

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 June 30, 2021

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:

<b>Title of Each Class</b>	<b>Trading Symbol(s)</b>	<b>Name of Each Exchange on Which Registered</b>
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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.  Yes  No

Indicate the number of shares outstanding for each of the issuer's classes of common stock, as of the last practicable date.

The number of shares of common stock outstanding as of June 30, 2021 was 81,879,457.

---

## California Resources Corporation and Subsidiaries

### Table of Contents

	<b>Page</b>
<b>Part I</b>	
<b>Item 1</b> Financial Statements (unaudited)	<b>2</b>
Condensed Consolidated Balance Sheets	<b>2</b>
Condensed Consolidated Statements of Operations	<b>3</b>
Condensed Consolidated Statements of Comprehensive Income (Loss)	<b>4</b>
Condensed Consolidated Statements of Equity	<b>5</b>
Condensed Consolidated Statements of Cash Flows	<b>7</b>
Notes to the Condensed Consolidated Financial Statements	<b>8</b>
<b>Item 2</b> Management's Discussion and Analysis of Financial Condition and Results of Operations	<b>21</b>
General	<b>21</b>
Business Environment and Industry Outlook	<b>21</b>
Production	<b>22</b>
Prices and Realizations	<b>24</b>
Statements of Operations Analysis	<b>26</b>
Liquidity and Capital Resources	<b>31</b>
2021 Capital Program	<b>34</b>
Regulatory Update	<b>34</b>
Share Repurchase Program	<b>34</b>
Divestitures	<b>34</b>
Acquisitions and Joint Ventures	<b>35</b>
Seasonality	<b>35</b>
Fixed and Variable Costs	<b>35</b>
Lawsuits, Claims, Commitments and Contingencies	<b>36</b>
Significant Accounting and Disclosure Changes	<b>36</b>
Forward-Looking Statements	<b>37</b>
<b>Item 3</b> Quantitative and Qualitative Disclosures About Market Risk	<b>39</b>
<b>Item 4</b> Controls and Procedures	<b>39</b>
<b>Part II</b>	
<b>Item 1</b> Legal Proceedings	<b>40</b>
<b>Item 1A</b> Risk Factors	<b>40</b>
<b>Item 2</b> Unregistered Sales of Equity Securities and Use of Proceeds	<b>40</b>
<b>Item 5</b> Other Disclosures	<b>40</b>
<b>Item 6</b> Exhibits	<b>41</b>

**PART I FINANCIAL INFORMATION**

**Item 1 Financial Statements (unaudited)**

**CALIFORNIA RESOURCES CORPORATION AND SUBSIDIARIES**  
**Condensed Consolidated Balance Sheets**  
**As of June 30, 2021 and December 31, 2020**  
(in millions, except share data)

	Successor	
	June 30, 2021	December 31, 2020
<b>CURRENT ASSETS</b>		
Cash	\$ 151	\$ 28
Trade receivables	238	177
Inventories	58	61
Assets held for sale	50	—
Other current assets	80	63
Total current assets	577	329
<b>PROPERTY, PLANT AND EQUIPMENT</b>	2,711	2,689
Accumulated depreciation, depletion and amortization	(138)	(34)
Total property, plant and equipment, net	2,573	2,655
<b>OTHER ASSETS</b>	90	90
<b>TOTAL ASSETS</b>	<u>\$ 3,240</u>	<u>\$ 3,074</u>
<b>CURRENT LIABILITIES</b>		
Accounts payable	248	212
Liabilities associated with assets held for sale	101	—
Accrued liabilities	537	261
Total current liabilities	886	473
<b>LONG-TERM DEBT, NET</b>	589	597
<b>OTHER LONG-TERM LIABILITIES</b>	850	822
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock (20,000,000 shares authorized at \$0.01 par value) no shares outstanding at June 30, 2021 and December 31, 2020	—	—
Common stock (200,000,000 shares authorized at \$0.01 par value) issued shares (83,319,660 at June 30, 2021 and December 31, 2020)	1	1
Treasury stock (1,440,203 shares held at cost at June 30, 2021 and no shares held at December 31, 2020)	(45)	—
Additional paid-in capital	1,273	1,268
Accumulated deficit	(328)	(123)
Accumulated other comprehensive loss	(8)	(8)
Total equity attributable to common stock	893	1,138
Equity attributable to noncontrolling interests	22	44
Total stockholders' equity	915	1,182
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<u>\$ 3,240</u>	<u>\$ 3,074</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 and six months ended June 30, 2021 and 2020**  
(dollars in millions, except per share data)

	<u>Successor</u>	<u>Predecessor</u>	<u>Successor</u>	<u>Predecessor</u>
	Three months ended June 30,	Three months ended June 30,	Six months ended June 30,	Six months ended June 30,
	2021	2020	2021	2020
<b>REVENUES</b>				
Oil, natural gas and natural gas liquids (NGL) sales	\$ 478	\$ 245	\$ 910	\$ 675
Net derivative (loss) gain from commodity contracts	(265)	(4)	(478)	75
Trading revenue	48	14	146	59
Electricity sales	33	19	66	32
Other revenue	10	2	23	8
Total revenues	<u>304</u>	<u>276</u>	<u>667</u>	<u>849</u>
<b>COSTS</b>				
Operating costs	169	127	333	319
General and administrative expenses	48	69	96	129
Depreciation, depletion and amortization	54	88	106	207
Asset impairments	—	—	3	1,736
Taxes other than on income	37	38	77	79
Exploration expense	2	2	4	7
Trading costs	30	8	91	32
Electricity cost of sales	17	14	41	30
Transportation costs	14	8	26	21
Other expenses, net	23	37	53	53
Total costs	<u>394</u>	<u>391</u>	<u>830</u>	<u>2,613</u>
<b>OPERATING LOSS</b>	(90)	(115)	(163)	(1,764)
<b>NON-OPERATING (LOSS) INCOME</b>				
Reorganization items	(2)	—	(4)	—
Interest and debt expense, net	(13)	(85)	(26)	(172)
Net (loss) gain on early extinguishment of debt	—	—	(2)	5
Other non-operating expenses	(2)	(47)	(1)	(61)
<b>LOSS BEFORE INCOME TAXES</b>	(107)	(247)	(196)	(1,992)
Income tax	—	—	—	—
<b>NET LOSS</b>	(107)	(247)	(196)	(1,992)
<b>NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS</b>				
Mezzanine equity	—	(30)	—	(60)
Stockholders' equity	(4)	6	(9)	(15)
Net income attributable to noncontrolling interests	(4)	(24)	(9)	(75)
<b>NET LOSS ATTRIBUTABLE TO COMMON STOCK</b>	<u>\$ (111)</u>	<u>\$ (271)</u>	<u>\$ (205)</u>	<u>\$ (2,067)</u>
<b>Net loss attributable to common stock per share</b>				
Basic	\$ (1.34)	\$ (5.47)	\$ (2.46)	\$ (41.84)
Diluted	\$ (1.34)	\$ (5.47)	\$ (2.46)	\$ (41.84)

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

**CALIFORNIA RESOURCES CORPORATION AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Comprehensive Income (Loss)**  
**For the three and six months ended June 30, 2021 and 2020**  
(dollars in millions)

	<u>Successor</u>	<u>Predecessor</u>	<u>Successor</u>	<u>Predecessor</u>
	Three months ended June 30,	Three months ended June 30,	Six months ended June 30,	Six months ended June 30,
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
<b>Net loss</b>	\$ (107)	\$ (247)	\$ (196)	\$ (1,992)
Net income attributable to noncontrolling interests	(4)	(24)	(9)	(75)
<b>Comprehensive loss attributable to common stock</b>	<b>\$ (111)</b>	<b>\$ (271)</b>	<b>\$ (205)</b>	<b>\$ (2,067)</b>

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 and six months ended June 30, 2021**  
(dollars in millions)

**Three months ended June 30, 2021 (Successor)**

	Common Stock	Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Equity Attributable to Common Stock	Equity Attributable to Noncontrolling Interests	Total Equity
<b>Balance, March 31, 2021</b>	\$ 1	\$ —	\$ 1,270	\$ (217)	\$ (8)	\$ 1,046	\$ 35	\$ 1,081
Net (loss) income <sup>(a)</sup>	—	—	—	(111)	—	(111)	4	(107)
Distributions to noncontrolling interest holders	—	—	—	—	—	—	(17)	(17)
Share-based compensation	—	—	3	—	—	3	—	3
Repurchases of common stock	—	(45)	—	—	—	(45)	—	(45)
<b>Balance, June 30, 2021</b>	<u>\$ 1</u>	<u>\$ (45)</u>	<u>\$ 1,273</u>	<u>\$ (328)</u>	<u>\$ (8)</u>	<u>\$ 893</u>	<u>\$ 22</u>	<u>\$ 915</u>

**Six months ended June 30, 2021 (Successor)**

	Common Stock	Treasury Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Equity Attributable to Common Stock	Equity Attributable to Noncontrolling Interests	Total Equity
<b>Balance, December 31, 2020</b>	\$ 1	\$ —	\$ 1,268	\$ (123)	\$ (8)	1,138	\$ 44	\$ 1,182
Net (loss) income <sup>(a)</sup>	—	—	—	(205)	—	(205)	9	(196)
Distributions to noncontrolling interest holders	—	—	—	—	—	—	(31)	(31)
Share-based compensation	—	—	5	—	—	5	—	5
Repurchases of common stock	—	(45)	—	—	—	(45)	—	(45)
<b>Balance, June 30, 2021</b>	<u>\$ 1</u>	<u>\$ (45)</u>	<u>\$ 1,273</u>	<u>\$ (328)</u>	<u>\$ (8)</u>	<u>\$ 893</u>	<u>\$ 22</u>	<u>\$ 915</u>

(a) For the three and six months ended June 30, 2021, we allocated \$4 million and \$9 million of net income to noncontrolling interest holders, respectively, with the remaining \$111 million and \$205 million of net loss attributed to holders of our common stock, both of which were included in stockholders' equity on our condensed consolidated balance sheet.

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 and six months ended June 30, 2020**  
(dollars in millions)

**Three months ended June 30, 2020 (Predecessor)**

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Equity Attributable to Common Stock	Equity Attributable to Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests <sup>(b)</sup>
<b>Balance, March 31, 2020</b>	\$ —	\$ 5,006	\$ (7,166)	\$ (23)	(2,183)	\$ 88	\$ (2,095)	\$ 816
Net (loss) income <sup>(a)</sup>	—	—	(271)	—	(271)	(6)	(277)	30
Distributions to noncontrolling interest holders	—	—	—	—	—	(6)	(6)	(18)
Share-based compensation, net	—	2	—	—	2	—	2	—
<b>Balance, June 30, 2020</b>	<u>\$ —</u>	<u>\$ 5,008</u>	<u>\$ (7,437)</u>	<u>\$ (23)</u>	<u>\$ (2,452)</u>	<u>\$ 76</u>	<u>\$ (2,376)</u>	<u>\$ 828</u>

**Six months ended June 30, 2020 (Predecessor)**

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Equity Attributable to Common Stock	Equity Attributable to Noncontrolling Interests	Total Equity	Redeemable Noncontrolling Interests <sup>(b)</sup>
<b>Balance, December 31, 2019</b>	\$ —	\$ 5,004	\$ (5,370)	\$ (23)	(389)	\$ 93	\$ (296)	\$ 802
Net (loss) income <sup>(a)</sup>	—	—	(2,067)	—	(2,067)	15	(2,052)	60
Contributions from noncontrolling interest holders	—	—	—	—	—	—	—	2
Distributions to noncontrolling interest holders	—	—	—	—	—	(32)	(32)	(36)
Share-based compensation, net	—	4	—	—	4	—	4	—
<b>Balance, June 30, 2020</b>	<u>\$ —</u>	<u>\$ 5,008</u>	<u>\$ (7,437)</u>	<u>\$ (23)</u>	<u>\$ (2,452)</u>	<u>\$ 76</u>	<u>\$ (2,376)</u>	<u>\$ 828</u>

- (a) For the three months ended June 30, 2020, we allocated \$24 million of net income to noncontrolling interest holders, of which a \$6 million net loss was included in stockholders' equity and \$30 million was included in mezzanine equity on our condensed consolidated balance sheet. The remaining net loss of \$271 million for the three months ended June 30, 2020 was attributed to holders of our common stock and included in stockholders' equity on our condensed consolidated balance sheet. For the six months ended June 30, 2020, we allocated \$75 million of net income to noncontrolling interest holders, of which \$15 million was included in stockholders' equity and \$60 million was included in mezzanine equity on our condensed consolidated balance sheet. The remaining net loss of \$2,067 million for the six months ended June 30, 2020 was attributed to holders of our common stock and included in stockholders' equity on our condensed consolidated balance sheet.
- (b) Redeemable noncontrolling interests are reported in mezzanine equity on our condensed consolidated balance sheets in Predecessor periods. See *Part II, Item 8 – Financial Statements and Supplementary Data, Note 7 Joint Ventures* in our Annual Report on Form 10-K for the year ended December 31, 2020 for more information about our noncontrolling interests in the Ares and Elk Hills Carbon joint ventures.

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 and six months ended June 30, 2021 and 2020  
(dollars in millions)

	Successor Three months ended June 30, 2021	Predecessor Three months ended June 30, 2020	Successor Six months ended June 30, 2021	Predecessor Six months ended June 30, 2020
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net loss	\$ (107)	\$ (247)	\$ (196)	\$ (1,992)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation, depletion and amortization	54	88	106	207
Asset impairments	—	—	3	1,736
Net derivative loss (gain) from commodity contracts	265	4	478	(75)
Net (payments) proceeds from settled commodity derivatives	(82)	5	(121)	103
Net loss (gain) on early extinguishment of debt	—	—	2	(5)
Amortization of deferred gain	—	(16)	—	(33)
Gain on asset divestiture	—	—	(2)	—
Other non-cash charges to income, net	22	14	29	22
Changes in operating assets and liabilities, net	(25)	17	(25)	130
<b>Net cash provided by (used in) operating activities</b>	<b>127</b>	<b>(135)</b>	<b>274</b>	<b>93</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Capital investments	(50)	(3)	(77)	(33)
Changes in accrued capital investments	8	(9)	13	(28)
Proceeds from asset divestitures	—	—	2	41
Other	(1)	(3)	(1)	(7)
<b>Net cash used in investing activities</b>	<b>(43)</b>	<b>(15)</b>	<b>(63)</b>	<b>(27)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Proceeds from Revolving Credit Facility	—	—	16	—
Repayments of Revolving Credit Facility	—	—	(115)	—
Proceeds from 2014 Revolving Credit Facility	—	346	—	795
Repayments of 2014 Revolving Credit Facility	—	(123)	—	(582)
Proceeds from Senior Notes	—	—	600	—
Debt repurchases	—	—	—	(3)
Debt issuance costs	(1)	—	(13)	—
Repayment of Second Lien Term Loan	—	—	(200)	—
Repayment of EHP Notes	—	—	(300)	—
Repayment of 2020 Senior Notes	—	—	—	(100)
Repurchases of common stock	(45)	—	(45)	—
Contribution from noncontrolling interest holders	—	—	—	2
Distributions paid to noncontrolling interest holders	(17)	(24)	(31)	(68)
Shares cancelled for taxes	—	—	—	(1)
<b>Net cash (used in) provided by financing activities</b>	<b>(63)</b>	<b>199</b>	<b>(88)</b>	<b>43</b>
<b>Increase in cash</b>	<b>21</b>	<b>49</b>	<b>123</b>	<b>109</b>
<b>Cash—beginning of period</b>	<b>130</b>	<b>77</b>	<b>28</b>	<b>17</b>
<b>Cash—end of period</b>	<b>\$ 151</b>	<b>\$ 126</b>	<b>\$ 151</b>	<b>\$ 126</b>

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**  
**June 30, 2021**

**NOTE 1 BASIS OF PRESENTATION**

We are an independent oil and natural gas exploration and production company operating properties exclusively within California.

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.

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, results of operations, comprehensive income, equity and cash flows for all periods presented. We have eliminated all significant intercompany transactions and accounts. We account for our share of oil and natural gas producing activities, 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 financial statements.

We have prepared this report in accordance with generally accepted accounting principles (GAAP) in the United States 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 presented not misleading.

The preparation of financial statements in conformity with GAAP requires management to select appropriate accounting policies and make informed estimates and judgments regarding certain types of financial statement balances and disclosures. Actual results could differ. Management believes that these estimates and judgments provide a reasonable basis for the fair presentation of our condensed consolidated financial statements. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in our Annual Report on Form 10-K for the year ended December 31, 2020 (2020 Annual Report).

**NOTE 2 ACCOUNTING AND DISCLOSURE CHANGES**

***Recently Adopted Accounting and Disclosure Changes***

On July 15, 2020, we filed voluntary petitions for relief under Chapter 11 of Title 11 of the Bankruptcy Code. On October 13, 2020, the Bankruptcy Court confirmed our joint plan of reorganization (the Plan) and we subsequently emerged from Chapter 11 on October 27, 2020 with a new Board of Directors, new equity owners and a significantly improved financial position.

We qualified for and adopted fresh start accounting upon emergence from bankruptcy at which point we became a new entity for financial reporting purposes. We adopted an accounting convenience date of October 31, 2020 for the application of fresh start accounting. As a result of the application of fresh start accounting and the effects of the implementation of the Plan, the financial statements after October 31, 2020 may not be comparable to the financial statements prior to that date. Accordingly, “black-line” financial statements are presented to distinguish between the Predecessor and Successor companies. References to “Predecessor” refer to the Company for periods ended on or prior to October 31, 2020 and references to “Successor” refer to the Company for periods subsequent to October 31, 2020. See *Part II, Item 8 – Financial Statements and Supplementary Data, Note 2 Chapter 11 Proceedings* and *Note 3 Fresh Start Accounting* in our 2020 Annual Report for additional information on the terms of the Plan, our emergence from bankruptcy and application of fresh start accounting.

We adopted new accounting guidance on current expected credit losses on January 1, 2020, using a modified retrospective approach to the first period in which the guidance was effective. The new rules changed 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 results in the earlier recognition of an allowance for losses. The adoption of these new rules did not have a significant impact on our condensed consolidated financial statements.

### NOTE 3 OTHER INFORMATION

*Other current assets* — Other current assets includes the following:

	Successor	
	June 30, 2021	December 31, 2020
	(in millions)	
Amounts due from joint interest partners	\$ 48	\$ 42
Receivables for premiums on derivative contracts	8	—
Prepaid expenses	19	20
Other	5	1
Other current assets	<u>\$ 80</u>	<u>\$ 63</u>

*Other assets* - Other assets includes the following:

	Successor	
	June 30, 2021	December 31, 2020
	(in millions)	
Operating lease right-of-use assets	35	38
Deferred financing costs - Revolving Credit Facility	14	17
Emission reduction credits	11	11
Prepaid power plant maintenance	17	14
Long-term deposits and other	13	10
Other assets	<u>\$ 90</u>	<u>\$ 90</u>

*Accrued liabilities* — Accrued liabilities includes the following:

	Successor	
	June 30, 2021	December 31, 2020
	(in millions)	
Accrued employee-related costs	\$ 61	\$ 72
Accrued taxes other than on income	31	36
Asset retirement obligations	49	50
Accrued interest	20	1
Lease liability	8	7
Fair value of derivative contracts	265	50
Deferred premiums on derivative contracts	28	18
Net settlement payments due on derivative contracts	34	3
Other	41	24
Accrued liabilities	<u>\$ 537</u>	<u>\$ 261</u>

*Other long-term liabilities* — Other long-term liabilities includes the following:

	<b>Successor</b>	
	<b>June 30, 2021</b>	<b>December 31, 2020</b>
	(in millions)	
Asset retirement obligations	\$ 448	\$ 547
Deferred compensation and postretirement	181	184
Lease liability	31	35
Fair value of derivative contracts	156	6
Deferred premiums on derivative contracts	16	31
Other	18	19
<b>Other long-term liabilities</b>	<b>\$ 850</b>	<b>\$ 822</b>

*Oil, natural gas and NGL sales* — Disaggregated revenue for sales of oil, natural gas and NGLs to customers includes the following:

	<b>Successor</b>	<b>Predecessor</b>	<b>Successor</b>	<b>Predecessor</b>
	<b>Three months ended June 30, 2021</b>	<b>Three months ended June 30, 2020</b>	<b>Six months ended June 30, 2021</b>	<b>Six months ended June 30, 2020</b>
(in millions)				
Oil	\$ 380	\$ 193	\$ 711	\$ 549
Natural gas	45	26	92	64
NGLs	53	26	107	62
<b>Oil, natural gas and NGL sales</b>	<b>\$ 478</b>	<b>\$ 245</b>	<b>\$ 910</b>	<b>\$ 675</b>

*Other expenses, net* — Other expenses, net includes the following:

	<b>Successor</b>	<b>Predecessor</b>	<b>Successor</b>	<b>Predecessor</b>
	<b>Three months ended June 30, 2021</b>	<b>Three months ended June 30, 2020</b>	<b>Six months ended June 30, 2021</b>	<b>Six months ended June 30, 2020</b>
(in millions)				
Accretion expense	\$ 13	\$ 10	\$ 26	\$ 20
Severance and termination costs	1	—	15	—
Deficiency payment on a pipeline delivery contract	—	20	—	20
Other, net	9	7	12	13
<b>Other expenses, net</b>	<b>\$ 23</b>	<b>\$ 37</b>	<b>\$ 53</b>	<b>\$ 53</b>

### **Supplemental Cash Flow Information**

We did not make U.S. federal and state income tax payments during the three and six months ended June 30, 2021 and 2020. Interest paid, net of capitalized amounts, totaled \$2 million and \$6 million for the three months ended June 30, 2021 and 2020, respectively. Interest paid, net of capitalized amounts, totaled \$4 million and \$51 million for the six months ended June 30, 2021 and 2020, respectively. Cash paid for reorganization items during the three and six months ended June 30, 2021 was \$2 million and \$4 million, respectively, for legal, professional and other fees.

### **Fair Value of Financial Instruments**

The carrying amounts of cash and on-balance sheet financial instruments, other than debt, approximate fair value. Refer to *Note 5 Debt* for the fair value of our debt. Refer to *Note 12 Asset Impairments* for impairment charges related to our long-lived assets.

#### NOTE 4 INVENTORIES

Materials and supplies, which primarily consist of well equipment and tubular goods used in our oil and natural gas operations, are valued at weighted-average cost and are reviewed periodically for obsolescence. Finished goods predominantly comprise produced oil and NGLs in storage, which are valued at the lower of cost or net realizable value. Inventories, by category, are as follows:

	Successor	
	June 30, 2021	December 31, 2020
	(in millions)	
Materials and supplies	\$ 56	\$ 58
Finished goods	2	3
<b>Inventories</b>	<b>\$ 58</b>	<b>\$ 61</b>

#### NOTE 5 DEBT

As of June 30, 2021 and December 31, 2020, our long-term debt consisted of the following:

	Successor		Interest Rate	Maturity
	June 30, 2021	December 31, 2020		
	(in millions)			
Revolving Credit Facility	\$ —	\$ 99	LIBOR plus 3%-4% ABR plus 2%-3%	April 29, 2024
Second Lien Term Loan	—	200	LIBOR plus 9%-10.5% ABR plus 8%-9.5%	October 27, 2025
EHP Notes	—	300	6%	October 27, 2027
Senior Notes	600	—	7.125%	February 1, 2026
<b>Principal Amount</b>	<b>\$ 600</b>	<b>\$ 599</b>		
Unamortized debt issuance costs	(11)	(2)		
<b>Long-term debt, net</b>	<b>\$ 589</b>	<b>\$ 597</b>		

##### Revolving Credit Facility

On October 27, 2020, we entered into a Credit Agreement with Citibank, N.A., as administrative agent, and certain other lenders. This credit agreement consists of a senior revolving loan facility (Revolving Credit Facility) with an aggregate commitment of \$492 million, which we are permitted to increase if we obtain additional commitments from new or existing lenders. Our Revolving Credit Facility also includes a sub-limit of \$200 million for the issuance of letters of credit. The letters of credit were issued to support ordinary course marketing, insurance, regulatory and other matters.

The borrowing base is redetermined around April and October of each year and was most recently set at \$1.2 billion in May 2021. The borrowing base takes into account the estimated value of our proved reserves, total indebtedness and other relevant factors consistent with customary reserves-based lending criteria. The amount we are able to borrow under our Revolving Credit Facility is limited to the amount of the commitment described above.

On May 7, 2021, we amended the Revolving Credit Facility to:

- increase our borrowing base from \$1.167 billion to \$1.2 billion;
- evidence the reduction in the aggregate commitment of lenders from \$540 million to \$492 million;
- increase our capacity to make certain restricted payments, including paying dividends and repurchasing our common stock;
- reduce the minimum amount of hedges that we are required to maintain for a rolling 24 month period on reasonably anticipated forecasted crude oil production from 50% to 33% so long as our total net leverage ratio is less than 2.00:1.00; and
- increase our maximum hedging limitation to 85% (and permit purchased puts and floors up to 100%) of reasonably anticipated total forecasted production of crude oil, natural gas and NGLs for a 48-month period.

As of June 30, 2021, our availability under the Revolving Credit facility was as follows:

	<b>Successor</b>	
	<b>June 30, 2021</b>	
	(in millions)	
Borrowing capacity	\$	492
Outstanding letters of credit		(125)
<b>Availability</b>	<b>\$</b>	<b>367</b>

#### Senior Notes

On January 20, 2021, we completed an offering of \$600 million in aggregate principal amount of our 7.125% senior unsecured notes due 2026 (Senior Notes). The net proceeds of \$587 million, after \$13 million of debt issuance costs, were used to repay in full our Second Lien Term Loan and EHP Notes, with the remainder used to repay substantially all of the then outstanding borrowings under our Revolving Credit Facility. See *Part II, Item 8 – Financial Statements and Supplementary Data, Note 8 Debt* in our 2020 Annual Report for a description of our Second Lien Term Loan and EHP Notes. We recognized a \$2 million loss on extinguishment of debt, including unamortized debt issuance costs, associated with these repayments.

#### Other

At June 30, 2021, we were in compliance with all financial and other debt covenants under our Revolving Credit Facility and Senior Notes.

#### Predecessor Note Repurchases

In the first quarter of 2020, we repurchased \$7 million in face value of our 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. Other than repaying in full our EHP Notes in January 2021, we did not repurchase or repay any notes in the second quarter of 2020 or the six months ended June 30, 2021. See *Part II, Item 8 – Financial Statements and Supplementary Data, Note 8 Debt* in our 2020 Annual Report for a description of our Second Lien Notes.

#### **Fair Value**

We estimate that the fair value of our variable rate debt approximates its carrying value because the interest rate approximates current market rates. As shown in the table below, we estimated the fair value of our fixed rate Senior Notes based on observable inputs (Level 1) and the fair value of our EHP Notes with no observable inputs (Level 3).

	<b>Successor</b>	
	<b>June 30, 2021</b>	<b>December 31, 2020</b>
	(in millions)	
Variable rate debt	\$ —	\$ 299
Fixed rate debt		
Senior Notes	633	—
EHP Notes	—	300
<b>Fair Value of Long-Term Debt</b>	<b>\$ 633</b>	<b>\$ 599</b>

## **NOTE 6 ASSETS HELD FOR SALE**

In the second quarter of 2021, we entered into agreements to sell our Ventura basin operations. We expect to receive cash consideration of up to \$102 million plus additional earn-out consideration that is linked to future commodity prices. The consideration includes \$82 million of cash to be paid at closing and up to \$20 million of potential additional consideration if the buyer does not perform certain abandonment obligations with respect to the divested properties. The additional consideration is secured by production payments of \$20 million over a five-year period. To the extent the buyer satisfies all of the required abandonment obligations within a five-year period following the close date, none of the \$20 million of potential additional consideration will be paid to us. The closing of the transaction is subject to customary closing conditions, including satisfaction of land and environmental due diligence and third-party consents.

The sale of our Ventura basin operations met the criteria for assets held for sale and is classified as such on our condensed consolidated balance sheet as of June 30, 2021. The amount reported as assets held for sale primarily consists of property, plant and equipment along with associated asset retirement obligations. These transactions are expected to close in the second half of 2021.

## **NOTE 7 LAWSUITS, CLAIMS, COMMITMENTS AND CONTINGENCIES**

### ***Litigation and Claims***

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 June 30, 2021 and December 31, 2020 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 cannot be accurately determined.

In October 2020, Signal Hill Services, Inc. defaulted on its decommissioning obligations associated with two offshore platforms. The Bureau of Safety and Environmental Enforcement (BSEE) determined that former lessees, including our former parent, Occidental Petroleum Corporation (Oxy) with a 37.5% share, are responsible for accrued decommissioning obligations associated with these offshore platforms. Oxy sold its interest in the platforms approximately 30 years ago and it is our understanding that Oxy has not had any connection to the operations since that time, and is challenging BSEE's order. Oxy notified us of the claim under the indemnification provisions of the Separation and Distribution Agreement between us and Oxy. We are currently evaluating this claim.

