California Resources Corporation

Second Quarter 2026 Earnings

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CORPORATE PARTICIPANTS

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Francisco Leon – *President and Chief Executive Officer*

Clio Crespy – *Executive Vice President and Chief Financial Officer*

PRESENTATION

Operator
Good day and welcome to the California Resources Corporation Second Quarter 2026 Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the “*” key followed by ”0”. After today’s presentation, there will be an opportunity to ask questions. To ask a question, you may press “*” then “1” on your telephone keypad. To withdraw your question, please press “*” then ”2”. Please note, this event is being recorded. I would now like to turn the conference over to Daniel Juck, Vice President of Investor Relations. Please go ahead.

Daniel Juck
Good morning and welcome to California Resources Corporation's Second Quarter 2026 Conference Call. We hope you've had a chance to review our earnings materials, which include our non-GAAP reconciliations. Today's call includes forward-looking statements, and actual results may differ due to factors described in our earnings release and SEC filings. Following prepared remarks, our leadership team will take questions. As a reminder, please limit your questions to one primary and one follow up. I will now turn over the call to Francisco.

Francisco Leon
Good morning, everyone. We delivered a solid quarter in our oil and gas business, driven by strong operational execution, continued synergy capture, and sustainable drilling efficiency gains that strengthened our outlook. We also made good progress on our emerging carbon management and behind-the-meter power platforms, and announced two important midstream transactions that build on our long-term strategy to generate shareholder value from our California assets. Let me begin with some comments on our strategic plans. Clio will then walk through our quarterly results and outlook. While focused on near-term execution, our team is also looking to the future. The state's regulatory environment, once seen as an impediment to our industry, is now supporting local onshore production to the benefit of all Californians. Events in the Middle East have caused ripple effects throughout energy markets. Here at home, California's reliance on imported crude and refined products has created temporary transportation and price challenges across the state, highlighting the need for energy security and reliable, stable sources of local supply. That's precisely the need CRC is built on.

For the last several years, CRC has been intentionally building a stronger and more integrated California energy platform. Our Aera and Berry mergers created scale and new avenues to profitably grow our business. As the largest producer in the state, the expansion of our midstream infrastructure and marketing capabilities was a logical step to bolster our long-term strategy. Greater control of critical infrastructure will provide options to enhance the commercial capabilities of our business and stability of our operations. This benefits CRC, as well as other producers, working to move more local product to local markets and ultimately supports California's energy security and affordability. Last quarter, we took the first of two steps to strengthen our midstream position purchasing the Line 100 pipeline from P66 for a nominal amount. The deal added about 120 miles of crude pipelines connecting key Central Valley production hubs along with over 1 million barrels of storage capacity in gathering, transportation, and truck-loading infrastructure.

That brings us to the Crimson acquisition we announced today. Crimson's midstream platform covers a roughly 2,000-mile network of California crude oil pipelines that run through the heart of our producing fields. The transaction advances our long-term strategy and connects our production directly to California's highest value markets. As the state's largest producer, our integrated platform will provide greater flexibility to move both CRC and third-party volumes, improve price realizations, generate more diversified cash flows, and drive new efficiencies. The all-cash deal is financially accretive and is priced significantly below prevailing midstream sector valuation multiples. Because certain Crimson assets operate as a common carrier, the transaction requires CPUC approval. We recently received tentative approval with no conditions attached, and we expect the final decision later this month. Recent market conditions have illustrated the strategic value that Crimson adds to our platform. Takeaway capacity over the last quarter was constrained due to what we expect to be temporary marketing disputes with a pipeline operator and certain offtakers, limiting our ability and that of other local producers to transport barrels to previously contracted markets and pressuring oil price differentials on replacement sales. We have taken proactive strategic steps to broaden our transportation and marketing options and improve the reliability of our market access through new agreements and partnerships. We fully expect these actions, together with the resolution of the ongoing disputes, to strengthen differentials and bring realizations in line with historical levels.

Now let me focus on the expansion of our growth businesses. On carbon management, we recently commenced CO_2 injection and achieved first revenue at California's first CCS project at Elk Hills. This places us on an esteemed list of commercial-scale sequestration operators globally. We have demonstrated our ability to permit, construct, and operate an EPA Class VI project. The start-up showcases our operating, technical, and regulatory competencies, all of which can be applied and scaled across the state. We are tracking the CPUC's Reliable and Clean Power Procurement Program, or RCPPP, as a potential market for natural gas with CCS. Updates from the state are expected this fall. This could be meaningful for CRC as we're well positioned to support California's growing demand for reliable, lower-carbon power. California has the potential to decarbonize approximately 17 gigawatts of power. For our CTV platform, this includes a near-term opportunity of approximately 2.4 gigawatts in the Central Valley.

