate in the Plan.

20. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to this Performance Stock Unit Award granted under the Plan or future awards that may be granted under the Plan (if any) by electronic means or to request the Grantee's consent to participate in the Plan by electronic means. The Grantee hereby consents to receive such documents by electronic delivery and, if requested, to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.

21. Grantee's Representations and Releases. By accepting this Performance Stock Unit Award, the Grantee acknowledges that the Grantee has read these Terms and Conditions and understands that (i) the grant of this Performance Stock Unit Award is made voluntarily by CRC in its discretion with no liability on the part of any of its direct or indirect subsidiaries and that, if the Grantee is not an employee of CRC, the Grantee is not, and will not be considered, an employee of CRC, but that the Grantee is a third party (i.e. an employee of a subsidiary) to whom this Performance Stock Unit Award is granted; (ii) all decisions with respect to future awards, if any, will be at the sole discretion of CRC; (iii) the Grantee's participation in the Plan is voluntary; (iv) this Performance Stock Unit Award is an extraordinary item that does not constitute a regular and recurring item of base compensation; (v) the future amount of any payment pursuant to this Performance Stock Unit Award cannot be predicted and CRC does not assume liability in the event this Performance Stock Unit Award has no value; (vi) subject to the terms of any tax equalization agreement between the Grantee and the entity employing the Grantee, the Grantee will be solely responsible for the payment or nonpayment of taxes imposed or threatened to be imposed by any authority of any jurisdiction; and (vii) CRC is not providing any tax, legal or financial advice with respect to this Performance Stock Unit Award or the Grantee's participation in the Plan.

In consideration of the grant of this Performance Stock Unit Award, no claim or entitlement to compensation or damages shall arise from termination of this Performance Stock Unit Award or diminution in value of this Performance Stock Unit Award resulting from termination of the Grantee's employment by the Company (for any reason whatsoever) and, to the extent permitted by law, the Grantee irrevocably releases the Company from any such claim that may arise; if, notwithstanding the foregoing, any such claim is found by a court of competent jurisdiction to

have arisen, then, by accepting this Performance Stock Unit Award, the Grantee shall be deemed irrevocably to have waived his or her entitlement to pursue such claim.

22. Grantee's Agreement to General Terms of Employment. By accepting this Performance Stock Unit Award, the Grantee agrees, to the extent not contrary to applicable law, to the General Terms of Employment set out on Attachment 1, which is incorporated in these Terms and Conditions by reference.

23. Imposition of Other Requirements. CRC reserves the right to impose other requirements on the Grantee's participation in the Plan and on this Performance Stock Unit Award, to the extent CRC determines it is necessary or advisable in order to comply with local law or facilitate the administration of the Plan, and to require the Grantee to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

24. Compliance with Section 409A of the Code. All amounts payable under these Terms and Conditions are intended to comply with the "**short term deferral**" exception from Section 409A of the U.S. Internal Revenue Code ("**Section 409A**") specified in Treas. Reg. § 1.409A-1(b)(4) (or any successor provision) and shall be paid within the period necessary to qualify for such exception. Notwithstanding the foregoing, to the extent that it is determined that the Plan or this award is subject to Section 409A, these Terms and Conditions shall be interpreted and administered in such a way as to comply with the applicable provisions of Section 409A to the maximum extent possible. In addition, if this award is subject to Section 409A, then (i) if the Grantee must be treated as a "specified employee" within the meaning of Section 409A, any payment made on account of the Grantee's separation from service (as defined for purposes of Section 409A) (other than by reason of death) will be made at the time specified above in these Terms and Conditions or, if later, on the date that is six (6) months and one (1) day following the date of the Grantee's separation from service; (ii) any payment on a Change in Control event will be made only if the Change in Control also qualifies as a change of control event within the meaning of Section 409A; and (iii) any determination by the Committee not to accelerate the award on a Change in Control shall be made only to the extent such determination is consistent with Section 409A. To the extent that the Committee determines that the Plan or this award is subject to Section 409A and fails to comply with the requirements of Section 409A, the Committee reserves the right (without any obligation to do so) to amend or terminate the Plan and/or amend, restructure, terminate or replace this award in order to cause this award either to not be subject to Section 409A or to comply with the applicable provisions of such section.

