

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, 2023  
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.)

**1 World Trade Center, Suite 1500  
Long Beach, California 90831**

(Address of principal executive offices) (Zip Code)

**(888) 848-4754**

(Registrant's telephone number, including area code)

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

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

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

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

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

Large Accelerated Filer	<input checked="" type="checkbox"/>	Accelerated Filer	<input type="checkbox"/>	Non-Accelerated Filer	<input type="checkbox"/>
Smaller Reporting Company	<input type="checkbox"/>	Emerging Growth Company	<input type="checkbox"/>		

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 latest practicable date.

The number of shares of common stock outstanding as of June 30, 2023 was 68,962,220.

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## California Resources Corporation and Subsidiaries

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## GLOSSARY AND SELECTED ABBREVIATIONS

The following are abbreviations and definitions of certain terms used within this Form 10-Q:

- **ABR** - Alternate base rate.
- **ASC** - Accounting Standards Codification.
- **ARO** - Asset retirement obligation.
- **Bbl** - Barrel.
- **Bbl/d** - Barrels per day.
- **Bcf** - Billion cubic feet.
- **Bcfe** - Billion cubic feet of natural gas equivalent using the ratio of one barrel of oil, condensate, or NGLs converted to six thousand cubic feet of natural gas.
- **Boe** - We convert natural gas volumes to crude oil equivalents using a ratio of six thousand cubic feet (Mcf) to one barrel of crude oil equivalent based on energy content. This is a widely used conversion method in the oil and natural gas industry.
- **Boe/d** - Barrel of oil equivalent per day.
- **Btu** - British thermal unit.
- **CalGEM** - California Geologic Energy Management Division.
- **CCS** - Carbon capture and storage.
- **CDMA** - Carbon Dioxide Management Agreement.
- **CEQA** - California Environmental Quality Act.
- **CO<sub>2</sub>** - Carbon dioxide.
- **DAC** - Direct air capture.
- **DD&A** - Depletion, depreciation, and amortization.
- **EOR** - Enhanced oil recovery.
- **EPA** - United States Environmental Protection Agency.
- **ESG** - Environmental, social and governance.
- **E&P** - Exploration and production.
- **Full-Scope Net Zero** - Achieving permanent storage of captured or removed carbon emissions in a volume equal to all of our scope 1, 2 and 3 emissions by 2045.
- **GAAP** - United States Generally Accepted Accounting Principles.
- **G&A** - General and administrative expenses.
- **GHG** - Greenhouse gases.
- **JV** - Joint venture.
- **LCFS** - Low Carbon Fuel Standard.
- **LIBOR** - London Interbank Offered Rate.
- **MBbl** - One thousand barrels of crude oil, condensate or NGLs.
- **MBbl/d** - One thousand barrels per day.
- **MBoe/d** - One thousand barrels of oil equivalent per day.
- **MBwd** - One thousand barrels of water per day
- **Mcf** - One thousand cubic feet of natural gas equivalent, with liquids converted to an equivalent volume of natural gas using the ratio of one barrel of oil to six thousand cubic feet of natural gas.
- **MHp** - One thousand horsepower.
- **MMBbl** - One million barrels of crude oil, condensate or NGLs.
- **MBoe** - One million barrels of oil equivalent.
- **MMBtu** - One million British thermal units.
- **MMcf/d** - One million cubic feet of natural gas per day.
- **MMT** - Million metric tons.
- **MMTPA** - Million metric tons per annum.
- **MW** - Megawatts of power.
- **NGLs** - Natural gas liquids. Hydrocarbons found in natural gas that may be extracted as purity products such as ethane, propane, isobutane and normal butane, and natural gasoline.
- **NYMEX** - The New York Mercantile Exchange.
- **OCTG** - Oil country tubular goods.
- **Oil spill prevention rate** - Calculated as total Boe less net barrels lost divided by total Boe.
- **OPEC** - Organization of the Petroleum Exporting Countries.
- **OPEC+** - OPEC together with Russia and certain other producing countries.
- **PHMSA** - Pipeline and Hazardous Materials Safety Administration.

- **Proved developed reserves** - Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods.
- **Proved reserves** - The estimated quantities of natural gas, NGLs, and oil that geological and engineering data demonstrate with reasonable certainty to be commercially recoverable in future years from known reservoirs under existing economic conditions, operating methods and government regulations.
- **Proved undeveloped reserves** - Proved reserves that are expected to be recovered from new wells on undrilled acreage that are reasonably certain of production when drilled or from existing wells where a relatively major expenditure is required for recompletion.
- **PSCs** - Production-sharing contracts.
- **PV-10** - Non-GAAP financial measure and represents the year-end present value of estimated future cash flows from proved oil and natural gas reserves, less future development and operating costs, discounted at 10% per annum and using SEC Prices. PV-10 facilitates the comparisons to other companies as it is not dependent on the tax-paying status of the entity.
- **Scope 1 emissions** - Our direct emissions.
- **Scope 2 emissions** - Indirect emissions from energy that we use (e.g., electricity, heat, steam, cooling) that is produced by others.
- **Scope 3 emissions** - Indirect emissions from upstream and downstream processing and use of our products.
- **SDWA** - Safe Drinking Water Act.
- **SEC** - United States Securities and Exchange Commission.
- **SEC Prices** - The unweighted arithmetic average of the first day-of-the-month price for each month within the year used to determine estimated volumes and cash flows for our proved reserves.
- **SOFR** - Secured overnight financing rate as administered by the Federal Reserve Bank of New York.
- **Standardized measure** - The year-end present value of after-tax estimated future cash flows from proved oil and natural gas reserves, less future development and operating costs, discounted at 10% per annum and using SEC Prices. Standardized measure is prescribed by the SEC as an industry standard asset value measure to compare reserves with consistent pricing, costs and discount assumptions.
- **TRIR** - Total Recordable Incident Rate calculated as recordable incidents per 200,000 hours for all workers (employees and contractors).
- **Working interest** - The right granted to a lessee of a property to explore for and to produce and own oil, natural gas or other minerals in-place. A working interest owner bears the cost of development and operations of the property.
- **WTI** - West Texas Intermediate.