Using our Elk Hills Power Plant and adjacent infrastructure, we recently partnered with Beacon data centers, an energy-focused North American data center co-developer, to advance the Golden Valley Technology Hub. The proposed 275-megawatt campus would span 100 acres adjacent to Elk Hills and combine our proven permitting and operating experience in California with Beacon's data center expertise. With our co-developer partner funding early stage development, the project will leverage industrial acreage, existing infrastructure, and firm power from our Elk Hills plant to help meet rapidly growing demand for power and AI. The proposed behind-the-meter design is expected to minimize power and water usage. We have submitted the conditional use permit and expect the environmental review process to advance later this year. Our ongoing discussions with a handful of global hyperscale data center operators have accelerated and reinforce our confidence in the commercial viability of the Golden Valley Technology Hub. We look forward to reporting on our progress in the coming quarters. With that, I'll turn it over to Clio.

Clio Crespy
Thank you, Francisco. Let me cover our second quarter results and our outlook. Net production averaged 149,000 barrels of oil equivalent per day with oil representing 81% of total volume. Oil realizations were approximately 95% of Brent before hedges, within our second quarter guidance range. Operating costs were in line with guidance at $347 million. As expected, G&A declined nearly 9%, reflecting Berry-related efficiencies. Second quarter adjusted EBITDAX was $338 million while operating cash flow and free cash flow before working capital were $300 million and $151 million, respectively. We have implemented more than 100% of our 2026 Berry synergy target six months ahead of schedule, representing approximately $103 million of annualized savings. Across our integration and broader cost reduction initiatives, we now expect up to $470 million of cumulative synergies and structural cost reductions through 2028. This reflects the

quality of the combined portfolio and our ability to translate integration into durable margin improvement.

Execution continued to improve during the quarter. In California, time-to-market improved approximately 25%, allowing us to complete more wells, sidetracks, and workovers than planned. In the Uinta, we drilled four wells ahead of schedule, we reduced cycle times, and our D&C costs were below plan. The team continues to target first production in the fourth quarter as planned. These efficiency gains allowed us to pull activity forward into the second quarter, resulting in total capital of $149 million for the period. As a result, we have streamlined our development program, reducing planned 2026 D&C and workover capital by $10 million. We are redeploying those savings into targeted facilities investments, which is why our total capital guidance range remained unchanged. More importantly, we believe the underlying drilling and capital efficiency gains are sustainable. We now expect to operate an average of approximately five rigs in California during the second half of 2026, compared with six in our prior plan, while maintaining nearly flat gross entry-to-exit production. Faster time to market is only half of the story. We have also materially improved well productivity. Approximately 80% of the wells drilled year-to-date have outperformed the type curve, with average initial production more than 10% above expectations.

As you know, production from our conventional wells peak within 6 to 12 months after coming online, and recent activity will benefit our 2027 volumes. Together, accelerated cycle times and stronger well productivity are a powerful combination and have meaningfully improved our long-term maintenance capital outlook. We now estimate that California production can be maintained with six rigs on a normalized annual basis, one fewer than previously projected and approximately 5% lower D&C and workover maintenance capital. Both represent meaningful structural improvements in the capital efficiency of the business. During the quarter, we refinanced our remaining 2029 senior notes with new senior notes due 2035. This extended our weighted average debt maturity from 5.5 years to 8 years, reduced annual expenses by $5.5 million, and achieved the lowest credit spread in CRC's history. Our capital allocation priorities remain unchanged: invest in high-return organic growth and strategic opportunities, maintain a strong balance sheet, and return meaningful capital to shareholders through a sustainable dividend growth model and opportunistic buybacks.

Temporary takeaway constraints during the second quarter related to marketing disputes and subsequent operational needs required us to temporarily build inventory of approximately 1,500 barrels of oil per day during the quarter, increasing operating costs and negatively impacting our differentials. Absent these temporary impacts, production would have exceeded guidance while adjusted EBITDAX and operating cash flow before working capital would have each been approximately $25 million higher. We are actively addressing this matter while executing on alternative logistics and marketing solutions. By the end of July, we had sold the substantial majority of this inventory. As a result, we expect third quarter oil price realization of approximately 93% of Brent. We think it is a prudent assumption based on current market conditions. To be clear, we do not view that as a new long-term run rate. We expect realizations to improve as the commercial and logistics actions already underway take effect. Those actions will give us a broader slate of alternatives to move CRC and third-party barrels to California's highest value markets while strengthening our cash flow outlook.

Turning to guidance. We target full year net production to average approximately 153,000 barrels of oil equivalent per day while maintaining our full-year capital guidance of $520 million to $560 million. Including Uinta, our outlook continues to reflect approximately 1% gross entry-to-exit production growth. Importantly, we continue to see our full-year realizations at about 94%, within our original 94% to 98% range. We expect to enter 2027 at the normalized California six-rig pace contemplated in our long-term maintenance framework. Updated 2026 guidance will be provided following the close of the Crimson transaction.

