California Resources Corporation

Second Quarter Earnings Conference Call

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CORPORATE PARTICIPANTS

Mac McFarland - *President, Chief Executive Officer*

Francisco Leon - *Executive Vice President*, *Chief Financial Officer*

Joanna Park - *Vice President, Investor Relations*

PRESENTATION

Operator
Good day, everyone, and welcome to the California Resources Corporation Second Quarter Earnings Conference Call. All participants will be in a 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 "*"and then "1" using a touchtone telephone, to withdraw your question, you may press "*" and "2." Please also note, today's event is being recorded.

At this time, I'd like to turn the conference call over to Joanna Park, Vice President of Investor Relations and Treasurer. Ma'am, please go ahead.

Joanna Park
Welcome to California Resources Corporation's second quarter 2021 conference call. Participating on today's call is Mac McFarland, President and Chief Executive Officer, and Francisco Leon, Executive Vice President and Chief Financial Officer, as well as several members of the CRC Executive Team.

I'd like to highlight that we have provided slides on our Investor Relations section of our website, www.crc.com. These slides provide additional information into our operations and second quarter results, and we've also provided information reconciling non-GAAP financial measures discussed to the most directly comparable GAAP financial measures on our website as well as in our earnings release.

Today's conference call contains certain projections and other forward-looking statements within the meaning of federal securities laws. These statements are subject to risks and uncertainties, and therefore, may cause actual results to differ from those expressed or implied in these statements. Additional information on factors that could cause our results to differ are available in the company's 10-Q, which will be filed later today. We ask that you review it and the cautionary statement in our earnings release. A replay will be made available for at least 30 days following the call on our website. As a reminder, we've allotted additional question time for question and answer at the end of our prepared remarks and would ask participants to limit their question to a primary and a follow-up. And with that, I will now turn the call over to Mac.

Mac McFarland
Thanks, Joanna, and thanks to everyone for attending today's earnings call. Second quarter results demonstrate the advantages of our asset position at CRC, the strong execution of our strategy and the diligence of the hard-working employees of CRC. I'd like to thank each of them for their continued dedication in delivering the energy California needs despite COVID, unrelenting heat and fires.

As highlighted in our slides, we delivered on several key priorities. We continued our strong financial and operating performance. We announced several A&D transactions that allow us to focus on our core assets. We increased our free cash flow guidance for the full year. And accordingly, we are increasing our share repurchase program by an additional $100 million for a total of $250 million. And lastly, we are expanding our ESG leadership through decarbonization with new low carbon initiatives.

Turning to slide five; CRC's strategy is based upon three main pillars. One, cost and operational excellence, two, disciplined investing, and three, responsible portfolio management. I'm going to briefly explain how we delivered on all three pillars in the quarter and year-to-date.

The first pillar of our strategy focuses on lowering our operating cost model, while maintaining top-notch safety performance. The team continued to deliver on both aspects, maintaining corporate G&A cost savings, which are down 16% from 2020 levels, and our controllable non-energy costs, which are in line with the first quarter of 2021, both on a per barrel basis.

I think it's important to stop and highlight why we are focused on our non-energy costs. Because our energy costs rise with rising natural gas prices, the rising natural gas prices are a net positive to CRC, as we are a net long natural gas producer. Said differently, our revenues expand faster than our costs, which is a good position to be in. Francisco will go into more details on this topic later on the call.

I might add one final thought on costs. While we worked hard to maintain our cost structure and aim to be a low-cost producer, we're starting to see signs of inflation and inflationary pressures creeping into our business. We're working hard on contracting differently to offset these pressures, but with rising commodity prices comes inflation.

During the quarter, we maintained our high safety standard and extended our low incident rate with a 0.49 IIR year-to-date. I'd like to commend our employees and our contractors for focus on safety, as the industry and other industries, as we return to work, have seen an uptick in OSHA reportables.

The second pillar of our disciplined investing is based on prudent investment and project prioritization. During the quarter, we continued to shift drilling capital to downhole maintenance due to the robust rates of returns of those projects. Our operations team continued to focus on our high-return maintenance backlog and successfully maintained flat production levels, while operating only two rigs in the first half of the year.