**PART I FINANCIAL INFORMATION**

**Item 1 Financial Statements (unaudited)**

**CALIFORNIA RESOURCES CORPORATION AND SUBSIDIARIES**  
**Condensed Consolidated Balance Sheets**  
**As of June 30, 2023 and December 31, 2022**  
(in millions, except share data)

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 448	\$ 307
Trade receivables	183	326
Inventories	69	60
Assets held for sale	13	5
Receivable from affiliate	29	33
Other current assets, net	125	133
Total current assets	867	864
<b>PROPERTY, PLANT AND EQUIPMENT</b>	3,303	3,228
Accumulated depreciation, depletion and amortization	(558)	(442)
Total property, plant and equipment, net	2,745	2,786
<b>INVESTMENT IN UNCONSOLIDATED SUBSIDIARY</b>	14	13
<b>DEFERRED TAX ASSET</b>	108	164
<b>OTHER NONCURRENT ASSETS</b>	166	140
<b>TOTAL ASSETS</b>	\$ 3,900	\$ 3,967
<b>CURRENT LIABILITIES</b>		
Accounts payable	206	345
Liabilities associated with assets held for sale	5	5
Fair value of commodity derivative contracts	72	246
Accrued liabilities	299	298
Total current liabilities	582	894
<b>NONCURRENT LIABILITIES</b>		
Long-term debt, net	593	592
Asset retirement obligations	411	432
Other long-term liabilities	204	185
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock (20,000,000 shares authorized at \$0.01 par value) no shares outstanding at June 30, 2023 and December 31, 2022	—	—
Common stock (200,000,000 shares authorized at \$0.01 par value) (83,460,990 and 83,406,002 shares issued; 68,962,220 and 71,949,742 shares outstanding at June 30, 2023 and December 31, 2022)	1	1
Treasury stock (14,498,770 shares held at cost at June 30, 2023 and 11,456,260 shares held at cost at December 31, 2022)	(584)	(461)
Additional paid-in capital	1,317	1,305
Retained earnings	1,295	938
Accumulated other comprehensive income	81	81
Total stockholders' equity	2,110	1,864
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	\$ 3,900	\$ 3,967

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, 2023 and 2022**  
(dollars in millions, except share and per share data)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
<b>REVENUES</b>				
Oil, natural gas and NGL sales	\$ 447	\$ 718	\$ 1,162	\$ 1,346
Net gain (loss) from commodity derivatives	31	(100)	73	(662)
Sales of purchased natural gas	72	75	256	107
Electricity sales	34	49	102	83
Other revenue	7	5	22	26
Total operating revenues	<u>591</u>	<u>747</u>	<u>1,615</u>	<u>900</u>
<b>OPERATING EXPENSES</b>				
Operating costs	186	190	440	372
General and administrative expenses	71	56	136	104
Depreciation, depletion and amortization	56	50	114	99
Asset impairment	—	2	3	2
Taxes other than on income	42	42	84	76
Exploration expense	1	1	2	2
Purchased natural gas expense	27	67	151	88
Electricity generation expenses	13	33	62	57
Transportation costs	16	12	33	24
Accretion expense	11	11	23	22
Other operating expenses, net	21	9	34	23
Total operating expenses	<u>444</u>	<u>473</u>	<u>1,082</u>	<u>869</u>
Net gain on asset divestitures	—	4	7	58
<b>OPERATING INCOME</b>	<u>147</u>	<u>278</u>	<u>540</u>	<u>89</u>
<b>NON-OPERATING (EXPENSES) INCOME</b>				
Interest and debt expense	(14)	(13)	(28)	(26)
Loss from investment in unconsolidated subsidiary	(1)	—	(3)	—
Other non-operating income	3	1	2	2
<b>INCOME BEFORE INCOME TAXES</b>	<u>135</u>	<u>266</u>	<u>511</u>	<u>65</u>
Income tax provision	(38)	(76)	(113)	(50)
<b>NET INCOME</b>	<u>\$ 97</u>	<u>\$ 190</u>	<u>\$ 398</u>	<u>\$ 15</u>
<b>Net income per share</b>				
Basic	\$ 1.39	\$ 2.48	\$ 5.65	\$ 0.19
Diluted	\$ 1.35	\$ 2.41	\$ 5.47	\$ 0.19
<b>Weighted-average common shares outstanding</b>				
Basic	69.7	76.7	70.5	77.6
Diluted	71.9	78.8	72.7	79.6