Disciplined execution, lower costs including synergy capture, and strategic actions are supporting margins. Ultimately, stronger well performance and sustained operating efficiencies are enhancing free cash flow while lowering the long-term maintenance capital required to sustain our unique low-decline California production base. I'll turn it back to Francisco.

Francisco Leon
Thanks, Clio. Let me close with a quick summary before opening the line for questions.

First, today's midstream transaction strengthens our California platform, reinforcing market access, improving margins, and increasing our ability to move local barrels to the state's highest-value markets.

Second, we're executing very well. Better wells, lower costs, and sustained efficiency gains are reducing long-term maintenance capital and rig requirements while reinforcing free cash flow resilience.

Third, we're advancing our carbon and power platforms. The start of CO_2 injection and revenue generation of California's first CCS project were great milestones, and our new planned project with Beacon data centers at the Golden Valley Technology Hub is leveraging growing demand for firm power and data center capacity.

Together, these actions make CRC more integrated, more efficient, and better positioned to create durable value in California. Operator, we're ready for questions.

QUESTION AND ANSWER

Operator
Thank you. We will now begin the question-and-answer session. To ask a question, you may press “*” then “1” on your telephone keypad. If you are using a speaker phone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press “*” then ”2”. Please limit yourself to one primary and one follow up. At this time, we will pause momentarily to assemble our roster. The first question today comes from Betty Jiang with Barclays. Please go ahead.

Betty Jiang
Hi. Good morning.

Thank you for taking my questions. I want to start off with Crimson. Francisco, you mentioned earlier that the company has been intentionally building an integrated California energy platform over the last few years that includes the expansion of midstream infrastructure. So, can you just frame this Crimson acquisition within that broader strategy? What role does the asset play in that vision and how long you guys have been thinking about this opportunity?

Francisco Leon
Hey, Betty. Good morning.

Yeah, we've been thinking about midstream integration for some time. We started thinking about Crimson in particular about three years ago. But the first order of business was to acquire Aera and Berry. Gave us a lot of scale, a lot of remaining oil, and expanded our footprint considerably. And as that footprint was growing, we felt critical infrastructure around those barrels was going to be key to step into. And it was truly a natural step. We already managed a lot of pipe in California. So, we understand the systems really well. So, now we're getting into common carrier, which adds contracted revenue, which we really like, and these are assets that are very difficult to replicate. If you think about our playbook, it really hasn't changed. From an acquisitions perspective, we're looking for high-quality assets at attractive values and assets where we have an advantage, and with that integration that comes into our hands, becomes even more valuable. So, we think we have a good track record of doing that, and Crimson fits that pattern.

In terms of the asset, so 2,000-mile system, it connects to most of our key fields and across multiple basins, supports certainly our production but also improves market access and it strengthens the connectivity to some of the highest value markets in the state. Restoring capacity for this pipe was important too from a state perspective. It addresses a real constraint from other producers, and ultimately, that flows to consumers in the state. This pipeline system is needed, and I think you're seeing that reflected in a supportive regulatory process. As I mentioned on the script, we have a tentative CPUC approval with no conditions and expect to receive final approval later this month. So, if you step back, Crimson is doing exactly what an acquisition should be doing for us. It's adding more stable contracted cash flow and makes the broader California platform even stronger.

Betty Jiang
Got it. That makes sense. And maybe tying that to the differentials and the transport constraints that we are seeing right now, can you just help us understand it better on just what's driving the current bottleneck? Maybe more color on this pipeline legal case that you mentioned earlier. What gives you the confidence that this pressure is going to be alleviated soon? And just maybe some outlook into 2027, how this differential improves from here.

Francisco Leon
Sounds good Betty.

I'll give you some high-level perspective, and Clio can talk about some of the impact in the quarter, but we see this impact as being temporary. And to start maybe I'm going to give a little context on what we're seeing in California because a lot has changed over the last year, and in our view, a lot of things are improving significantly. We're running about seven -- there are seven rigs that are being run in the state today. Five of those rigs are CRCs. That's the highest level of activity that we've seen in the state since 2023. If you heard the second quarter earnings from some refineries, they're starting to make significant capital investments back in the state. On top of that, production has been increasing, and the pipes in the southern system are running full. If you take it as a whole, you'll see that the signs of a market significantly improving. Now you couple that with the Middle East conflict, and it is leading to some near-term conditions that are favoring refiners, and on top of that, we're dealing with a pipeline operator that's behaving in a manner that we feel is inconsistent with established tariffs. But we do view those as temporary conditions and not structural changes to the California market. Again, we see the market as improving drastically.