Our thoughtful investment of each dollar toward our best available opportunity exhibits our ability to stabilize oil production while also generating meaningful free cash flow. And it shouldn't be lost to those on the phone, but as we shift dollars from CAPEX to OPEX, we are actually taking a hit to EBITDAX, and yet we are still forecasting EBITDAX of just over $800 million.

The third pillar of our strategy centers on responsible portfolio management. CRC demonstrated our commitment to this pillar by purchasing the entire working interest position held by a joint venture partner in our core field, as well as entering into an agreement to exit the non-core Ventura Basin.

Earlier this year, we said we were in too many fields, and we believe focusing on our core asset drives the most value. These transactions enabled us to do just that. Francisco is going to provide additional details. But from a high-level perspective, these bolt-on and bolt-off transactions allow us to recycle capital back into our core fields, simplify our business model and continue to streamline our cost structure.

Looking forward, the strong free cash flow generation in the first half results, combined with our updated forecast of our free cash flow for the balance of the year, give us confidence to

increase the full year guidance to the range of $400 million to $500 million, and to increase our share repurchase program, as I mentioned earlier, by $100 million to $250 million in total.
We continue to believe there is significant stock appreciation potential, given our low leverage and that we trade at a relative discount to peers.

I'll now turn the call over to Francisco, who will provide additional details on second quarter financial performance before I return to discuss our ESG efforts. Francisco…

Francisco Leon
Thanks, Mac. Good afternoon, everyone, and thank you for joining us on this call. As Mac highlighted and as shown on slide eight of our presentation, CRC continued its strong performance in the second quarter of 2021. CRC reported net quarterly production of 101,000 barrels of oil equivalent per day and 61,000 barrels of oil per day. In essence, CRC has been able to maintain its gross and net oil production year-to-date with only $77 million in CAPEX.

During the quarter, we added our second drilling rig in our core San Joaquin Basin, and our development program brought online 21 new wells. Furthermore, we ran 35 maintenance rigs and shifted a portion of our capital to bring online an additional 217 maintenance wells.

As previously mentioned, the high impact, low reservoir risk and rapid return opportunities allowed us to bring an additional 2,300 BOEs per day of PDP production, while maintaining our non-energy operating costs.

Our drilling program has predominantly been focused on the Mount Poso, Elk Hills and Buena Vista fields. Each of these areas are on-track to deliver estimated IRRs between 97% to 146%, with capital workovers forecasted to return over 200%. For the remainder of the year, we expect to maintain our capital cadence with plans to add a third rig in the Los Angeles Basin sometime in the fall. Our commodity realizations remain strong across all of our streams, with realizations at 100% of Brent, NGLs at 65% of Brent and natural gas at 110% of NYMEX.

For the remainder of the year, we expect to see continued healthy realizations in oil, NGLs and especially natural gas, further supporting our revenue potential. As laid out in our slides and given a relatively stable commodity price environment, we expect the headwind from the hedges that were put on as a result of our RBL requirements last fall to roll off in 2022 and beyond.

Moving on to the cost side of the business. During the quarter, our operations team successfully maintained our operating cost of $16.75 per BOE, excluding PSC effects. Further, when we exclude the costs related to our power and midstream infrastructure and look at the controllable per unit cost of our E&P business, our second quarter costs reflect some of the lowest per BOE metrics in the company's recent history, a true testament to the operations teams ongoing efforts.

Compared to 2019, when we were operating under pre-COVID conditions and in a relatively similar commodity environment, our non-energy costs have decreased by over 10% on a per barrel basis, as we refined our efficient operating model and continued to optimize our project pipeline across our core assets.

While we anticipate that our energy costs will modestly increase in the second half of the year, we expect to maintain the improvements to our non-energy costs. As such, and in light of the number of maintenance opportunities in our radar, we're shifting an additional $20 million of

CAPEX to OPEX and also increasing CRC's OPEX guidance by an additional $35 million due to a larger than anticipated increase in energy costs.

Let me take a minute here to tell you how energy costs impact our business. While increasing natural gas prices increase our operating costs, we are net long natural gas. In our upstream operations, we consume approximately 28 Bcf a year of natural gas while we produce and sell approximately 60 Bcf a year. So, an increase in natural gas prices is an overall benefit to our financial results even if our operating costs move higher. The incremental revenue more than offsets our incremental costs.