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

**CALIFORNIA RESOURCES CORPORATION AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Stockholders' Equity**  
**For the three and six months ended June 30, 2023**  
(in millions)

Three months ended June 30, 2023						
	Common Stock	Treasury Stock	Additional Paid- in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
<b>Balance, March 31, 2023</b>	\$ 1	\$ (520)	\$ 1,311	\$ 1,219	\$ 81	\$ 2,092
Net income	—	—	—	97	—	97
Share-based compensation	—	—	7	—	—	7
Repurchases of common stock	—	(64)	—	—	—	(64)
Cash dividend (\$0.2825 per share)	—	—	—	(21)	—	(21)
Shares cancelled for taxes	—	—	(1)	—	—	(1)
<b>Balance, June 30, 2023</b>	<u>\$ 1</u>	<u>\$ (584)</u>	<u>\$ 1,317</u>	<u>\$ 1,295</u>	<u>\$ 81</u>	<u>\$ 2,110</u>
Six months ended June 30, 2023						
	Common Stock	Treasury Stock	Additional Paid- in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
<b>Balance, December 31, 2022</b>	\$ 1	\$ (461)	\$ 1,305	\$ 938	\$ 81	\$ 1,864
Net income	—	—	—	398	—	398
Share-based compensation	—	—	14	—	—	14
Repurchases of common stock	—	(123)	—	—	—	(123)
Cash dividend (\$0.2825 per share)	—	—	—	(41)	—	(41)
Shares cancelled for taxes	—	—	(2)	—	—	(2)
<b>Balance, June 30, 2023</b>	<u>\$ 1</u>	<u>\$ (584)</u>	<u>\$ 1,317</u>	<u>\$ 1,295</u>	<u>\$ 81</u>	<u>\$ 2,110</u>

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



**CALIFORNIA RESOURCES CORPORATION AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Stockholders' Equity**  
**For the three and six months ended June 30, 2022**  
(in millions)

Three months ended June 30, 2022						
	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
<b>Balance, March 31, 2022</b>	\$ 1	\$ (219)	\$ 1,293	\$ 286	\$ 72	\$ 1,433
Net income	—	—	—	190	—	190
Share-based compensation	—	—	3	—	—	3
Repurchases of common stock	—	(96)	—	—	—	(96)
Cash dividend (\$0.17 per share)	—	—	—	(13)	—	(13)
<b>Balance, June 30, 2022</b>	\$ 1	\$ (315)	\$ 1,296	\$ 463	\$ 72	\$ 1,517

Six months ended June 30, 2022						
	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Equity
<b>Balance, December 31, 2021</b>	\$ 1	\$ (148)	\$ 1,288	\$ 475	\$ 72	\$ 1,688
Net income	—	—	—	15	—	15
Share-based compensation	—	—	8	—	—	8
Repurchases of common stock	—	(167)	—	—	—	(167)
Cash dividend (\$0.17 per share)	—	—	—	(27)	—	(27)
<b>Balance, June 30, 2022</b>	\$ 1	\$ (315)	\$ 1,296	\$ 463	\$ 72	\$ 1,517

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, 2023 and 2022**  
(in millions)

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net income	\$ 97	\$ 190	\$ 398	\$ 15
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation, depletion and amortization	56	50	114	99
Deferred income tax provision	9	62	56	29
Asset impairment	—	2	3	2
Net (gain) loss from commodity derivatives	(31)	100	(73)	662
Net payments on settled commodity derivatives	(63)	(241)	(128)	(422)
Net gain on asset divestitures	—	(4)	(7)	(58)
Other non-cash charges to income, net	30	19	51	27
Changes in operating assets and liabilities, net	10	3	4	(13)
<b>Net cash provided by operating activities</b>	<b>108</b>	<b>181</b>	<b>418</b>	<b>341</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Capital investments	(39)	(98)	(86)	(197)
Changes in accrued capital investments	(2)	6	(15)	9
Proceeds from asset divestitures, net	—	16	—	76
Acquisitions	(1)	—	(1)	(17)
Other, net	(2)	—	(3)	—
<b>Net cash used in investing activities</b>	<b>(44)</b>	<b>(76)</b>	<b>(105)</b>	<b>(129)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Repurchases of common stock	(64)	(96)	(123)	(167)
Common stock dividends	(20)	(13)	(40)	(26)
Issuance of common stock	—	—	1	—
Debt amendment costs	(8)	—	(8)	—
Shares cancelled for taxes	(1)	—	(2)	—
<b>Net cash used in financing activities</b>	<b>(93)</b>	<b>(109)</b>	<b>(172)</b>	<b>(193)</b>
<b>(Decrease) increase in cash and cash equivalents</b>	<b>(29)</b>	<b>(4)</b>	<b>141</b>	<b>19</b>
<b>Cash and cash equivalents—beginning of period</b>	<b>477</b>	<b>328</b>	<b>307</b>	<b>305</b>
<b>Cash and cash equivalents—end of period</b>	<b>\$ 448</b>	<b>\$ 324</b>	<b>\$ 448</b>	<b>\$ 324</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, 2023**