Our team has done a great job, and it's between our marketing organization, the relationships we have with refineries. We have multiple transportation connections. We did a timely acquisition of Line 100 that provided 1 million barrels of storage and gave us a lot of options. So, where you're seeing that reported differential impacts for some producers in the basin are approaching about

$20 a barrel, we limited that impact to CRC to about $2 a barrel. And we see, we think we've seen the worst of the impact and are working really hard to improve, to get back on track to historical levels. The other way to think about it is we're also thinking beyond the noise and the disruption. Going forward, we see a potentially fragile global energy supply chain where reliable barrels produced under stable governments are going to become increasingly more valuable, which makes owning this California infrastructure even more important. So, that's where Crimson came in. So, as we move into 2027, we like the greater control of midstream. We like the multiple market connections and storage. We have strong marketing capability that actually allow us to move our barrels to the best markets and ultimately capture value. So, with that, maybe I'll turn it to Clio for context.

Clio Crespy
Thanks, Francisco.

So, from a financial perspective, I think the key point here is that we view this as a temporary commercial issue rather than a change in the underlying earnings power of our business, and there are really three things to highlight here.

First, operationally, this was a strong quarter, and despite the temporary disruptions during the quarter, we still realized approximately 95% of Brent, which was within our second quarter guidance range of 94% to 96%, and we had established that at the beginning of the quarter before these transportation and marketing issues emerged. And that really speaks to both the strength of the underlying business as well as to the execution of the team, of course, and Francisco mentioned this, but they really adapted quickly, found alternative solutions, and ultimately, that allowed us to deliver within guide.

Second, the total financial impact during the quarter, that was approximately $25 million or less than $2 per BOE, and roughly half of that was timing related from the temporary inventory build while the balance was primarily weaker differentials while also transportation costs represent a smaller component. The substantial majority of those inventory barrels, those were sold during July, so that timing impact, it's largely behind us, and those sales, they are already reflected in our guidance.

Third, we are guiding for the third quarter of oil realization to approximately 93% of Brent. Now, to be clear, we don't view that as a new long-term run rate. As we said in our remarks, we think that is a prudent assumption while the commercial and logistics actions that we've already put in place that those take effect. We expect the third quarter to represent the low point of realizations this year, with our implied fourth quarter guidance that reflects the beginning of the recovery. So, stepping back, we currently expect full year oil realizations of approximately 94%. That remains within the original 94% to 98% framework that we had established back in March, and that was before these temporary disruptions emerged.

Operator
The next question comes from Nitin Kumar with Mizuho. Please go ahead.

Nitin Kumar
Hi. Good afternoon, Francisco and Clio.

Thanks for taking my questions. I want to start on the Uinta. You mentioned a lot of the improvements in efficiencies in California, but if I remember correctly, you have three wells coming online by the end of this year. Can you maybe give us an update on the drilling in the asset? And what are your plans for the asset longer term?

Francisco Leon
Hey, Nitin. Yeah, sounds good.

We're actually drilling four wells, and we've been very pleased with the drilling performance to date. We're actually currently drilling the fourth well, which should be done in the next few days. So, we're running ahead of schedule. Then we move in the completion rig in early September, and we expect to have online and producing all four wells before the end of the year. On the cost side, these wells are roughly about $11.5 million, and based on what we're seeing today, we expect to complete the wells ahead and below the AFE. So, good progress on the drilling.

Now, in terms of what's next, we're evaluating our strategy in the Uinta. It's a very large position, 100,000 acres with good resource potential, but it's largely undeveloped, and it requires a pretty significant amount of capital to develop the scale that we need for a second asset. So, as we do a side-by-side and we compare the Uinta assets with California, Uinta has higher capital intensity, higher breakevens, lower crude quality, waxy crude that it's famous for, but also has higher transportation and operating costs and steeper declines. Ultimately, it's a drag of about 1% on our realizations. So, putting it side by side with the California assets that have very low decline and generate better returns, it's hard to see us allocating a lot of dollars back into the Uinta. So, I would say it's a non-core asset to where we're taking CRC, and we will continue to evaluate the best way to maximize the value of that asset going forward. As of today, I don't see it competing for long-term capital in our portfolio.

Nitin Kumar
Got it. Okay. And so, maybe just to clarify, does that mean that with the four wells you've tested enough to say that maybe this is something that doesn't belong in the portfolio? And is there a timeline for the asset to be sold, or are you going to wait for the results?

Francisco Leon
Yeah, I wouldn't say there's anything around the drilling. Ultimately, we need the completion crews to come in. Based on what we've seen, we like the well performance. It's more around the type of assets, right? It's unconventional high-decline asset and one that's going to require a significant amount of capital. So, like I said, we'll see how the rest of the program goes, but if you think, if you want a long-term answer, I don't think it's core to our business.