Our second quarter 2021 G&A costs remain flat quarter-over-quarter, an average $5.25 per BOE, nearly $1 per BOE below where we entered 2021 or approximately 16% below 2020 primarily due to our ongoing cost saving efforts and previously announced workforce reductions.

As a result of our efficient management of our low-decline assets, CRC reported an adjusted EBITDAX of $169 million and adjusted net income of $78 million or $0.94 per diluted share. The business generated $77 million of free cash flow, a slight decrease versus the first quarter of 2021, largely due to the timing of property tax payments and higher capital spend.

California primarily uses an ad valorem tax that is based on the value of the minerals in the ground. Our property tax payments are generally made in April and December of each year, as required by California law and thereby burden our free cash flow in the second and fourth quarters. Additionally, our CAPEX increased in the second quarter with a gradual increase in our drilling rig activity as we approach more normalized levels of investment.

During the second quarter, we followed through on our commitment to prioritize shareholders' returns by repurchasing 1.4 million shares or 1.7% of total shares outstanding for a total of $45 million. With essentially $200 million of free cash flow in the first half of 2021, CRC validated the low capital intensity of our business and demonstrated our industry-leading free cash flow yield.

The combination of our results in the first half of the year and our confidence in the cash flow generation outlook for the rest of the year provides the basis to raise our 2021 free cash flow guidance by nearly 50% to a $400 million to $500 million range. This implies a free cash flow yield of approximately 20% at current prices at the high end of the guidance.

As we evaluate our shareholder return options and take into account the high levels of free cash flow generation and low leverage with no pre-payable debt, coupled with our current share price, which trades at a significant discount to our intrinsic value and low multiple relative to our peers, we feel that repurchasing our shares delivers the best value proposition today. Therefore, as Mac mentioned, we have decided to increase our share repurchase program by $100 million to $250 million.

Assuming we were able to execute 100% of our expanded share repurchase program this year, we would be returning 50% to 60% of 2021 free cash flow to shareholders. The balance of our free cash flow expectation still allows us to continue to self-fund our capital needs and evaluate our options to deploy capital, whether it be dividends, acquisitions and divestitures or returning capital into the business through the drill bit.

Finally, turning to slide 15, and as Mac has mentioned, we made progress with our portfolio management and asset rationalization plans by advancing several strategic transactions. We

increased CRC's position in our core San Joaquin Basin by acquiring the working interest in the wells held by MIRA, representing 1,600 BOEs per day of net production, all of which is oil for a total consideration of $53 million.

We also announced a complete exit from the Ventura Basin for gross proceeds just exceeding $100 million. This position represents approximately 3,600 BOE per day of net production, 65% of which is oil. The exit from the basin allows CRC to consolidate operations into three basins and removes a high-cost operating area. We will provide updated 2021 operational guidance at the close of these transactions, which is expected in the fall of this year.

These transactions together high-grade our portfolio and free cash flow per BOE. As a result of these strategic A&D transactions, we anticipate incremental improvements in our cost structure, both from an operating and G&A perspective. Please note that we have provided detailed analysis of our quarterly financial and operational results on our 2021 guidance in the attachments to our earnings release.

Thanks. And I'll now turn the call back over to Mac to discuss the ways we are looking to leverage our asset position for ESG leadership.

Mac McFarland
Great. Thanks, Francisco. So last quarter, we mentioned we're assessing and accelerating our ESG strategy. And today, I'd like to specifically discuss the E or the sustainability aspects of that strategy.

As a starting point, CRC is the lowest emitting and lowest carbon intensity oil of the top 100 producers in the U.S. as per a recent study by the Clean Air Task Force. So, we start from a low-carbon intensity position.

As we continue to evaluate our assets in our footprint, we see multiple ways to further reduce the carbon intensity of our California energy. We intend to use our land, mineral and technical resources for decarbonization and other emission reducing projects, which we believe will help the State in its energy transition plans.

As shown on slide 20, the State of California, emits roughly 425 million metric tons of CO2 each year. California has set a goal to become carbon neutral by 2045 and has provided incentives to support those efforts in decarbonization. We believe and others believe that CCS will provide 15% of the total decarbonization solution, which is roughly 60 million metric tons of CO2 stored each year by CCS, and CRC intends to play a significant role in this CCS decarbonization space.