**NOTE 1 BASIS OF PRESENTATION**

We are an independent energy and carbon management company committed to energy transition. We produce some of the lowest carbon intensity oil in the United States according to a joint report by Ceres and the Clean Air Task Force and we are focused on maximizing the value of our land, minerals and technical resources for decarbonization efforts. We are in the early stages of developing several carbon capture and storage (CCS) projects and other emissions reducing projects in California. Our subsidiary Carbon TerraVault is expected to build, install, operate and maintain CO<sub>2</sub> capture equipment, transportation assets and storage facilities in California. In August 2022, Carbon TerraVault entered into a joint venture with BGTF Sierra Aggregator LLC (Brookfield) to pursue certain of these opportunities (Carbon TerraVault JV). See *Note 2 Investment in Unconsolidated Subsidiary and Related Party Transactions* for more information on the Carbon TerraVault JV. Separately, we are evaluating the feasibility of a carbon capture system to be located at our Elk Hills power plant.

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 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. In applying the equity method of accounting, our investment in an unconsolidated subsidiary (Carbon TerraVault JV HoldCo, LLC) was initially recognized at cost and then adjusted for our proportionate share of income or loss in addition to contributions and distributions.

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, 2022 (2022 Annual Report).

The carrying amounts of cash, cash equivalents and on-balance sheet financial instruments, other than debt, approximate fair value. Refer to *Note 3 Debt* for the fair value of our debt.

## NOTE 2 INVESTMENT IN UNCONSOLIDATED SUBSIDIARY AND RELATED PARTY TRANSACTIONS

In August 2022, our wholly-owned subsidiary Carbon TerraVault I, LLC entered into a joint venture with Brookfield for the further development of a carbon management business in California. We hold a 51% interest in the Carbon TerraVault JV and Brookfield holds a 49% interest. We determined that the Carbon TerraVault JV is a variable interest entity (VIE); however, we share decision-making power with Brookfield on all matters that most significantly impact the economic performance of the joint venture. Therefore, we account for our investment in the Carbon TerraVault JV under the equity method of accounting. Transactions between us and the Carbon TerraVault JV are related party transactions.

Brookfield has committed an initial \$500 million to invest in CCS projects that are jointly approved through the Carbon TerraVault JV. As part of the formation of the Carbon TerraVault JV, we contributed rights to inject CO<sub>2</sub> into the 26R reservoir in our Elk Hills field for permanent CO<sub>2</sub> storage (26R reservoir) and Brookfield committed to make an initial investment of \$137 million, payable in three equal installments with the last two installments subject to the achievement of certain milestones. Brookfield contributed the first \$46 million installment of their initial investment to the Carbon TerraVault JV in 2022. This amount may, at our sole discretion, be distributed to us or used to satisfy future capital contributions, among other items. During 2022, \$12 million was distributed to us (and used to pay transaction costs related to the formation of the joint venture) and \$2 million was used to satisfy a capital call. During 2023, we used \$4 million to satisfy a capital call. The remaining amount of the initial contribution by Brookfield which is available to us was reported as a receivable from affiliate on our condensed consolidated balance sheet. Because the parties have certain put and call rights (repurchase features) with respect to the 26R reservoir if certain milestones are not met, the initial investment by Brookfield is reflected as a contingent liability included in other long-term liabilities on our condensed consolidated balance sheets.

We entered into a Management Services Agreement (MSA) with the Carbon TerraVault JV whereby we provide administrative, operational and commercial services under a cost-plus arrangement. Services may be supplemented by using third parties and payments to us under the MSA are limited to the amount in an approved budget. The MSA may be terminated by mutual agreement of the parties, among other events.

The tables below present the summarized financial information related to our equity method investment and related party transactions for the periods presented.

	June 30, 2023	December 31, 2022
	(in millions)	
Investment in unconsolidated subsidiary <sup>(a)</sup>	\$ 14	\$ 13
Receivable from affiliate <sup>(b)</sup>	\$ 29	\$ 33
Property, plant and equipment <sup>(c)</sup>	\$ 2	\$ —
Other long-term liabilities - Contingent liability (related to Carbon TerraVault JV put and call rights) <sup>(d)</sup>	\$ 50	\$ 48

(a) Reflects our investment less losses allocated to us of \$3 million and \$1 million for the six months ended June 30, 2023 and the year ended December 31, 2022, respectively.

(b) At June 30, 2023, the amount of \$29 million includes \$28 million which may be distributed to us or used to satisfy future capital calls and \$1 million related to the MSA and vendor reimbursements. At December 31, 2022, the amount of \$33 million includes \$32 million which may be distributed to us or used to satisfy future capital calls and \$1 million related to the MSA and vendor reimbursements.

(c) This amount includes the reimbursement to us for plugging and abandonment activities at the 26R reservoir.

(d) These amounts were included in other long-term liabilities on our condensed consolidated balance sheet. Our obligation due to repurchase features related to the 26R reservoir includes \$4 million and \$2 million of accrued interest at June 30, 2023 and December 31, 2022, respectively.