Nitin Kumar
Got it. And I'm sorry, I want to sneak one more in, just quickly. You talked a lot about the integrated platform with this purchase of Crimson. Clio, maybe looking at slide 10, from a capital allocation standpoint, how does the Crimson asset fit in, and what was attractive about this specific asset?

Clio Crespy
Yeah. Thanks, Nitin.

And yeah, that's a great question. I actually think the important distinction here is how we evaluate investments. So, every dollar competes for capital, whether we're drilling a well, acquiring an asset, refinancing debt, or returning capital to shareholders. We apply exactly the same investment framework to every capital allocation decision. And from that perspective, Crimson met every one of our investment criteria. We've been building toward an opportunity like this for a while. We were patient, and when strategy really met opportunity at the right valuation, we acted.

So, strategically, it strengthens an integrated California platform that we believe has significant long-term competitive advantage. And Francisco mentioned, that's a key part of our long-term strategy. Financially, we're acquiring the asset at approximately 4.4x estimated 2027 EBITDA, and so that represents a very attractive entry point valuation relative to comparable public midstream assets. We also believe it's a highly accretive use of capital particularly when you consider the CRC-specific synergies and the commercial opportunities here.

And finally, we've already demonstrated our ability to create value by integrating acquired assets within CRC's existing infrastructure. A good example of this is the integration of our two largest fields, so connecting Belridge to our Elk Hills processing system. That project immediately increased gas and NGL production while improving the economics of the combined asset base. So, Crimson gives us another opportunity to apply that same playbook. We don't evaluate Crimson solely on the cash flows generated by the pipeline itself. We also evaluate it based on what it does for our broader California platform. It’s improving market access, increasing commercial flexibility, enhancing realized pricing, and ultimately creating more value across the integrated business. If I put it simply, we believe Crimson, it's worth more inside of CRC than it would as a stand-alone midstream company, and we've been very deliberate about where we want to build the business but also equally disciplined about the price we're willing to pay. So, we're very comfortable passing on opportunities until they meet both our strategic and also our financial objectives, and that's really ultimately how we think about capital allocation. It has to be the right asset at the right valuation and at the right time.

Operator
The next question comes from William Barber with UBS. Please go ahead.

William Barber
Hi, Francisco and team. Thanks for the time.

My first question is just around the Golden Valley Tech Hub. If you could just walk us through how the partnership with Beacon data centers came about. And then with the conditional use permits submitted and environmental review expected to advance later this year, can you outline like the critical path forward from here? How should we be thinking about the sequencing of hyperscaler commitments, power agreements, permitting, and obviously, FID? Thanks.

Francisco Leon
Hey, Billy. Yeah. Thanks for the question.

So, we talked to a lot of developers, and ultimately, Beacon was the best fit for us. They're doing a lot of very large projects in North America with data centers. So, they bring great engagement and current engagement with the potential hyperscalers and the tenants. They're doing construction. They're capitalizing the project. So, if you look at what they bring to the table -- and then it's a nice complement to our land position our power infrastructure and ultimately, our ability to permit and execute in California. So, we think it's a strong combination. And at the end of the day, we look at data center development maybe a little bit different from what you're seeing from other E&Ps. We're very comfortable starting with project development and not with the headline, because that's ultimately what gets projects done in California, and that's our advantage. E&P companies are talking about acquiring land and ordering turbines or building power plants from scratch. We already have all of that. And so, then our focus is on derisking the project and around what the hyperscalers actually need. So, in our direct conversations with hyperscalers, the perspective is that the procurement -- the power procurement cycle is evolving. The easy electrons that were readily available are gone. So, as you're thinking about what comes next, they're focusing back on cleaner and reliable electrons, and they really care about the date certainty and ultimately, when you have the business operating. And they are focused on project community relations. So, we think project Golden Valley is really well positioned for that.

As you said, we filed the conditional use permit. This is a public permit. And what you can see in that permit is on the power side, we designed a triple redundancy into the power solution. It will be a behind-the-meter solution, so we're not dependent on waiting years for new grid interconnection. And we also designed around two of the major friction points, which is water and community support. The project has a very low water use. It's using a closed loop cooling system. And on the community side, we have documented support from over 100 local residents and business owners. So, we're doing a lot of the groundwork, a lot of what's needed to deliver the project. So, from here, the work stream really is to advance many things in parallel. It's the hyperscaler engagement and the commercial agreements. They certainly are the next value we can unlock, but we'll continue progressing permitting, engineering, and financing. That's how projects get done in California. You start with the project development, and you advance multiple pieces together, and that's something our team knows how to do.

William Barber
Got it. Thanks for that.