CCS reservoirs must be well understood, requiring geologic data and understanding of the pore space as well as they must be deep enough with sufficient containment to permanently store CO2. CRC's reservoirs are well positioned for CCS because of their unique characteristics of depth, permanent storage capability and proximity to CO2 sources.

Within CRC operated assets, we have identified up to 1 billion metric tons of permanent CO2 storage, which would allow us to store approximately 20 million metric tons per year for 50 years. That's the equivalent of removing more than 4 million cars from the road every year.

With CCS as an ultimate solution for California requires about 60 million metric tons per year, and we think we have the ability to do about 20 million of that each year. So, we have a large

opportunity in our total 1 billion metric tons of storage. But for now, we are currently focused on the most immediately actionable portion, which totals approximately 200 million metric tons of storage capacity, so 20% of that 1 billion. And of that 200 million metric tons, nearly half of it is owned fee simple. The other half is in close proximity to carbon sources and so it has a higher degree of probability for near term execution. That's why we're focused on that 200 million.

We filed a permit for an area called A1/A2 at Elk Hills, which has a storage capacity of up to 10 million metric tons for permanent sequestration. We are also targeting a permit filing for an area called 26R in the third quarter of this year, an adjacent area with permanent storage capability for up to an additional 30 million metric tons of CO2.

We plan to combine these two permitted areas into a single project that we are calling Carbon TerraVault I, which will have a total storage capability of up to 40 million metric tons. We anticipate this project will participate in the California incentives through the low carbon fuel standard credits or simply LCFS, as well as benefiting from 45Q federal tax credits, the combination of which we believe will provide for an economic project…an economic CCS project to be specific.

CRC not only has the reservoir capability for permanent secure CO2 storage, but it also has the commitment and leadership to reduce emissions and make long-lasting environmental and economic progress for the betterment of our communities and shareholders.

In addition to these state leading CCS efforts, we have identified up to 1,000 megawatts of front of the meter solar opportunities, which will help contribute to the energy transition in California. Further, we are advancing arrangements with SunPower for an initial 12 megawatts of behind-the-meter solar for hydrocarbon production, which is expected to be LCFS eligible on a well-defined LCFS pathway and are targeting up to an additional 33 megawatts of behind-the-meter solar projects for our oil and gas production.

As we further expand our ESG efforts, the Sustainability Committee of the Board will provide focused oversight. Additionally, we have hired Chris Gould as our Chief Sustainability Officer, who will lead our newly dedicated sustainability team.

I'd also like to extend a warm welcome to Nicole Neeman Brady as a member of the board of directors and a member of the Sustainability Committee. Nicole was appointed to the Board this morning and comes with significant experience in ESG investing and energy transition, which further complements Chris' long history on working climate initiatives. Their dedication to ESG will bring the needed expertise to deliver on our goals.

Finally, we'll be hosting an Analyst Day focused on sustainability sometime in the early fall, and we'll provide further details on that Analyst Day in the coming weeks.

I'm pleased with our results, and I'm optimistic for the road ahead. We continue to believe CRC is one of the best positioned companies in the energy sector. Our strong free cash flow yield, low leverage and ESG opportunities position us well now and for years to come. I'd again like to thank the employees of CRC for their commitment to reliable and safe production to meet California’s energy needs.

Thank you for your interest in CRC and for joining us on the call today. At this point, we'll open the line for questions.

QUESTION AND ANSWER

Operator
Ladies and gentlemen, at this time we'll begin the question-and-answer session. To ask a question, you may press "*" and then "1" using a touchtone telephone. If you are using a speakerphone, we do ask that you please pick up the handset before pressing the keys to ensure the best sound quality. To withdraw your question, you may press "*" and "2". Once again, that is "*" and then "1" to join the question queue. We will pause momentarily to assemble the roster.

Our first question today comes from Scott Hanold from RBC Capital Markets. Please go ahead with your question.

Scott Hanold
Thanks. Congratulations on this ESG perspective. It's certainly good to see you guys' kind of pushing this forward. If you could help me just kind of step back, and I think for investors and myself, the big question is like what is the value of this ESG effort for you? Obviously, we've got the credits. But help us put a pen to the paper. Like how much…when you look at this, the Carbon TerraVault I, like how much capital is CRC going to put into that? And what is the output on credit? Is there…just at a high level, just to kind of put some numbers to it?