### ***Commitment***

We have a commitment of \$12 million for evaluation and development activities at one of our oil and natural gas properties which is not recorded on our condensed consolidated balance sheets. In the second quarter of 2021, we entered into an amendment allowing us to accept certain land use requirements which will relieve us from our remaining obligation on or before May 2022.

## **NOTE 8 DERIVATIVES**

We maintain a commodity hedging program primarily focused on crude oil to help protect our cash flows, margins and capital program from the volatility of commodity prices. We did not have any derivative instruments designated as accounting hedges as of and for the three and six months ended June 30, 2021 and 2020. 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.

Our Revolving Credit Facility requires that we hedge a significant amount of crude oil production for a period of 36 months from the effective date of the facility. In addition, the Revolving Credit Facility requires that we maintain hedges on production for not less than two years from each quarter end.

Summary of open derivative contracts — We held the following Brent-based crude oil contracts as of June 30, 2021:

	Q3 2021	Q4 2021	Q1 2022	Q2 2022	2H 2022	2023
<b>Sold Calls</b>						
Barrels per day	36,688	37,037	35,347	35,343	28,773	14,790
Weighted-average price per barrel	\$ 50.47	\$ 60.75	\$ 60.37	\$ 60.63	\$ 59.07	\$ 58.01
<b>Purchased Puts</b>						
Barrels per day	36,943	35,820	35,347	35,343	28,773	14,790
Weighted-average price per barrel	\$ 40.18	\$ 40.19	\$ 40.57	\$ 41.13	\$ 40.70	\$ 40.00
<b>Sold Puts</b>						
Barrels per day	14,647	14,193	6,869	—	2,674	—
Weighted-average price per barrel	\$ 30.00	\$ 32.00	\$ 32.00	\$ —	\$ 32.00	\$ —
<b>Swaps</b>						
Barrels per day	11,063	11,922	10,869	8,669	8,386	6,930
Weighted-average price per barrel	\$ 51.02	\$ 52.61	\$ 52.62	\$ 51.31	\$ 51.22	\$ 52.15

The outcomes of the derivative positions are as follows:

- Sold calls – we make settlement payments for prices above the indicated weighted-average price per barrel.
- Purchased puts – we receive settlement payments for prices below the indicated weighted-average price per barrel.
- Sold puts – we make settlement payments for prices below the indicated weighted-average price per barrel.
- Swaps – we make settlement payments for prices above the indicated weighted-average price per barrel and receive settlement payments for prices below the indicated weighted-average price per barrel.

We use combinations of these positions to meet the requirements of our Revolving Credit Facility and to increase the efficacy of our hedging program.



*Fair value of derivatives* — The following tables present the fair values on a recurring basis (at gross and net) of our outstanding commodity derivatives as of June 30, 2021 and December 31, 2020:

<b>June 30, 2021 (Successor)</b>			
<b>Classification</b>	<b>Gross Amounts at Fair Value</b>	<b>Netting</b>	<b>Net Fair Value</b>
Assets		(in millions)	
Other current assets	\$ 6	\$ (6)	\$ —
Other assets	18	(18)	—
Liabilities			
Accrued liabilities	(271)	6	(265)
Other long-term liabilities	(174)	18	(156)
	<u>\$ (421)</u>	<u>\$ —</u>	<u>\$ (421)</u>
<b>December 31, 2020 (Successor)</b>			
<b>Classification</b>	<b>Gross Amounts at Fair Value</b>	<b>Netting</b>	<b>Net Fair Value</b>
Assets		(in millions)	
Other current assets, net	\$ 21	\$ (21)	\$ —
Other assets	63	(63)	—
Liabilities			
Accrued liabilities	(71)	21	(50)
Other long-term liabilities	(69)	63	(6)
	<u>\$ (56)</u>	<u>\$ —</u>	<u>\$ (56)</u>

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 recognized fair value changes on derivative instruments each reporting period in net derivative (loss) gain from commodity contracts on our condensed consolidated statements of operations for the three and six months ended June 30, 2021 and 2020. The changes in fair value result from the relationship between our existing positions, volatility, time to expiration, contract prices and the associated forward curves.

#### **NOTE 9 EARNINGS PER SHARE**

Basic and diluted earnings per share (EPS) was calculated using the treasury stock method for the three and six months ended June 30, 2021 and the two-class method for the three and six months ended June 30, 2020, which is required for participating securities. Certain of our restricted and performance stock unit awards outstanding during the six months ended June 30, 2020 were considered participating securities because they had non-forfeitable dividend rights at the same rate as our pre-emergence common stock. Our restricted and performance stock unit awards granted during the first half of 2021, as described in *Note 13 Stock-Based Compensation*, are not considered participating securities since the dividend rights on unvested shares are forfeitable.

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 underlying shares related to unvested equity-settled awards and warrants. For diluted EPS, the basic shares outstanding are adjusted by adding potential common shares, if dilutive.

The following table presents the calculation of basic and diluted EPS, for the three and six months ended June 30, 2021 and 2020:

	<u>Successor</u> <u>Three months ended June 30,</u> <u>2021</u>	<u>Predecessor</u> <u>Three months ended June 30,</u> <u>2020</u>	<u>Successor</u> <u>Six months ended June 30,</u> <u>2021</u>	<u>Predecessor</u> <u>Six months ended June 30,</u> <u>2020</u>
(in millions, except per-share amounts)				
<b>Numerator for Basic and Diluted EPS</b>				
Net loss	\$ (107)	\$ (247)	\$ (196)	\$ (1,992)
Less: net income attributable to noncontrolling interests	(4)	(24)	(9)	(75)
Net loss attributable to common stock	<u>\$ (111)</u>	<u>\$ (271)</u>	<u>\$ (205)</u>	<u>\$ (2,067)</u>
<b>Denominator for Basic and Diluted EPS</b>				
Weighted-average shares	83.1	49.5	83.2	49.4
<b>EPS</b>				
Basic	\$ (1.34)	\$ (5.47)	\$ (2.46)	\$ (41.84)
Diluted	\$ (1.34)	\$ (5.47)	\$ (2.46)	\$ (41.84)
Weighted-average anti-dilutive shares	6.4	5.2	5.9	4.9

#### 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 and six months ended June 30, 2021 and 2020:

	<u>Successor</u> <u>Three months ended June 30,</u> <u>2021</u>		<u>Predecessor</u> <u>Three months ended June 30,</u> <u>2020</u>	
	<u>Pension Benefit</u>	<u>Postretirement Benefit</u>	<u>Pension Benefit</u>	<u>Postretirement Benefit</u>
(in millions)				
Service cost	\$ 1	\$ 1	\$ 1	\$ 1
Interest cost	—	1	—	1
Expected return on plan assets	(1)	—	—	—
Total	<u>\$ —</u>	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ 2</u>
	<u>Successor</u> <u>Six months ended June 30,</u> <u>2021</u>		<u>Predecessor</u> <u>Six months ended June 30,</u> <u>2020</u>	
	<u>Pension Benefit</u>	<u>Postretirement Benefit</u>	<u>Pension Benefit</u>	<u>Postretirement Benefit</u>
(in millions)				
Service cost	\$ 1	\$ 2	\$ 1	\$ 2
Interest cost	—	2	1	2
Expected return on plan assets	(1)	—	—	—
Total	<u>\$ —</u>	<u>\$ 4</u>	<u>\$ 2</u>	<u>\$ 4</u>

We contributed \$1 million to our defined benefit plans during the three and six months ended June 30, 2021. We expect to satisfy our minimum funding requirements with contributions of approximately \$3 million to our defined benefit pension plans during the remainder of 2021.

We did not make significant contributions to our defined benefit pension plans for the three and six months ended June 30, 2020. The Coronavirus Aid, Relief, and Economic Security Act was enacted on March 27, 2020 and allowed for the deferral of contributions to a single employer pension plan otherwise due during 2020 to January 1, 2021. During 2020, we deferred contributions to our defined benefit pension plans of approximately \$5 million, which we funded in December 2020.

#### NOTE 11 INCOME TAXES

We estimate our annual effective income tax rate to record our quarterly income tax provision in the jurisdictions in which we operate. Statutory tax rate changes and other significant or unusual items, if any, are not included in our annual effective income tax rate and are instead recognized as discrete items in the quarter in which they occur.

For the six months ended June 30, 2021 and 2020, we did not provide any current or deferred income tax provision or benefit. The difference between our statutory tax rate and our effective tax rate of zero for all 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 sustained level of profitability that we can achieve.

#### NOTE 12 ASSET IMPAIRMENTS

The following table presents a summary of our asset impairments:

	<b>Successor</b>	<b>Predecessor</b>
	<b>Six months ended June 30, 2021</b>	<b>Six months ended June 30, 2020</b>
(in millions)		
Proved oil and natural gas properties	\$ —	\$ 1,487
Unproved properties	—	228
Other	3	21
Total	<u>\$ 3</u>	<u>\$ 1,736</u>

We recognized a \$3 million impairment charge during the six months ended June 30, 2021 which was triggered by the change in our business strategy and capital allocation priorities resulting in the abandonment of certain capital projects.

During the six months ended June 30, 2020, we recorded a \$1.7 billion impairment which was triggered by the sharp drop in commodity prices at the end of the first quarter of 2020. See *Part II, Item 8 – Financial Statements and Supplementary Data, Note 13 Asset Impairment* in our 2020 Annual Report for a description of our impairment of proved and unproved oil and gas properties and other asset impairments during the six months ended June 30, 2020.

#### NOTE 13 STOCK-BASED COMPENSATION

The California Resources Corporation 2021 Long Term Incentive Plan (Long Term Incentive Plan) provides for potential grants of stock options, stock appreciation rights, restricted stock awards, restricted stock units, vested stock awards, dividend equivalents, other stock-based awards and substitute awards to employees, officers, non-employee directors and other service providers of the Company and its affiliates. The Long Term Incentive Plan replaces the earlier Amended and Restated California Resources Corporation Long Term Incentive Plan which was cancelled upon our emergence from bankruptcy, along with all outstanding stock-based compensation awards granted thereunder.

Shares of our common stock may be withheld by us in satisfaction of tax withholding obligations arising upon the vesting of restricted stock units (RSUs) and performance stock units (PSUs).

Stock-based compensation expense is primarily recorded in general and administrative expenses on our condensed consolidated statements of operations based on job function of the employees receiving the grants as shown in the table below. Stock-based compensation reported as a component of operating costs is not significant for all periods presented.

	<u>Successor</u> <u>Three months ended</u> <u>June 30,</u> <u>2021</u>	<u>Predecessor</u> <u>Three months ended</u> <u>June 30,</u> <u>2020</u>	<u>Successor</u> <u>Six months ended</u> <u>June 30,</u> <u>2021</u>	<u>Predecessor</u> <u>Six months ended</u> <u>June 30,</u> <u>2020</u>
(in millions)				
General and administrative expenses	\$ 4	\$ 1	\$ 6	\$ 2

For the three and six months ended June 30, 2021 and 2020, we did not recognize any income tax benefit related to our stock-based compensation. For the three and six months ended June 30, 2020, we made cash payments of \$7 million and \$15 million, for the cash-settled portion of our pre-emergence awards, respectively.

#### Restricted Stock Units

Executives and non-employee directors were granted RSUs during the first half of 2021 which are in the form of, or equivalent in value to, actual shares of our common stock. The awards generally vest ratably over three years, with one third of the granted units vesting on each of the first three anniversaries of the applicable date of grant. RSUs are settled in shares of our common stock at the end of the third year of the three-year vesting period.

The following table sets forth RSU activity for the six months ended June 30, 2021:

	<u>Number of Units</u> <small>(in thousands)</small>	<u>Weighted-Average</u> <u>Grant-Date Fair</u> <u>Value</u>
Unvested at December 31, 2020 (Successor)	—	\$ —
Granted	1,180	\$ 24.74
Cancelled or Forfeited	(36)	\$ 24.50
Unvested at June 30, 2021 (Successor)	1,144	

Compensation expense was measured on the date of grant using the quoted market price of our common stock and is recognized on a straight-line basis over the requisite service periods adjusted for actual forfeitures, if any.

As of June 30, 2021, the unrecognized compensation expense for all of our unvested RSUs was approximately \$25 million and is expected to be recognized over a weighted-average period of approximately three years.

#### Performance Stock Units

Executives were granted PSUs during the first half of 2021 which contained a market condition. PSUs are earned upon the attainment of specified 60-trading day volume weighted average prices for shares of our common stock generally during a three-year service period commencing on the grant date. Once units are earned, the earned units are not reduced for subsequent decreases in stock price. For the duration of the three-year period, a minimum of 0% and a maximum of 100% of the PSUs granted could be earned. Earned PSUs generally vest on the third anniversary of the grant date and are settled in shares of our common stock at that time.

The following table sets forth PSU activity for the six months ended June 30, 2021:

	Number of Units	Weighted-Average Grant-Date Fair Value
	(in thousands)	
Unvested at December 31, 2020 (Successor)	—	\$ —
Granted	969	\$ 19.72
Cancelled or Forfeited	(21)	\$ 19.31
Unvested at June 30, 2021 (Successor)	948	

The grant date fair value and associated equity compensation expense was measured using a Monte Carlo simulation model which runs a probabilistic assessment of the number of units that will be earned based on a projection of our stock price during the three-year service period.

The range of assumptions used in the Monte Carlo simulation model for the PSUs granted during the first and second quarter of 2021 were as follows:

	Second Quarter	First Quarter
	2021	2021
Expected volatility <sup>(a)</sup>	60.00% - 65.00%	65.00 %
Risk-free interest rate <sup>(b)</sup>	0.16% - 0.17%	0.17% - 0.32%
Dividend yield	— %	— %
Forecast period (in years)	2 - 3	3

(a) Expected volatility was calculated using a peer group due to our limited trading history since our emergence from bankruptcy.

(b) Based on the U.S. Treasury yield for a three-year term at the grant date.

Compensation expense is recognized on a straight-line basis over the requisite service periods adjusted for actual forfeitures, if any.

As of June 30, 2021, the unrecognized compensation expense for all of our unvested PSUs was approximately \$17 million and is expected to be recognized over a weighted-average period of approximately three years.

#### NOTE 14 EQUITY

In May 2021, our Board of Directors authorized a Share Repurchase Program to acquire up to \$150 million of our common stock through March 31, 2022. See *Note 15 Subsequent Events* for more information on an increase to our Share Repurchase Program. The repurchases may be effected from time-to-time through open market purchases, privately negotiated transactions, Rule 10b5-1 plans, accelerated stock repurchases, derivative contracts or otherwise in compliance with Rule 10b-18, subject to market conditions. The Share Repurchase Program does not obligate us to repurchase any dollar amount or number of shares and our Board of Directors may modify, suspend, or discontinue authorization of the program at any time.

As of June 30, 2021, we repurchased 1.4 million shares of our common stock, at an average price of \$31.56 per share, through either open market purchases or a Rule 10b5-1 plan at an aggregate cost of \$45 million. Shares repurchased were held as treasury stock as of June 30, 2021.

#### NOTE 15 SUBSEQUENT EVENTS

##### *Acquisitions*

In April 2017, we entered into a development joint venture with Macquarie Infrastructure and Real Assets Inc. (MIRA) to develop certain of our oil and natural gas properties in the San Joaquin basin in exchange for a 90% working interest in the related properties. In August 2021, we purchased MIRA's entire working interest share in the conveyed assets for \$53 million, before transaction costs. Prior to the acquisition, our consolidated results reflect only our 10% working interest share in the productive wells.

**Share Repurchase Program**

In August 2021, our Board of Directors authorized an increase to the Share Repurchase Program of \$100 million to \$250 million of our common stock through March 31, 2022.

## 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 provide ample, affordable and reliable energy in a safe and responsible manner, to support and enhance the quality of life of Californians and the local communities in which we operate. We do this through the development of our broad portfolio of assets while adhering to our commitment to making value-based capital investments. 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.

We qualified for and adopted fresh start accounting upon emergence from bankruptcy on October 27, 2020, at which point we became a new entity for financial reporting purposes. We adopted an accounting convenience date of October 31, 2020 for the application of fresh start accounting. As a result of the application of fresh start accounting and the effects of the implementation of our joint plan of reorganization (the Plan), the financial statements after October 31, 2020 may not be comparable to the financial statements prior to that date. Accordingly, "black-line" financial statements are presented to distinguish between the Predecessor and Successor companies. References to "Predecessor" refer to the Company for periods ended on or prior to October 31, 2020 and references to "Successor" refer to the Company for periods subsequent to October 31, 2020.

See *Part II, Item 8 – Financial Statements and Supplementary Data, Note 2 Chapter 11 Proceedings and Note 3 Fresh Start Accounting* in our Annual Report on Form 10-K for the year ended December 31, 2020 (2020 Annual Report) for additional information on the terms of the Plan, our emergence from bankruptcy and application of fresh start accounting.

### Business Environment and Industry Outlook

#### Commodity Prices

Our operating results and those of the oil and gas industry as a whole are heavily influenced by commodity prices. Oil and natural gas prices and differentials may fluctuate significantly as a result of numerous market-related variables. These and other factors make it impossible to predict realized prices reliably. 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 natural gas reserves we can economically produce over the longer term.

Global oil prices were higher in the three and six months ended June 30, 2021 compared to the same periods in 2020. Benchmark prices for Brent crude oil in the first half of 2021 increased 55% from the same period in 2020 demonstrating a strong recovery from the same prior year period when oil prices were negatively influenced by the Coronavirus Disease 2019 (COVID-19) pandemic and by the actions of foreign producers. Commodity prices have benefited from rising consumption and economic growth due to the lifting of restrictions related to the COVID-19 pandemic. During the first half of 2021, members of Organization of Petroleum Exporting Countries (OPEC) continued to restrain crude oil production attempting to reduce oil supplies built during 2020.

The following table presents the average daily Brent, WTI and NYMEX prices for the three and six months ended June 30, 2021 and 2020:

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Brent oil (\$/Bbl)	\$ 69.02	\$ 33.27	\$ 65.06	\$ 42.12
WTI oil (\$/Bbl)	\$ 66.07	\$ 27.85	\$ 61.96	\$ 37.01
NYMEX gas (\$/MMBtu)	\$ 2.76	\$ 1.77	\$ 2.74	\$ 1.91

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

See *Part II, Item 7 – Management's Discussion and Analysis of Financial Condition and Results of Operations, Production and Prices and Part II, Item 1A – Risk Factors* in our 2020 Annual Report for further discussion regarding the impact of the pandemic and declines in commodity prices.

## Production

The following table sets forth our average net production volumes of oil, natural gas liquids (NGLs) and natural gas per day for the three and six months ended June 30, 2021 and 2020:

	<b>Successor</b>	<b>Predecessor</b>	<b>Successor</b>	<b>Predecessor</b>
	<b>Three months ended June 30, 2021</b>	<b>Three months ended June 30, 2020</b>	<b>Six months ended June 30, 2021</b>	<b>Six months ended June 30, 2020</b>
<b>Oil (MBbl/d)</b>				
San Joaquin Basin	39	41	38	44
Los Angeles Basin	19	27	20	26
Ventura Basin	3	2	2	3
Total	61	70	60	73
<b>NGLs (MBbl/d)</b>				
San Joaquin Basin	13	13	12	14
Ventura Basin	—	—	1	—
Total	13	13	13	14
<b>Natural gas (MMcf/d)</b>				
San Joaquin Basin	135	148	135	151
Los Angeles Basin	1	2	1	2
Ventura Basin	5	3	5	4
Sacramento Basin	20	21	20	22
Total	161	174	161	179
<b>Total Net Production (MBoe/d)</b>	<b>101</b>	<b>112</b>	<b>100</b>	<b>117</b>

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.

Total daily production for the three months ended June 30, 2021, compared to the same period in 2020, decreased by approximately 11 MBoe/d or 10%. The decrease in production largely resulted from limited drilling activity and capital investment during the prior 12 months and natural decline rates. Our production-sharing contracts (PSCs), as described below, negatively impacted our oil production in the second quarter of 2021 by approximately five MBoe/d compared to the same period in 2020. Our total daily production for the three months ended June 30, 2021 decreased by approximately 5% compared to the same period in 2020 after excluding the impact of PSC-type contracts.

For the six months ended June 30, 2021 compared to the same period in 2020, total daily production decreased by approximately 17 MBoe/d or 15%. The decrease in production largely resulted from limited drilling activity and capital investment during the prior 12 months and natural decline. Production volumes were also negatively impacted by downtime at one of our gas processing plants and our PSC-type contracts. Our total daily production decreased by 12 MBoe/d or 10% compared to the same period in 2020 after excluding the impact of PSC-type contracts and unscheduled downtime.



### ***Production-Sharing Contracts (PSCs)***

Our share of production and reserves from operations in the Wilmington field in the Los Angeles basin 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 operating costs. We record a share of production and reserves to recover a portion of such capital and operating costs and an additional share for profit. Our portion of the production represents volumes: (i) to recover our partners' share of capital and operating 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 operating costs. However, our net economic benefit is greater when product prices are higher. These contracts represented approximately 15% of our net production for the three months ended June 30, 2021.

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 and general and administrative costs but only our net share of production equally inflates our oil, natural gas and NGL sales revenue, general and administrative expenses and operating costs but has no effect on our net results.

The reporting of our PSC-type contracts creates a difference between reported operating costs, which are for the full field, and reported volumes, which are only our net share, inflating the per barrel operating costs. See Statements of Operations Analysis, *Results of Oil and Gas Operations* below for our operating costs and operating costs, excluding the effects of our PSC-type contracts on a per Boe basis.

## Prices and Realizations

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 and six months ended June 30, 2021 and 2020:

	Successor		Predecessor	
	Three months ended June 30,		Three months ended June 30,	
	2021		2020	
	Price	Realization	Price	Realization
<b>Oil (\$ per Bbl)</b>				
Brent	\$ 69.02		\$ 33.27	
Realized price without hedge	\$ 68.94	100%	\$ 30.27	91%
Settled hedges	(14.84)		0.55	
Realized price with hedge	<u>\$ 54.10</u>	78%	<u>\$ 30.82</u>	93%
WTI	\$ 66.07		\$ 27.85	
Realized price without hedge	\$ 68.94	104%	\$ 30.27	109%
Realized price with hedge	\$ 54.10	82%	\$ 30.82	111%
<b>NGLs (\$ per Bbl)</b>				
Realized price (% of Brent)	\$ 44.90	65%	\$ 21.05	63%
Realized price (% of WTI)	\$ 44.90	68%	\$ 21.05	76%
<b>Natural gas</b>				
NYMEX (\$/MMBtu)	\$ 2.76		\$ 1.77	
Realized price without hedge (\$/Mcf)	\$ 3.04	110%	\$ 1.65	93%
Settled hedges	(0.01)		0.08	
Realized price with hedge (\$/Mcf)	<u>\$ 3.03</u>	110%	<u>\$ 1.73</u>	98%

	Successor		Predecessor	
	Six months ended June 30,		Six months ended June 30,	
	2021		2020	
	Price	Realization	Price	Realization
<b>Oil (\$ per Bbl)</b>				
Brent	\$ 65.06		\$ 42.12	
Realized price without hedge	\$ 64.89	100%	\$ 41.02	97%
Settled hedges	(10.98)		2.74	
Realized price with hedge	\$ 53.91	83%	\$ 43.76	104%
WTI	\$ 61.96		\$ 37.01	
Realized price without hedge	\$ 64.89	105%	\$ 41.02	111%
Realized price with hedge	\$ 53.91	87%	\$ 43.76	118%
<b>NGLs (\$ per Bbl)</b>				
Realized price (% of Brent)	\$ 46.75	72%	\$ 25.18	60%
Realized price (% of WTI)	\$ 46.75	75%	\$ 25.18	68%
<b>Natural gas</b>				
NYMEX (\$/MMBtu)	\$ 2.74		\$ 1.91	
Realized price without hedge (\$/Mcf)	\$ 3.17	116%	\$ 1.96	103%
Settled hedges	(0.03)		0.09	
Realized price with hedge (\$/Mcf)	\$ 3.14	115%	\$ 2.05	107%

*Oil* — Brent index and realized prices excluding hedge settlements were higher in the three and six month periods ended June 30, 2021 compared to the same periods in 2020 as oil demand recovered from its COVID-19 driven lows. Prices collapsed in March 2020 at the beginning of the pandemic and have since improved as a result of easing mobility restrictions and the delayed effects of pandemic-related production curtailments and reduced capital investments by OPEC members, domestic producers and Russia.

*NGLs* — Prices for NGLs increased for the three and six month periods ended June 30, 2021 compared to the same periods in 2020. In 2020, demand declined at the onset of COVID-19 that caused materially lower NGL prices and resulted in production curtailments. Production curtailments continued into 2021 causing tighter supplies and higher benchmark prices in the face of improving demand.

*Natural Gas* — Natural gas index and realized prices were higher in the three and six months ended June 30, 2021 compared to the same periods in 2020. The pandemic caused natural gas demand to decline which prompted producers to, in response, reduce production and investment. As pandemic-related mobility restrictions have been lifted, production increases have thus far failed to keep pace with prompt demand and seasonal storage requirements.

## Statements of Operations Analysis

### Results of Oil and Gas Operations

The following table includes key operating data for our oil and gas operations, excluding certain corporate expenses, on a per Boe basis for the three and six months ended June 30, 2021 and 2020:

	Successor	Predecessor	Successor	Predecessor
	Three months ended June 30,	Three months ended June 30,	Six months ended June 30,	Six months ended June 30,
	2021	2020	2021	2020
Energy operating costs <sup>(a)</sup>	\$ 4.70	\$ 3.51	\$ 4.70	\$ 3.61
Gas processing costs	0.66	0.46	\$ 0.60	\$ 0.57
Non-energy operating costs <sup>(b)</sup>	13.12	8.45	\$ 13.10	\$ 10.81
Operating costs	<u>\$ 18.48</u>	<u>\$ 12.42</u>	<u>\$ 18.40</u>	<u>\$ 14.99</u>
Operating costs, excluding effects of PSC-type contracts <sup>(c)</sup>	\$ 16.75	\$ 12.00	\$ 16.74	\$ 14.33
Field general and administrative expenses <sup>(d)</sup>	\$ 0.77	\$ 1.17	\$ 0.83	\$ 1.08
Field depreciation, depletion and amortization <sup>(d)(e)</sup>	\$ 5.36	\$ 7.82	\$ 5.25	\$ 8.98
Field taxes other than on income	\$ 2.95	\$ 2.84	\$ 3.21	\$ 2.96

- (a) Energy operating costs consist of purchases of fuel gas used to generate electricity, purchased electricity and internal costs to produce electricity used in our operations.
- (b) Non-energy operating costs equal total operating costs less energy operating costs and gas processing costs. Purchases of fuel gas to generate steam which is then used in our steamfloods is included in non-energy operating costs.
- (c) As described in the *Production* section, the reporting of our PSC-type contracts creates a difference between reported operating costs, which are for the full field, and reported volumes, which are only our net share, inflating the per barrel operating costs. These amounts represent our operating costs after adjusting for this difference.
- (d) Excludes corporate expenses. Field general and administrative expenses decreased for the three and six months ended June 30, 2021 from the same period in 2020 primarily due to workforce reductions in the second half of 2020 and the first quarter of 2021.
- (e) Field depreciation, depletion and amortization decreased in the three and six months ended June 30, 2021 from the same period in 2020 primarily due to a decrease in the carrying value of our property, plant and equipment as a result of fair value adjustments recorded as part of fresh start accounting. See *Part II, Item 8 – Financial Statements and Supplementary Data, Note 3 Fresh Start Accounting* in our 2020 Annual Report for additional information on the fresh start valuation of our property, plant and equipment.