Maybe switching over to the E&P business. You guys have improved execution enough to run California on five rigs through year-end and then six going forward with the 5% lower maintenance capital required in 2027 and beyond while your 2026 wells drilled are also coming in ahead of expectations. I guess just what were some of the key drivers and initiatives here? How durable are they? And ultimately, what does this mean for capital efficiency and your production cadence heading into 2027? Thanks.

Francisco Leon
Yeah.

We've talked a lot about acquisitions and how those assets are going to be better in our hands, and I think you're seeing a lot of that coming through on the operating results. Our team is doing a great job operationally. The days to total depth are down roughly 25%. We now have a continuous drilling campaign, which is helpful, and dedicated rigs and crews. And we also have good coordination with the CRC operating team and C&J, altogether reducing the idle time and getting wells online faster. So, that's one of the elements. But then if you look at the portfolio, about two thirds of the wells we're drilling are in fields previously operated by Aera. So, we're seeing the benefit of applying the combined organization's operating practices across the portfolio. On top of that, nearly 80% of the wells we drilled to date are outperforming the type curve. So, about 10% above expectations. So, every rig dollar is buying more production than we underwrote on the deal. So, those efficiencies translated into maintenance capital. We expect to be at five rigs in California until the end of the year, and we want to add a sixth rig for the beginning of 2027. Now, the five rigs are delivering the same well count but roughly with $10 million savings for 2026. So, that sets up well for 2027. On a normalized basis, the go-forward maintenance, drilling and completion, and workover capital is dropping about 5%. So, the range is $450 million to $475 million. There's always additional upside that team keeps looking for further ways to integrate and optimize, but we won't put that into the outlook until we demonstrate it and are able to sustain it.

Operator
The next question comes from Arun Jayaram with J.P. Morgan. Please go ahead.

Arun Jayaram
Yeah. Good day.

I had a question on capital allocation. Your framework has been built on kind of balance, and in this quarter, you obviously funded the Crimson acquisition with cash but didn't do share repurchases this quarter. How should investors think about this trade-off? And what is your appetite for share buybacks going forward just given the valuation of the stock and some of the unique growth opportunities that you highlighted today?

Clio Crespy
Hi, Arun. Yeah.

So, I actually wouldn't frame it as a trade-off. Our framework is indeed intentionally balanced rather than sequential, and we allocate capital to the opportunity we believe creates the greatest long-term per share value for our shareholders. So, this quarter, we concluded that Crimson represented one of those opportunities. But that said, I wouldn't interpret the absence of share repurchases this quarter as any change in our philosophy or in our view of the intrinsic value of CRC. Quite the opposite. We continue to see compelling value in our shares at current prices, and as you'd expect, while we're actively executing strategic transactions, there are naturally periods when our ability to repurchase shares opportunistically, that is more limited. But those are timing considerations, not capital allocation considerations. So, opportunistic buybacks, they remain an important part of our capital allocation framework, and nothing about this quarter changes our view of the attractiveness of our shares. Importantly, we have the balance sheet to support that flexibility. We're operating at approximately 1x leverage. We have no meaningful debt maturities for the next seven years, and our revolving credit facility remains undrawn. So, that gives us the flexibility to invest in those strategic opportunities like Crimson but also maintain the capacity to be opportunistic across all of our capital allocation priorities.

Arun Jayaram
Great. And my follow-up is just on synergy capture.

You're ahead of plan on the Berry synergies. Already over 100% of your targeted synergies for the year. How should we think about broader savings beyond 2026 maybe through 2028? So, maybe you could help us think about what's left to go in terms of G&A, operating costs, and capital efficiency. And what do you think we can underwrite in the model even next year?

Clio Crespy
Yeah.

So, it's actually helpful to distinguish between the integration synergies and the structural operating improvements because we're increasingly talking about the latter. So, the Berry integration itself, that's substantially complete. Delivering more than 100% of our target six months ahead of schedule really demonstrates that. And those implemented Berry synergies, they now represent more than $100 million of annualized savings. So, that's approximately 14% of the deal value, which I think speaks to both the quality of the acquisition but also our ability to execute. So, more broadly now, we're entering the next chapter. We've already delivered about $400 million of the roughly $470 million target of cumulative synergies but also structural cost reductions that we continue to see into 2028. So, we're already about 85% or so of the way there. And what's changed is really the nature of the remaining opportunity. The first phase was largely about integration, about eliminating duplicative costs, and the next phase is increasingly about optimizing the combined footprint, operating these assets more efficiently together rather than independently.

And some examples really focused on infrastructure consolidation. So, connecting additional Berry fields to our cogeneration facilities to reduce our purchase power costs, bringing stranded gas into our central processing facility to increase NGL recovery also optimizing oil blending and transportation, and we also continue to improve capital efficiency across the portfolio. So, we already demonstrated some of that playbook through the Aera integration, and now we're applying the same approach across the Berry assets. And many of those opportunities simply weren't available before those assets were connected. If you think, Arun, about '27 and '28, I'd increasingly view the remaining synergies as structural improvements to the economics of our platform rather than your traditional merger synergies. So, those improvements really focus on lowering operating costs, reducing our maintenance capital, and ultimately, that's improving our long-term cash flow generating ability for the business.