Mac McFarland
Yes, sure, Scott. It's Mac. First of all, let me talk about what we're doing with that project, okay, which is TerraVault I. We're making the permit applications for…we've already done it for A1/A2, and we're going to do it for 26R. Those numbers are somewhat meaningless unless you know what they are. But that gives us the TerraVault project I, with 40 million metric tons. The reason why we're advancing those permits is because we think that they are really long lead time items, okay? And because we actually have a strategic advantage there and that you have to own the pore space by which to create carbon sequestration in California. Because of these, the location of these at Elk Hills, where we own everything fee simple, we already own that.

So, where it may take other projects a year or two by which to acquire pore space, and know the pore space and be able to file a permit, we wanted to go ahead and put those permits in. Now I say that because your question is, where do you take the project from here, all right? There are a number of factors that we are looking at, what is the carbon source, the capture technology, the transport to the site. But we believe that over time, we will fill in those gaps and develop the overall project economics, if you will. The reason why we think that this is an economic project is very simple. If you look at where we are in the country, in California, California is leading in its decarbonization efforts and is leading in the incentives that have been put forth for carbon sequestration, capture and sequestration.

So, you have a revenue opportunity, and I'm going to mix tax credits with revenue opportunities, but you have a revenue opportunity by generating LCFS credits, which are trading at $187, call it, $200, you have the 45Q, which for sequestration is $50 a ton. These are all per ton. And then there's discussion about whether or not to incent cap and trade, which is the greenhouse gas emissions trading program in California, which is currently in the $20, $30 and is expected to go higher per ton. Those are the total revenue opportunities.

Now obviously, you have capital that has to go into the capture system, into our tank and into the transport. But we believe with those incentives as the revenue on the top line, they are drastically advantaged over other places in the country that only receive a 45Q, $50 a ton tax

credit. So, when we do that and we look at capture systems all the way through the value chain, we believe we can develop projects that have good economics, because of that revenue stream. And that's why we think we're advantaged. So, we don't have a full project outlined and the value outlined. But we're working on that as our next step.

Scott Hanold
Yes. Now, and I appreciate that. And maybe just when I think about this simplistically, and if I were just to sort of take the midpoint of that, call it, $250 per metric ton of potential credits and looking at like the Elk Hills CalCapture. I mean, am I doing the math right, where that 1.4 million metric tons per year, I mean that equates to about $350 million per year. Am I doing the math right there? Am I like getting in the ballpark?

Mac McFarland
Yes. So, it's a great question. Let me distinguish between this project and the CalCapture project. The CalCapture project…the project that we're talking about today in Carbon TerraVault I is a CCS project. CalCapture has actually been designed as an EOR or CCUS project, where we would capture the flue gas off of the Elk Hills power plant, capture the carbon off of it and then use it for enhanced oil recovery. And because of…we're going to lay this further out when we have the Analyst Day, but CalCapture, only a third of that power plant goes back to behind-the-meter oil production. The other two-thirds goes out to the grid, okay? And so only a third of the carbon captured there is available for the LCFS credit, so it doesn't equate, you can't take the 1.4 million and do that math. We'll lay that out further. We continue to advance the CalCapture project, but it has a different set of economics than the CCS project we have.

Scott Hanold
Okay. And then, I guess…

Mac McFarland
It also has a revenue stream associated with the oil through the EOR, right? So, it's got some nuances to it. But that's one of the things. When we look at where we need to advance our ESG or environmental or carbon strategy, we decided to go forward with this Class VI permit at Carbon TerraVault I, because it gives us a direct line to CCS and it's less complicated with the power plant, if you will, but we continue to evaluate the power plant and the power plant economics for EOR, CCUS project.

Scott Hanold
Got it. So, I mean the bottom line is, is look at the TerraVault, when you're looking at that, it's…what factors like how much of that carbon per year are you actually capturing in storage and the credit for that. And so, there's…then fundamentally, you need to find the source and obviously, build the infrastructure to get it to there to fully develop sort of the value chain. Is that a fair statement?