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	(in millions)		(in millions)	
Loss from investment in unconsolidated subsidiary	\$ 1	\$ —	\$ 3	\$ —
General and administrative expenses <sup>(a)</sup>	\$ 2	\$ —	\$ 3	\$ —

(a) Includes amounts recognized by us under the MSA for administrative, operational and commercial services.

The Carbon TerraVault JV has an option to participate in certain projects that involve the capture, transportation and storage of CO<sub>2</sub> in California. This option expires upon the earlier of (1) August 2027, (2) when a final investment decision has been approved by the Carbon TerraVault JV for storage projects representing in excess of 5 million metric tons per annum (MMTPA) in the aggregate, or (3) when Brookfield has made contributions to the joint venture in excess of \$500 million (unless Brookfield elects to increase its commitment).

### NOTE 3 DEBT

As of June 30, 2023 and December 31, 2022, our long-term debt consisted of the following:

	June 30, 2023	December 31, 2022	Interest Rate	Maturity
	(in millions)			
Revolving Credit Facility	\$ —	\$ —	SOFR plus 2.50%-3.50% ABR plus 1.50%-2.50% <sup>(a)</sup>	July 31, 2027 <sup>(b)</sup>
Senior Notes	600	600	7.125%	February 1, 2026
<b>Principal amount</b>	<b>\$ 600</b>	<b>\$ 600</b>		
Unamortized debt issuance costs	(7)	(8)		
<b>Long-term debt, net</b>	<b>\$ 593</b>	<b>\$ 592</b>		

- (a) At our election, borrowings under the amended Revolving Credit Facility may be alternate base rate (ABR) loans or term SOFR loans, plus an applicable margin. ABR loans bear interest at a rate equal to the highest of (i) the federal funds effective rate plus 0.50%, (ii) the administrative agent prime rate and (iii) the one-month SOFR rate plus 1%. Term SOFR loans bear interest at term SOFR, plus an additional 10 basis points per annum credit spread adjustment. The applicable margin is adjusted based on the commitment utilization percentage and will vary from (i) in the case of ABR loans, 1.50% to 2.50% and (ii) in the case of term SOFR loans, 2.50% to 3.50%.
- (b) The Revolving Credit Facility is subject to a springing maturity to August 4, 2025 if any of our Senior Notes are outstanding on that date.

On April 26, 2023, we entered into an Amended and Restated Credit Agreement (Revolving Credit Facility) with Citibank, N.A., as administrative agent, and certain other lenders, which amends and restates in its entirety the prior credit agreement dated October 27, 2020. As of June 30, 2023, our Revolving Credit Facility consisted of a senior revolving loan facility with an aggregate commitment of \$627 million, which includes a net \$25 million increase that occurred during the second quarter of 2023. Our Revolving Credit Facility also included a sub-limit of \$250 million for the issuance of letters of credit. As of June 30, 2023, \$148 million letters of credit were issued to support ordinary course marketing, insurance, regulatory and other matters.

The recent amendments to our Revolving Credit Facility included, among other things:

- extending the maturity date to July 31, 2027;
- increasing our ability to make certain restricted payments (such as dividends and share repurchases) and certain investments (including in our carbon management business);
- releasing liens on certain assets securing the loans made under the Revolving Credit Facility, including our Elk Hills power plant;
- permitting us to designate the entities that hold certain of our assets, including our Elk Hills power plant, as unrestricted subsidiaries subject to meeting certain conditions;
- extending the period for which we can enter into hedges on our production from 48 months to 60 months; and
- increasing our capacity to issue letters of credit from \$200 million to \$250 million.

We also amended the interest rates and fees we pay under our Revolving Credit Facility. Interest is payable quarterly for ABR loans and at the end of the applicable interest period for term SOFR loans, but not less than quarterly. We also pay a commitment fee on unused capacity ranging from 37.5 to 50 basis points per annum, depending on the percentage of the commitment utilized.

The borrowing base is redetermined semi-annually and was reaffirmed at \$1.2 billion on April 26, 2023 as part of our amendment. 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.

At June 30, 2023, we were in compliance with all financial and other debt covenants under our Revolving Credit Facility and Senior Notes. For more information on our Senior Notes, see *Part II, Item 8 – Financial Statements and Supplementary Data, Note 4 Debt* in our 2022 Annual Report.

### **Fair Value**

The fair value of our fixed-rate debt at June 30, 2023 and December 31, 2022 was approximately \$604 million and \$574 million, respectively. We estimate fair value based on known prices from market transactions (using Level 1 inputs on the fair value hierarchy).

### **NOTE 4 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 for these items at June 30, 2023 and December 31, 2022 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 was challenging BSEE's order. Oxy notified us of the claim under the indemnification provisions of the Separation and Distribution Agreement between us and Oxy. In September 2021, we accepted the indemnification claim from Oxy and are challenging the order from BSEE. Upon execution of a cost sharing agreement with former lessees, we will share in on-going maintenance costs during the pendency of the challenge to the BSEE order.

### **NOTE 5 DERIVATIVES**

We maintain a commodity hedging program primarily focused on crude oil, and to a lesser extent natural gas, to help protect our cash flows from the volatility of commodity prices and to optimize margins for our marketing and trading activities. We did not have any derivative instruments designated as accounting hedges as of and for the three and six months ended June 30, 2023 and 2022. Unless otherwise indicated, we use the term "hedge" to describe derivative instruments that are designed to implement our hedging strategy.