Operator
The next question comes from Octavian Jordan with RBC. Please go ahead.

Octavian Jordan
Yes. Good afternoon. Thanks for your time today.

So, for the first -- for our first question, so with CTV I now injecting CO_2, generating revenue, how does the -- how does this milestone change the commercial outlook for the broader CTV platform? And how could programs like the RCPPP help accelerate future CCS and power opportunities in California?

Francisco Leon
Look, Octavian, thanks for the question.

So, yeah, we're proud that our first-of-a-kind project in the state is now operational. So, we're capturing and injecting about 270 tons of CO_2 per day, converted to Mcf about 5 million cubic feet per day, and everything is performing as expected. We are on target to have an annualized number of about 100,000 tons per year of capture and storage. So, having this project live and operational really changes the conversations. So, now potential customers, partners are not just evaluating our permitting know-how and our ability to move things down the line with the EPA, but it also has a project that works and people can see and takes a lot of the mystery away as to what CCS is.

So, the way I would mention that the change in the conversation is really an increase in engagement. That's with technology providers, with emitters. And we’re starting to see some of these potential partners come to the table willing to fund portions of the pre-FID developments. So, that's helpful, helps us be more capital efficient, ways to advance project having many different potential customers trying to look for solutions to decarbonize their plans, which is needed given that we're in a Cap-and-Invest market, and it's very punitive to have any form of emissions. The very encouraging progress has been on the RCPPP. It's a great front-of-the-meter power market to decarbonize. It's a framework that recognizes natural gas generation and paired with CCS as clean and firm power. So, the procurement for the state and ultimately what can be servicing the grid will be a way to add both reliability and low emissions. So, that's a potentially really important step that expands the opportunity for us. And we see a near-term opportunity of 2.4 gigawatts of power in the Central Valley that can be decarbonized, and that's just in the kind of the focal area that -- where we have our first permit, but we're working on permits throughout the state. So, we see both the RCPPP as a big market signal and the operations of CTV I as really key to advance our carbon management strategy.

Octavian Jordan
Got it. Thank you.

And just for a follow-up, you obviously highlighted the big -- the debt refinancing this quarter. How should we think about the capital structure going forward? And also, why refinance now?

Clio Crespy
Thanks, Octavian.

And you're right, we didn't have to refinance. We chose to. Our philosophy is really to access capital markets from a position of strength rather than waiting until refinancing becomes a necessity. So, the question for us wasn't whether we needed to refinance. The question was whether we could make an already very strong balance sheet even stronger, and we believe the answer was yes. So, the fact that we achieved the tightest credit spread in CRC's history, that reinforced that we were executing from a position of strength. And more importantly, we eliminated our only meaningful medium-term maturity and created a clean, long-dated maturity profile. So, none of us know what financing markets will look like several years from now, and we choose to remove that uncertainty and rather than carry it forward. So, the result is a stronger balance sheet today than before the transaction and really greater financial flexibility. At this point, I'd say our objective is to preserve the strength we've built. That allows us to spend less time managing the balance sheet and more time allocating capital to create long-term shareholder value.

Octavian Jordan
Great. Thanks for the color.

Operator
The next question comes from Nate Pendleton with Texas Capital. Please go ahead.

Nate Pendleton
Hey. Good morning and congrats on the acquisitions.

Is there any update you can provide on Huntington Beach and how you're thinking about structuring that opportunity? I guess more specifically, what role could partners play there? How would a structure work, and how do you expect to capture value from that asset?

Francisco Leon
Hey, Nate. Thanks for the question.

So, we're making really good progress at Huntington Beach, and we remain on track to get a response from the city in terms of re-entitlement sometime before year-end. So, then the process goes to the California Coastal Commission, and we expect that to run through 2028. So, that is the key to unlocking value for Huntington Beach. We started the project in 2023. What we said is we're going to continue operating and producing oil. It's about 3,000 barrels a day gross on that field and then systematically start the abandonment process. So, we've done that. But at the end of the day, it's re-entitlement, that's to unlock the value. And so, it's premature to talk about developer or capital structure. We really want to wait until we get the re-entitlement before we talk about that because otherwise, we're giving value away to the developer and want that value to stay with the CRC shareholders. So, more to come, but we are making progress.

Nate Pendleton
Understood. Thanks for that. And then as my follow-up, perhaps for Clio, I wanted to go back to a prior question. You've talked a lot about capital efficiency and capital allocation as it relates to Crimson, but as you evaluate where to deploy capital across your growing portfolio internally, what metrics are you using to inform your decisions, and what metrics should investors really focus on externally?