## Consolidated Results of Operations

The following table presents our consolidated results of operations for the three and six months ended June 30, 2021 and 2020:

	Successor Three months ended June 30, 2021	Predecessor Three months ended June 30, 2020	Successor Six months ended June 30, 2021	Predecessor Six months ended June 30, 2020
(in millions)				
Oil, natural gas and NGL sales	\$ 478	\$ 245	\$ 910	\$ 675
Net derivative (loss) gain from commodity contracts	(265)	(4)	(478)	75
Trading revenue	48	14	146	59
Electricity sales	33	19	66	32
Other revenue	10	2	23	8
Operating costs	(169)	(127)	(333)	(319)
General and administrative expenses	(48)	(69)	(96)	(129)
Depreciation, depletion and amortization	(54)	(88)	(106)	(207)
Asset impairments	—	—	(3)	(1,736)
Taxes other than on income	(37)	(38)	(77)	(79)
Exploration expense	(2)	(2)	(4)	(7)
Trading costs	(30)	(8)	(91)	(32)
Electricity cost of sales	(17)	(14)	(41)	(30)
Transportation costs	(14)	(8)	(26)	(21)
Other expenses, net	(23)	(37)	(53)	(53)
Reorganization items	(2)	—	(4)	—
Interest and debt expense, net	(13)	(85)	(26)	(172)
Net gain on early extinguishment of debt	—	—	(2)	5
Gain on asset divestitures	—	—	—	—
Other non-operating expenses	(2)	(47)	(1)	(61)
Loss before income taxes	(107)	(247)	(196)	(1,992)
Income tax	—	—	—	—
Net loss	(107)	(247)	(196)	(1,992)
Net income attributable to noncontrolling interests	(4)	(24)	(9)	(75)
Net loss attributable to common stock	\$ (111)	\$ (271)	\$ (205)	\$ (2,067)

### Three months ended June 30, 2021 vs. 2020

*Oil, natural gas and NGL sales* — Oil, natural gas and NGL sales, excluding the impact of settled hedges, were \$478 million for the three months ended June 30, 2021, which is an increase of \$233 million compared to \$245 million for the same period of 2020. The increase was due to higher realized prices, which was partially offset by lower production, as reflected in the following table:

	Oil	NGLs	Natural Gas	Total
(in millions)				
Three months ended June 30, 2020	\$ 193	\$ 26	\$ 26	\$ 245
Changes in realized prices	246	29	22	297
Changes in production	(59)	(2)	(3)	(64)
Three months ended June 30, 2021	\$ 380	\$ 53	\$ 45	\$ 478

Note: See *Production* for volumes by commodity type and *Prices and Realizations* for index and realized prices for comparative periods.

The effect of settled hedges is not included in the table above. Payments for settled hedges were \$82 million for the three months ended June 30, 2021 compared to proceeds of \$5 million for the same period of 2020. Including the effect of settled hedges, our oil, natural gas and NGL revenue increased by \$146 million or 58% compared to the same prior-year period.

*Net derivative loss from commodity contracts* — Net derivative loss from commodity contracts was \$265 million for the three months ended June 30, 2021 compared to a net loss of \$4 million in the same period of 2020. The 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 and the associated forward curves.

(in millions)	Three months ended June 30, 2021	Three months ended June 30, 2020
Non-cash derivative loss, excluding noncontrolling interest	\$ (183)	\$ —
Non-cash derivative loss, noncontrolling interest	—	(9)
Total non-cash changes	(183)	(9)
Net (payments) proceeds on settled commodity derivatives	(82)	5
Net derivative loss from commodity contracts	<u>\$ (265)</u>	<u>\$ (4)</u>

*Trading revenue* — Trading revenue was \$48 million for the three months ended June 30, 2021, an increase of \$34 million, or 243% from \$14 million during the same period of 2020. The increase was predominantly the result of higher volume and prices related to our natural gas trading activities created by a warmer summer in 2021 as compared to 2020. Our net margin from natural gas trading activities, after deducting the cost of related natural gas purchases, was \$18 million for the three months ended June 30, 2021 compared to \$6 million for the same period of 2020.

*Electricity sales* — Electricity sales increased \$14 million to \$33 million in the second quarter of 2021 compared to \$19 million in the same period of 2020. The increase was predominantly due to higher electricity prices in 2021 resulting from higher natural gas prices as well as reduced hydroelectric generation in California. Volumes sold in the second quarter of 2020 were lower than the second quarter of 2021 due to planned maintenance at the Elk Hills power plant in the first quarter of 2021 which continued in the early part of April 2020.

*Operating costs* — Operating costs for the three months ended June 30, 2021 were \$169 million, which was an increase of \$42 million or 33% from \$127 million for the same period of 2020. The increase was primarily attributable to higher downhole maintenance activity in 2021 which was deferred in 2020 as we shut-in wells. Additionally, operating costs increased in 2021 due to higher energy costs and natural gas prices as compared to 2020. Partially offsetting these increases were lower compensation-related costs from streamlining our operations, which included headcount reductions in late 2020 and early 2021 as well as benefit reductions in the second quarter of 2021. Our second quarter 2020 results reflect cost savings for reduced work hours and reduced management salaries in response to the industry downturn resulting from the COVID-19 pandemic. Although higher natural gas and electricity prices in 2021 increased our operating costs, higher prices have a net positive effect on our operating results due to higher revenue from sales of these commodities which we also produce.

*General and administrative expenses* — Our general and administrative (G&A) expenses were \$48 million for the three months ended June 30, 2021, which was a decrease of \$21 million from \$69 million for the three months ended June 30, 2020. The decrease in G&A expenses reflects lower compensation-related costs primarily due to workforce reductions that occurred in the second half of 2020 and the first quarter of 2021 as well as benefit reductions in the second quarter of 2021. Our second quarter 2020 results include cost savings from reduced work hours and reduced management salaries in response to the industry downturn and the COVID-19 pandemic. The remaining decrease between comparative periods was primarily due to cost saving efforts which resulted in lower spend across a number of cost categories. The decrease was partially offset by stock-based compensation expense related to awards granted to executives and directors in 2021.

*Depreciation, depletion and amortization* — The decrease in depreciation, depletion, and amortization of \$34 million to \$54 million in the second quarter of 2021 compared to \$88 million in the same period of 2020 was primarily due to a decrease in the carrying value of our property, plant and equipment as a result of fair value adjustments recorded as part of fresh start accounting. See *Part II, Item 8 – Financial Statements and Supplementary Data, Note 3 Fresh Start Accounting* in our 2020 Annual Report for additional information on the valuation of our property, plant and equipment.

*Trading costs* — Natural gas purchases related to trading activities were \$30 million for the three months ended June 30, 2021, which was an increase of \$22 million or 275% from \$8 million for the same period in 2020. The change was predominantly the result of higher activity levels and prices.

*Other expenses, net* — Other expenses, net was \$23 million for the three months ended June 30, 2021, which was a decrease of \$14 million from \$37 million during the same period of 2020. The decrease was largely due to a one-time payment of \$20 million made in connection with an expiring pipeline delivery contract partially offset by a \$3 million property tax refund.

*Interest and debt expense, net* — Interest and debt expense, net decreased \$72 million to \$13 million in the second quarter of 2021 compared to \$85 million in the same period of 2020 primarily due to a decrease in our overall level of debt following our emergence from bankruptcy. Additionally, we reduced the amount drawn on our Revolving Credit Facility and had no balance drawn during the quarter. See *Part II, Item 8 – Financial Statements and Supplementary Data, Note 2 Chapter 11 Proceedings and Note 8 Debt* in our 2020 Annual Report for additional information on the terms of the Plan, our emergence from bankruptcy and our long-term debt transactions.

*Other non-operating expense* — Other non-operating expense decreased \$45 million to \$2 million for the three months ended June 30, 2021 compared to \$47 million in the same period for 2020. The decrease primarily due to the significant legal, professional and other fees incurred in preparation for our Chapter 11 filing on July 15, 2020.

*Net income attributable to noncontrolling interests* — Upon emergence from bankruptcy, we acquired all of ECR's member interests in the Ares JV; therefore, the allocation of net income to noncontrolling interest holders in the Successor period for the three months ended June 30, 2021 is lower than the Predecessor period for the three months ended June 30, 2020. See *Part II, Item 8 – Financial Statements and Supplementary Data, Note 7 Joint Ventures* in our 2020 Annual Report for additional information on the settlement terms of the Ares JV.

#### Six Months Ended June 30, 2021 vs. 2020

*Oil, natural gas and NGL sales* — Oil, natural gas and NGL sales, excluding the impact of settled hedges, were \$910 million for the six months ended June 30, 2021, which is an increase of \$235 million compared to \$675 million for the same period of 2020. The increase was due to higher realized prices, which was partially offset by lower production, as reflected in the following table:

	Oil	NGLs	Natural Gas	Total
	(in millions)			
Six months ended June 30, 2020	\$ 549	\$ 62	\$ 64	\$ 675
Changes in realized prices	319	53	39	411
Changes in production	(157)	(8)	(11)	(176)
Six months ended June 30, 2021	<u>\$ 711</u>	<u>\$ 107</u>	<u>\$ 92</u>	<u>\$ 910</u>

Note: See *Production* for volumes by commodity type and *Prices and Realizations* for index and realized prices for comparative periods.

The effect of settled hedges is not included in the table above. Payments for settled hedges were \$121 million for the six months ended June 30, 2021 compared to proceeds of \$103 million, including \$63 million of proceeds from derivative contracts sold prior to maturity, in the first quarter of 2020. Including the effect of settled hedges, our oil, natural gas and NGL revenue increased by \$11 million or 1% compared to the same prior-year period.

*Net derivative loss from commodity contracts* — Net derivative loss from commodity contracts was \$478 million for the six months ended June 30, 2021 compared to a net gain of \$75 million in the same period of 2020. The 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 and the associated forward curves.

(in millions)	Six months ended June 30, 2021	Six months ended June 30, 2020
Non-cash derivative loss, excluding noncontrolling interest	(357)	\$ (35)
Non-cash derivative gain, noncontrolling interest	—	7
Total non-cash changes	(357)	(28)
Net (payments) proceeds on settled commodity derivatives	(121)	40
Net proceeds on derivative contracts sold prior to maturity	—	63
Net derivative (loss) gain from commodity contracts	\$ (478)	\$ 75

*Trading revenue* — Trading revenue was \$146 million for the six months ended June 30, 2021, an increase of \$87 million, or 147% from \$59 million during the same period of 2020. The increase was predominantly the result of higher volume and prices related to our natural gas trading activities created by colder winter temperatures and a warmer summer in 2021 as compared to 2020. Our net margin from natural gas trading activities, after deducting the cost of related natural gas purchases, was \$55 million for the six months ended June 30, 2021 compared to \$27 million for the same period of 2020.

*Electricity sales* — Electricity sales increased \$34 million to \$66 million in the first half of 2021 compared to \$32 million in the same period of 2020. Electricity sales increased in the first half of 2021 from the prior year period as a result of higher pricing resulting from reduced hydroelectric generation in California as well as increased natural gas prices. In the first half of 2020, sales volumes were also lower from planned maintenance and an outage at the Elk Hills power plant.

*Operating costs* — Operating costs for the six months ended June 30, 2021 were \$333 million, which was an increase of \$14 million or 4% from \$319 million for the same period of 2020. The increase was primarily attributable to higher downhole maintenance activity in 2021 which was deferred in 2020 as we shut-in wells. Additionally, operating costs increased in 2021 due to higher energy costs and natural gas prices as compared to 2020. These increases were partially offset by lower compensation-related costs from streamlining our operations, including headcount reductions in the second half of 2020 and in the first quarter of 2021 as well as benefit reductions in the second quarter of 2021. Although higher natural gas and electricity prices increase our operating costs, higher prices have a net positive effect on our operating results due to higher revenue from sales of these commodities which we also produce.

*General and administrative expenses* — Our general and administrative (G&A) expenses were \$96 million for the six months ended June 30, 2021, which was a decrease of \$33 million from \$129 million for the six months ended June 30, 2020. The decrease in G&A expenses were primarily attributable to lower compensation-related costs as a result of workforce reductions that occurred in the second half of 2020 and the first quarter of 2021 as well as benefit reductions in the second quarter of 2021. The remaining decrease was primarily due to cost savings efforts which resulted in lower spend across a number of cost categories. The decrease was partially offset by stock-based compensation expense related to awards granted to executives and directors in 2021.

*Depreciation, depletion and amortization* — The decrease in depreciation, depletion, and amortization of \$101 million to \$106 million in the first half of 2021 compared to \$207 million in the same period of 2020 was primarily due to a decrease in the carrying value of our property, plant and equipment as a result of fair value adjustments recorded as part of fresh start accounting. See *Part II, Item 8 – Financial Statements and Supplementary Data, Note 3 Fresh Start Accounting* in our 2020 Annual Report for additional information on the valuation of our property, plant and equipment.



*Asset impairments* — Asset impairment charges for the six months ended June 30, 2021 were \$3 million for the impairment of capitalized costs related to projects which were abandoned. For the same period in 2020, we recorded an impairment charge of \$1.7 billion due to the sharp drop in commodity prices in March 2020, which included \$1.5 billion related to certain of our proved properties and approximately \$228 million related to unproved acreage that was no longer included in our development plans at that time. See *Part I, Item 1 – Financial Statements, Note 12 Asset Impairments* for additional information.

*Trading costs* — Natural gas purchases related to trading activities were \$91 million for the six months ended June 30, 2021, which was an increase of \$59 million or 184% from \$32 million for the same period in 2020. The change was predominantly the result of higher activity levels and prices related to natural gas trading activities.

*Electricity cost of sales* — Electricity cost of sales increased from \$30 million in the first half of 2020 to \$41 million in the same period of 2021. The increase was primarily a result of higher pricing on natural gas purchases.

*Interest and debt expense, net* — Interest and debt expense, net decreased \$146 million to \$26 million in the first half of 2021 compared to \$172 million in the same period of 2020 primarily due to a decrease in our overall level of debt upon our emergence from bankruptcy. Additionally, in the first quarter of 2021, we reduced the amount drawn on our Revolving Credit Facility and had no balance drawn in the second quarter. See *Part II, Item 8 – Financial Statements and Supplementary Data, Note 2 Chapter 11 Proceedings and Note 8 Debt* in our 2020 Annual Report for additional information on the terms of the Plan, our emergence from bankruptcy and our long-term debt transactions.

*Other non-operating expense* — Other non-operating expense decreased \$60 million to \$1 million for the six months ended June 30, 2021 compared to \$61 million in the same period for 2020. The higher expense in the first half of 2020 was primarily a result of legal, professional and other fees related to our bankruptcy filing and an abandoned financing transaction.

*Net income attributable to noncontrolling interests* — Upon emergence from bankruptcy, we acquired all of ECR's member interests in the Ares JV; therefore, the allocation of net income to noncontrolling interest holders in the Successor period for the six months ended June 30, 2021 is lower than the Predecessor period for the six months ended June 30, 2020. See *Part II, Item 8 – Financial Statements and Supplementary Data, Note 7 Joint Ventures* in our 2020 Annual Report for additional information on the settlement terms of the Ares JV.

## **Liquidity and Capital Resources**

### **Cash Flow Analysis**

*Cash flows from operating activities* — Our net cash provided by (used in) 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. For the three months ended June 30, 2021, our operating cash flow increased 194%, or \$262 million, to \$127 million from \$(135) million in the same prior period of 2020. For the six months ended June 30, 2021, our operating cash flow increased 195%, or \$181 million, to \$274 million from \$93 million in the same period of 2020.

The increase in operating cash flow primarily relates to higher average realized prices with hedge settlements in 2021 compared to the same prior-year period which is primarily due to the economic recovery in 2021 as COVID-19 driven mobility restrictions were lifted and demand increased. This increase was partially offset by lower production volumes in 2021 as compared to the same periods in 2020. Changes in operating assets and liabilities in the three months ended June 30, 2021 decreased our operating cash flow by \$25 million compared to an increase of \$17 million in the comparable period of 2020. Changes in operating assets and liabilities in the six months ended June 30, 2021 decreased our operating cash flow by \$25 million compared to an increase of \$130 million in the comparable six months of 2020. These working capital changes were largely a result of higher trade accounts receivable balances as well as higher payables related to derivatives and increased activity.

*Cash flows from investing activities* — Our net cash used in investing activities increased \$28 million, or 187% from \$15 million for the three months ended June 30, 2020 to \$43 million for the same period in 2021. Our net cash used in investing activities increased \$36 million, or 133% from \$27 million for the six months ended June 30, 2020 to \$63 million for the same period in 2021. The table below summarizes net cash used in investing activities for the three and six months ended June 30, 2021 and 2020 (in millions):

	<u>Successor</u>	<u>Predecessor</u>	<u>Successor</u>	<u>Predecessor</u>
	Three months ended June 30, 2021	Three Months Ended June 30, 2020	Six months ended June 30, 2021	Six Months Ended June 30, 2020
(in millions)				
Capital investments	\$ (50)	\$ (3)	\$ (77)	\$ (33)
Changes in capital investment accruals	8	(9)	13	(28)
Proceeds from divestitures	—	—	2	41
Other	(1)	(3)	(1)	(7)
Net cash used in investing activities	<u>\$ (43)</u>	<u>\$ (15)</u>	<u>\$ (63)</u>	<u>\$ (27)</u>

*Cash flows from financing activities* — Our net cash used in financing activities was \$63 million for the three months ended June 30, 2021 compared to net cash provided by financing activities of \$199 million or the same period of 2020. Our net cash used in financing activities was \$88 million for the six months ended June 30, 2021 compared to net cash provided by financing activities of \$43 million for the same period of 2020. Financing activities for the three months ended June 30, 2021 included repurchases of 1.4 million shares of common stock at an aggregate cost of \$45 million under our Share Repurchase Program. Financing activities for the three and six months ended June 30, 2020 primarily included net borrowings under our revolving credit facility in place at that time. The table below summarizes net cash used by financing activities for the three and six months ended June 30, 2021 and 2020 (in millions):

	<u>Successor</u>	<u>Predecessor</u>	<u>Successor</u>	<u>Predecessor</u>
	Three months ended June 30, 2021	Three Months Ended June 30, 2020	Six months ended June 30, 2021	Six Months Ended June 30, 2020
(in millions)				
Debt transactions, net	\$ (1)	\$ 223	\$ (12)	\$ 113
Debt repurchases	—	—	—	(3)
Distributions to noncontrolling interest holders, net	(17)	(24)	(31)	(66)
Repurchases of common stock	(45)	—	(45)	—
Other	—	—	—	(1)
Net cash (used in) provided by financing activities	<u>\$ (63)</u>	<u>\$ 199</u>	<u>\$ (88)</u>	<u>\$ 43</u>

### Liquidity

Our primary sources of liquidity and capital resources are cash flows from operations, cash on hand and available borrowing capacity under our Revolving Credit Facility. We consider our low leverage and ability to control costs to be a core strength and strategic advantage, which we are focused on maintaining. Our primary uses of operating cash flow for the first half of 2021 was for capital investment, distributions to a noncontrolling interest holder and repurchases of our common stock.

At current commodity prices and our planned 2021 capital program described below, we expect to generate positive free cash flow, which we may use (i) to increase investments in our drilling program to accelerate value, (ii) to pay dividends or buy back stock to the extent permitted under our Revolving Credit Facility and Senior Notes indenture, (iii) to maintain cash on our balance sheet, or (iv) for other corporate purposes. We may begin paying income taxes in early 2022 if Brent prices remain at current levels for a sustained period. Our tax paying status depends on a number of factors, including but not limited to, the amount and type of our capital spend, cost structure and activity levels. Potential legislation could also limit tax incentives for fossil fuels. We believe we have sufficient sources of cash to meet our obligations for the next twelve months.

The following table summarizes our liquidity (in millions):

	<b>Successor</b>	
	<b>June 30,</b>	
	<b>2021</b>	
	(in millions)	
Cash	\$	151
Revolving Credit Facility:		
Borrowing capacity <sup>(a)</sup>		492
Outstanding letters of credit		(125)
<b>Availability</b>	<b>\$</b>	<b>367</b>
<b>Liquidity</b>	<b>\$</b>	<b>518</b>

(a) In April 2021, the aggregate commitment of our lenders was reduced to \$492 million based on the terms of our Revolving Credit Facility. See *Part I, Item 1 – Financial Statements, Note 5 Debt* for more information on our Revolving Credit Facility.

### **Amendment to Revolving Credit Facility**

In May 2021, we amended the Revolving Credit Facility to:

- increase our borrowing base from \$1.167 billion to \$1.2 billion;
- evidence the reduction in the aggregate commitment of lenders from \$540 million to \$492 million;
- increase our capacity to make certain restricted payments, including paying dividends and repurchasing our common stock;
- reduce the minimum amount of hedges that we are required to maintain for a rolling 24 month period on reasonably anticipated forecasted crude oil production from 50% to 33% so long as our total net leverage ratio is less than 2.00:1.00; and
- increase our maximum hedging limitation to 85% (and permit purchased puts and floors up to 100%) of reasonably anticipated total forecasted production of crude oil, natural gas and NGLs for a 48-month period.

### **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.

Our Revolving Credit Facility requires us to maintain hedges on a minimum amount of crude oil production, determined semi-annually, of no less than (i) 75% of our reasonably anticipated oil production from our proved reserves for the first 24 months after the closing of the Revolving Credit Facility on October 27, 2020, and (ii) 50% of our reasonably anticipated oil production from our proved reserves for a period from the 25th month through the 36th month after the same date. The Revolving Credit Facility specifies the forms of hedges and prices (which can be prevailing prices) that must be used for a portion of those hedges.

Our Revolving Credit Facility also requires us to maintain acceptable commodity hedges for no less than 50% of the reasonably anticipated oil production from our proved reserves for at least 24 months following the date of delivery of each reserve report if our leverage ratio is greater than 2.00:1.00. If our leverage ratio is less than 2.00:1.00, then the minimum amount of hedges that we are required to maintain is reduced from 50% to 33%. Currently, we may not hedge more than 85% of reasonably anticipated total forecasted production of crude oil, natural gas and NGLs from our oil and gas properties for a 48-month period, except that we may purchase puts and floors up to 100% of such production.

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 did not have any commodity derivatives designated as accounting hedges as of and during the three or six months ended June 30, 2021.

See *Part I, Item 1 – Financial Statements, Note 8 Derivatives* for further information on our derivatives and a summary of our open derivative contracts as of June 30, 2021.

## 2021 Capital Program

Our capital program will be dynamic in response to oil market volatility while focusing on maintaining our oil production and strong liquidity and maximizing our free cash flow. We entered 2021 with an internally funded capital program of \$200 million to \$225 million. We have since reduced the full year 2021 capital program to \$170 million to \$190 million reflecting a reallocation of drilling capital to downhole maintenance activities which provide efficiencies and faster payouts. The current capital program anticipates that we will maintain a consistent level of investment throughout the remainder of the year. If commodity prices decline significantly from current levels, we may need to decrease the size of our capital program in response to market conditions.

Any curtailment of the development of our properties will lead to a decline in our production and may lower our reserves. A continued decline in our production and reserves would negatively impact our cash flow from operations and the value of our assets.

The amounts in the table below reflect components of our capital investment for the periods indicated, excluding changes in capital investment accruals (in millions):

	<b>Successor</b>	
	<b>2021 Full Year Estimate</b>	<b>Six months ended June 30, 2021</b>
	(in millions)	
Drilling	\$90 - \$100	\$41
Capital workovers	35 - 40	17
Infrastructure, corporate and other	45 - 50	19
<b>Total</b>	<b>\$170 - \$190</b>	<b>\$77</b>

## Regulatory Update

In April 2021, Governor Gavin Newsom signed an executive order directing the California Department of Conservation's Geologic Energy Management Division to initiate a rulemaking to end the issuance of new permits for well stimulation treatments by January 1, 2024 and instructed the California Air Resources Board to evaluate methods of phasing out oil extraction across the state by 2045. In May 2021, the Division published the proposed rule to end the issuance of new permits for well stimulation treatments. We expect little to no impact on future development activities because we are not dependent on well stimulation treatments. Less than 1% of our proved reserves require well stimulation and our current long-term development plans do not include well stimulation.

## Share Repurchase Program

In August 2021, our Board of Directors authorized an increase to the Share Repurchase Program by \$100 million to \$250 million through March 31, 2022.

## Divestitures

In the second quarter of 2021, we entered into agreements to sell our Ventura basin operations. We expect to receive cash consideration of up to \$102 million plus additional earn-out consideration that is linked to future commodity prices. The consideration includes \$82 million of cash to be paid at closing and up to \$20 million of potential additional consideration if the buyer does not perform certain abandonment obligations with respect to the divested properties. The additional consideration is secured by production payments of \$20 million over a five-year period. To the extent the buyer satisfies all of the required abandonment obligations within a five-year period following the close date, none of the \$20 million of potential additional consideration will be paid to us. The amount of the earn-out consideration actually received is not yet certain, but assuming an average oil price of approximately \$80 per barrel during the twelve months following closing, would approximate \$8 million and would generally be received in quarterly installments. The closing of the transaction is subject to customary closing considerations, including satisfaction of land and environmental due diligence and third-party consents.

The sale of our Ventura basin operations met the criteria for assets held for sale and is classified as such on our condensed consolidated balance sheet as of June 30, 2021. The amount reported as assets held for sale primarily consists of property, plant and equipment along with associated asset retirement obligations. These transactions are expected to close in the second half of 2021.

## Acquisitions and Joint Ventures

In April 2017, we entered into a development joint venture with Macquarie Infrastructure and Real Assets Inc. (MIRA) to develop certain of our oil and natural gas properties in the San Joaquin basin in exchange for a 90% working interest in the related properties. In August 2021, we purchased MIRA's entire working interest share in the conveyed assets for \$53 million, before transaction costs. Prior to the acquisition, our consolidated results reflect only our 10% working interest share in the productive wells. The acquisition of MIRA's working interest would have added oil production of approximately 2 MBoe/d to our consolidated results for the first half of 2021.

In February 2017, we entered into a development joint venture (JV) with Benefit Street Partners (BSP) to develop certain oil and natural gas assets in exchange for a preferred interest in the BSP JV. BSP invested \$200 million and is entitled to preferred distributions and, if it receives cash distributions equal to a predetermined threshold, the preferred interest is automatically redeemed in full with no additional payment. For the first half of 2021, we distributed \$31 million to BSP. We anticipate our remaining distributions to BSP in the second half of 2021 will approximate \$20 million. See *Part II, Item 8 – Financial Statements and Supplementary Data, Note 7 Joint Ventures* in our 2020 Annual Report for additional information on our BSP JV.

## 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.

## Fixed and Variable Costs

Our operating 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. The measures taken to address the industry downturn in the prior year demonstrate that we can significantly reduce our operating costs in response to prevailing market conditions. We further believe that a significant portion of our operating costs are variable over the lifecycle of our fields. We actively manage our fields to optimize production and minimize costs in a safe and responsible manner throughout their lifecycles.

## **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 June 30, 2021 and December 31, 2020 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 cannot be accurately determined.

See *Part I, Item 1 – Financial Statements, Note 7 Lawsuits, Claims, Commitments and Contingencies* for further information.

## **Significant Accounting and Disclosure Changes**

See *Part I, Item 1 – Financial Statements, Note 2 Accounting and Disclosure Changes* 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
- business prospects
- transactions and projects
- operating costs
- operations and operational results including production, hedging and capital investment
- budgets and maintenance capital requirements
- reserves and reservoir characteristics
- type curves
- expected synergies from acquisitions and joint ventures
- energy transition initiatives

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:

- our ability to execute our business plan post-emergence;
- the volatility of commodity prices and the potential for sustained low oil, natural gas and natural gas liquids prices;
- impact of our recent emergence from bankruptcy on our business and relationships;
- debt limitations on our financial flexibility;
- insufficient cash flow to fund planned investments, interest payments on our debt, 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;
- our ability to utilize our net operating loss carryforwards to reduce our income tax obligations;
- legislative or regulatory changes, including those related to (i) drilling, completion, well stimulation, operation, maintenance or abandonment of wells or facilities, (ii) managing energy, water, land, greenhouse gases (GHGs) or other emissions, (iii) protection of health, safety and the environment, (iv) tax credits or other incentives, or (v) 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;
- production-sharing contracts' effects on production and unit operating costs;
- the effect of our 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; and
- our ability to realize the benefits of business strategies and initiatives related to energy transition, including carbon capture and sequestration projects and other renewable energy efforts;
- factors discussed in *Item 1A, Risk Factors* in our Annual Report on Form 10-K available at [www.crc.com](http://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 and six months ended June 30, 2021, there were no material changes to market risks from the information provided under Item 305 of Regulation S-K included under the caption *Part II, Item 7A – Quantitative and Qualitative Disclosures About Market Risk* in the 2020 Annual Report, except as discussed below.

#### **Commodity Price Risk**

Our financial results are sensitive to fluctuations in oil, NGL and natural gas 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. The primary market risk relating to our derivative contracts relates to fluctuations in market prices as compared to the fixed contract price for a notional amount of our production. As of June 30, 2021, we had net liabilities of \$421 million for our derivative commodity positions which are carried at fair value, using industry-standard models with various inputs, including the forward curve for the relevant price index. For more information on our derivative positions as of June 30, 2021, refer to *Part I, Item 1 – Financial Statements, Note 8 Derivatives*.

#### **Interest-Rate Risk**

In March 2018, we entered into derivative contracts that limit our interest-rate exposure with respect to a notional amount of \$1.3 billion of 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. The contracts expired on May 4, 2021. We did not report any gains or losses on these contracts for the three months ended June 30, 2021 or the three months ended June 30, 2020. No settlement payments were received in either 2021 or 2020.

#### **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 continuously monitor their financial health. Concentration of credit risk is regularly reviewed to ensure that counterparty credit risk is adequately diversified.

As of June 30, 2021, the 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 June 30, 2021 was not material and losses associated with counterparty credit risk have been insignificant for all periods presented.