Attachment 1
GENERAL TERMS OF EMPLOYMENT

A. Except as otherwise required by law or legal process, the Grantee will not publish or divulge to any person, firm, corporation or institution and will not use to the detriment of CRC, or any of its subsidiaries or other affiliates, or any of their respective officers, directors, employees or stockholders (collectively, "**CRC Parties**"), at any time during or after the Grantee's employment by any of them, any trade secrets or confidential information of any of them (whether generated by them or as a result of any of their business relationships), including such information as described in CRC's ethics code and other corporate policies, without first obtaining the written permission of an officer of the Company..

B. At the time of terminating employment with the Company, the Grantee will deliver to the Company, and not keep or deliver to anyone else, any and all credit cards, drawings, blueprints, specifications, devices, notes, notebooks, memoranda, reports, studies, correspondence and other documents, and, in general, any and all materials relating to the CRC Parties (whether generated by them or as a result of their business relationships), including any copies (whether in paper or electronic form), that the Grantee has in the Grantee's possession or control.

C. The Grantee will, during the Grantee's employment by the Company, comply with the provisions of CRC's ethics code and other policies.

D. Except as otherwise required by the Grantee's job or permitted by law, the Grantee will not make statements about any CRC Parties (1) to the press, electronic media, to any part of the investment community, to the public, or to any person connected with, employed by or having a relationship with any of them without permission of a CRC officer or (2) that are derogatory, defamatory or negative. Nothing herein, however, shall prevent Grantee from making a good faith report or complaint to appropriate governmental authorities. To the fullest extent permitted by law, Grantee will not interfere with or disrupt any of the Company's operations or otherwise take actions intended directly to harm any of the CRC Parties.

E. All inventions, developments, designs, improvements, discoveries and ideas that the Grantee makes or conceives in the course of employment by the Company, whether or not during regular working hours, relating to any design, article of manufacture, machine, apparatus, process, method, composition of matter, product or any improvement or component thereof, that are manufactured, sold, leased, used or under development by, or pertain to the present or possible future business of the Company shall be works-for-hire and become and remain the property of CRC, its successors and assigns.

The provisions of this Section do not apply to an invention that qualifies fully under the provisions of Section 2870 of the California Labor Code, which provides in substance that provisions in an employment agreement providing that an employee shall assign or offer to assign rights in an invention to his or her employer do not apply to an invention for which no equipment, supplies, facilities, or trade secret information of the employer was used and which was developed entirely on the employee's own time, except for those inventions that either (a) relate, at the time of

conception or reduction to practice of the invention, (1) to the business of the employer or (2) to the employer's actual or demonstrably anticipated research or development, or (b) result from any work performed by the employee for the employer.

F. The Grantee has executed a Mutual Agreement to Arbitrate with the Company.

G. The foregoing General Terms of Employment are not intended to be an exclusive list of the employment terms and conditions that apply to the Grantee. The Company, in its sole discretion, may at any time amend or supplement the foregoing terms. The Grantee's breach of the foregoing General Terms of Employment will entitle the Company to take appropriate disciplinary action, including, without limitation, reduction of the Performance Stock Unit Award granted pursuant to these Terms and Conditions and termination of employment.