Summary of open derivative contracts on oil — We held the following Brent-based contracts as of June 30, 2023:

	Q3 2023	Q4 2023	Q1 2024	Q2 2024	2H 2024	2025
<b>Sold Calls</b>						
Barrels per day	17,363	5,747	7,750	10,500	10,375	14,811
Weighted-average price per barrel	\$ 57.06	\$ 57.06	\$ 90.00	\$ 90.20	\$ 90.20	\$ 85.83
<b>Swaps</b>						
Barrels per day	19,697	27,094	6,000	1,000	1,000	1,687
Weighted-average price per barrel	\$ 70.73	\$ 70.73	\$ 79.06	\$ 77.20	\$ 77.20	\$ 70.32
<b>Net Purchased Puts<sup>(a)</sup></b>						
Barrels per day	17,363	5,747	14,684	10,500	10,375	14,811
Weighted-average price per barrel	\$ 76.25	\$ 76.25	\$ 69.72	\$ 65.48	\$ 65.48	\$ 60.00

(a) Purchased puts and sold puts with the same strike price have been presented on a net basis.

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.
- 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.
- Net purchased puts – we receive settlement payments for prices below the indicated weighted-average price per barrel.

*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, 2023 and December 31, 2022:

**June 30, 2023**

Classification	Gross Amounts at Fair Value		Netting	Net Fair Value
			(in millions)	
Other current assets, net <sup>(a)</sup>	\$	46	\$ (9)	\$ 37
Other noncurrent assets		54	(37)	17
Current liabilities <sup>(a)</sup>		(81)	9	(72)
Noncurrent liabilities		(37)	37	—
	\$	(18)	\$ —	\$ (18)

(a) In addition to our Brent based derivative contracts in the table above, we held swaps as of June 30, 2023 for natural gas to secure a margin for future physical sales of natural gas related to our marketing and trading activities. The fair value of these natural gas hedges was \$1 million included in other current assets, net and \$2 million included in current liabilities at June 30, 2023.

**December 31, 2022**

Classification	Gross Amounts at Fair Value	Netting (in millions)	Net Fair Value
Other current assets, net <sup>(a)</sup>	\$ 51	\$ (12)	\$ 39
Other noncurrent assets	7	—	7
Current liabilities <sup>(a)</sup>	(258)	12	(246)
	<u>\$ (200)</u>	<u>\$ —</u>	<u>\$ (200)</u>

(a) In addition to our Brent based derivative contracts in the table above, we held swaps as of December 31, 2022 for natural gas to secure a margin for future physical sales of natural gas related to our marketing and trading activities. The fair value of these natural gas hedges was \$4 million included in current liabilities at December 31, 2022.

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 gain (loss) from commodity derivatives on our condensed consolidated statements of operations for the three and six months ended June 30, 2023 and 2022. 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 6 INCOME TAXES**

The following tables present the components of our total income tax provision and a reconciliation of the U.S. federal statutory rate to our effective tax rate:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	(in millions)		(in millions)	
Income before income taxes	\$ 135	\$ 266	\$ 511	\$ 65
Current income tax provision	29	14	57	21
Deferred income tax provision	9	62	56	29
Total income tax provision	<u>\$ 38</u>	<u>\$ 76</u>	<u>\$ 113</u>	<u>\$ 50</u>

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
U.S. federal statutory tax rate	21 %	21 %	21 %	21 %
State income taxes, net	7	7	7	7
Change in the valuation allowance	—	—	(6)	49
Other	—	1	—	—
Effective tax rate	<u>28 %</u>	<u>29 %</u>	<u>22 %</u>	<u>77 %</u>

During the six months ended June 30, 2022, we recognized a valuation allowance of \$35 million for a portion of the tax loss on the sale of our Lost Hills assets, the deductibility of which was limited. During the six months ended June 30, 2023, we recognized the benefit of this tax loss by releasing the valuation allowance after we jointly agreed to amend the original tax treatment with the buyer. See *Note 7 Divestitures and Acquisitions* for more information on our Lost Hills transaction.

Realization of our deferred tax assets is subjective and remains dependent on a number of factors including our ability to generate sufficient taxable income in future periods.



## **NOTE 7 DIVESTITURES AND ACQUISITIONS**

### ***Divestitures***

#### **Ventura Basin Transactions**

In the three and six months ended June 30, 2022, we recorded a gain of \$4 million and \$10 million, respectively, related to the sale of certain Ventura basin assets. The closing of the sale of our remaining assets in the Ventura basin is subject to final approval from the State Lands Commission, which we expect to receive in the second half of 2023. These remaining assets, consisting of property, plant and equipment, and associated asset retirement obligations are classified as held for sale on our condensed consolidated balance sheets at June 30, 2023 and December 31, 2022. See *Part II, Item 8 – Financial Statements and Supplementary Data, Note 3 Divestitures and Acquisitions* in our 2022 Annual Report for additional information on the Ventura basin transactions.