### **Item 4 Controls and Procedures**

Our Chief Executive Officer and our Chief Financial Officer supervised and participated in management's 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 Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2021.

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 June 30, 2021 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 additional information regarding legal proceedings, see *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 our 2020 Annual Report.

### 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 2020 Annual Report. There were no material changes to those risk factors during the three months ended March 31, 2021.

### Item 2 Unregistered Sales of Equity Securities and Use of Proceeds

In May 2021, our Board of Directors authorized a Share Repurchase Program to acquire up to \$150 million of our common stock through March 31, 2022. In August 2021, our Board of Directors increased the Share Repurchase Program by \$100 million to \$250 million. The repurchases may be effected from time-to-time through open market purchases, privately negotiated transactions, Rule 10b5-1 plans, accelerated stock repurchases, derivative contracts or otherwise in compliance with Rule 10b-18, subject to market conditions. The Share Repurchase Program does not obligate us to repurchase any dollar amount or number of shares and our Board of Directors may modify, suspend, or discontinue authorization of the program at any time. Shares repurchased are held as treasury stock.

Our share repurchase activity for the three months ended June 30, 2021 was as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs <sup>(a)</sup>
April 1, 2021 - April 30, 2021	—	\$ —	—	\$ —
May 1, 2021 - May 31, 2021	161,017	\$ 29.48	161,017	—
June 1, 2021 - June 30, 2021	1,279,186	\$ 31.82	1,279,186	—
Total	1,440,203		1,440,203	\$ —

(a) The dollar value of shares that may yet be purchased under the Share Repurchase Program totaled \$105 million as of June 30, 2021 and is currently \$205 million.

### Item 5 Other Disclosures

None.

**Item 6 Exhibits**

- 3.1 [Amended and Restated Certificate of Incorporation of California Resources Corporation \(filed as Exhibit 3.1 to Registrant's Registration Statement on Form 8-A filed October 27, 2020 and incorporated herein by reference\).](#)
- 3.2 [Amended and Restated Bylaws of California Resources Corporation \(filed as Exhibit 3.2 to the Registrant's Registration Statement on Form 8-A filed October 27, 2020 and incorporated herein by reference\).](#)
- 10.1 [First Amendment to the Credit Agreement, dated as of May 7, 2021, by and among California Resources Corporation, as the Borrower, the several lenders from time to time parties thereto and Citibank, N.A., as Administrative Agent, Collateral Agent and an Issuing Bank \(filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed May 10, 2021 and incorporated herein by reference\).](#)
- 10.2 [Employment Agreement by and between Shawn M. Kerns and California Resources Corporation, dated June 8, 2021 \(filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed June 11, 2021 and incorporated herein by reference\).](#)
- 10.3 [Employment Agreement by and between Francisco J. Leon and California Resources Corporation, dated June 8, 2021 \(filed as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed June 11, 2021 and incorporated herein by reference\).](#)
- 10.4\* [Employment Agreement by and between Michael L. Preston and California Resources Corporation, dated June 8, 2021.](#)
- 10.5\* [Employment Agreement by and between Jay A. Bys and California Resources Corporation, dated June 8, 2021.](#)
- 10.6\* [Employment Agreement by and between Chris Gould and California Resources Corporation, dated June 14, 2021.](#)
- 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: August 5, 2021

/s/ Noelle M. Repetti

Noelle M. Repetti

Vice President and Controller

(Principal Accounting Officer)

Certain information in this exhibit (indicated by “[\*\*\*\*\*]”), which is not material and is the type of information that the Registrant treats as private or confidential, has been omitted pursuant to Item 601(b)(10) of Regulation S-K.

### EMPLOYMENT AGREEMENT

This Employment Agreement (“**Agreement**”) is made and entered into by and between California Resources Corporation, a Delaware corporation (the “**Company**”), and Michael L. Preston (“**Employee**”) effective as of June 8, 2021 (the “**Effective Date**”).

1. **Employment.** During the Employment Period (as defined below), the Company shall employ Employee, and Employee shall serve, as Executive Vice President, Chief Administrative Officer and General Counsel of the Company and in such other position or positions as may be assigned from time to time by the board of directors of the Company (the “**Board**”) or the Chief Executive Officer of the Company (the “**CEO**”).

2. **Duties and Responsibilities of Employee.**

(a) During the Employment Period, Employee shall actively engage in the business and affairs of the Company (together with its direct and indirect subsidiaries, the “**Company Group**”) as may be requested by the Board or the CEO from time to time, devote such amount of Employee’s business time and attention as is reasonably necessary to manage the business and affairs of the Company, which amount of time will constitute substantially all of Employee’s business time. Employee’s duties and responsibilities shall include those normally incidental to the position(s) identified in Section 1, as well as such additional duties as may be assigned to Employee by the Board or the CEO from time to time, which duties and responsibilities may include providing services to other members of the Company Group in addition to the Company. Employee may, without violating this Section 2(a), (i) as a passive investment, own publicly traded securities in such form or manner as will not require any services by Employee in the operation of the entities in which such securities are owned; (ii) engage in charitable and civic activities; (iii) with the prior written consent of the Board, engage in other personal and passive investment activities; and (iv) with the prior written consent of the Board, serve on the board of directors of up to two for-profit corporations (collectively, the “**Permitted Activities**”), so long as such engagements, ownership, interests or activities do not interfere with Employee’s ability to fulfill Employee’s duties and responsibilities under this Agreement and are not inconsistent with Employee’s obligations to any member of the Company Group or competitive with the business of any member of the Company Group.

(b) Employee hereby represents and warrants that Employee is not the subject of, or a party to, any non-competition or non-solicitation covenant, non-disclosure agreement, or any other agreement, obligation, restriction or understanding that would prohibit Employee from executing this Agreement or fully performing each of Employee’s duties and responsibilities hereunder, or would in any manner, directly or indirectly, limit or affect any of the duties and responsibilities that may now or in the future be assigned to Employee hereunder. Employee expressly acknowledges and agrees that Employee is strictly prohibited from using or disclosing any confidential information belonging to any prior employer in the course of performing services for any member of the Company Group, and Employee promises that Employee shall

---

not do so. Employee shall not introduce documents or other materials containing confidential information of any prior employer to the premises or property (including computers and computer systems) of any member of the Company Group.

(c) Employee owes each member of the Company Group fiduciary duties (including (i) duties of loyalty and disclosure and (ii) such fiduciary duties that an officer of the Company would have if the Company were a corporation organized under the laws of the State of Delaware), and the obligations described in this Agreement are in addition to, and not in lieu of, the obligations Employee owes each member of the Company Group under statutory and common law.

### 3. **Compensation**.

(a) **Base Salary**. During the Employment Period, the Company shall pay to Employee an annualized base salary of \$500,000 (the "**Base Salary**") in consideration for Employee's services under this Agreement, payable in substantially equal installments in conformity with the Company's customary payroll practices for similarly situated employees as may exist from time to time, but no less frequently than twice per month. The Base Salary shall be subject to annual review by the Compensation Committee of the Board (the "**Compensation Committee**") and may be increased, but not decreased, at the discretion of the Compensation Committee following consultation with the other independent members of the Board.

(b) **Annual Bonus**. Employee shall be eligible for bonus compensation for calendar year 2021 and each subsequent complete calendar year that Employee is employed by the Company hereunder (the "**Annual Bonus**"). The target Annual Bonus for each such calendar year (the "**Bonus Year**") shall be 100% of Employee's Base Salary in effect as of the first day of the Bonus Year (or, with respect to calendar year 2021, in effect on the Effective Date), and the actual Annual Bonus for a Bonus Year may range from 0% to 200% of such target Annual Bonus depending on the level of achievement of the performance targets as determined by the Compensation Committee under the applicable "Annual Bonus Scorecard" for the Bonus Year. The performance targets that must be achieved in order to be eligible for certain bonus levels shall be established by the Compensation Committee annually, in its sole discretion, and communicated to Employee within the first one-hundred twenty (120) days of the applicable Bonus Year. The Annual Bonus that Employee shall be eligible to receive for the 2021 calendar year shall not be prorated. Each Annual Bonus, if any, shall be paid as soon as administratively feasible after the Compensation Committee certifies whether the applicable performance targets for the applicable Bonus Year have been achieved, but in no event later than March 15 following the end of such Bonus Year. Notwithstanding anything in this Section 3(b) to the contrary, but subject to Section 7, no Annual Bonus, if any, nor any portion thereof, shall be payable for any Bonus Year unless Employee remains continuously employed by the Company from the Effective Date through the date on which such Annual Bonus is paid.

(c) **Long-Term Incentive Awards**. On January 25, 2021 (the "**Date of Grant**"), the Compensation Committee granted to Employee under the Company's 2021 Long Term Incentive Plan (such plan, or any successor plan, the "**LTIP**") (i) an award of restricted stock units (the "**Initial RSUs**") and (ii) an award of performance stock units (the "**Initial**

**PSUs**”). Provided that Employee is employed by the Company on the applicable date of grant, Employee shall be eligible to receive annual long-term incentive awards under the LTIP commencing in calendar year 2023 with a grant date target value not less than 220% of Employee’s Base Salary as in effect on the applicable date of grant of such award on such terms and conditions as the Board and the Compensation Committee shall determine from time to time. While it is currently anticipated that such annual long-term incentive awards will be in the form of a combination of restricted stock units (30% of the annual award, and vesting in one-third increments on each of the first three anniversaries of the date of grant) and performance stock units (70% of the award, and cliff vesting at the end of a three (3)-year performance period), nothing herein shall be construed to give Employee any rights to any particular type of grant or award except as provided in such award to Employee in writing and authorized by the Board or the Compensation Committee. All awards granted to Employee under the LTIP shall be subject to and governed by the terms and provisions of the LTIP as in effect from time to time and the award agreements evidencing such awards.

4. **Term of Employment**. The term of Employee’s employment under this Agreement shall be for the period beginning on the Effective Date and ending on the first (1st) anniversary of the Effective Date (the “**Initial Expiration Date**”); provided, however, that beginning on the Initial Expiration Date, and on each anniversary of the Initial Expiration Date thereafter, if Employee’s employment under this Agreement has not been terminated pursuant to Section 7, then said term of employment shall automatically be extended for an additional one (1)-year period unless on or before the date that is ninety (90) days prior to the first day of any such extension period either party gives written notice to the other that no such automatic extension shall occur, in which case the term of employment shall terminate as of the Initial Expiration Date or the anniversary of the Initial Expiration Date immediately following the giving of such notice, as applicable. Notwithstanding any other provision of this Agreement, Employee’s employment pursuant to this Agreement may be terminated at any time in accordance with Section 7. The period from the Effective Date through the expiration of this Agreement or, if sooner, the termination of Employee’s employment pursuant to this Agreement, regardless of the time or reason for such termination, shall be referred to herein as the “**Employment Period**.”

5. **Business Expenses**. Subject to Section 21, the Company shall reimburse Employee for Employee’s reasonable out-of-pocket business-related expenses actually incurred in the performance of Employee’s duties hereunder during the Employment Period so long as Employee timely submits all documentation for such expenses, as required by Company policy in effect from time to time. Any such reimbursement of expenses shall be made by the Company upon or as soon as practicable following receipt of such documentation (but in any event not later than the close of Employee’s taxable year following the taxable year in which the expense is incurred by Employee). In no event shall any reimbursement be made to Employee for any expenses incurred after the date of Employee’s termination of employment with the Company.

6. **Benefits**.

(a) During the Employment Period, Employee shall be eligible to participate in the same benefit plans and programs in which other similarly situated Company employees are eligible to participate, subject to the terms and conditions of the applicable plans and programs in effect from time to time, including, without limitation, the California Resources Corporation Domestic Relocation Program. The Company shall not, however, by reason of this Section 6, be obligated to institute, maintain, or refrain from changing, amending, or discontinuing, any such plan or policy, so long as such changes are similarly applicable to similarly situated Company employees generally.

(b) The Company shall reimburse Employee up to \$5,000 for legal fees incurred in connection with the review of this Agreement.

(c) The Company shall cover Employee under directors and officers liability insurance from the Effective Date, through the Employment Period, and, while potential liability exists, after the end of the Employment Period, on the most favorable terms as provided to any other director or executive officer of the Company.

(d) Subject to Section 21, in the event the Company relocates its principal corporate offices from Santa Clarita, California and Employee chooses to relocate from Employee's current residence to a location mutually agreeable to Employee and the Company within twelve (12) months of the relocation of the principal corporate offices, then the Company shall reimburse Employee for reasonable relocation expenses in accordance with the California Resources Corporation Domestic Relocation Program, so long as Employee submits all documentation for such reimbursement within thirty (30) days following the date the applicable expense is incurred by Employee, as required by Company policy in effect from time to time. Any reimbursement of expenses described in the first sentence of this subparagraph shall be made by the Company upon or as soon as practicable following receipt of supporting documentation (but in any event not later than March 15 following the calendar year in which the related expense is incurred by Employee); provided, however, that in no event shall any reimbursement be made to Employee for any expenses incurred after the date of Employee's termination of employment with the Company.

## 7. Termination of Employment.

(a) Company's Right to Terminate Employee's Employment for Cause. The Company shall have the right to terminate Employee's employment hereunder at any time for Cause. For purposes of this Agreement, "**Cause**" shall mean Employee's commission of an act or omission, or Employee causing the Company or any other member of the Company Group to commit an act or omission, that constitutes:

(i) Employee's fraud or misconduct;

(ii) Employee's violation of applicable law in connection with the management, operation or reputation of the Company or any other member of the Company Group that results in (or could reasonably be expected to result in) material injury to the Company or any other member of the Company Group;



(iii) Employee's material breach of this Agreement or any other written agreement between Employee and one or more members of the Company Group, including Employee's material breach of any representation, warranty or covenant made under any such agreement;

(iv) Employee's act of theft, embezzlement or misappropriation of the property of the Company or any other member of the Company Group, in each case, that results in (or could reasonably be expected to result in) material financial or reputational harm to the Company or any other member of the Company Group; or

(v) Employee's violation of the Company's policies (to the extent such policies have been clearly communicated in writing to Employee) prohibiting unlawful sexual harassment, non-retaliation, or age, sex or other prohibited discrimination in the workplace.

Notwithstanding the foregoing, no determination of "Cause" may be made pursuant to Sections 7(a)(ii) or (iii) unless (1) within thirty (30) days of the Board obtaining actual knowledge of such action(s) or omissions Employee has been given written notice by the Board describing the specific alleged action(s) or omission(s) that constitute "Cause," and (2) Employee has failed to cure such acts or omissions within thirty (30) days of such notice from the Board. Upon the termination of Employee's employment pursuant to this Section 7(a), the Company shall pay to Employee (A) all earned and unpaid Base Salary as of the date of the termination of Employee's employment with the Company, (B) reimbursement for all incurred but unreimbursed expenses for which Employee is entitled to reimbursement in accordance with Section 5, and (C) benefits to which Employee is entitled under the terms of any applicable benefit plan or program described in Section 6(a) (collectively, the "**Accrued Benefits**"). In addition, subject to any limitation under applicable law, previously paid compensation pursuant to Sections 3(b) and 3(c) (including pursuant to the Initial RSUs and Initial PSUs) shall be subject to clawback or forfeiture and cancellation at the discretion of the Compensation Committee in the event of a termination of Employee's employment for Cause.

(b) Company's Right to Terminate for Convenience. The Company shall have the right to terminate Employee's employment for convenience at any time and for any reason, or no reason at all, upon written notice to Employee, in which event Employee shall receive the compensation and benefits described in Section 7(f).

(c) Employee's Right to Terminate for Good Reason. Employee shall have the right to terminate Employee's employment with the Company at any time for Good Reason, in which event Employee shall receive the compensation and benefits described in Section 7(f). For purposes of this Agreement, "**Good Reason**" shall mean any of the following occurring without Employee's consent:

(i) a material adverse change in Employee's title, duties or responsibilities (including reporting responsibilities);

(ii) a material reduction in Employee's Base Salary;

(iii) a relocation of Employee's primary work location to a distance of more than 50 miles from its location as of immediately prior to such change (excluding, however, any relocation of Employee's primary work location to a city in Los Angeles County, California where the Company maintains its principal corporate offices or within 25 miles of any such city); or

(iv) a material breach by the Company of any of its obligations under this Agreement.

The Company and Employee agree that Good Reason shall not exist unless and until Employee provides the Company with written notice of the acts alleged to constitute Good Reason within 90 days of Employee's knowledge of the occurrence of such event, and Company fails to cure such acts within 30 days of receipt of such notice. Employee must terminate employment within 60 days following the expiration of such cure period for the termination to be on account of Good Reason.

(d) Death or Disability. Upon the death or Disability of Employee, Employee's employment with the Company shall automatically terminate and the Company shall pay to Employee or Employee's estate, as applicable, (i) the Accrued Benefits, (ii) any earned and unpaid Annual Bonus for the calendar year preceding the year in which such termination of employment occurs (which amount shall be paid within sixty (60) days following the date of such termination of employment but in no event later than March 15 of the year following the Bonus Year to which such Annual Bonus relates), and (iii) an Annual Bonus for the year in which such termination of employment occurs based on actual performance results for the applicable Bonus Year and prorated for the period of days beginning on the first day of the applicable Bonus Year and ending on the date of such termination of employment relative to the number of days in the applicable Bonus Year. The prorated Annual Bonus described in clause (iii) of the preceding sentence, if any, shall be paid in cash at the same time corresponding bonuses are paid to similarly situated employees of the Company, but in no event later than March 15 following the year in which such termination of employment occurs. For purposes of this Agreement, a "Disability" shall exist if, as determined in the reasonable opinion of a licensed physician, Employee is unable to perform the essential functions of Employee's position (after accounting for reasonable accommodation, if applicable and required by applicable law), due to physical or mental impairment, that continues for a period in excess of ninety (90) consecutive days or one hundred-eighty (180) days, whether or not consecutive (or for any longer period as may be required by applicable law), in any twelve (12)-month period.

(e) Employee's Right to Terminate for Convenience. In addition to Employee's right to terminate Employee's employment for Good Reason, Employee shall have the right to terminate Employee's employment with the Company for convenience at any time and for any other reason, or no reason at all, upon thirty (30) days' advance written notice to the Company; *provided, however*, that if Employee has provided notice to the Company of Employee's termination of employment, the Company may determine, in its sole discretion, that such termination shall be effective on any date prior to the effective date of termination provided in such notice (and, if such earlier date is so required, then it shall not change the basis for

Employee's termination of employment nor be construed or interpreted as a termination of employment pursuant to Section 7(b)). Upon the termination of Employee's employment pursuant to this Section 7(e) or at the expiration of the term provided in Section 4 because Employee provided written notice of non-renewal to the Company, then the Company shall pay to Employee the Accrued Benefits.

(f) Effect of Termination of Employment without Cause, for Good Reason or for Non-Renewal by the Company.

(i) If Employee's employment is terminated at the expiration of the term provided in Section 4 because the Company provided written notice of non-renewal to Employee, or prior to the expiration of such term by the Company without Cause pursuant to Section 7(b) or by Employee for Good Reason pursuant to Section 7(c), then the Company shall pay Employee the Accrued Benefits and any earned and unpaid Annual Bonus for the calendar year preceding the year in which such termination of employment occurs (which amount shall be paid within sixty (60) days following the date of such termination of employment but in no event later than March 15 of the year following the Bonus Year to which such Annual Bonus relates) and, so long as (and only if) Employee: (x) executes on or before the Release Expiration Date (as defined below), and does not revoke within any time provided by the Company to do so, a release of all claims in a form acceptable to the Company and generally used by the Company with respect to similarly situated employees (the "**Release**"), which Release shall release each member of the Company Group and their respective affiliates, and the foregoing entities' respective shareholders, members, partners, officers, managers, directors, fiduciaries, employees, representatives, agents and benefit plans (and fiduciaries of such plans) from any and all claims, including any and all causes of action arising out of Employee's employment with the Company and any other member of the Company Group or the termination of such employment, but excluding all claims to severance payments Employee may have under this Section 7(f); and (y) abides by the terms of each of Sections 9 and 10, then:

(A) The Company shall make severance payments to Employee in a total amount equal to eighteen (18) months' worth of Employee's Base Salary for the year in which such termination occurs (such total severance payments being referred to as the "**Severance Payment**"). The Severance Payment will be divided into substantially equal installments paid over the eighteen (18)-month period following the date on which Employee's employment terminates (the "**Termination Date**"). On the Company's first regularly scheduled pay date that is on or after the date that is sixty (60) days after the Termination Date (the "**First Payment Date**"), the Company shall pay to Employee, without interest, a number of such installments equal to the number of such installments that would have been paid during the period beginning on the Termination Date and ending on the First Payment Date had the installments been paid on the Company's regularly scheduled pay dates on or following the Termination Date, and each of the remaining installments shall be paid on the

Company's regularly scheduled pay dates during the remainder of such eighteen (18)-month period; *provided, however,* that to the extent, if any, that the aggregate amount of the installments of the Severance Payment that would otherwise be paid pursuant to the preceding provisions of this Section 7(f)(i) after March 15 of the calendar year following the calendar year in which the Termination Date occurs (the "**Applicable March 15**") exceeds the maximum exemption amount under Treasury Regulation Section 1.409A-1(b)(9)(iii)(A), then such excess shall be paid to Employee in a lump sum on the Applicable March 15 (or the first Business Day (as defined below) preceding the Applicable March 15 if the Applicable March 15 is not a Business Day) and the installments of the Severance Payment payable after the Applicable March 15 shall be reduced by such excess (beginning with the installment first payable after the Applicable March 15 and continuing with the next succeeding installment until the aggregate reduction equals such excess). "**Business Day**" shall mean any day except a Saturday, Sunday or other day on which commercial banks in San Francisco, California, are authorized or required by law to be closed.

(B) The Company shall pay Employee an amount equal to one (1) times Employee's target Annual Bonus for the Bonus Year (one and one-half (1.5) times, if such termination occurs upon or within the one (1)-year period following a Change in Control (as such term is defined in the LTIP, but excluding any event that would otherwise constitute a Change in Control and that relates solely to any acquisition of securities of the Company by a stockholder of the Company that owns 20% or more of either the Outstanding Stock (as such term is defined in the LTIP) or the Outstanding Company Voting Securities (as such term is defined in the LTIP) as of the Effective Date (or by such a stockholder and/or one or more of its affiliates))) in which the Termination Date occurs, which amount shall be paid on the First Payment Date, but in no event later than March 15 of the calendar year following the calendar year in which the Termination Date occurs.

(C) During the portion, if any, of the eighteen (18)-month period following the Termination Date (the "**Reimbursement Period**") that Employee elects to continue coverage for Employee and Employee's spouse and eligible dependents, if any, under the Company's group health plans pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**"), the Company shall promptly reimburse Employee on a monthly basis for the difference between the amount Employee pays to effect and continue such coverage and the employee contribution amount that similarly situated employees of the Company pay for the same or similar coverage under such group health plans (the "**COBRA Benefit**"). Each payment of the COBRA Benefit shall be paid to Employee on the Company's first regularly scheduled pay date in the calendar month immediately following the calendar month in which Employee submits to the Company documentation of the applicable premium payment having been paid by Employee, which documentation shall be submitted by

Employee to the Company within thirty (30) days following the date on which the applicable premium payment is due to be paid. Employee shall be eligible to receive such reimbursement payments until the earliest of: (x) the last day of the Reimbursement Period; (y) the date Employee is no longer eligible to receive COBRA continuation coverage; and (z) the date on which Employee becomes eligible to receive coverage under a group health plan sponsored by another employer (and any such eligibility shall be promptly reported to the Company by Employee); provided, however, that the election of COBRA continuation coverage and the payment of any premiums due with respect to such COBRA continuation coverage shall remain Employee's sole responsibility, and the Company shall not assume any obligation for payment of any such premiums relating to such COBRA continuation coverage. Notwithstanding the foregoing, if the provision of the benefits described in this paragraph cannot be provided in the manner described above without penalty, tax or other adverse impact on the Company or any other member of the Company Group, then the Company and Employee shall negotiate in good faith to determine an alternative manner in which the Company may provide substantially equivalent benefits to Employee without such adverse impact on the Company or such other member of the Company Group.

(D) One-hundred percent (100%) of the Initial RSUs shall immediately become nonforfeitable, and, notwithstanding anything to the contrary in the award agreement evidencing the grant of the Initial PSUs, one-hundred percent (100%) of the Initial PSUs shall become "Vested PS Units" (as such term is defined in the award agreement evidencing the grant of the Initial PSUs), shall remain outstanding only until the earlier of the date that is six months after the Termination Date or the last day of the applicable performance period, and shall be eligible to become earned based on the level of achievement of the applicable performance goal only through such earlier date.

The payments and benefits described in clauses (A), (B), (C) and (D) above are collectively referred to herein as the "**Termination Benefits**."

(ii) If the Release is not executed and returned to the Company on or before the Release Expiration Date, and the required revocation period has not fully expired without revocation of the Release by Employee, then Employee shall not be entitled to any portion of the Termination Benefits. As used herein, the "**Release Expiration Date**" is that date that is twenty-one (21) days following the date upon which the Company delivers the Release to Employee (which shall occur no later than seven (7) days after the Termination Date) or, in the event that such termination of employment is "in connection with an exit incentive or other employment termination program" (as such phrase is defined in the Age Discrimination in Employment Act of 1967), the date that is forty-five (45) days following such delivery date.

(g) After-Acquired Evidence. Notwithstanding any provision of this Agreement to the contrary, in the event that the Company determines, in good faith, that Employee is eligible to receive the Termination Benefits pursuant to Section 7(f) but, after such determination, the Company subsequently acquires evidence or determines that: (i) Employee has failed to abide by the terms of Sections 9 or 10; or (ii) a Cause condition existed prior to the Termination Date that, had the Company been fully aware of such condition, would have given the Company the right to terminate Employee's employment pursuant to Section 7(a), then the Company shall have the right to cease the payment of any future installments of the Termination Benefits and Employee shall promptly return to the Company all installments of the Termination Benefits received by Employee prior to the date that the Company determines that the conditions of this Section 7(g) have been satisfied. In addition, the provisions of the last sentence of Section 7(a) shall apply, and, subject to any limitation under applicable law, previously paid compensation pursuant to Sections 3(b) and 3(c) (including pursuant to the Initial RSUs and Initial PSUs) shall be subject to clawback or forfeiture and cancellation at the discretion of the Compensation Committee in the event Employee fails to abide by the terms of Sections 9 or 10.

8. Disclosures. Promptly (and in any event, within three (3) Business Days) upon becoming aware of (a) any actual or potential Conflict of Interest or (b) any lawsuit, claim or arbitration filed against or involving Employee or any trust or vehicle owned or controlled by Employee, in each case, Employee shall disclose such actual or potential Conflict of Interest or such lawsuit, claim or arbitration to the Board. A "Conflict of Interest" shall exist when Employee engages in, or plans to engage in, any activities, associations, or interests that conflict with, or create an appearance of a conflict with, Employee's duties, responsibilities, authorities, or obligations for or to any member of the Company Group.

9. Confidentiality. In the course of Employee's employment with the Company and the performance of Employee's duties on behalf of the Company Group hereunder, Employee will be provided with, and will have access to, Confidential Information (as defined below). As a condition of Employee's receipt and access to such Confidential Information and in exchange for other valuable consideration provided hereunder, and as a condition of Employee's employment hereunder, Employee shall comply with this Section 9.

(a) Both during the Employment Period and thereafter, except as expressly permitted by this Agreement or by directive of the Board, Employee shall not disclose any Confidential Information to any person or entity and shall not use any Confidential Information except for the benefit of the Company Group. Employee shall follow all Company policies and protocols regarding the security of all documents and other materials containing Confidential Information (regardless of the medium on which Confidential Information is stored). The covenants of this Section 9(a) shall apply to all Confidential Information, whether now known or later to become known to Employee during the period that Employee is employed by or affiliated with or providing services to the Company or any other member of the Company Group.

(b) Notwithstanding any provision of Section 9(a) to the contrary, Employee may make the following disclosures and uses of Confidential Information:

(i) disclosures to other employees of a member of the Company Group who have a need to know the information in connection with the businesses of the Company Group;

(ii) disclosures to third parties when, in the reasonable and good faith belief of Employee, such disclosure is in connection with Employee's performance of Employee's duties under this Agreement and in the best interest of the Company Group;

(iii) disclosures and uses that are approved in writing by the Board; or

(iv) disclosures to a person or entity that has (x) been retained by a member of the Company Group to provide services to one or more members of the Company Group and (y) agreed in writing to abide by the terms of a confidentiality agreement.

(c) Upon the expiration of the Employment Period, and at any other time upon request of the Company, Employee shall promptly surrender and deliver to the Company all documents (including electronically stored information) and all copies thereof and all other materials of any nature containing or pertaining to all Confidential Information and any other Company Group property (including any Company Group-issued computer, mobile device or other equipment) in Employee's possession, custody or control and Employee shall not retain any such documents or other materials or property of the Company Group. Within five (5) days of any such request, Employee shall certify to the Company in writing that all such documents, materials and property have been returned to the Company.