Attachment 2
PERFORMANCE PAYOUT FACTOR

The **Performance Payout Factor** shall be determined by the following formula:

$$\frac{\text{VCI Performance Factor} + (\text{TSR Performance Factor})}{2}$$

TSR Performance Factor

Relative TSR Percentile Rank (1)	TSR Performance Factor (2) (3)
90th or higher	200%
50th	100%
25th	50%
Less than 25th	0%

(1) **Relative TSR Percentile Rank** shall be calculated based on the Total Shareholder Return for CRC as compared to the Peer Companies for the applicable Performance Period. Total Shareholder Return shall be calculated for each Peer Company, assuming reinvestment of all dividends, using the average of its last reported sale price per share of common stock on the New York Stock Exchange - Composite Transactions for the trading days during the 30 calendar day period immediately preceding and excluding the first day of the Performance Period and the average of its last reported sale price per share of common stock on the New York Stock Exchange - Composite Transactions for the trading days during the 30 calendar day period ending with and including the last day of the applicable Performance Period.

(2) **TSR Performance Factor** shall be linearly interpolated between indicated values for Relative TSR Percentile Rank between values indicated in table.

(3) **TSR Performance Factor** shall not exceed 100%, regardless of the Relative TSR Percentile Rank, if CRC's Total Shareholder Return for the applicable Performance Period is negative.

VCI Performance Factor

The VCI Performance Factor shall be determined according to the following scale:

Cumulative Value Creation Index (1)	VCI Performance Factor (2)
1.6 or greater	200%
1.4	100%
1.2	50%
Less than 1.2	0%

(1) Cumulative Value Creation Index shall be calculated as the weighted average of the Value Creation Index results for calendar years 2020, 2021, and 2022, weighted based on discounted capital invested each year. Value Creation Index is a ratio that measures the present value of the future cash flows from all development (new drills and capital workovers) in each plan year per discounted dollar of investment, calculated as A divided by B where “A” is the discounted expected future cash flows and “B” is the discounted capital invested for the plan year, excluding JV partner funding.

The discounted expected future cash flows of the investments are calculated by taking CRC’s share of future revenues minus production costs and production taxes but before any general and administrative charges, interest expense, income taxes and other corporate payments. The future cash flow calculations will be based on the SEC price for each respective year and include impacts of hedges placed within the calendar year. Discounting shall be at 10% (consistent with SEC requirements). Except as otherwise stated, all values shall be determined consistently with SEC regulations.

(2) VCI Performance Factor shall be linearly interpolated between indicated values for Cumulative Value Creation Index results between values indicated in table.

RULE 13a – 14(a) / 15d – 14(a)
CERTIFICATION
PURSUANT TO §302 OF THE SARBANES-OXLEY ACT OF 2002

I, Todd A. Stevens, certify that:

1. I have reviewed this quarterly report on Form 10-Q of California Resources Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 25, 2020

/s/ Todd A. Stevens

Todd A. Stevens

President and Chief Executive Officer

(Principal Executive Officer)

RULE 13a – 14(a) / 15d – 14(a)
CERTIFICATION
PURSUANT TO §302 OF THE SARBANES-OXLEY ACT OF 2002

I, Marshall D. Smith, certify that:

1. I have reviewed this quarterly report on Form 10-Q of California Resources Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 25, 2020

/s/ Marshall D. Smith

Marshall D. Smith

Senior Executive Vice President and

Chief Financial Officer

(Principal Financial Officer)

**CERTIFICATION OF CEO AND CFO PURSUANT TO
18 U.S.C. § 1350,
AS ADOPTED PURSUANT TO
§ 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report on Form 10-Q of California Resources Corporation (the "Company") for the fiscal period ended March 31, 2020, as filed with the Securities and Exchange Commission on June 25, 2020 (the "Report"), Todd A. Stevens, as Chief Executive Officer of the Company, and Marshall D. Smith, as Chief Financial Officer of the Company, each hereby certifies, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to his or her knowledge, respectively:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Todd A. Stevens

Name: Todd A. Stevens
Title: President and Chief Executive Officer
Date: June 25, 2020

/s/ Marshall D. Smith

Name: Marshall D. Smith
Title: Senior Executive Vice President and Chief Financial Officer
Date: June 25, 2020

A signed original of this written statement required by Section 906 has been provided to California Resources Corporation and will be retained by California Resources Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.