Mac McFarland
Yes, that's a fair statement. But I think that when we look at the value chain and we think about that, I mean, we have an inherent natural resource and that we have depleted oil and gas fields that show pretty tremendous potential for CO2 stores. That's the billion tons. And we're focused on the…obviously, the low-hanging fruits, for a lack of a better term, that 200 million. And when you look at the overall project of getting a CCS project to be live, where you're actually injecting from a CCS standpoint, having the Class VI permit through the EPA, we

believe, is one of the longer lead time items, and that's why we're filing in advance and building a project around the tank. Francisco…

Francisco Leon
Yes. If I can just add, so the Carbon TerraVault I project, you talked about 40 million metric tons, think about that as the size of the tank. That's what we're going to permit first. And our initial estimates are that the injection rate is going to be 1 million tons per year. So just to give you a sense of the modeling around that.

Scott Hanold
Right. And that kind of goes back to…take the $250 times 1 million tons so there's $250 million a year. I mean, simplistically, I guess? Right.

Francisco Leon
Yes. Again, with a difference that 45Q is a tax credit, and then we're just talking about asset revenue. That's how you would start the model.

Mac McFarland
That's the total amount of revenue that avails itself to carbon capture and sequestration. That's right.

Scott Hanold
Yes. Okay. Excellent. And then as your…obviously, we're talking about the carbon capture in the reservoirs are amenable to it. And I know there's been some studies. But remind me, has there been an actual…has there been actual carbon sequestration done on any part of the field that you have the confidence that it will work? Is there many test pilots to show that it's structure looks there, but it actually, in reality, it does work itself because it's been tested?

Chris Gould
I think…this is Chris Gould. We have obviously extensive 100 years' worth of history on these wells from these reservoirs from operating them. And so, we're leveraging that data and that insight that we have collected to make the assessment of the 1 billion. And we believe that those are permanent CO2 storage capable.

Mac McFarland
But as far as the permit that you're asking about, Scott, at Elk Hills, we have the necessary data and studies and analysis that we believe, we have done some pilot studies at the site. But it is the modeling that we believe is conclusive. And because, as Chris said, that we have decades of data around these, we feel fairly confident in the analysis and the ability to permit the 40 million tons.

Scott Hanold
Okay. To get the…so to get the permits, you don't need to have it demonstrated, I guess, the point.

Chris Gould
You need to demonstrate through modeling and simulation in the application, but that is all supported by the data that we've collected over all of these years. So that's why we feel comfortable with this, okay.

Scott Hanold
Okay, okay. And Joanna I'll apologize for this because that was like a long number one question. I'll call this my second question on the solar side of things. Can you talk about the structure of what the agreement with the partner is, SunPower looks like? Is it a joint venture? Would they bring technology and you guys bring the acreage? Or how does that work? What's the like interest between the two partners?

Jay Bys
Scott, this is Jay Bys. No, it's nothing as exotic as that. In the case of SunPower for behind-the-meter projects, we're looking at a PPA structure, where we are the off-taker enjoying three benefits primarily, lower utility costs on the energy, LCFS capability and the ability to put extra energy back on the grid.

Mac McFarland
So, Scott, I mean, what we're doing is we're basically giving a land lease using our surface acreage. SunPower is building and developing the solar facility there. And we're the energy off taker, and that gives us what Jay just said. So, we're actually purchasing the power from them. So, from our perspective, it's capital-light, we pay over time through the energy cost, but we both benefit. They are producing solar power, and we're taking that solar power and using it for hydrocarbon production.

Scott Hanold
And that solar power is going to be 35% cheaper. Is that where you get the 35% cost reduction?

Mac McFarland
It's cheaper than the overall utility rate delivered at the meter, if you will. It's behind the meter so you're paying for just the energy production portion of what you would pay from a utility rate, which would include transmission and distribution.

Jay Bys
Yes. When you look at what you paid to the utility for increments of energy, what you pay to SunPower and then compare that to once you've been able to resell extra energy out and added in the LCFS, the effective reduction is a 35% reduction. It's meaningful.

Scott Hanold
Got it. Okay. Thank you.

Operator
Once again, if you would like to ask a question, please press "*" and "1." Our next question comes from Eric Seeve from GoldenTree. Please go ahead with your question.

Eric Seeve
Hey, guys. Thanks for the call. Congratulations on a terrific quarter. A couple of quick questions. In terms of the electricity business and the infrastructure or trading business, it looks like another very strong quarter for both of them. What should investors expect for gross margin for those quarters for the remainder of the year…for those segments for the remainder of the year?