(d) All trade secrets, non-public information, designs, ideas, concepts, improvements, product developments, discoveries and inventions, whether patentable or not, that are conceived, made, developed or acquired by or disclosed to Employee, individually or in conjunction with others, during the period that Employee is employed by the Company or any other member of the Company Group (whether during business hours or otherwise and whether on the Company's premises or otherwise), that relate to any member of the Company Group's businesses or properties, products or services (including all such information relating to corporate opportunities, operations, future plans, methods of doing business, business plans, strategies for developing business and market share, research, financial and sales data, pricing terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or acquisition targets or their requirements, the identity of key contacts within customers' organizations or within the organization of acquisition prospects, or marketing and merchandising techniques, prospective names and marks) is defined as "**Confidential Information**." Moreover, all documents, videotapes, written presentations, brochures, drawings, memoranda, notes, records, files, correspondence, manuals, models, specifications, computer programs, e-mail, voice mail, electronic databases, maps, drawings, architectural renditions, models and all other writings or materials of any type including or embodying any of such information, ideas, concepts, improvements, discoveries, inventions and other similar forms of expression are and shall be the sole and exclusive property of the Company or other applicable member of the Company Group and be subject to the same restrictions on disclosure applicable to all Confidential Information pursuant to this Agreement. For purposes of this Agreement,

Confidential Information shall not include any information that (i) is or becomes generally available to the public other than as a result of a disclosure or wrongful act of Employee or any of Employee's agents; (ii) was available to Employee on a non-confidential basis before its disclosure by a member of the Company Group; or (iii) becomes available to Employee on a non-confidential basis from a source other than a member of the Company Group; *provided, however*, that such source is not bound by a confidentiality agreement with, or other obligation with respect to confidentiality to, a member of the Company Group.

(e) Notwithstanding the foregoing, nothing in this Agreement shall prohibit or restrict Employee from lawfully: (i) initiating communications directly with, cooperating with, providing information to, causing information to be provided to, or otherwise assisting in an investigation by, any governmental authority regarding a possible violation of any law; (ii) responding to any inquiry or legal process directed to Employee from any such governmental authority; (iii) testifying, participating or otherwise assisting in any action or proceeding by any such governmental authority relating to a possible violation of law; or (iv) making any other disclosures that are protected under the whistleblower provisions of any applicable law. Additionally, pursuant to the federal Defend Trade Secrets Act of 2016, an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (1) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney and (2) solely for the purpose of reporting or investigating a suspected violation of law; (B) is made to the individual's attorney in relation to a lawsuit for retaliation against the individual for reporting a suspected violation of law; or (C) is made in a complaint or other document filed in a lawsuit or proceeding, if such filing is made under seal. Nothing in this Agreement requires Employee to obtain prior authorization before engaging in any conduct described in this paragraph, or to notify the Company that Employee has engaged in any such conduct.

#### 10. **Ownership of Intellectual Property.**

(a) Employee agrees that the Company shall own, and Employee shall (and hereby does) assign, all right, title and interest (including patent rights, copyrights, trade secret rights, mask work rights, trademark rights, and all other intellectual and industrial property rights of any sort throughout the world) relating to any and all inventions (whether or not patentable), discoveries, developments, improvements, innovations, works of authorship, mask works, designs, know-how, ideas, formulae, processes, techniques, data and information authored, created, contributed to, made or conceived or reduced to practice, in whole or in part, by Employee during the period in which Employee is or has been employed by or affiliated with the Company or any other member of the Company Group, whether or not registerable under U.S. law or the laws of other jurisdictions, that either (i) relate, at the time of conception, reduction to practice, creation, derivation or development, to any member of the Company Group's businesses or actual or anticipated research or development, or (ii) were developed on any amount of the Company's or any other member of the Company Group's time or with the use of any member of the Company Group's equipment, supplies, facilities or Confidential Information (all of the foregoing collectively referred to herein as "**Company Intellectual Property**"), and Employee shall promptly disclose all Company Intellectual Property to the Company in writing.



To support Employee's disclosure obligation herein, Employee shall keep and maintain adequate and current written records of all Company Intellectual Property made by Employee (solely or jointly with others) during the period in which Employee is or has been employed by or affiliated with the Company or any other member of the Company Group in such form as may be specified from time to time by the Company. These records shall be available to, and remain the sole property of, the Company at all times.

(b) All of Employee's works of authorship and associated copyrights created during the period in which Employee is employed by or affiliated with the Company or any other member of the Company Group and in the scope of Employee's employment or engagement shall be deemed to be "works made for hire" within the meaning of the Copyright Act. To the extent any right, title and interest in and to Company Intellectual Property cannot be assigned by Employee to the Company, Employee shall grant, and does hereby grant, to the Company Group an exclusive, perpetual, royalty-free, transferable, irrevocable, worldwide license (with rights to sublicense through multiple tiers of sublicensees) to make, have made, use, sell, offer for sale, import, export, reproduce, practice and otherwise commercialize such rights, title and interest.

(c) Employee recognizes that this Agreement will not be deemed to require assignment of any invention or intellectual property that Employee developed entirely on Employee's own time without using the equipment, supplies, facilities, trade secrets, or Confidential Information of any member of the Company Group. In addition, this Agreement does not apply to any invention that qualifies fully for protection from assignment to the Company under any specifically applicable state law or regulation.

(d) To the extent allowed by law, this Section applies to all rights that may be known as or referred to as "moral rights," "artist's rights," "droit moral," or the like, including without limitation those rights set forth in 17 U.S.C. §106A (collectively, "**Moral Rights**"). To the extent Employee retains any Moral Rights under applicable law, Employee hereby ratifies and consents to any action that may be taken with respect to such Moral Rights by or authorized by the Company or any member of the Company Group, and Employee hereby waives and agrees not to assert any Moral Rights with respect to such Moral Rights. Employee shall confirm any such ratifications, consents, waivers, and agreements from time to time as requested by the Company.

(e) All inventions (whether or not patentable), original works of authorship, designs, know-how, mask works, ideas, information, developments, improvements, and trade secrets of which Employee is the sole or joint author, creator, contributor, or inventor that were made or developed by Employee prior to Employee's employment with or affiliation with the Company or any other member of the Company Group, or in which Employee asserts any intellectual property right, and which are applicable to or relate in any way to the business, products, services, or demonstrably anticipated research and development or business of any member of the Company Group ("**Prior Inventions**") are listed on Exhibit A, and Employee represents that Exhibit A is a complete list of all such Prior Inventions. If no such list is attached, Employee hereby represents and warrants that there are no Prior Inventions, and Employee shall make no claim of any rights to any Prior Inventions. If, in the course of

Employee's employment with or affiliation with the Company or any other member of the Company Group, Employee incorporates into the product, process, or device of any member of the Company Group a Prior Invention, the Company Group is hereby granted and will have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license to make, have made, modify, use, import, export, offer for sale, sell and otherwise commercialize such Prior Invention as part of or in connection with such product, process, or device of any member of the Company Group.

(f) Employee shall perform, during and after the period in which Employee is or has been employed by or affiliated with the Company or any other member of the Company Group, all acts deemed necessary or desirable by the Company to permit and assist each member of the Company Group, at the Company's expense, in obtaining and enforcing the full benefits, enjoyment, rights and title throughout the world in the Company Intellectual Property and Confidential Information assigned, to be assigned, or licensed to the Company under this Agreement.. Such acts may include execution of documents and assistance or cooperation (i) in the filing, prosecution, registration, and memorialization of assignment of any applicable patents, copyrights, mask work, or other applications, (ii) in the enforcement of any applicable patents, copyrights, mask work, moral rights, trade secrets, or other proprietary rights, and (iii) in other legal proceedings related to the Company Intellectual Property or Confidential Information.

(g) In the event that the Company (or, as applicable, a member of the Company Group) is unable for any reason to secure Employee's signature to any document required to file, prosecute, register, or memorialize the assignment of any patent, copyright, mask work or other applications or to enforce any patent, copyright, mask work, moral right, trade secret or other proprietary right under any Confidential Information or Company Intellectual Property (including derivative works, improvements, renewals, extensions, continuations, divisionals, continuations in part, continuing patent applications, reissues, and reexaminations of such Company Intellectual Property), Employee hereby irrevocably designates and appoints the Company and each of the Company's duly authorized officers and agents as Employee's agents and attorneys-in-fact to act for and on Employee's behalf and instead of Employee, (i) to execute, file, prosecute, register and memorialize the assignment of any such application, (ii) to execute and file any documentation required for such enforcement, and (iii) to do all other lawfully permitted acts to further the filing, prosecution, registration, memorialization of assignment, issuance, and enforcement of patents, copyrights, mask works, moral rights, trade secrets or other rights under the Confidential Information or Company Intellectual Property, all with the same legal force and effect as if executed by Employee.

(h) In the event that Employee enters into, on behalf of any member of the Company Group, any contracts or agreements relating to any Confidential Information or Company Intellectual Property, Employee shall assign such contracts or agreements to the Company (or the applicable member of the Company Group) promptly, and in any event, prior to Employee's termination of employment. If the Company (or the applicable member of the Company Group) is unable for any reason to secure Employee's signature to any document required to assign said contracts or agreements, or if Employee does not assign said contracts or agreements to the Company (or the applicable member of the Company Group) prior to

Employee's termination of employment, Employee hereby irrevocably designates and appoints the Company (or the applicable member of the Company Group) and each of the Company's duly authorized officers and agents as Employee's agents and attorneys-in-fact to act for and on Employee's behalf and instead of Employee to execute said assignments and to do all other lawfully permitted acts to further the execution of said documents.

(i) Notwithstanding the foregoing, in no event will Employee be required to assign to the Company Employee's rights, title, or interest in any invention that qualifies fully under the provisions of California Labor Code Section 2870 (a copy of which is attached as Exhibit B), including any invention which is developed entirely on Employee's own time without using the Company's equipment, supplies, facilities, or trade secret information, and that either (i) is not related to the Company's business (either actual or demonstrably anticipated), or (ii) does not result from work performed for the Company (an "**Other Invention**"). Employee will advise the Company promptly in writing of any invention that Employee believes constitutes an Other Invention. Employee agrees that Employee will not incorporate, or permit to be incorporated, any Other Invention owned by Employee or in which Employee has an interest into a Company Group product, process or service without the Company's prior written consent. Notwithstanding the foregoing sentence, if, in the course of Employee's employment with any member of the Company Group, Employee incorporates into a Company Group product, process or service an Other Invention owned by Employee or in which Employee has an interest, Employee hereby grants to the Company and the other members of the Company Group a non-exclusive, royalty-free, fully paid up, irrevocable, perpetual, transferable, sublicensable, worldwide license to reproduce, make derivative works of, distribute, perform, display, import, make, have made, modify, use, sell, offer to sell, and exploit in any other way such Other Invention as part of or in connection with such product, process or service, and to practice any method related thereto.

11. **Defense of Claims.** During the Employment Period and thereafter, upon request from the Company, Employee shall cooperate with the Company Group in the defense of any claims or actions that may be made by or against any member of the Company Group that relate to Employee's actual or prior areas of responsibility.

12. **Withholdings; Deductions.** The Company may withhold and deduct from any benefits and payments made or to be made pursuant to this Agreement (a) all federal, state, local and other taxes as may be required pursuant to any law or governmental regulation or ruling and (b) any deductions consented to in writing by Employee.

13. **Title and Headings; Construction.** Titles and headings to Sections hereof are for the purpose of reference only and shall in no way limit, define or otherwise affect the provisions hereof. Any and all Exhibits or Attachments referred to in this Agreement are, by such reference, incorporated herein and made a part hereof for all purposes. Unless the context requires otherwise, all references to laws, regulations, contracts, documents, agreements and instruments refer to such laws, regulations, contracts, documents, agreements and instruments as they may be amended from time to time, and references to particular provisions of laws or regulations include a reference to the corresponding provisions of any succeeding law or regulation. All references to "dollars" or "\$" in this Agreement refer to United States dollars.

The words “herein”, “hereof”, “hereunder” and other compounds of the word “here” shall refer to the entire Agreement, including all Exhibits attached hereto, and not to any particular provision hereof. The word “or” is not exclusive. Wherever the context so requires, the masculine gender includes the feminine or neuter, and the singular number includes the plural and conversely. All references to “including” shall be construed as meaning “including without limitation.” Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against any party hereto, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by each of the parties hereto and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of the parties hereto.

14. **Applicable Law.** This Agreement shall in all respects be construed according to the laws of the State of California without regard to its conflict of laws principles that would result in the application of the laws of another jurisdiction. With respect to any claim or dispute related to or arising under this Agreement, the parties hereto consent to the exclusive jurisdiction, forum and venue of the state and federal courts (as applicable) located in Los Angeles, California.

15. **Entire Agreement and Amendment.** This Agreement contains the entire agreement of the parties with respect to the matters covered herein and supersede all prior and contemporaneous agreements and understandings, oral or written, between the parties hereto concerning the subject matter hereof, other than any indemnification rights or equity award agreements, whether pursuant to the LTIP or otherwise, which are in effect or outstanding as of the Effective Date. This Agreement may be amended only by a written instrument executed by both parties hereto.

16. **Waiver of Breach.** Any waiver of this Agreement must be executed by the party to be bound by such waiver. No waiver by either party hereto of a breach of any provision of this Agreement by the other party, or of compliance with any condition or provision of this Agreement to be performed by such other party, will operate or be construed as a waiver of any subsequent breach by such other party or any similar or dissimilar provision or condition at the same or any subsequent time. The failure of either party hereto to take any action by reason of any breach will not deprive such party of the right to take action at any time.

17. **Assignment.** This Agreement is personal to Employee, and neither this Agreement nor any rights or obligations hereunder shall be assignable or otherwise transferred by Employee. The Company may assign this Agreement without Employee’s consent, including to any member of the Company Group and to any successor (whether by merger, purchase or otherwise) to all or substantially all of the equity, assets or businesses of the Company.

18. **Notices.** Notices provided for in this Agreement shall be in writing and shall be deemed to have been duly received (a) when delivered in person, (b) on the first Business Day after such notice is sent by express overnight courier service, or (c) on the second Business Day following deposit with a nationally-recognized second-day courier service with proof of receipt maintained, in each case, to the following address, as applicable:

**If to the Company, addressed to:**

California Resources Corporation  
27200 Tourney Road  
Suite 200  
Santa Clarita, California 91355  
Attention: General Counsel

**If to Employee, addressed to:**

Michael L. Preston

[\*\*\*\*\*]

[\*\*\*\*\*]

*(Or, if different, the latest address on file with the Company)*

19. **Counterparts.** This Agreement may be executed in any number of counterparts, including by electronic mail or facsimile, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a copy hereof containing multiple signature pages, each signed by one party, but together signed by both parties hereto.

20. **Deemed Resignations.** Except as otherwise determined by the Board or as otherwise agreed to in writing by Employee and any member of the Company Group prior to the termination of Employee's employment with the Company or any member of the Company Group, any termination of Employee's employment shall constitute, as applicable, an automatic resignation of Employee: (a) as an officer of the Company and each member of the Company Group; (b) from the Board; and (c) from the board of directors or board of managers (or similar governing body) of any member of the Company Group and from the board of directors or board of managers (or similar governing body) of any corporation, limited liability entity, unlimited liability entity or other entity in which any member of the Company Group holds an equity interest and with respect to which board of directors or board of managers (or similar governing body) Employee serves as such Company Group member's designee or other representative.

21. **Section 409A.**

(a) Notwithstanding any provision of this Agreement to the contrary, all provisions of this Agreement are intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**") and the applicable Treasury regulations and administrative guidance issued thereunder (collectively, "**Section 409A**") or an exemption therefrom and shall be construed and administered in accordance with such intent. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Any payments to be made under this Agreement upon a termination of Employee's employment shall only be made if such termination of employment constitutes a "separation from service" under Section 409A.

(b) To the extent that any right to reimbursement of expenses or payment of any benefit in-kind under this Agreement constitutes nonqualified deferred compensation (within the meaning of Section 409A), (i) any such expense reimbursement shall be made by the Company no later than the last day of Employee's taxable year following the taxable year in which such expense was incurred by Employee, (ii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (iii) the amount of expenses eligible for reimbursement or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year; *provided*, that the foregoing clause shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period in which the arrangement is in effect.

(c) Notwithstanding any provision in this Agreement to the contrary, if any payment or benefit provided for herein would be subject to additional taxes and interest under Section 409A if Employee's receipt of such payment or benefit is not delayed until the earlier of the date of Employee's death or the date that is six (6) months after the Termination Date (such date, the "**Section 409A Payment Date**"), then such payment or benefit shall not be provided to Employee (or Employee's estate, if applicable) until the Section 409A Payment Date. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement are exempt from, or compliant with, Section 409A and in no event shall any member of the Company Group be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by Employee on account of non-compliance with Section 409A.

22. **Effect of Termination.** The provisions of Sections 7(a), 9-13 and 20 and those provisions necessary to interpret and enforce them, shall survive any termination of this Agreement and any termination of the employment relationship between Employee and the Company.

23. **Third-Party Beneficiaries.** Each member of the Company Group that is not a signatory to this Agreement shall be a third-party beneficiary of Employee's obligations under Sections 8-12 and 20 and shall be entitled to enforce such obligations as if a party hereto.

24. **Certain Excise Taxes.** Notwithstanding anything to the contrary in this Agreement, if Employee is a "disqualified individual" (as defined in Section 280G(c) of the Code), and the benefits provided for in this Agreement, together with any other payments and benefits which Employee has the right to receive from the Company and its affiliates, would constitute a "parachute payment" (as defined in Section 280G(b)(2) of the Code), then the benefits provided for in this Agreement (beginning with any benefit to be paid in cash hereunder) shall be either (a) reduced (but not below zero) so that the present value of such total amounts and benefits received by Employee from the Company will be one dollar (\$1.00) less than three times Employee's "base amount" (as defined in Section 280G(b)(3) of the Code) and so that no portion of such amounts and benefits received by Employee shall be subject to the excise tax imposed by Section 4999 of the Code or (b) paid in full, whichever produces the better net after-tax position to Employee (taking into account any applicable excise tax under Section 4999 of the Code and any other applicable taxes). The determination as to whether any such reduction in the amount of the benefits provided hereunder is necessary shall be made by the Compensation Committee in good faith and in consultation with tax and legal advisors of the Company. If a

reduced payment or benefit is made and through error or otherwise that payment or benefit, when aggregated with other payments and benefits from the Company (or its affiliates) used in determining if a “parachute payment” exists, exceeds one dollar (\$1.00) less than three times Employee’s base amount, then Employee shall immediately repay such excess to the Company upon notification that an overpayment has been made. Nothing in this Section 24 shall require the Company to be responsible for, or have any liability or obligation with respect to, Employee’s excise tax liabilities under Section 4999 of the Code.

25. **Severability.** If an arbitrator or court of competent jurisdiction determines that any provision of this Agreement (or portion thereof) is invalid or unenforceable, then the invalidity or unenforceability of that provision (or portion thereof) shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect.

*[Remainder of Page Intentionally Blank;  
Signature Page Follows]*

**IN WITNESS WHEREOF**, Employee and the Company each have caused this Agreement to be executed and effective as of the Effective Date.

**EMPLOYEE**

\_\_\_\_\_  
Name: Michael L. Preston

**COMPANY**

CALIFORNIA RESOURCES CORPORATION

By: \_\_\_\_\_  
Name: Mark A. (Mac) McFarland  
Title: President and Chief Executive Officer

Signature Page  
to  
Employment Agreement

---



**EXHIBIT A**

**PRIOR INVENTIONS**

1. The following is a complete list of all Prior Inventions relevant to the subject matter of Employee's employment by the Company that have been made or conceived or first reduced to practice by Employee alone or jointly with others prior to Employee's employment with or affiliation with the Company or any other member of the Company Group:

Check appropriate space(s):

None.

See below:

—  
—  
—

Due to confidentiality agreements with a prior employer, Employee cannot disclose certain Prior Inventions that would otherwise be included on the above-described list.

Additional sheets attached.

2. Employee proposes to bring to Employee's employment the following devices, materials, and documents of a former employer or other person to whom Employee has an obligation of confidentiality that is not generally available to the public, which materials and documents may be used in Employee's employment pursuant to the express written authorization of Employee's former employer or such other person (a copy of which is attached to this Agreement):

Check appropriate space(s):

None.

See below.

—  
—

Additional sheets attached.

**EXHIBIT B**

**CALIFORNIA LABOR CODE SECTION 2870**

- (a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:
  - (1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or
  - (2) Result from any work performed by the employee for the employer.
- (b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

Exhibit B

Certain information in this exhibit (indicated by “[\*\*\*\*\*]”), which is not material and is the type of information that the Registrant treats as private or confidential, has been omitted pursuant to Item 601(b)(10) of Regulation S-K.

### EMPLOYMENT AGREEMENT

This Employment Agreement (“**Agreement**”) is made and entered into by and between California Resources Corporation, a Delaware corporation (the “**Company**”), and Jay A. Bys (“**Employee**”) effective as of June 8, 2021 (the “**Effective Date**”).

1. **Employment.** During the Employment Period (as defined below), the Company shall employ Employee, and Employee shall serve, as Executive Vice President and Chief Commercial Officer of the Company and in such other position or positions as may be assigned from time to time by the board of directors of the Company (the “**Board**”) or the Chief Executive Officer of the Company (the “**CEO**”).

2. **Duties and Responsibilities of Employee.**

(a) During the Employment Period, Employee shall actively engage in the business and affairs of the Company (together with its direct and indirect subsidiaries, the “**Company Group**”) as may be requested by the Board or the CEO from time to time, devote such amount of Employee’s business time and attention as is reasonably necessary to manage the business and affairs of the Company, which amount of time will constitute substantially all of Employee’s business time. Employee’s duties and responsibilities shall include those normally incidental to the position(s) identified in Section 1, as well as such additional duties as may be assigned to Employee by the Board or the CEO from time to time, which duties and responsibilities may include providing services to other members of the Company Group in addition to the Company. Employee may, without violating this Section 2(a), (i) as a passive investment, own publicly traded securities in such form or manner as will not require any services by Employee in the operation of the entities in which such securities are owned; (ii) engage in charitable and civic activities; (iii) with the prior written consent of the Board, engage in other personal and passive investment activities; and (iv) with the prior written consent of the Board, serve on the board of directors of up to two for-profit corporations (collectively, the “**Permitted Activities**”), so long as such engagements, ownership, interests or activities do not interfere with Employee’s ability to fulfill Employee’s duties and responsibilities under this Agreement and are not inconsistent with Employee’s obligations to any member of the Company Group or competitive with the business of any member of the Company Group.

(b) Employee hereby represents and warrants that Employee is not the subject of, or a party to, any non-competition or non-solicitation covenant, non-disclosure agreement, or any other agreement, obligation, restriction or understanding that would prohibit Employee from executing this Agreement or fully performing each of Employee’s duties and responsibilities hereunder, or would in any manner, directly or indirectly, limit or affect any of the duties and responsibilities that may now or in the future be assigned to Employee hereunder. Employee expressly acknowledges and agrees that Employee is strictly prohibited from using or disclosing any confidential information belonging to any prior employer in the course of performing services for any member of the Company Group, and Employee promises that Employee shall

---

not do so. Employee shall not introduce documents or other materials containing confidential information of any prior employer to the premises or property (including computers and computer systems) of any member of the Company Group.

(c) Employee owes each member of the Company Group fiduciary duties (including (i) duties of loyalty and disclosure and (ii) such fiduciary duties that an officer of the Company would have if the Company were a corporation organized under the laws of the State of Delaware), and the obligations described in this Agreement are in addition to, and not in lieu of, the obligations Employee owes each member of the Company Group under statutory and common law.

### 3. **Compensation**.

(a) **Base Salary**. During the Employment Period, the Company shall pay to Employee an annualized base salary of \$500,000 (the "**Base Salary**") in consideration for Employee's services under this Agreement, payable in substantially equal installments in conformity with the Company's customary payroll practices for similarly situated employees as may exist from time to time, but no less frequently than twice per month. The Base Salary shall be subject to annual review by the Compensation Committee of the Board (the "**Compensation Committee**") and may be increased, but not decreased, at the discretion of the Compensation Committee following consultation with the other independent members of the Board.

(b) **Annual Bonus**. Employee shall be eligible for bonus compensation for calendar year 2021 and each subsequent complete calendar year that Employee is employed by the Company hereunder (the "**Annual Bonus**"). The target Annual Bonus for each such calendar year (the "**Bonus Year**") shall be 100% of Employee's Base Salary in effect as of the first day of the Bonus Year (or, with respect to calendar year 2021, in effect on the Effective Date), and the actual Annual Bonus for a Bonus Year may range from 0% to 200% of such target Annual Bonus depending on the level of achievement of the performance targets as determined by the Compensation Committee under the applicable "Annual Bonus Scorecard" for the Bonus Year. The performance targets that must be achieved in order to be eligible for certain bonus levels shall be established by the Compensation Committee annually, in its sole discretion, and communicated to Employee within the first one-hundred twenty (120) days of the applicable Bonus Year. The Annual Bonus that Employee shall be eligible to receive for the 2021 calendar year shall not be prorated. Each Annual Bonus, if any, shall be paid as soon as administratively feasible after the Compensation Committee certifies whether the applicable performance targets for the applicable Bonus Year have been achieved, but in no event later than March 15 following the end of such Bonus Year. Notwithstanding anything in this Section 3(b) to the contrary, but subject to Section 7, no Annual Bonus, if any, nor any portion thereof, shall be payable for any Bonus Year unless Employee remains continuously employed by the Company from the Effective Date through the date on which such Annual Bonus is paid.

(c) **Long-Term Incentive Awards**. On May 12, 2021 (the "**Date of Grant**"), the Compensation Committee granted to Employee under the Company's 2021 Long Term Incentive Plan (such plan, or any successor plan, the "**LTIP**") (i) an award of restricted stock units (the "**Initial RSUs**") and (ii) an award of performance stock units (the "**Initial PSUs**").

Provided that Employee is employed by the Company on the applicable date of grant, Employee shall be eligible to receive annual long-term incentive awards under the LTIP commencing in calendar year 2023 with a grant date target value not less than 220% of Employee's Base Salary as in effect on the applicable date of grant of such award on such terms and conditions as the Board and the Compensation Committee shall determine from time to time. While it is currently anticipated that such annual long-term incentive awards will be in the form of a combination of restricted stock units (30% of the annual award, and vesting in one-third increments on each of the first three anniversaries of the date of grant) and performance stock units (70% of the award, and cliff vesting at the end of a three (3)-year performance period), nothing herein shall be construed to give Employee any rights to any particular type of grant or award except as provided in such award to Employee in writing and authorized by the Board or the Compensation Committee. All awards granted to Employee under the LTIP shall be subject to and governed by the terms and provisions of the LTIP as in effect from time to time and the award agreements evidencing such awards.

4. **Term of Employment.** The term of Employee's employment under this Agreement shall be for the period beginning on the Effective Date and ending on the first (1st) anniversary of the Effective Date (the "**Initial Expiration Date**"); provided, however, that beginning on the Initial Expiration Date, and on each anniversary of the Initial Expiration Date thereafter, if Employee's employment under this Agreement has not been terminated pursuant to Section 7, then said term of employment shall automatically be extended for an additional one (1)-year period unless on or before the date that is ninety (90) days prior to the first day of any such extension period either party gives written notice to the other that no such automatic extension shall occur, in which case the term of employment shall terminate as of the Initial Expiration Date or the anniversary of the Initial Expiration Date immediately following the giving of such notice, as applicable. Notwithstanding any other provision of this Agreement, Employee's employment pursuant to this Agreement may be terminated at any time in accordance with Section 7. The period from the Effective Date through the expiration of this Agreement or, if sooner, the termination of Employee's employment pursuant to this Agreement, regardless of the time or reason for such termination, shall be referred to herein as the "**Employment Period**."

5. **Business Expenses.** Subject to Section 21, the Company shall reimburse Employee for Employee's reasonable out-of-pocket business-related expenses actually incurred in the performance of Employee's duties hereunder during the Employment Period so long as Employee timely submits all documentation for such expenses, as required by Company policy in effect from time to time. Any such reimbursement of expenses shall be made by the Company upon or as soon as practicable following receipt of such documentation (but in any event not later than the close of Employee's taxable year following the taxable year in which the expense is incurred by Employee). In no event shall any reimbursement be made to Employee for any expenses incurred after the date of Employee's termination of employment with the Company.