Clio Crespy
That's a great question,

Nate, because I do think some of our investors sometimes focus on different metrics than we do internally. And so, one of the metrics people naturally compare across E&P companies is operating cost per barrel. And while that's certainly an important metric, it's not how we think about capital allocation. We spend much more time focused on the full-cycle cost of replacing production and on the returns generated on every dollar of capital deployed. And ultimately, that's really what drives long-term value creation. I also think it's important to step back and look at what's happening across the broader industry. High-quality upstream inventory is really becoming increasingly scarce. We're seeing that reflected both in recent M&A valuations as well as acreage transactions, and whether companies choose to acquire inventory or develop it organically, the cost of replacing production continues to increase, and that's where we think CRC is differentiated.

Today, our California drilling program is delivering new production at roughly $22,000 to $27,000 per flowing barrel, and that's actually below what we paid to acquire production through the Aera and Berry transactions. Those were already highly attractive at approximately $28,000 to $30,000 per flowing barrel. And it's materially below where many recent public transactions have completed. So, of course, replacement costs, it's only one part of the equation, and ultimately, what matters is the return generated on that capital. And that's where the economics here become really compelling. We continue to see those program level returns of approximately 4.5x MOIC, very high IRRs in the 60% and 70%. And so, those metrics capture the full-cycle economics, they include our operating costs, and they continue to comfortably exceed our investment thresholds. I'd say that's also why today's announcement on capital allocation and about spending less than what we're able to do is structurally improving really the economics of the business. Every year going forward, a larger portion of our cash flows become discretionary rather than maintenance capital, and it gives us greater flexibility to allocate capital where it creates the greatest value. So, if there's one framework I'd encourage investors to use is to focus on our full-cycle economics of replacing production, on the returns that is generated on that capital and ultimately on the free cash flow produced after sustaining the business. And I think that's where CRC has become materially stronger over the last several years.

Operator
We have time for one more question from Emma Schwartz with Jefferies. Please go ahead.

Emma Schwartz
Hi, Francisco and Clio. Thanks for taking my question.

So, where I wanted to start is, stepping back, how do you think about CRC's long-term growth vision across E&P, midstream power, and CCS? Can you talk a little bit about what your vision is for this company going forward? And then what is your position in California that specifically makes this integrated strategy really difficult for others to replicate?

Francisco Leon
Hi, Emma. Great question to wrap up.

So, the simplest way to think about it is we're building an integrated California energy platform with very high-quality assets that are nearly impossible to replicate, and we're finding ways to generate and grow cash flow on a contracted basis, that ultimately grows the cash flow per share of the business. That is all wrapped around improving outlook for California. So, the diversification that you see is not just diversifying for the sake of it. We're extending what we see as a market advantage. So, let me break it down. California is the biggest economy in the U.S., a massive energy market, and it has significant barriers to entry. We already own a lot of the critical infrastructure and assets, and we did so, again, with the purchase of Crimson we announced today, and we know how to operate here. So, I wouldn't think about our business as four independent companies in E&P, midstream, power, and CCS. They really reinforce each other. So, every barrel that we produce, every pipe we control, every megawatt we generate, and every ton we sequester all is to strengthen the underlying asset position and builds a competitive advantage.

The other part of our strategy is that we're going to grow cash flow, but we're not going to need to fund all of the growth ourselves. We're taking a capital-light approach. So, in areas like data centers and CCS, we bring a lot of the scarce assets, and then we use third-party capital to grow around that base. So, if you look at our portfolio and you look at every asset that we own, as you said, very difficult to replicate. We spend time building a close to 2 million-acre mineral position. We have over 200,000 surface acreage. We have a leading position on pore space, multi-decade inventory for both oil and gas, and now a significant midstream footprint, power assets, first Class VI CCS project. So, it's that collection of assets that -- and the combination that is our strength and the advantage. So, we see this as a growth asset that is a great growth platform. And beyond oil and gas, midstream, data centers and CCS, these businesses command a higher multiple and typically command a higher multiple. So, we see as a potential expansion in the re-rate of the multiple of CRC, and that is what ultimately brings value to the shareholders. Now, in the meantime, because we're building a lot of these platforms, we’ll continue to grow the dividend and being opportunistic on buybacks.

We believe there's some meaningful gap between where our stock is trading today and the value of the business we're building. So, that makes share repurchases a very attractive use of capital in the near term.

Emma Schwartz
Thank you so much.

CONCLUSION

Operator
This concludes our question-and-answer session. I would like to turn the conference back over to Francisco Leon for any closing remarks.

Francisco Leon
Thanks, everybody, for joining us. We look forward to connecting at some of the upcoming investor conferences. Have a great day.

Operator
The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.