Francisco Leon
Yes. I think so, Eric, if you take into account…so looking at the second quarter, if you look at both of the elements that you talked about, electricity business and infrastructure optimization, we saw about a $35 million of benefit, $35 million to $40 million. Some of the settlements, especially natural gas tends to be seasonal. So, it's difficult to project that out and by multiple quarters, the electricity side is a little bit more predictable. But I think as we've shown now, you can see the analysis on the earnings release. We're seeing pretty consistent benefit associated with those projects. So that's what we did in the second quarter. It's part of our assumption to assume that the next two quarters are going to be very similar to that.

Eric Seeve
Terrific. So, the next two quarters could be similar on an aggregate basis to what each of Q3 and Q4 could look similar to what Q2 looked like. Is that what you're saying, Francisco?

Francisco Leon
Yes, that's fair.

Eric Seeve
Great. Terrific. Thank you, very helpful. And then a second question, with respect to the A&D selling Ventura and buying on into Mount Poso and Kern Front from MIRA, does the full year guidance, it looks like it doesn't contemplate at this point, the Ventura sale and that you'll reassess guidance once that closes, pro forma for the sale. Is the same true for the bolt-on acquisition? Or does the current guidance contemplate the acquisition?

Mac McFarland
It's true for both of them, Eric, we closed MIRA after the end of the quarter, and we're still working to close Ventura, so both transactions, the net impact of that transaction will be reflected next time we issue guidance and it’s not in the current guidance.

Eric Seeve
Okay. Terrific. Thanks for clarifying that. And can you…it looks like considering the oil composition a pretty accretive trade, is that…and I know there are a lot of other benefits in terms of streamlining the operations and letting you focus more capital. But from your vantage point, did you see the trade as accretive? And can you maybe talk to that a little bit?

Francisco Leon
Yes, absolutely. Definitely accretive. As we're looking at our portfolio, we…as we talked about before, we'll see both acquisitions and divestitures on everything on the portfolio. So, if we see an opportunity to buy into our core, we'll do that. And then the non-core assets that are not getting the levels of capital to grow them, we're going to try to look for a good transaction to divest them. So yes, I mean, ultimately, as we disclosed some of the high-level numbers in terms of production. So, you can do the math and adjust on there. But we see these transactions as accretive and, as on the net basis, high-grading our BOEs, so definitely a good transaction for us in terms of high-grading the portfolio.

Eric Seeve
Perfect. And thanks for that color. And guys, congratulations again on a great quarter.

Francisco Leon
Thanks, Eric.

Operator
And we do have a follow-up question from Scott Hanold from RBC Capital Markets. Please go ahead with your follow-up.

Scott Hanold
Yes. On the pivot to more of the maintenance and downhole activity, can you remind us where you're at in terms of the backlog with that? And how much more you all can lean on that going forward? Because I think you had a bit of a backlog coming in from last year, but just kind of curious what the plan is to work it down to, say, more normal levels?

Mac McFarland
So, Scott, it's Mac. I'll ask Shawn Kerns to jump in here after this. But we have been reallocating capital into OPEX, as you say, because we did build up a maintenance backlog through the end of last year, whether it be the prices, whether it be the restriction on cash, if you will, or building liquidity into the bankruptcy and exiting at the end of last year. That backlog, we expect to work down to normal levels by the end of this year. And so, we don't see the same type of opportunity that we would normally…it's not going to continue past about the end of this year. But Shawn, do you want give some more specificity here?

Shawn Kerns
Sure, Mac. Yes, I'll add to that, Scott. Yes, basically, we did pick up some rigs to work down that backlog. In the first half, we've knocked out about 1,200 wells and brought those back online. We're making real good progress on getting that backlog worked out, have that wrapped up third quarter, fourth quarter, and then we'll be back to more normal levels of maintenance expenditure.

Scott Hanold
Appreciate that. Thank you.

Operator
And ladies and gentlemen, In showing no additional questions. I'd like to turn the floor back over to management for any closing remarks.

CONCLUSION

Mac McFarland
Well, thanks, everyone for your interest and participation on today's call, and we look forward to discussing our sustainability and CCS projects further in the fall. Thank you.

Operator
Ladies and gentlemen, that concludes today’s conference call. We do thank you for attending. You may now disconnect your lines.