6. **Benefits.**

(a) During the Employment Period, Employee shall be eligible to participate in the same benefit plans and programs in which other similarly situated Company employees are eligible to participate, subject to the terms and conditions of the applicable plans and programs in effect from time to time, including, without limitation, the California Resources Corporation Domestic Relocation Program. The Company shall not, however, by reason of this Section 6, be obligated to institute, maintain, or refrain from changing, amending, or discontinuing, any such plan or policy, so long as such changes are similarly applicable to similarly situated Company employees generally.

(b) The Company shall reimburse Employee up to \$5,000 for legal fees incurred in connection with the review of this Agreement.

(c) The Company shall cover Employee under directors and officers liability insurance from the Effective Date, through the Employment Period, and, while potential liability exists, after the end of the Employment Period, on the most favorable terms as provided to any other director or executive officer of the Company.

(d) Subject to Section 21, in the event Employee relocates from Dallas, Texas to a location in California mutually agreeable to Employee and the Company (the “*California Location*”) within his first twelve (12) months of employment, then the Company shall reimburse Employee for reasonable relocation expenses in accordance with the California Resources Corporation Domestic Relocation Program, so long as Employee submits all documentation for such reimbursement within thirty (30) days following the date the applicable expense is incurred by Employee, as required by Company policy in effect from time to time. For purposes of clarity, Employee shall not be required to relocate to the California Location, and may continue to perform services for the Company from Dallas, Texas. Any reimbursement of expenses described in the first sentence of this subparagraph shall be made by the Company upon or as soon as practicable following receipt of supporting documentation (but in any event not later than March 15 following the calendar year in which the related expense is incurred by Employee); provided, however, that in no event shall any reimbursement be made to Employee for any expenses incurred after the date of Employee’s termination of employment with the Company.

## 7. **Termination of Employment.**

(a) Company’s Right to Terminate Employee’s Employment for Cause. The Company shall have the right to terminate Employee’s employment hereunder at any time for Cause. For purposes of this Agreement, “**Cause**” shall mean Employee’s commission of an act or omission, or Employee causing the Company or any other member of the Company Group to commit an act or omission, that constitutes:

(i) Employee’s fraud or misconduct;

(ii) Employee’s violation of applicable law in connection with the management, operation or reputation of the Company or any other member of the

Company Group that results in (or could reasonably be expected to result in) material injury to the Company or any other member of the Company Group;

(iii) Employee's material breach of this Agreement or any other written agreement between Employee and one or more members of the Company Group, including Employee's material breach of any representation, warranty or covenant made under any such agreement;

(iv) Employee's act of theft, embezzlement or misappropriation of the property of the Company or any other member of the Company Group, in each case, that results in (or could reasonably be expected to result in) material financial or reputational harm to the Company or any other member of the Company Group; or

(v) Employee's violation of the Company's policies (to the extent such policies have been clearly communicated in writing to Employee) prohibiting unlawful sexual harassment, non-retaliation, or age, sex or other prohibited discrimination in the workplace.

Notwithstanding the foregoing, no determination of "Cause" may be made pursuant to Sections 7(a)(ii) or (iii) unless (1) within thirty (30) days of the Board obtaining actual knowledge of such action(s) or omissions Employee has been given written notice by the Board describing the specific alleged action(s) or omission(s) that constitute "Cause," and (2) Employee has failed to cure such acts or omissions within thirty (30) days of such notice from the Board. Upon the termination of Employee's employment pursuant to this Section 7(a), the Company shall pay to Employee (A) all earned and unpaid Base Salary as of the date of the termination of Employee's employment with the Company, (B) reimbursement for all incurred but unreimbursed expenses for which Employee is entitled to reimbursement in accordance with Section 5, and (C) benefits to which Employee is entitled under the terms of any applicable benefit plan or program described in Section 6(a) (collectively, the "**Accrued Benefits**"). In addition, subject to any limitation under applicable law, previously paid compensation pursuant to Sections 3(b) and 3(c) (including pursuant to the Initial RSUs and Initial PSUs) shall be subject to clawback or forfeiture and cancellation at the discretion of the Compensation Committee in the event of a termination of Employee's employment for Cause.

(b) Company's Right to Terminate for Convenience. The Company shall have the right to terminate Employee's employment for convenience at any time and for any reason, or no reason at all, upon written notice to Employee, in which event Employee shall receive the compensation and benefits described in Section 7(f).

(c) Employee's Right to Terminate for Good Reason. Employee shall have the right to terminate Employee's employment with the Company at any time for Good Reason, in which event Employee shall receive the compensation and benefits described in Section 7(f). For purposes of this Agreement, "**Good Reason**" shall mean any of the following occurring without Employee's consent:

- (i) a material adverse change in Employee's title, duties or responsibilities (including reporting responsibilities);
- (ii) a material reduction in Employee's Base Salary;
- (iii) a relocation of Employee's primary work location to a distance of more than 50 miles from its location as of immediately prior to such change (excluding, however, any relocation of Employee's primary work location to a city in Los Angeles County, California where the Company maintains its principal corporate offices or within 25 miles of any such city); or
- (iv) a material breach by the Company of any of its obligations under this Agreement.

The Company and Employee agree that Good Reason shall not exist unless and until Employee provides the Company with written notice of the acts alleged to constitute Good Reason within 90 days of Employee's knowledge of the occurrence of such event, and Company fails to cure such acts within 30 days of receipt of such notice. Employee must terminate employment within 60 days following the expiration of such cure period for the termination to be on account of Good Reason.

(d) Death or Disability. Upon the death or Disability of Employee, Employee's employment with the Company shall automatically terminate and the Company shall pay to Employee or Employee's estate, as applicable, (i) the Accrued Benefits, (ii) any earned and unpaid Annual Bonus for the calendar year preceding the year in which such termination of employment occurs (which amount shall be paid within sixty (60) days following the date of such termination of employment but in no event later than March 15 of the year following the Bonus Year to which such Annual Bonus relates), and (iii) an Annual Bonus for the year in which such termination of employment occurs based on actual performance results for the applicable Bonus Year and prorated for the period of days beginning on the first day of the applicable Bonus Year and ending on the date of such termination of employment relative to the number of days in the applicable Bonus Year. The prorated Annual Bonus described in clause (iii) of the preceding sentence, if any, shall be paid in cash at the same time corresponding bonuses are paid to similarly situated employees of the Company, but in no event later than March 15 following the year in which such termination of employment occurs. For purposes of this Agreement, a "Disability" shall exist if, as determined in the reasonable opinion of a licensed physician, Employee is unable to perform the essential functions of Employee's position (after accounting for reasonable accommodation, if applicable and required by applicable law), due to physical or mental impairment, that continues for a period in excess of ninety (90) consecutive days or one hundred-eighty (180) days, whether or not consecutive (or for any longer period as may be required by applicable law), in any twelve (12)-month period.

(e) Employee's Right to Terminate for Convenience. In addition to Employee's right to terminate Employee's employment for Good Reason, Employee shall have the right to terminate Employee's employment with the Company for convenience at any time and for any other reason, or no reason at all, upon thirty (30) days' advance written notice to the



Company; *provided, however*, that if Employee has provided notice to the Company of Employee's termination of employment, the Company may determine, in its sole discretion, that such termination shall be effective on any date prior to the effective date of termination provided in such notice (and, if such earlier date is so required, then it shall not change the basis for Employee's termination of employment nor be construed or interpreted as a termination of employment pursuant to Section 7(b)). Upon the termination of Employee's employment pursuant to this Section 7(e) or at the expiration of the term provided in Section 4 because Employee provided written notice of non-renewal to the Company, then the Company shall pay to Employee the Accrued Benefits.

(f) Effect of Termination of Employment without Cause, for Good Reason or for Non-Renewal by the Company.

(i) If Employee's employment is terminated at the expiration of the term provided in Section 4 because the Company provided written notice of non-renewal to Employee, or prior to the expiration of such term by the Company without Cause pursuant to Section 7(b) or by Employee for Good Reason pursuant to Section 7(c), then the Company shall pay Employee the Accrued Benefits and any earned and unpaid Annual Bonus for the calendar year preceding the year in which such termination of employment occurs (which amount shall be paid within sixty (60) days following the date of such termination of employment but in no event later than March 15 of the year following the Bonus Year to which such Annual Bonus relates) and, so long as (and only if) Employee: (x) executes on or before the Release Expiration Date (as defined below), and does not revoke within any time provided by the Company to do so, a release of all claims in a form acceptable to the Company and generally used by the Company with respect to similarly situated employees (the "**Release**"), which Release shall release each member of the Company Group and their respective affiliates, and the foregoing entities' respective shareholders, members, partners, officers, managers, directors, fiduciaries, employees, representatives, agents and benefit plans (and fiduciaries of such plans) from any and all claims, including any and all causes of action arising out of Employee's employment with the Company and any other member of the Company Group or the termination of such employment, but excluding all claims to severance payments Employee may have under this Section 7(f); and (y) abides by the terms of each of Sections 9 and 10, then:

(A) The Company shall make severance payments to Employee in a total amount equal to eighteen (18) months' worth of Employee's Base Salary for the year in which such termination occurs (such total severance payments being referred to as the "**Severance Payment**"). The Severance Payment will be divided into substantially equal installments paid over the eighteen (18)-month period following the date on which Employee's employment terminates (the "**Termination Date**"). On the Company's first regularly scheduled pay date that is on or after the date that is sixty (60) days after the Termination Date (the "**First Payment Date**"), the Company shall pay to Employee, without interest, a number of such installments equal to the number of

such installments that would have been paid during the period beginning on the Termination Date and ending on the First Payment Date had the installments been paid on the Company's regularly scheduled pay dates on or following the Termination Date, and each of the remaining installments shall be paid on the Company's regularly scheduled pay dates during the remainder of such eighteen (18)-month period; *provided, however*, that to the extent, if any, that the aggregate amount of the installments of the Severance Payment that would otherwise be paid pursuant to the preceding provisions of this Section 7(f)(i) after March 15 of the calendar year following the calendar year in which the Termination Date occurs (the "**Applicable March 15**") exceeds the maximum exemption amount under Treasury Regulation Section 1.409A-1(b)(9)(iii)(A), then such excess shall be paid to Employee in a lump sum on the Applicable March 15 (or the first Business Day (as defined below) preceding the Applicable March 15 if the Applicable March 15 is not a Business Day) and the installments of the Severance Payment payable after the Applicable March 15 shall be reduced by such excess (beginning with the installment first payable after the Applicable March 15 and continuing with the next succeeding installment until the aggregate reduction equals such excess). "**Business Day**" shall mean any day except a Saturday, Sunday or other day on which commercial banks in San Francisco, California, are authorized or required by law to be closed.

(B) The Company shall pay Employee an amount equal to one (1) times Employee's target Annual Bonus for the Bonus Year (one and one-half (1.5) times, if such termination occurs upon or within the one (1)-year period following a Change in Control (as such term is defined in the LTIP, but excluding any event that would otherwise constitute a Change in Control and that relates solely to any acquisition of securities of the Company by a stockholder of the Company that owns 20% or more of either the Outstanding Stock (as such term is defined in the LTIP) or the Outstanding Company Voting Securities (as such term is defined in the LTIP) as of the Effective Date (or by such a stockholder and/or one or more of its affiliates))) in which the Termination Date occurs, which amount shall be paid on the First Payment Date, but in no event later than March 15 of the calendar year following the calendar year in which the Termination Date occurs.

(C) During the portion, if any, of the eighteen (18)-month period following the Termination Date (the "**Reimbursement Period**") that Employee elects to continue coverage for Employee and Employee's spouse and eligible dependents, if any, under the Company's group health plans pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**"), the Company shall promptly reimburse Employee on a monthly basis for the difference between the amount Employee pays to effect and continue such coverage and the employee contribution amount that similarly situated employees of the Company pay for the same or similar coverage under such group health plans (the "**COBRA Benefit**"). Each payment of the COBRA Benefit shall

be paid to Employee on the Company's first regularly scheduled pay date in the calendar month immediately following the calendar month in which Employee submits to the Company documentation of the applicable premium payment having been paid by Employee, which documentation shall be submitted by Employee to the Company within thirty (30) days following the date on which the applicable premium payment is due to be paid. Employee shall be eligible to receive such reimbursement payments until the earliest of: (x) the last day of the Reimbursement Period; (y) the date Employee is no longer eligible to receive COBRA continuation coverage; and (z) the date on which Employee becomes eligible to receive coverage under a group health plan sponsored by another employer (and any such eligibility shall be promptly reported to the Company by Employee); provided, however, that the election of COBRA continuation coverage and the payment of any premiums due with respect to such COBRA continuation coverage shall remain Employee's sole responsibility, and the Company shall not assume any obligation for payment of any such premiums relating to such COBRA continuation coverage. Notwithstanding the foregoing, if the provision of the benefits described in this paragraph cannot be provided in the manner described above without penalty, tax or other adverse impact on the Company or any other member of the Company Group, then the Company and Employee shall negotiate in good faith to determine an alternative manner in which the Company may provide substantially equivalent benefits to Employee without such adverse impact on the Company or such other member of the Company Group.

(D) One-hundred percent (100%) of the Initial RSUs shall immediately become nonforfeitable, and, notwithstanding anything to the contrary in the award agreement evidencing the grant of the Initial PSUs, one-hundred percent (100%) of the Initial PSUs shall become "Vested PS Units" (as such term is defined in the award agreement evidencing the grant of the Initial PSUs), shall remain outstanding only until the earlier of the date that is six months after the Termination Date or the last day of the applicable performance period, and shall be eligible to become earned based on the level of achievement of the applicable performance goal only through such earlier date.

The payments and benefits described in clauses (A), (B), (C) and (D) above are collectively referred to herein as the "**Termination Benefits.**"

(ii) If the Release is not executed and returned to the Company on or before the Release Expiration Date, and the required revocation period has not fully expired without revocation of the Release by Employee, then Employee shall not be entitled to any portion of the Termination Benefits. As used herein, the "**Release Expiration Date**" is that date that is twenty-one (21) days following the date upon which the Company delivers the Release to Employee (which shall occur no later than seven (7) days after the Termination Date) or, in the event that such termination of employment is "in connection with an exit incentive or other employment termination program" (as such

phrase is defined in the Age Discrimination in Employment Act of 1967), the date that is forty-five (45) days following such delivery date.

(g) **After-Acquired Evidence.** Notwithstanding any provision of this Agreement to the contrary, in the event that the Company determines, in good faith, that Employee is eligible to receive the Termination Benefits pursuant to Section 7(f) but, after such determination, the Company subsequently acquires evidence or determines that: (i) Employee has failed to abide by the terms of Sections 9 or 10; or (ii) a Cause condition existed prior to the Termination Date that, had the Company been fully aware of such condition, would have given the Company the right to terminate Employee's employment pursuant to Section 7(a), then the Company shall have the right to cease the payment of any future installments of the Termination Benefits and Employee shall promptly return to the Company all installments of the Termination Benefits received by Employee prior to the date that the Company determines that the conditions of this Section 7(g) have been satisfied. In addition, the provisions of the last sentence of Section 7(a) shall apply, and, subject to any limitation under applicable law, previously paid compensation pursuant to Sections 3(b) and 3(c) (including pursuant to the Initial RSUs and Initial PSUs) shall be subject to clawback or forfeiture and cancellation at the discretion of the Compensation Committee in the event Employee fails to abide by the terms of Sections 9 or 10.

8. **Disclosures.** Promptly (and in any event, within three (3) Business Days) upon becoming aware of (a) any actual or potential Conflict of Interest or (b) any lawsuit, claim or arbitration filed against or involving Employee or any trust or vehicle owned or controlled by Employee, in each case, Employee shall disclose such actual or potential Conflict of Interest or such lawsuit, claim or arbitration to the Board. A "**Conflict of Interest**" shall exist when Employee engages in, or plans to engage in, any activities, associations, or interests that conflict with, or create an appearance of a conflict with, Employee's duties, responsibilities, authorities, or obligations for or to any member of the Company Group.

9. **Confidentiality.** In the course of Employee's employment with the Company and the performance of Employee's duties on behalf of the Company Group hereunder, Employee will be provided with, and will have access to, Confidential Information (as defined below). As a condition of Employee's receipt and access to such Confidential Information and in exchange for other valuable consideration provided hereunder, and as a condition of Employee's employment hereunder, Employee shall comply with this Section 9.

(a) Both during the Employment Period and thereafter, except as expressly permitted by this Agreement or by directive of the Board, Employee shall not disclose any Confidential Information to any person or entity and shall not use any Confidential Information except for the benefit of the Company Group. Employee shall follow all Company policies and protocols regarding the security of all documents and other materials containing Confidential Information (regardless of the medium on which Confidential Information is stored). The covenants of this Section 9(a) shall apply to all Confidential Information, whether now known or later to become known to Employee during the period that Employee is employed by or affiliated with or providing services to the Company or any other member of the Company Group.

(b) Notwithstanding any provision of Section 9(a) to the contrary, Employee may make the following disclosures and uses of Confidential Information:

(i) disclosures to other employees of a member of the Company Group who have a need to know the information in connection with the businesses of the Company Group;

(ii) disclosures to third parties when, in the reasonable and good faith belief of Employee, such disclosure is in connection with Employee's performance of Employee's duties under this Agreement and in the best interest of the Company Group;

(iii) disclosures and uses that are approved in writing by the Board; or

(iv) disclosures to a person or entity that has (x) been retained by a member of the Company Group to provide services to one or more members of the Company Group and (y) agreed in writing to abide by the terms of a confidentiality agreement.

(c) Upon the expiration of the Employment Period, and at any other time upon request of the Company, Employee shall promptly surrender and deliver to the Company all documents (including electronically stored information) and all copies thereof and all other materials of any nature containing or pertaining to all Confidential Information and any other Company Group property (including any Company Group-issued computer, mobile device or other equipment) in Employee's possession, custody or control and Employee shall not retain any such documents or other materials or property of the Company Group. Within five (5) days of any such request, Employee shall certify to the Company in writing that all such documents, materials and property have been returned to the Company.

(d) All trade secrets, non-public information, designs, ideas, concepts, improvements, product developments, discoveries and inventions, whether patentable or not, that are conceived, made, developed or acquired by or disclosed to Employee, individually or in conjunction with others, during the period that Employee is employed by the Company or any other member of the Company Group (whether during business hours or otherwise and whether on the Company's premises or otherwise), that relate to any member of the Company Group's businesses or properties, products or services (including all such information relating to corporate opportunities, operations, future plans, methods of doing business, business plans, strategies for developing business and market share, research, financial and sales data, pricing terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or acquisition targets or their requirements, the identity of key contacts within customers' organizations or within the organization of acquisition prospects, or marketing and merchandising techniques, prospective names and marks) is defined as "**Confidential Information**." Moreover, all documents, videotapes, written presentations, brochures, drawings, memoranda, notes, records, files, correspondence, manuals, models, specifications, computer programs, e-mail, voice mail, electronic databases, maps, drawings, architectural renditions, models and all other writings or materials of any type including or embodying any of such information, ideas, concepts, improvements, discoveries, inventions and other similar forms of

expression are and shall be the sole and exclusive property of the Company or other applicable member of the Company Group and be subject to the same restrictions on disclosure applicable to all Confidential Information pursuant to this Agreement. For purposes of this Agreement, Confidential Information shall not include any information that (i) is or becomes generally available to the public other than as a result of a disclosure or wrongful act of Employee or any of Employee's agents; (ii) was available to Employee on a non-confidential basis before its disclosure by a member of the Company Group; or (iii) becomes available to Employee on a non-confidential basis from a source other than a member of the Company Group; *provided, however*, that such source is not bound by a confidentiality agreement with, or other obligation with respect to confidentiality to, a member of the Company Group.

(e) Notwithstanding the foregoing, nothing in this Agreement shall prohibit or restrict Employee from lawfully: (i) initiating communications directly with, cooperating with, providing information to, causing information to be provided to, or otherwise assisting in an investigation by, any governmental authority regarding a possible violation of any law; (ii) responding to any inquiry or legal process directed to Employee from any such governmental authority; (iii) testifying, participating or otherwise assisting in any action or proceeding by any such governmental authority relating to a possible violation of law; or (iv) making any other disclosures that are protected under the whistleblower provisions of any applicable law. Additionally, pursuant to the federal Defend Trade Secrets Act of 2016, an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (1) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney and (2) solely for the purpose of reporting or investigating a suspected violation of law; (B) is made to the individual's attorney in relation to a lawsuit for retaliation against the individual for reporting a suspected violation of law; or (C) is made in a complaint or other document filed in a lawsuit or proceeding, if such filing is made under seal. Nothing in this Agreement requires Employee to obtain prior authorization before engaging in any conduct described in this paragraph, or to notify the Company that Employee has engaged in any such conduct.

#### 10. **Ownership of Intellectual Property.**

(a) Employee agrees that the Company shall own, and Employee shall (and hereby does) assign, all right, title and interest (including patent rights, copyrights, trade secret rights, mask work rights, trademark rights, and all other intellectual and industrial property rights of any sort throughout the world) relating to any and all inventions (whether or not patentable), discoveries, developments, improvements, innovations, works of authorship, mask works, designs, know-how, ideas, formulae, processes, techniques, data and information authored, created, contributed to, made or conceived or reduced to practice, in whole or in part, by Employee during the period in which Employee is or has been employed by or affiliated with the Company or any other member of the Company Group, whether or not registerable under U.S. law or the laws of other jurisdictions, that either (i) relate, at the time of conception, reduction to practice, creation, derivation or development, to any member of the Company Group's businesses or actual or anticipated research or development, or (ii) were developed on any amount of the Company's or any other member of the Company Group's time or with the use of

any member of the Company Group's equipment, supplies, facilities or Confidential Information (all of the foregoing collectively referred to herein as "**Company Intellectual Property**"), and Employee shall promptly disclose all Company Intellectual Property to the Company in writing. To support Employee's disclosure obligation herein, Employee shall keep and maintain adequate and current written records of all Company Intellectual Property made by Employee (solely or jointly with others) during the period in which Employee is or has been employed by or affiliated with the Company or any other member of the Company Group in such form as may be specified from time to time by the Company. These records shall be available to, and remain the sole property of, the Company at all times.

(b) All of Employee's works of authorship and associated copyrights created during the period in which Employee is employed by or affiliated with the Company or any other member of the Company Group and in the scope of Employee's employment or engagement shall be deemed to be "works made for hire" within the meaning of the Copyright Act. To the extent any right, title and interest in and to Company Intellectual Property cannot be assigned by Employee to the Company, Employee shall grant, and does hereby grant, to the Company Group an exclusive, perpetual, royalty-free, transferable, irrevocable, worldwide license (with rights to sublicense through multiple tiers of sublicensees) to make, have made, use, sell, offer for sale, import, export, reproduce, practice and otherwise commercialize such rights, title and interest.

(c) Employee recognizes that this Agreement will not be deemed to require assignment of any invention or intellectual property that Employee developed entirely on Employee's own time without using the equipment, supplies, facilities, trade secrets, or Confidential Information of any member of the Company Group. In addition, this Agreement does not apply to any invention that qualifies fully for protection from assignment to the Company under any specifically applicable state law or regulation.

(d) To the extent allowed by law, this Section applies to all rights that may be known as or referred to as "moral rights," "artist's rights," "droit moral," or the like, including without limitation those rights set forth in 17 U.S.C. §106A (collectively, "**Moral Rights**"). To the extent Employee retains any Moral Rights under applicable law, Employee hereby ratifies and consents to any action that may be taken with respect to such Moral Rights by or authorized by the Company or any member of the Company Group, and Employee hereby waives and agrees not to assert any Moral Rights with respect to such Moral Rights. Employee shall confirm any such ratifications, consents, waivers, and agreements from time to time as requested by the Company.

(e) All inventions (whether or not patentable), original works of authorship, designs, know-how, mask works, ideas, information, developments, improvements, and trade secrets of which Employee is the sole or joint author, creator, contributor, or inventor that were made or developed by Employee prior to Employee's employment with or affiliation with the Company or any other member of the Company Group, or in which Employee asserts any intellectual property right, and which are applicable to or relate in any way to the business, products, services, or demonstrably anticipated research and development or business of any member of the Company Group ("**Prior Inventions**") are listed on Exhibit A, and Employee

represents that Exhibit A is a complete list of all such Prior Inventions. If no such list is attached, Employee hereby represents and warrants that there are no Prior Inventions, and Employee shall make no claim of any rights to any Prior Inventions. If, in the course of Employee's employment with or affiliation with the Company or any other member of the Company Group, Employee incorporates into the product, process, or device of any member of the Company Group a Prior Invention, the Company Group is hereby granted and will have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license to make, have made, modify, use, import, export, offer for sale, sell and otherwise commercialize such Prior Invention as part of or in connection with such product, process, or device of any member of the Company Group.

(f) Employee shall perform, during and after the period in which Employee is or has been employed by or affiliated with the Company or any other member of the Company Group, all acts deemed necessary or desirable by the Company to permit and assist each member of the Company Group, at the Company's expense, in obtaining and enforcing the full benefits, enjoyment, rights and title throughout the world in the Company Intellectual Property and Confidential Information assigned, to be assigned, or licensed to the Company under this Agreement.. Such acts may include execution of documents and assistance or cooperation (i) in the filing, prosecution, registration, and memorialization of assignment of any applicable patents, copyrights, mask work, or other applications, (ii) in the enforcement of any applicable patents, copyrights, mask work, moral rights, trade secrets, or other proprietary rights, and (iii) in other legal proceedings related to the Company Intellectual Property or Confidential Information.

(g) In the event that the Company (or, as applicable, a member of the Company Group) is unable for any reason to secure Employee's signature to any document required to file, prosecute, register, or memorialize the assignment of any patent, copyright, mask work or other applications or to enforce any patent, copyright, mask work, moral right, trade secret or other proprietary right under any Confidential Information or Company Intellectual Property (including derivative works, improvements, renewals, extensions, continuations, divisionals, continuations in part, continuing patent applications, reissues, and reexaminations of such Company Intellectual Property), Employee hereby irrevocably designates and appoints the Company and each of the Company's duly authorized officers and agents as Employee's agents and attorneys-in-fact to act for and on Employee's behalf and instead of Employee, (i) to execute, file, prosecute, register and memorialize the assignment of any such application, (ii) to execute and file any documentation required for such enforcement, and (iii) to do all other lawfully permitted acts to further the filing, prosecution, registration, memorialization of assignment, issuance, and enforcement of patents, copyrights, mask works, moral rights, trade secrets or other rights under the Confidential Information or Company Intellectual Property, all with the same legal force and effect as if executed by Employee.

(h) In the event that Employee enters into, on behalf of any member of the Company Group, any contracts or agreements relating to any Confidential Information or Company Intellectual Property, Employee shall assign such contracts or agreements to the Company (or the applicable member of the Company Group) promptly, and in any event, prior to Employee's termination of employment. If the Company (or the applicable member of the



Company Group) is unable for any reason to secure Employee's signature to any document required to assign said contracts or agreements, or if Employee does not assign said contracts or agreements to the Company (or the applicable member of the Company Group) prior to Employee's termination of employment, Employee hereby irrevocably designates and appoints the Company (or the applicable member of the Company Group) and each of the Company's duly authorized officers and agents as Employee's agents and attorneys-in-fact to act for and on Employee's behalf and instead of Employee to execute said assignments and to do all other lawfully permitted acts to further the execution of said documents.

(i) Notwithstanding the foregoing, in no event will Employee be required to assign to the Company Employee's rights, title, or interest in any invention that qualifies fully under the provisions of California Labor Code Section 2870 (a copy of which is attached as Exhibit B), including any invention which is developed entirely on Employee's own time without using the Company's equipment, supplies, facilities, or trade secret information, and that either (i) is not related to the Company's business (either actual or demonstrably anticipated), or (ii) does not result from work performed for the Company (an "**Other Invention**"). Employee will advise the Company promptly in writing of any invention that Employee believes constitutes an Other Invention. Employee agrees that Employee will not incorporate, or permit to be incorporated, any Other Invention owned by Employee or in which Employee has an interest into a Company Group product, process or service without the Company's prior written consent. Notwithstanding the foregoing sentence, if, in the course of Employee's employment with any member of the Company Group, Employee incorporates into a Company Group product, process or service an Other Invention owned by Employee or in which Employee has an interest, Employee hereby grants to the Company and the other members of the Company Group a non-exclusive, royalty-free, fully paid up, irrevocable, perpetual, transferable, sublicensable, worldwide license to reproduce, make derivative works of, distribute, perform, display, import, make, have made, modify, use, sell, offer to sell, and exploit in any other way such Other Invention as part of or in connection with such product, process or service, and to practice any method related thereto.

11. **Defense of Claims.** During the Employment Period and thereafter, upon request from the Company, Employee shall cooperate with the Company Group in the defense of any claims or actions that may be made by or against any member of the Company Group that relate to Employee's actual or prior areas of responsibility.

12. **Withholdings; Deductions.** The Company may withhold and deduct from any benefits and payments made or to be made pursuant to this Agreement (a) all federal, state, local and other taxes as may be required pursuant to any law or governmental regulation or ruling and (b) any deductions consented to in writing by Employee.