#### **Lost Hills Transaction**

During the first quarter of 2022, we sold our 50% non-operated working interest in certain horizons within our Lost Hills field, located in the San Joaquin basin, recognizing a gain of \$49 million. We retained an option to capture, transport and store 100% of the CO<sub>2</sub> from steam generators across the Lost Hills field for future carbon management projects until January 1, 2026. We also retained 100% of the deep rights and related seismic data.

#### **Other**

During the six months ended June 30, 2023, we sold a non-producing asset in exchange for the assumption of liabilities recognizing a \$7 million gain. During the six months ended June 30, 2022, we sold non-core assets recognizing an insignificant loss.

### ***Acquisitions***

During the six months ended June 30, 2022, we acquired properties for carbon management activities for approximately \$17 million. We are evaluating the sale of certain unwanted assets that were part of this acquisition and recognized an impairment of \$3 million in the first quarter of 2023. The fair value of these assets, using Level 3 inputs in the fair value hierarchy, declined during the first quarter of 2023 due to market conditions including inflation and rising interest rates. These unwanted assets are classified as held for sale as of June 30, 2023 on our condensed consolidated balance sheet.

## NOTE 8 STOCKHOLDERS' EQUITY

### Share Repurchase Program

Our Board of Directors has authorized a Share Repurchase Program to acquire up to \$1.1 billion of our common stock through June 30, 2024. 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. The following is a summary of our share repurchases, held as treasury stock for the periods presented:

	<b>Total Number of Shares Purchased</b>		<b>Total Value of Shares Purchased</b>		<b>Average Price Paid per Share</b>
	(number of shares)		(in millions)		(\$ per share)
Three months ended June 30, 2022	2,255,445	\$	96	\$	42.57
Three months ended June 30, 2023	1,618,746	\$	64	\$	39.12
Six months ended June 30, 2022	3,923,901	\$	167	\$	42.55
Six months ended June 30, 2023	3,042,510	\$	123	\$	40.12
Inception of Program (May 2021) through June 30, 2023	14,498,770	\$	584	\$	40.18

Note: The total value of shares purchased includes approximately \$1 million in the six months ended June 30, 2023 related to excise taxes on share repurchases, which was effective beginning in 2023. Commissions paid were not significant in all periods presented.

### Dividends

On February 23, 2023, our Board of Directors declared a quarterly cash dividend of \$0.2825 per share of common stock which amounted to \$20 million in the aggregate. The dividend was payable to shareholders of record at the close of business on March 6, 2023 and was paid on March 16, 2023. On April 28, 2023, our Board of Directors declared a quarterly cash dividend of \$0.2825 per share of common stock which amounted to \$20 million in the aggregate. The dividend was payable to shareholders of record at the close of business on June 1, 2023 and was paid on June 16, 2023.

Future cash dividends, and the establishment of record and payment dates, are subject to final determination by our Board of Directors each quarter after reviewing our financial performance and position. See *Note 13 Subsequent Event* for information on future cash dividends.

### Warrants

In October 2020, we reserved an aggregate 4,384,182 shares of our common stock for warrants which are exercisable at \$36 per share through October 26, 2024.

As of June 30, 2023, we had outstanding warrants exercisable into 4,295,157 shares of our common stock (subject to adjustments pursuant to the terms of the warrants). During the three and six months ended June 30, 2023 and 2022, we issued an insignificant amount of shares of our common stock in exchange for warrants.

See *Part II, Item 8 – Financial Statements and Supplementary Data, Note 11 Stockholders' Equity* in our 2022 Annual Report for additional information on the terms of our warrants.

## NOTE 9 EARNINGS PER SHARE

Basic and diluted earnings per share (EPS) were calculated using the treasury stock method for the three and six months ended June 30, 2023 and 2022. Our restricted stock unit (RSU) and performance stock unit (PSU) awards are not considered participating securities since the dividend rights on unvested shares are forfeitable.

For basic EPS, the weighted-average number of common shares outstanding excludes shares underlying our 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, 2023 and 2022:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
(in millions, except per-share amounts)				
<b>Numerator for Basic and Diluted EPS</b>				
Net income	\$ 97	\$ 190	\$ 398	\$ 15
<b>Denominator for Basic EPS</b>				
Weighted-average shares	69.7	76.7	70.5	77.6
Potential Common Shares, if dilutive:				
Warrants	0.5	0.7	0.5	0.7
Restricted Stock Units	0.9	0.7	0.9	0.7
Performance Stock Units	0.8	0.7	0.8	0.6
<b>Denominator for Diluted EPS</b>				
Weighted-average shares	71.9	78.8	72.7	79.6
<b>EPS</b>				
Basic	\$ 1.39	\$ 2.48	\$ 5.65	\$ 0.19
Diluted	\$ 1.35	\$ 2.41	\$ 5.47	\$ 0.19

#### NOTE 10 SUPPLEMENTAL ACCOUNT BALANCES

*Revenues* — We derive most of our revenue from sales of oil, natural gas and natural gas liquids (NGLs), with the remaining revenue primarily generated from sales of electricity and marketing activities related to storage and managing excess pipeline capacity.