13. **Title and Headings; Construction.** Titles and headings to Sections hereof are for the purpose of reference only and shall in no way limit, define or otherwise affect the provisions hereof. Any and all Exhibits or Attachments referred to in this Agreement are, by such reference, incorporated herein and made a part hereof for all purposes. Unless the context requires otherwise, all references to laws, regulations, contracts, documents, agreements and instruments refer to such laws, regulations, contracts, documents, agreements and instruments as

they may be amended from time to time, and references to particular provisions of laws or regulations include a reference to the corresponding provisions of any succeeding law or regulation. All references to “dollars” or “\$” in this Agreement refer to United States dollars. The words “herein”, “hereof”, “hereunder” and other compounds of the word “here” shall refer to the entire Agreement, including all Exhibits attached hereto, and not to any particular provision hereof. The word “or” is not exclusive. Wherever the context so requires, the masculine gender includes the feminine or neuter, and the singular number includes the plural and conversely. All references to “including” shall be construed as meaning “including without limitation.” Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against any party hereto, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by each of the parties hereto and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of the parties hereto.

14. **Applicable Law.** This Agreement shall in all respects be construed according to the laws of the State of California without regard to its conflict of laws principles that would result in the application of the laws of another jurisdiction. With respect to any claim or dispute related to or arising under this Agreement, the parties hereto consent to the exclusive jurisdiction, forum and venue of the state and federal courts (as applicable) located in Los Angeles, California.

15. **Entire Agreement and Amendment.** This Agreement contains the entire agreement of the parties with respect to the matters covered herein and supersede all prior and contemporaneous agreements and understandings, oral or written, between the parties hereto concerning the subject matter hereof, other than any indemnification rights or equity award agreements, whether pursuant to the LTIP or otherwise, which are in effect or outstanding as of the Effective Date. This Agreement may be amended only by a written instrument executed by both parties hereto.

16. **Waiver of Breach.** Any waiver of this Agreement must be executed by the party to be bound by such waiver. No waiver by either party hereto of a breach of any provision of this Agreement by the other party, or of compliance with any condition or provision of this Agreement to be performed by such other party, will operate or be construed as a waiver of any subsequent breach by such other party or any similar or dissimilar provision or condition at the same or any subsequent time. The failure of either party hereto to take any action by reason of any breach will not deprive such party of the right to take action at any time.

17. **Assignment.** This Agreement is personal to Employee, and neither this Agreement nor any rights or obligations hereunder shall be assignable or otherwise transferred by Employee. The Company may assign this Agreement without Employee’s consent, including to any member of the Company Group and to any successor (whether by merger, purchase or otherwise) to all or substantially all of the equity, assets or businesses of the Company.

18. **Notices.** Notices provided for in this Agreement shall be in writing and shall be deemed to have been duly received (a) when delivered in person, (b) on the first Business Day after such notice is sent by express overnight courier service, or (c) on the second Business Day following deposit with a nationally-recognized second-day courier service with proof of receipt maintained, in each case, to the following address, as applicable:

**If to the Company, addressed to:**

California Resources Corporation  
27200 Tourney Road  
Suite 200  
Santa Clarita, California 91355  
Attention: General Counsel

**If to Employee, addressed to:**

Jay A. Bys

[\*\*\*\*\*]

[\*\*\*\*\*]

*(Or, if different, the latest address on file with the Company)*

19. **Counterparts.** This Agreement may be executed in any number of counterparts, including by electronic mail or facsimile, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a copy hereof containing multiple signature pages, each signed by one party, but together signed by both parties hereto.

20. **Deemed Resignations.** Except as otherwise determined by the Board or as otherwise agreed to in writing by Employee and any member of the Company Group prior to the termination of Employee's employment with the Company or any member of the Company Group, any termination of Employee's employment shall constitute, as applicable, an automatic resignation of Employee: (a) as an officer of the Company and each member of the Company Group; (b) from the Board; and (c) from the board of directors or board of managers (or similar governing body) of any member of the Company Group and from the board of directors or board of managers (or similar governing body) of any corporation, limited liability entity, unlimited liability entity or other entity in which any member of the Company Group holds an equity interest and with respect to which board of directors or board of managers (or similar governing body) Employee serves as such Company Group member's designee or other representative.

21. **Section 409A.**

(a) Notwithstanding any provision of this Agreement to the contrary, all provisions of this Agreement are intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**") and the applicable Treasury regulations and administrative guidance issued thereunder (collectively, "**Section 409A**") or an exemption therefrom and shall be construed and administered in accordance with such intent. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Any payments to be made under this Agreement upon a termination of Employee's employment shall only be made if such termination of employment constitutes a "separation from service" under Section 409A.

(b) To the extent that any right to reimbursement of expenses or payment of any benefit in-kind under this Agreement constitutes nonqualified deferred compensation (within the meaning of Section 409A), (i) any such expense reimbursement shall be made by the Company no later than the last day of Employee's taxable year following the taxable year in which such expense was incurred by Employee, (ii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (iii) the amount of expenses eligible for reimbursement or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year; *provided*, that the foregoing clause shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period in which the arrangement is in effect.

(c) Notwithstanding any provision in this Agreement to the contrary, if any payment or benefit provided for herein would be subject to additional taxes and interest under Section 409A if Employee's receipt of such payment or benefit is not delayed until the earlier of the date of Employee's death or the date that is six (6) months after the Termination Date (such date, the "**Section 409A Payment Date**"), then such payment or benefit shall not be provided to Employee (or Employee's estate, if applicable) until the Section 409A Payment Date. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement are exempt from, or compliant with, Section 409A and in no event shall any member of the Company Group be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by Employee on account of non-compliance with Section 409A.

22. **Effect of Termination.** The provisions of Sections 7(a), 9-13 and 20 and those provisions necessary to interpret and enforce them, shall survive any termination of this Agreement and any termination of the employment relationship between Employee and the Company.

23. **Third-Party Beneficiaries.** Each member of the Company Group that is not a signatory to this Agreement shall be a third-party beneficiary of Employee's obligations under Sections 8-12 and 20 and shall be entitled to enforce such obligations as if a party hereto.

24. **Certain Excise Taxes.** Notwithstanding anything to the contrary in this Agreement, if Employee is a "disqualified individual" (as defined in Section 280G(c) of the Code), and the benefits provided for in this Agreement, together with any other payments and benefits which Employee has the right to receive from the Company and its affiliates, would constitute a "parachute payment" (as defined in Section 280G(b)(2) of the Code), then the benefits provided for in this Agreement (beginning with any benefit to be paid in cash hereunder) shall be either (a) reduced (but not below zero) so that the present value of such total amounts and benefits received by Employee from the Company will be one dollar (\$1.00) less than three times Employee's "base amount" (as defined in Section 280G(b)(3) of the Code) and so that no portion of such amounts and benefits received by Employee shall be subject to the excise tax imposed by Section 4999 of the Code or (b) paid in full, whichever produces the better net after-tax position to Employee (taking into account any applicable excise tax under Section 4999 of the Code and any other applicable taxes). The determination as to whether any such reduction in the amount of the benefits provided hereunder is necessary shall be made by the Compensation Committee in good faith and in consultation with tax and legal advisors of the Company. If a

reduced payment or benefit is made and through error or otherwise that payment or benefit, when aggregated with other payments and benefits from the Company (or its affiliates) used in determining if a “parachute payment” exists, exceeds one dollar (\$1.00) less than three times Employee’s base amount, then Employee shall immediately repay such excess to the Company upon notification that an overpayment has been made. Nothing in this Section 24 shall require the Company to be responsible for, or have any liability or obligation with respect to, Employee’s excise tax liabilities under Section 4999 of the Code.

25. **Severability.** If an arbitrator or court of competent jurisdiction determines that any provision of this Agreement (or portion thereof) is invalid or unenforceable, then the invalidity or unenforceability of that provision (or portion thereof) shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect.

*[Remainder of Page Intentionally Blank;  
Signature Page Follows]*

**IN WITNESS WHEREOF**, Employee and the Company each have caused this Agreement to be executed and effective as of the Effective Date.

**EMPLOYEE**

\_\_\_\_\_  
Name: Jay A. Bys

**COMPANY**

CALIFORNIA RESOURCES CORPORATION

By: \_\_\_\_\_  
Name: Mark A. (Mac) McFarland  
Title: President and Chief Executive Officer

Signature Page  
to  
Employment Agreement

---

**EXHIBIT A**

**PRIOR INVENTIONS**

1. The following is a complete list of all Prior Inventions relevant to the subject matter of Employee's employment by the Company that have been made or conceived or first reduced to practice by Employee alone or jointly with others prior to Employee's employment with or affiliation with the Company or any other member of the Company Group:

Check appropriate space(s):

None.

See below:

—  
—  
—

Due to confidentiality agreements with a prior employer, Employee cannot disclose certain Prior Inventions that would otherwise be included on the above-described list.

Additional sheets attached.

2. Employee proposes to bring to Employee's employment the following devices, materials, and documents of a former employer or other person to whom Employee has an obligation of confidentiality that is not generally available to the public, which materials and documents may be used in Employee's employment pursuant to the express written authorization of Employee's former employer or such other person (a copy of which is attached to this Agreement):

Check appropriate space(s):

None.

See below.

—  
—

Additional sheets attached.

**EXHIBIT B**

**CALIFORNIA LABOR CODE SECTION 2870**

- (a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:
  - (1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or
  - (2) Result from any work performed by the employee for the employer.
- (b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

Exhibit B



Certain information in this exhibit (indicated by “[\*\*\*\*\*]”), which is not material and is the type of information that the Registrant treats as private or confidential, has been omitted pursuant to Item 601(b)(10) of Regulation S-K.

### EMPLOYMENT AGREEMENT

This Employment Agreement (“**Agreement**”) is made and entered into by and between California Resources Corporation, a Delaware corporation (the “**Company**”), and Chris Gould (“**Employee**”) effective as of June 14, 2021 (the “**Effective Date**”).

1. **Employment.** During the Employment Period (as defined below), the Company shall employ Employee, and Employee shall serve, as Executive Vice President and Chief Sustainability Officer of the Company and in such other position or positions as may be assigned from time to time by the board of directors of the Company (the “**Board**”) or the Chief Executive Officer of the Company (the “**CEO**”).

2. **Duties and Responsibilities of Employee.**

(a) During the Employment Period, Employee shall actively engage in the business and affairs of the Company (together with its direct and indirect subsidiaries, the “**Company Group**”) as may be requested by the Board or the CEO from time to time, devote such amount of Employee’s business time and attention as is reasonably necessary to manage the business and affairs of the Company, which amount of time will constitute substantially all of Employee’s business time. Employee’s duties and responsibilities shall include those normally incidental to the position(s) identified in Section 1, as well as such additional duties as may be assigned to Employee by the Board or the CEO from time to time, which duties and responsibilities may include providing services to other members of the Company Group in addition to the Company. Employee may, without violating this Section 2(a), (i) as a passive investment, own publicly traded securities in such form or manner as will not require any services by Employee in the operation of the entities in which such securities are owned; (ii) engage in charitable and civic activities; (iii) with the prior written consent of the Board, engage in other personal and passive investment activities; (iv) with the prior written consent of the Board, serve on the board of directors of up to two for-profit corporations; and (v) with the consent of the Board or the CEO, continue to serve as an advisor to Pana LCE and Energy Capital Ventures (collectively, the “**Permitted Activities**”), so long as such engagements, ownership, interests or activities do not interfere with Employee’s ability to fulfill Employee’s duties and responsibilities under this Agreement and are not inconsistent with Employee’s obligations to any member of the Company Group or competitive with the business of any member of the Company Group.

(b) Employee hereby represents and warrants that Employee is not the subject of, or a party to, any non-competition or non-solicitation covenant, non-disclosure agreement, or any other agreement, obligation, restriction or understanding that would prohibit Employee from executing this Agreement or fully performing each of Employee’s duties and responsibilities hereunder, or would in any manner, directly or indirectly, limit or affect any of the duties and responsibilities that may now or in the future be assigned to Employee hereunder. Employee expressly acknowledges and agrees that Employee is strictly prohibited from using or disclosing

---

any confidential information belonging to any prior employer in the course of performing services for any member of the Company Group, and Employee promises that Employee shall not do so. Employee shall not introduce documents or other materials containing confidential information of any prior employer to the premises or property (including computers and computer systems) of any member of the Company Group.

(c) Employee owes each member of the Company Group fiduciary duties (including (i) duties of loyalty and disclosure and (ii) such fiduciary duties that an officer of the Company would have if the Company were a corporation organized under the laws of the State of Delaware), and the obligations described in this Agreement are in addition to, and not in lieu of, the obligations Employee owes each member of the Company Group under statutory and common law.

### 3. **Compensation.**

(a) **Base Salary.** During the Employment Period, the Company shall pay to Employee an annualized base salary of \$475,000 (the "**Base Salary**") in consideration for Employee's services under this Agreement, payable in substantially equal installments in conformity with the Company's customary payroll practices for similarly situated employees as may exist from time to time, but no less frequently than twice per month. The Base Salary shall be subject to annual review by the Compensation Committee of the Board (the "**Compensation Committee**") and may be increased, but not decreased, at the discretion of the Compensation Committee following consultation with the other independent members of the Board.

(b) **Annual Bonus.** Employee shall be eligible for bonus compensation for calendar year 2021 and each subsequent complete calendar year that Employee is employed by the Company hereunder (the "**Annual Bonus**"). The target Annual Bonus for each such calendar year (the "**Bonus Year**") shall be 90% of Employee's Base Salary in effect as of the first day of the Bonus Year (or, with respect to calendar year 2021, in effect on the Effective Date), and the actual Annual Bonus for a Bonus Year may range from 0% to 200% of such target Annual Bonus depending on the level of achievement of the performance targets as determined by the Compensation Committee under the applicable "Annual Bonus Scorecard" for the Bonus Year. The performance targets that must be achieved in order to be eligible for certain bonus levels shall be established by the Compensation Committee annually, in its sole discretion, and communicated to Employee within the first one-hundred twenty (120) days of the applicable Bonus Year (or, with respect to calendar year 2021, within thirty (30) days after the Effective Date). The Annual Bonus that Employee shall be eligible to receive for the 2021 calendar year shall be prorated based on a fraction, the numerator of which is the number of days during the period beginning on the Effective Date and ending on December 31, 2021, and the denominator of which is 365. Each Annual Bonus, if any, shall be paid as soon as administratively feasible after the Compensation Committee certifies whether the applicable performance targets for the applicable Bonus Year have been achieved, but in no event later than March 15 following the end of such Bonus Year. Notwithstanding anything in this Section 3(b) to the contrary, but subject to Section 7, no Annual Bonus, if any, nor any portion thereof, shall be payable for any Bonus Year unless Employee remains continuously employed by the Company from the Effective Date through the date on which such Annual Bonus is paid.

(c) Long-Term Incentive Awards. As soon as practicable, and no later than thirty (30) days, following the Effective Date, the Board or the Compensation Committee shall grant to Employee under the Company’s 2021 Long Term Incentive Plan (such plan, or any successor plan, the “**LTIP**”) (i) an award of restricted stock units (the “**Initial RSUs**”) and (ii) an award of performance stock units (the “**Initial PSUs**”). The number of Initial RSUs and the number of Initial PSUs shall each be determined by dividing \$1,000,000 by the CRC Stock Value (as such term is defined in the form of Performance Stock Unit Award Terms and Conditions attached as Exhibit 10.48 to the Company’s Form 10-K (the “**Form 10-K**”) for the fiscal year ended December 31, 2020 (the “**PSU Form**”) as of the date of grant of the Initial RSUs and Initial PSUs (the “**Date of Grant**”). The Initial RSUs shall generally vest in 50% increments on each of the first two annual anniversaries of the Date of Grant provided Employee remains continuously employed by the Company or an affiliate of the Company through each such vesting date, and payment with respect to the Initial RSUs shall generally be made on the second annual anniversary of the Date of Grant (or within 45 days thereafter) provided the Initial RSUs become vested. Except as described in Section 7(f)(i)(C), the Initial RSUs shall otherwise be subject to terms and conditions that are generally consistent with the terms and conditions provided in the form of Restricted Stock Unit Award Terms and Conditions attached as Exhibit 10.46 to the Form 10-K. The Initial PSUs shall be subject to terms and conditions that are generally consistent with the terms and conditions provided in the PSU Form, except (A) as described in Section 7(f)(i)(C), (B) the “Performance Period” shall begin on the Date of Grant and end on the day immediately preceding the second annual anniversary of the Date of Grant, (C) the “Vesting Date” shall be the second annual anniversary of the Date of Grant, and (D) the table in Section 4(a) of the PSU Form (including linear interpolation between levels in the table) shall be based on the following:

<u>CRC Stock Value</u>	<u>Percentage of PS Units that become Earned PS Units</u>
Below Initial Value	0%
Initial Value	25%
Initial Value x 115%	50%
Initial Value x 132.25%	75%
Initial Value x 152.0875% or More	100%

For purposes of the table above, “**Initial Value**” means 115% of the Fair Market Value of one share of Stock (as such terms are defined in the LTIP) as of the trading day next preceding the Date of Grant. If (I) Employee is employed under this Agreement at the end of the Term (as defined below), (II) Employee is willing to extend the Term through the period ending on the second (2nd) annual anniversary of the Date of Grant on substantially the same terms as provided

in this Agreement, and (III) the Company refuses to so extend the Term, then, solely for purposes of the Initial RSUs and Initial PSUs (and not for any other purpose), Employee's termination of employment with the Company and its affiliates at the end of the Term shall be treated as an involuntary termination of Employee's employment by the Company without Cause (as defined below) and the proration provisions in the applicable award agreement evidencing the Initial RSUs and Initial PSUs shall not apply.

4. **Term of Employment.** The term of Employee's employment under this Agreement shall be for the period beginning on the Effective Date and ending on the second (2nd) annual anniversary of the Effective Date (the "**Term**"). The parties may, but shall not be required to, mutually agree to extend the Term for additional one (1)-year periods. Notwithstanding any other provision of this Agreement, Employee's employment pursuant to this Agreement may be terminated at any time in accordance with Section 7. The period from the Effective Date through the expiration of this Agreement or, if sooner, the termination of Employee's employment pursuant to this Agreement, regardless of the time or reason for such termination, shall be referred to herein as the "**Employment Period.**"

5. **Business Expenses.** Subject to Section 21, the Company shall reimburse Employee for Employee's reasonable out-of-pocket business-related expenses actually incurred in the performance of Employee's duties hereunder during the Employment Period so long as Employee timely submits all documentation for such expenses, as required by Company policy in effect from time to time. Any such reimbursement of expenses shall be made by the Company upon or as soon as practicable following receipt of such documentation (but in any event not later than the close of Employee's taxable year following the taxable year in which the expense is incurred by Employee). In no event shall any reimbursement be made to Employee for any expenses incurred after the date of Employee's termination of employment with the Company.

6. **Benefits.**

(a) During the Employment Period, Employee shall be eligible to participate in the same benefit plans and programs in which other similarly situated Company employees are eligible to participate, subject to the terms and conditions of the applicable plans and programs in effect from time to time, including, without limitation, the California Resources Corporation Domestic Relocation Program. The Company shall not, however, by reason of this Section 6, be obligated to institute, maintain, or refrain from changing, amending, or discontinuing, any such plan or policy, so long as such changes are similarly applicable to similarly situated Company employees generally.

(b) The Company shall reimburse Employee up to \$4,000 for legal fees incurred in connection with the review of this Agreement.

(c) The Company shall cover Employee under directors and officers liability insurance from the Effective Date, through the Term, and, while potential liability exists, after the Term or the termination of Employee's employment with the Company, on the most favorable terms as provided to any other director or executive officer of the Company.

7. **Termination of Employment.**

(a) **Company's Right to Terminate Employee's Employment for Cause.** The Company shall have the right to terminate Employee's employment hereunder at any time for Cause. For purposes of this Agreement, "**Cause**" shall mean Employee's commission of an act or omission, or Employee causing the Company or any other member of the Company Group to commit an act or omission, that constitutes:

(i) Employee's fraud or misconduct;

(ii) Employee's violation of applicable law in connection with the management, operation or reputation of the Company or any other member of the Company Group that results in (or could reasonably be expected to result in) material injury to the Company or any other member of the Company Group;

(iii) Employee's material breach of this Agreement or any other written agreement between Employee and one or more members of the Company Group, including Employee's material breach of any representation, warranty or covenant made under any such agreement;

(iv) Employee's act of theft, embezzlement or misappropriation of the property of the Company or any other member of the Company Group, in each case, that results in (or could reasonably be expected to result in) material financial or reputational harm to the Company or any other member of the Company Group; or

(v) Employee's violation of the Company's policies (to the extent such policies have been clearly communicated in writing to Employee) prohibiting unlawful sexual harassment, non-retaliation, or age, sex or other prohibited discrimination in the workplace.

Notwithstanding the foregoing, no determination of "Cause" may be made pursuant to Sections 7(a)(ii) or (iii) unless (1) within thirty (30) days of the Board obtaining actual knowledge of such action(s) or omissions Employee has been given written notice by the Board describing the specific alleged action(s) or omission(s) that constitute "Cause," and (2) Employee has failed to cure such acts or omissions within thirty (30) days of such notice from the Board. Upon the termination of Employee's employment pursuant to this Section 7(a), the Company shall pay to Employee (A) all earned and unpaid Base Salary as of the date of the termination of Employee's employment with the Company, (B) reimbursement for all incurred but unreimbursed expenses for which Employee is entitled to reimbursement in accordance with Section 5, and (C) benefits to which Employee is entitled under the terms of any applicable benefit plan or program described in Section 6(a) (collectively, the "**Accrued Benefits**"). In addition, subject to any limitation under applicable law, previously paid compensation pursuant to Sections 3(b) and 3(c) (including pursuant to the Initial RSUs and Initial PSUs) shall be subject to clawback or forfeiture and cancellation at the discretion of the Compensation Committee in the event of a termination of Employee's employment for Cause.

(b) Company's Right to Terminate for Convenience. The Company shall have the right to terminate Employee's employment for convenience at any time and for any reason, or no reason at all, upon written notice to Employee, in which event Employee shall receive the compensation and benefits described in Section 7(f).

(c) Employee's Right to Terminate for Good Reason. Employee shall have the right to terminate Employee's employment with the Company at any time for Good Reason, in which event Employee shall receive the compensation and benefits described in Section 7(f). For purposes of this Agreement, "**Good Reason**" shall mean any of the following occurring without Employee's consent:

- (i) a material adverse change in Employee's title, duties or responsibilities (including reporting responsibilities);
- (ii) a material reduction in Employee's Base Salary;
- (iii) a relocation of Employee's primary work location to a distance of more than 50 miles from its location as of immediately prior to such change (for this purpose, Employee's primary work location as of the Effective Date shall be Wilmette, Illinois); or
- (iv) a material breach by the Company of any of its obligations under this Agreement.

The Company and Employee agree that Good Reason shall not exist unless and until Employee provides the Company with written notice of the acts alleged to constitute Good Reason within 90 days of Employee's knowledge of the occurrence of such event, and Company fails to cure such acts within 30 days of receipt of such notice. Employee must terminate employment within 60 days following the expiration of such cure period for the termination to be on account of Good Reason.

(d) Death or Disability. Upon the death or Disability of Employee, Employee's employment with the Company shall automatically terminate and the Company shall pay to Employee or Employee's estate, as applicable, (i) the Accrued Benefits, (ii) any earned and unpaid Annual Bonus for the calendar year preceding the year in which such termination of employment occurs (which amount shall be paid within sixty (60) days following the date of such termination of employment but in no event later than March 15 of the year following the Bonus Year to which such Annual Bonus relates), and (iii) an Annual Bonus for the year in which such termination of employment occurs based on actual performance results for the applicable Bonus Year and prorated for the period of days beginning on the first day of the applicable Bonus Year and ending on the date of such termination of employment relative to the number of days in the applicable Bonus Year. The prorated Annual Bonus described in clause (iii) of the preceding sentence, if any, shall be paid in cash at the same time corresponding bonuses are paid to similarly situated employees of the Company, but in no event later than March 15 following the year in which such termination of employment occurs. For purposes of this Agreement, a "**Disability**" shall exist if, as determined in the reasonable opinion of a

licensed physician, Employee is unable to perform the essential functions of Employee's position (after accounting for reasonable accommodation, if applicable and required by applicable law), due to physical or mental impairment, that continues for a period in excess of ninety (90) consecutive days or one hundred-eighty (180) days, whether or not consecutive (or for any longer period as may be required by applicable law), in any twelve (12)-month period.

(e) Employee's Right to Terminate for Convenience. In addition to Employee's right to terminate Employee's employment for Good Reason, Employee shall have the right to terminate Employee's employment with the Company for convenience at any time and for any other reason, or no reason at all, upon thirty (30) days' advance written notice to the Company; *provided, however*, that if Employee has provided notice to the Company of Employee's termination of employment, the Company may determine, in its sole discretion, that such termination shall be effective on any date prior to the effective date of termination provided in such notice (and, if such earlier date is so required, then it shall not change the basis for Employee's termination of employment nor be construed or interpreted as a termination of employment pursuant to Section 7(b)). Upon the termination of Employee's employment pursuant to this Section 7(e), the Company shall pay to Employee the Accrued Benefits.

(f) Effect of Termination of Employment without Cause or for Good Reason.

(i) If Employee's employment hereunder is terminated prior to the expiration of the Term by the Company without Cause pursuant to Section 7(b) or is terminated by Employee for Good Reason pursuant to Section 7(c), then the Company shall pay Employee the Accrued Benefits and any earned and unpaid Annual Bonus for the calendar year preceding the year in which such termination of employment occurs (which amount shall be paid within sixty (60) days following the date of such termination of employment but in no event later than March 15 of the year following the Bonus Year to which such Annual Bonus relates) and, so long as (and only if) Employee: (x) executes on or before the Release Expiration Date (as defined below), and does not revoke within any time provided by the Company to do so, a release of all claims in a form acceptable to the Company and generally used by the Company with respect to similarly situated employees (the "**Release**"), which Release shall release each member of the Company Group and their respective affiliates, and the foregoing entities' respective shareholders, members, partners, officers, managers, directors, fiduciaries, employees, representatives, agents and benefit plans (and fiduciaries of such plans) from any and all claims, including any and all causes of action arising out of Employee's employment with the Company and any other member of the Company Group or the termination of such employment, but excluding all claims to severance payments Employee may have under this Section 7(f); and (y) abides by the terms of each of Sections 9 and 10, then:

(A) The Company shall make severance payments (the total amount of which is referred to herein as the "**Severance Payment**") to Employee in a total amount equal to (x) if the date on which Employee's employment terminates (the "**Termination Date**") is within the first twelve (12) months following the Effective Date, then the sum of twelve (12) months' worth of

Employee's Base Salary (determined as of the Termination Date) plus an amount equal to one (1) times Employee's target Annual Bonus for the Bonus Year in which the Termination Date occurs, or (y) if the Termination Date is after the first twelve (12) months following the Effective Date, then the sum of the aggregate amount of Employee's Base Salary (determined as of the Termination Date) for the then remainder of the current Term plus a prorated amount of Employee's target Annual Bonus for the Bonus Year in which the Termination Date occurs (which proration shall be based on the number of days in the period beginning on the first day of such Bonus Year and ending on the Termination Date relative to the number of days in the applicable Bonus Year). The Severance Payment will be divided into substantially equal installments paid over the lesser of the twelve (12)-month period following the Termination Date or the then remainder of the current Term (such lesser period being the "**Severance Payment Period**"). On the Company's first regularly scheduled pay date that is on or after the date that is sixty (60) days after the Termination Date (the "**First Payment Date**"), the Company shall pay to Employee, without interest, a number of such installments equal to the number of such installments that would have been paid during the period beginning on the Termination Date and ending on the First Payment Date had the installments been paid on the Company's regularly scheduled pay dates on or following the Termination Date, and each of the remaining installments shall be paid on the Company's regularly scheduled pay dates during the remainder of the Severance Payment Period; *provided, however*, that to the extent, if any, that the aggregate amount of the installments of the Severance Payment that would otherwise be paid pursuant to the preceding provisions of this Section 7(f)(i) after March 15 of the calendar year following the calendar year in which the Termination Date occurs (the "**Applicable March 15**") exceeds the maximum exemption amount under Treasury Regulation Section 1.409A-1(b)(9)(iii)(A), then such excess shall be paid to Employee in a lump sum on the Applicable March 15 (or the first Business Day (as defined below) preceding the Applicable March 15 if the Applicable March 15 is not a Business Day) and the installments of the Severance Payment payable after the Applicable March 15 shall be reduced by such excess (beginning with the installment first payable after the Applicable March 15 and continuing with the next succeeding installment until the aggregate reduction equals such excess). "**Business Day**" shall mean any day except a Saturday, Sunday or other day on which commercial banks in San Francisco, California, are authorized or required by law to be closed.

(B) During the portion, if any, of the Severance Payment Period that Employee elects to continue coverage for Employee and Employee's spouse and eligible dependents, if any, under the Company's group health plans pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**"), the Company shall promptly reimburse Employee on a monthly basis for the difference between the amount Employee pays to effect and continue such coverage and the employee contribution amount that similarly situated employees of the Company pay for the same or similar coverage under



such group health plans (the “**COBRA Benefit**”). Each payment of the COBRA Benefit shall be paid to Employee on the Company’s first regularly scheduled pay date in the calendar month immediately following the calendar month in which Employee submits to the Company documentation of the applicable premium payment having been paid by Employee, which documentation shall be submitted by Employee to the Company within thirty (30) days following the date on which the applicable premium payment is due to be paid. Employee shall be eligible to receive such reimbursement payments until the earliest of: (x) the last day of the Severance Payment Period; (y) the date Employee is no longer eligible to receive COBRA continuation coverage; and (z) the date on which Employee becomes eligible to receive coverage under a group health plan sponsored by another employer (and any such eligibility shall be promptly reported to the Company by Employee); provided, however, that the election of COBRA continuation coverage and the payment of any premiums due with respect to such COBRA continuation coverage shall remain Employee’s sole responsibility, and the Company shall not assume any obligation for payment of any such premiums relating to such COBRA continuation coverage. Notwithstanding the foregoing, if the provision of the benefits described in this paragraph cannot be provided in the manner described above without penalty, tax or other adverse impact on the Company or any other member of the Company Group, then the Company and Employee shall negotiate in good faith to determine an alternative manner in which the Company may provide substantially equivalent benefits to Employee without such adverse impact on the Company or such other member of the Company Group.

(C) One-hundred percent (100%) of the Initial RSUs shall immediately become nonforfeitable and shall be settled on the second annual anniversary of the Date of Grant (or within 45 days thereafter), and a pro-rata portion of the Initial PSUs shall become “Vested PS Units” (as such term is defined in the award agreement evidencing the grant of the Initial PSUs, and such proration shall be determined based on the number of days in the period beginning on the Date of Grant and ending on the Termination Date relative to the number of days in the entire two-year performance period), shall remain outstanding during the remainder of the performance period, and shall be eligible to become earned based on the level of achievement of the applicable performance goal.

The payments and benefits described in clauses (A), (B) and (C) above are collectively referred to herein as the “**Termination Benefits**.”

(ii) Notwithstanding anything herein to the contrary, the Termination Benefits (and any portions thereof) shall not be payable if Employee’s employment hereunder terminates upon the expiration of the Term.

(iii) If the Release is not executed and returned to the Company on or before the Release Expiration Date, and the required revocation period has not fully expired without revocation of the Release by Employee, then Employee shall not be entitled to any portion of the Termination Benefits. As used herein, the “**Release Expiration Date**” is that date that is twenty-one (21) days following the date upon which the Company delivers the Release to Employee (which shall occur no later than seven (7) days after the Termination Date) or, in the event that such termination of employment is “in connection with an exit incentive or other employment termination program” (as such phrase is defined in the Age Discrimination in Employment Act of 1967), the date that is forty-five (45) days following such delivery date.

(g) After-Acquired Evidence. Notwithstanding any provision of this Agreement to the contrary, in the event that the Company determines, in good faith, that Employee is eligible to receive the Termination Benefits pursuant to Section 7(f) but, after such determination, the Company subsequently acquires evidence or determines that: (i) Employee has failed to abide by the terms of Sections 9 or 10; or (ii) a Cause condition existed prior to the Termination Date that, had the Company been fully aware of such condition, would have given the Company the right to terminate Employee’s employment pursuant to Section 7(a), then the Company shall have the right to cease the payment of any future installments of the Termination Benefits and Employee shall promptly return to the Company all installments of the Termination Benefits received by Employee prior to the date that the Company determines that the conditions of this Section 7(g) have been satisfied. In addition, the provisions of the last sentence of Section 7(a) shall apply, and, subject to any limitation under applicable law, previously paid compensation pursuant to Sections 3(b) and 3(c) (including pursuant to the Initial RSUs and Initial PSUs) shall be subject to clawback or forfeiture and cancellation at the discretion of the Compensation Committee in the event Employee fails to abide by the terms of Sections 9 or 10.

8. **Disclosures**. Promptly (and in any event, within three (3) Business Days) upon becoming aware of (a) any actual or potential Conflict of Interest or (b) any lawsuit, claim or arbitration filed against or involving Employee or any trust or vehicle owned or controlled by Employee, in each case, Employee shall disclose such actual or potential Conflict of Interest or such lawsuit, claim or arbitration to the Board. A “**Conflict of Interest**” shall exist when Employee engages in, or plans to engage in, any activities, associations, or interests that conflict with, or create an appearance of a conflict with, Employee’s duties, responsibilities, authorities, or obligations for or to any member of the Company Group.

9. **Confidentiality**. In the course of Employee’s employment with the Company and the performance of Employee’s duties on behalf of the Company Group hereunder, Employee will be provided with, and will have access to, Confidential Information (as defined below). As a condition of Employee’s receipt and access to such Confidential Information and in exchange for other valuable consideration provided hereunder, and as a condition of Employee’s employment hereunder, Employee shall comply with this Section 9.

(a) Both during the Employment Period and thereafter, except as expressly permitted by this Agreement or by directive of the Board, Employee shall not disclose any

Confidential Information to any person or entity and shall not use any Confidential Information except for the benefit of the Company Group. Employee shall follow all Company policies and protocols regarding the security of all documents and other materials containing Confidential Information (regardless of the medium on which Confidential Information is stored). The covenants of this Section 9(a) shall apply to all Confidential Information, whether now known or later to become known to Employee during the period that Employee is employed by or affiliated with or providing services to the Company or any other member of the Company Group.

(b) Notwithstanding any provision of Section 9(a) to the contrary, Employee may make the following disclosures and uses of Confidential Information:

(i) disclosures to other employees of a member of the Company Group who have a need to know the information in connection with the businesses of the Company Group;

(ii) disclosures to third parties when, in the reasonable and good faith belief of Employee, such disclosure is in connection with Employee's performance of Employee's duties under this Agreement and in the best interest of the Company Group;

(iii) disclosures and uses that are approved in writing by the Board; or

(iv) disclosures to a person or entity that has (x) been retained by a member of the Company Group to provide services to one or more members of the Company Group and (y) agreed in writing to abide by the terms of a confidentiality agreement.

(c) Upon the expiration of the Employment Period, and at any other time upon request of the Company, Employee shall promptly surrender and deliver to the Company all documents (including electronically stored information) and all copies thereof and all other materials of any nature containing or pertaining to all Confidential Information and any other Company Group property (including any Company Group-issued computer, mobile device or other equipment) in Employee's possession, custody or control and Employee shall not retain any such documents or other materials or property of the Company Group. Within five (5) days of any such request, Employee shall certify to the Company in writing that all such documents, materials and property have been returned to the Company.

(d) All trade secrets, non-public information, designs, ideas, concepts, improvements, product developments, discoveries and inventions, whether patentable or not, that are conceived, made, developed or acquired by or disclosed to Employee, individually or in conjunction with others, during the period that Employee is employed by the Company or any other member of the Company Group (whether during business hours or otherwise and whether on the Company's premises or otherwise), that relate to any member of the Company Group's businesses or properties, products or services (including all such information relating to corporate opportunities, operations, future plans, methods of doing business, business plans, strategies for developing business and market share, research, financial and sales data, pricing terms, evaluations, opinions, interpretations, acquisition prospects, the identity of customers or

acquisition targets or their requirements, the identity of key contacts within customers' organizations or within the organization of acquisition prospects, or marketing and merchandising techniques, prospective names and marks) is defined as "**Confidential Information**." Moreover, all documents, videotapes, written presentations, brochures, drawings, memoranda, notes, records, files, correspondence, manuals, models, specifications, computer programs, e-mail, voice mail, electronic databases, maps, drawings, architectural renditions, models and all other writings or materials of any type including or embodying any of such information, ideas, concepts, improvements, discoveries, inventions and other similar forms of expression are and shall be the sole and exclusive property of the Company or other applicable member of the Company Group and be subject to the same restrictions on disclosure applicable to all Confidential Information pursuant to this Agreement. For purposes of this Agreement, Confidential Information shall not include any information that (i) is or becomes generally available to the public other than as a result of a disclosure or wrongful act of Employee or any of Employee's agents; (ii) was available to Employee on a non-confidential basis before its disclosure by a member of the Company Group; or (iii) becomes available to Employee on a non-confidential basis from a source other than a member of the Company Group; *provided, however*, that such source is not bound by a confidentiality agreement with, or other obligation with respect to confidentiality to, a member of the Company Group.

(e) Notwithstanding the foregoing, nothing in this Agreement shall prohibit or restrict Employee from lawfully: (i) initiating communications directly with, cooperating with, providing information to, causing information to be provided to, or otherwise assisting in an investigation by, any governmental authority regarding a possible violation of any law; (ii) responding to any inquiry or legal process directed to Employee from any such governmental authority; (iii) testifying, participating or otherwise assisting in any action or proceeding by any such governmental authority relating to a possible violation of law; or (iv) making any other disclosures that are protected under the whistleblower provisions of any applicable law. Additionally, pursuant to the federal Defend Trade Secrets Act of 2016, an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that: (A) is made (1) in confidence to a federal, state or local government official, either directly or indirectly, or to an attorney and (2) solely for the purpose of reporting or investigating a suspected violation of law; (B) is made to the individual's attorney in relation to a lawsuit for retaliation against the individual for reporting a suspected violation of law; or (C) is made in a complaint or other document filed in a lawsuit or proceeding, if such filing is made under seal. Nothing in this Agreement requires Employee to obtain prior authorization before engaging in any conduct described in this paragraph, or to notify the Company that Employee has engaged in any such conduct.

#### 10. **Ownership of Intellectual Property.**

(a) Employee agrees that the Company shall own, and Employee shall (and hereby does) assign, all right, title and interest (including patent rights, copyrights, trade secret rights, mask work rights, trademark rights, and all other intellectual and industrial property rights of any sort throughout the world) relating to any and all inventions (whether or not patentable), discoveries, developments, improvements, innovations, works of authorship, mask works,

designs, know-how, ideas, formulae, processes, techniques, data and information authored, created, contributed to, made or conceived or reduced to practice, in whole or in part, by Employee during the period in which Employee is or has been employed by or affiliated with the Company or any other member of the Company Group, whether or not registerable under U.S. law or the laws of other jurisdictions, that either (i) relate, at the time of conception, reduction to practice, creation, derivation or development, to any member of the Company Group's businesses or actual or anticipated research or development, or (ii) were developed on any amount of the Company's or any other member of the Company Group's time or with the use of any member of the Company Group's equipment, supplies, facilities or Confidential Information (all of the foregoing collectively referred to herein as "**Company Intellectual Property**"), and Employee shall promptly disclose all Company Intellectual Property to the Company in writing. To support Employee's disclosure obligation herein, Employee shall keep and maintain adequate and current written records of all Company Intellectual Property made by Employee (solely or jointly with others) during the period in which Employee is or has been employed by or affiliated with the Company or any other member of the Company Group in such form as may be specified from time to time by the Company. These records shall be available to, and remain the sole property of, the Company at all times.

(b) All of Employee's works of authorship and associated copyrights created during the period in which Employee is employed by or affiliated with the Company or any other member of the Company Group and in the scope of Employee's employment or engagement shall be deemed to be "works made for hire" within the meaning of the Copyright Act. To the extent any right, title and interest in and to Company Intellectual Property cannot be assigned by Employee to the Company, Employee shall grant, and does hereby grant, to the Company Group an exclusive, perpetual, royalty-free, transferable, irrevocable, worldwide license (with rights to sublicense through multiple tiers of sublicensees) to make, have made, use, sell, offer for sale, import, export, reproduce, practice and otherwise commercialize such rights, title and interest.

(c) Employee recognizes that this Agreement will not be deemed to require assignment of any invention or intellectual property that Employee developed entirely on Employee's own time without using the equipment, supplies, facilities, trade secrets, or Confidential Information of any member of the Company Group. In addition, this Agreement does not apply to any invention that qualifies fully for protection from assignment to the Company under any specifically applicable state law or regulation.

(d) To the extent allowed by law, this Section applies to all rights that may be known as or referred to as "moral rights," "artist's rights," "droit moral," or the like, including without limitation those rights set forth in 17 U.S.C. §106A (collectively, "**Moral Rights**"). To the extent Employee retains any Moral Rights under applicable law, Employee hereby ratifies and consents to any action that may be taken with respect to such Moral Rights by or authorized by the Company or any member of the Company Group, and Employee hereby waives and agrees not to assert any Moral Rights with respect to such Moral Rights. Employee shall confirm any such ratifications, consents, waivers, and agreements from time to time as requested by the Company.

(e) All inventions (whether or not patentable), original works of authorship, designs, know-how, mask works, ideas, information, developments, improvements, and trade secrets of which Employee is the sole or joint author, creator, contributor, or inventor that were made or developed by Employee prior to Employee's employment with or affiliation with the Company or any other member of the Company Group, or in which Employee asserts any intellectual property right, and which are applicable to or relate in any way to the business, products, services, or demonstrably anticipated research and development or business of any member of the Company Group ("**Prior Inventions**") are listed on Exhibit A, and Employee represents that Exhibit A is a complete list of all such Prior Inventions. If no such list is attached, Employee hereby represents and warrants that there are no Prior Inventions, and Employee shall make no claim of any rights to any Prior Inventions. If, in the course of Employee's employment with or affiliation with the Company or any other member of the Company Group, Employee incorporates into the product, process, or device of any member of the Company Group a Prior Invention, the Company Group is hereby granted and will have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license to make, have made, modify, use, import, export, offer for sale, sell and otherwise commercialize such Prior Invention as part of or in connection with such product, process, or device of any member of the Company Group.

(f) Employee shall perform, during and after the period in which Employee is or has been employed by or affiliated with the Company or any other member of the Company Group, all acts deemed necessary or desirable by the Company to permit and assist each member of the Company Group, at the Company's expense, in obtaining and enforcing the full benefits, enjoyment, rights and title throughout the world in the Company Intellectual Property and Confidential Information assigned, to be assigned, or licensed to the Company under this Agreement.. Such acts may include execution of documents and assistance or cooperation (i) in the filing, prosecution, registration, and memorialization of assignment of any applicable patents, copyrights, mask work, or other applications, (ii) in the enforcement of any applicable patents, copyrights, mask work, moral rights, trade secrets, or other proprietary rights, and (iii) in other legal proceedings related to the Company Intellectual Property or Confidential Information.

(g) In the event that the Company (or, as applicable, a member of the Company Group) is unable for any reason to secure Employee's signature to any document required to file, prosecute, register, or memorialize the assignment of any patent, copyright, mask work or other applications or to enforce any patent, copyright, mask work, moral right, trade secret or other proprietary right under any Confidential Information or Company Intellectual Property (including derivative works, improvements, renewals, extensions, continuations, divisionals, continuations in part, continuing patent applications, reissues, and reexaminations of such Company Intellectual Property), Employee hereby irrevocably designates and appoints the Company and each of the Company's duly authorized officers and agents as Employee's agents and attorneys-in-fact to act for and on Employee's behalf and instead of Employee, (i) to execute, file, prosecute, register and memorialize the assignment of any such application, (ii) to execute and file any documentation required for such enforcement, and (iii) to do all other lawfully permitted acts to further the filing, prosecution, registration, memorialization of assignment, issuance, and enforcement of patents, copyrights, mask works, moral rights, trade

secrets or other rights under the Confidential Information or Company Intellectual Property, all with the same legal force and effect as if executed by Employee.

(h) In the event that Employee enters into, on behalf of any member of the Company Group, any contracts or agreements relating to any Confidential Information or Company Intellectual Property, Employee shall assign such contracts or agreements to the Company (or the applicable member of the Company Group) promptly, and in any event, prior to Employee's termination of employment. If the Company (or the applicable member of the Company Group) is unable for any reason to secure Employee's signature to any document required to assign said contracts or agreements, or if Employee does not assign said contracts or agreements to the Company (or the applicable member of the Company Group) prior to Employee's termination of employment, Employee hereby irrevocably designates and appoints the Company (or the applicable member of the Company Group) and each of the Company's duly authorized officers and agents as Employee's agents and attorneys-in-fact to act for and on Employee's behalf and instead of Employee to execute said assignments and to do all other lawfully permitted acts to further the execution of said documents.

(i) Notwithstanding the foregoing, in no event will Employee be required to assign to the Company Employee's rights, title, or interest in any invention that qualifies fully under the provisions of California Labor Code Section 2870 (a copy of which is attached as Exhibit B), including any invention which is developed entirely on Employee's own time without using the Company's equipment, supplies, facilities, or trade secret information, and that either (i) is not related to the Company's business (either actual or demonstrably anticipated), or (ii) does not result from work performed for the Company (an "**Other Invention**"). Employee will advise the Company promptly in writing of any invention that Employee believes constitutes an Other Invention. Employee agrees that Employee will not incorporate, or permit to be incorporated, any Other Invention owned by Employee or in which Employee has an interest into a Company Group product, process or service without the Company's prior written consent. Notwithstanding the foregoing sentence, if, in the course of Employee's employment with any member of the Company Group, Employee incorporates into a Company Group product, process or service an Other Invention owned by Employee or in which Employee has an interest, Employee hereby grants to the Company and the other members of the Company Group a non-exclusive, royalty-free, fully paid up, irrevocable, perpetual, transferable, sublicensable, worldwide license to reproduce, make derivative works of, distribute, perform, display, import, make, have made, modify, use, sell, offer to sell, and exploit in any other way such Other Invention as part of or in connection with such product, process or service, and to practice any method related thereto.

11. **Defense of Claims.** During the Employment Period and thereafter, upon request from the Company, Employee shall cooperate with the Company Group in the defense of any claims or actions that may be made by or against any member of the Company Group that relate to Employee's actual or prior areas of responsibility.

12. **Withholdings; Deductions.** The Company may withhold and deduct from any benefits and payments made or to be made pursuant to this Agreement (a) all federal, state, local

and other taxes as may be required pursuant to any law or governmental regulation or ruling and (b) any deductions consented to in writing by Employee.

13. **Title and Headings; Construction.** Titles and headings to Sections hereof are for the purpose of reference only and shall in no way limit, define or otherwise affect the provisions hereof. Any and all Exhibits or Attachments referred to in this Agreement are, by such reference, incorporated herein and made a part hereof for all purposes. Unless the context requires otherwise, all references to laws, regulations, contracts, documents, agreements and instruments refer to such laws, regulations, contracts, documents, agreements and instruments as they may be amended from time to time, and references to particular provisions of laws or regulations include a reference to the corresponding provisions of any succeeding law or regulation. All references to “dollars” or “\$” in this Agreement refer to United States dollars. The words “herein”, “hereof”, “hereunder” and other compounds of the word “here” shall refer to the entire Agreement, including all Exhibits attached hereto, and not to any particular provision hereof. The word “or” is not exclusive. Wherever the context so requires, the masculine gender includes the feminine or neuter, and the singular number includes the plural and conversely. All references to “including” shall be construed as meaning “including without limitation.” Neither this Agreement nor any uncertainty or ambiguity herein shall be construed or resolved against any party hereto, whether under any rule of construction or otherwise. On the contrary, this Agreement has been reviewed by each of the parties hereto and shall be construed and interpreted according to the ordinary meaning of the words used so as to fairly accomplish the purposes and intentions of the parties hereto.

14. **Applicable Law.** This Agreement shall in all respects be construed according to the laws of the State of California without regard to its conflict of laws principles that would result in the application of the laws of another jurisdiction. With respect to any claim or dispute related to or arising under this Agreement, the parties hereto consent to the exclusive jurisdiction, forum and venue of the state and federal courts (as applicable) located in Los Angeles, California.

15. **Entire Agreement and Amendment.** This Agreement contains the entire agreement of the parties with respect to the matters covered herein and supersede all prior and contemporaneous agreements and understandings, oral or written, between the parties hereto concerning the subject matter hereof, other than any indemnification rights or equity award agreements, whether pursuant to the LTIP or otherwise, which are in effect or outstanding as of the Effective Date. This Agreement may be amended only by a written instrument executed by both parties hereto.

16. **Waiver of Breach.** Any waiver of this Agreement must be executed by the party to be bound by such waiver. No waiver by either party hereto of a breach of any provision of this Agreement by the other party, or of compliance with any condition or provision of this Agreement to be performed by such other party, will operate or be construed as a waiver of any subsequent breach by such other party or any similar or dissimilar provision or condition at the same or any subsequent time. The failure of either party hereto to take any action by reason of any breach will not deprive such party of the right to take action at any time.

17. **Assignment.** This Agreement is personal to Employee, and neither this Agreement nor any rights or obligations hereunder shall be assignable or otherwise transferred



by Employee. The Company may assign this Agreement without Employee's consent, including to any member of the Company Group and to any successor (whether by merger, purchase or otherwise) to all or substantially all of the equity, assets or businesses of the Company.

18. **Notices.** Notices provided for in this Agreement shall be in writing and shall be deemed to have been duly received (a) when delivered in person, (b) on the first Business Day after such notice is sent by express overnight courier service, or (c) on the second Business Day following deposit with a nationally-recognized second-day courier service with proof of receipt maintained, in each case, to the following address, as applicable:

**If to the Company, addressed to:**

California Resources Corporation  
27200 Tourney Road  
Suite 200  
Santa Clarita, California 91355  
Attention: General Counsel

**If to Employee, addressed to:**

Chris Gould  
[\*\*\*\*\*]  
[\*\*\*\*\*]  
*(Or, if different, the latest address on file with the Company)*

19. **Counterparts.** This Agreement may be executed in any number of counterparts, including by electronic mail or facsimile, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a copy hereof containing multiple signature pages, each signed by one party, but together signed by both parties hereto.

20. **Deemed Resignations.** Except as otherwise determined by the Board or as otherwise agreed to in writing by Employee and any member of the Company Group prior to the termination of Employee's employment with the Company or any member of the Company Group, any termination of Employee's employment shall constitute, as applicable, an automatic resignation of Employee: (a) as an officer of the Company and each member of the Company Group; (b) from the Board; and (c) from the board of directors or board of managers (or similar governing body) of any member of the Company Group and from the board of directors or board of managers (or similar governing body) of any corporation, limited liability entity, unlimited liability entity or other entity in which any member of the Company Group holds an equity interest and with respect to which board of directors or board of managers (or similar governing body) Employee serves as such Company Group member's designee or other representative.

21. **Section 409A.**

(a) Notwithstanding any provision of this Agreement to the contrary, all provisions of this Agreement are intended to comply with Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**") and the applicable Treasury regulations and

administrative guidance issued thereunder (collectively, “**Section 409A**”) or an exemption therefrom and shall be construed and administered in accordance with such intent. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service or as a short-term deferral shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Any payments to be made under this Agreement upon a termination of Employee’s employment shall only be made if such termination of employment constitutes a “separation from service” under Section 409A.

(b) To the extent that any right to reimbursement of expenses or payment of any benefit in-kind under this Agreement constitutes nonqualified deferred compensation (within the meaning of Section 409A), (i) any such expense reimbursement shall be made by the Company no later than the last day of Employee’s taxable year following the taxable year in which such expense was incurred by Employee, (ii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (iii) the amount of expenses eligible for reimbursement or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year; *provided*, that the foregoing clause shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period in which the arrangement is in effect.

(c) Notwithstanding any provision in this Agreement to the contrary, if any payment or benefit provided for herein would be subject to additional taxes and interest under Section 409A if Employee’s receipt of such payment or benefit is not delayed until the earlier of the date of Employee’s death or the date that is six (6) months after the Termination Date (such date, the “**Section 409A Payment Date**”), then such payment or benefit shall not be provided to Employee (or Employee’s estate, if applicable) until the Section 409A Payment Date. Notwithstanding the foregoing, the Company makes no representations that the payments and benefits provided under this Agreement are exempt from, or compliant with, Section 409A and in no event shall any member of the Company Group be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by Employee on account of non-compliance with Section 409A.

22. **Effect of Termination.** The provisions of Sections 7(a), 9-13 and 20 and those provisions necessary to interpret and enforce them, shall survive any termination of this Agreement and any termination of the employment relationship between Employee and the Company.

23. **Third-Party Beneficiaries.** Each member of the Company Group that is not a signatory to this Agreement shall be a third-party beneficiary of Employee’s obligations under Sections 8-12 and 20 and shall be entitled to enforce such obligations as if a party hereto.

24. **Certain Excise Taxes.** Notwithstanding anything to the contrary in this Agreement, if Employee is a “disqualified individual” (as defined in Section 280G(c) of the Code), and the benefits provided for in this Agreement, together with any other payments and benefits which Employee has the right to receive from the Company and its affiliates, would constitute a “parachute payment” (as defined in Section 280G(b)(2) of the Code), then the

benefits provided for in this Agreement (beginning with any benefit to be paid in cash hereunder) shall be either (a) reduced (but not below zero) so that the present value of such total amounts and benefits received by Employee from the Company will be one dollar (\$1.00) less than three times Employee's "base amount" (as defined in Section 280G(b)(3) of the Code) and so that no portion of such amounts and benefits received by Employee shall be subject to the excise tax imposed by Section 4999 of the Code or (b) paid in full, whichever produces the better net after-tax position to Employee (taking into account any applicable excise tax under Section 4999 of the Code and any other applicable taxes). The determination as to whether any such reduction in the amount of the benefits provided hereunder is necessary shall be made by the Compensation Committee in good faith and in consultation with tax and legal advisors of the Company. If a reduced payment or benefit is made and through error or otherwise that payment or benefit, when aggregated with other payments and benefits from the Company (or its affiliates) used in determining if a "parachute payment" exists, exceeds one dollar (\$1.00) less than three times Employee's base amount, then Employee shall immediately repay such excess to the Company upon notification that an overpayment has been made. Nothing in this Section 24 shall require the Company to be responsible for, or have any liability or obligation with respect to, Employee's excise tax liabilities under Section 4999 of the Code.

25. **Severability.** If an arbitrator or court of competent jurisdiction determines that any provision of this Agreement (or portion thereof) is invalid or unenforceable, then the invalidity or unenforceability of that provision (or portion thereof) shall not affect the validity or enforceability of any other provision of this Agreement, and all other provisions shall remain in full force and effect.

*[Remainder of Page Intentionally Blank;  
Signature Page Follows]*

**IN WITNESS WHEREOF**, Employee and the Company each have caused this Agreement to be executed and effective as of the Effective Date.

**EMPLOYEE**

\_\_\_\_\_  
Name: Chris Gould

**COMPANY**

CALIFORNIA RESOURCES CORPORATION

By: \_\_\_\_\_  
Name: Mark A. (Mac) McFarland  
Title: President and Chief Executive Officer

Signature Page  
to  
Employment Agreement

---

**EXHIBIT A**

**PRIOR INVENTIONS**

1. The following is a complete list of all Prior Inventions relevant to the subject matter of Employee's employment by the Company that have been made or conceived or first reduced to practice by Employee alone or jointly with others prior to Employee's employment with or affiliation with the Company or any other member of the Company Group:

Check appropriate space(s):

None.

See below:

—  
—  
—

Due to confidentiality agreements with a prior employer, Employee cannot disclose certain Prior Inventions that would otherwise be included on the above-described list.

Additional sheets attached.

2. Employee proposes to bring to Employee's employment the following devices, materials, and documents of a former employer or other person to whom Employee has an obligation of confidentiality that is not generally available to the public, which materials and documents may be used in Employee's employment pursuant to the express written authorization of Employee's former employer or such other person (a copy of which is attached to this Agreement):

Check appropriate space(s):

None.

See below.

—  
—

Additional sheets attached.

**EXHIBIT B**

**CALIFORNIA LABOR CODE SECTION 2870**

- (a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:
  - (1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or
  - (2) Result from any work performed by the employee for the employer.
- (b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

Exhibit B

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

I, Mark A. (Mac) McFarland, 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: August 5, 2021

/s/ Mark A. (Mac) McFarland

---

Mark A. (Mac) McFarland  
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, Francisco J. Leon, 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: August 5, 2021

/s/ Francisco J. Leon  
\_\_\_\_\_  
Francisco J. Leon  
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 June 30, 2021, as filed with the Securities and Exchange Commission on August 5, 2021 (the "Report"), Mark A. (Mac) McFarland, as Chief Executive Officer of the Company, and Francisco J. Leon, 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 the best of 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/ Mark A. (Mac) McFarland

---

Name: Mark A. (Mac) McFarland  
Title: President and Chief Executive Officer  
Date: August 5, 2021

/s/ Francisco J. Leon

---

Name: Francisco J. Leon  
Title: Executive Vice President and Chief Financial Officer  
Date: August 5, 2021

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.