The following table provides disaggregated revenue for sales of produced oil, natural gas and NGLs to customers:

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
(in millions)				
Oil	\$ 362	\$ 547	\$ 752	\$ 1,033
Natural gas	43	94	306	174
NGLs	42	77	104	139
Oil, natural gas and NGL sales	\$ 447	\$ 718	\$ 1,162	\$ 1,346

*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 include produced oil and NGLs in storage, which are valued at the lower of cost or net realizable value. Inventories, by category, are as follows:

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
	(in millions)	
Materials and supplies	\$ 65	\$ 56
Finished goods	4	4
<b>Inventories</b>	<b>\$ 69</b>	<b>\$ 60</b>

*Other current assets, net* — Other current assets, net include the following:

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
	(in millions)	
Net amounts due from joint interest partners <sup>(a)</sup>	\$ 32	\$ 39
Fair value of commodity derivative contracts	37	39
Prepaid expenses	21	17
Greenhouse gas allowances	16	—
Natural gas margin deposits	3	16
Income tax receivable	4	10
Other	12	12
<b>Other current assets, net</b>	<b>\$ 125</b>	<b>\$ 133</b>

(a) Included in the June 30, 2023 and December 31, 2022 net amounts due from joint interest partners are allowances of \$1 million.

*Other noncurrent assets* — Other noncurrent assets include the following:

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
	(in millions)	
Operating lease right-of-use assets	\$ 83	\$ 73
Deferred financing costs - Revolving Credit Facility	12	6
Emission reduction credits	11	11
Prepaid power plant maintenance	31	28
Fair value of commodity derivative contracts	17	7
Deposits and other	12	15
<b>Other noncurrent assets</b>	<b>\$ 166</b>	<b>\$ 140</b>

Accrued liabilities — Accrued liabilities include the following:

	June 30, 2023	December 31, 2022
	(in millions)	
Employee-related costs	\$ 65	\$ 49
Taxes other than on income	31	32
Asset retirement obligations	72	59
Interest	19	19
Operating lease liability	16	18
Premiums due on commodity derivative contracts	35	58
Liability for settlement payments on commodity derivative contracts	15	33
Amounts due under production-sharing contracts	7	—
Signal Hill maintenance	11	8
Other	28	22
Accrued liabilities	<u>\$ 299</u>	<u>\$ 298</u>

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

	June 30, 2023	December 31, 2022
	(in millions)	
Compensation-related liabilities	\$ 40	\$ 36
Postretirement benefit plan	29	33
Operating lease liability	64	52
Premiums due on commodity derivative contracts	13	8
Contingent liability (related to Carbon TerraVault JV put and call rights)	50	48
Other	8	8
Other long-term liabilities	<u>\$ 204</u>	<u>\$ 185</u>

General and administrative expenses — The table below shows G&A expenses for our exploration and production business (including unallocated corporate overhead and other) separately from our carbon management business. The amounts shown for our carbon management business are net of amounts invoiced under the MSA to the Carbon TerraVault JV. See Note 2 Investment in Unconsolidated Subsidiary and Related Party Transactions for more information on the Carbon TerraVault JV.

G&A expenses were \$71 million for the three months ended June 30, 2023, which was an increase of \$15 million from \$56 million for the three months ended June 30, 2022. G&A expenses were \$136 million for the six months ended June 30, 2023, which was an increase of \$32 million from \$104 million for the six months ended June 30, 2022. The increase in G&A expenses for the three and six month periods was primarily attributable to compensation-related expenses, including accelerated vesting for certain departing employees and stock-based compensation awards granted in 2023, and higher spending on information technology infrastructure.

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	(in millions)		(in millions)	
Exploration and production, corporate and other	\$ 68	\$ 52	\$ 130	\$ 99
Carbon management business	3	4	6	5
Total general and administrative expenses	<u>\$ 71</u>	<u>\$ 56</u>	<u>\$ 136</u>	<u>\$ 104</u>

*Other operating expenses, net* — The table below shows other operating expenses, net for our exploration and production business (including unallocated corporate overhead and other) separately from our carbon management business. Carbon management expenses includes lease cost for carbon sequestration easements, advocacy, and other startup related costs.

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
	(in millions)		(in millions)	
Exploration and production, corporate and other	\$ 13	\$ 9	\$ 22	\$ 23
Carbon management business	8	—	12	—
Total other operating expenses, net	<u>\$ 21</u>	<u>\$ 9</u>	<u>\$ 34</u>	<u>\$ 23</u>

#### NOTE 11 SUPPLEMENTAL CASH FLOW INFORMATION

We paid \$51 million of U.S. federal and state income tax payments during the three and six months ended June 30, 2023. We paid \$20 million of U.S. federal income tax payments during the three and six months ended June 30, 2022. No state income tax payments were made in the three and six months ended June 30, 2022.

Interest paid, net of capitalized amounts, was insignificant for the three months ended June 30, 2023 and \$22 million for the six months ended June 30, 2023. Interest paid, net of capitalized amounts, was insignificant for the three months ended June 30, 2022 and \$22 million for the six months ended June 30, 2022.

Non-cash investing activities in the three and six months ended June 30, 2023 included \$2 million and \$4 million, respectively, related to our share of capital calls by the Carbon TerraVault JV. See *Note 2 Investment in Unconsolidated Subsidiary and Related Party Transactions* for more information on the Carbon TerraVault JV. Non-cash investing activities in the three and six months ended June 30, 2022 included \$1 million of additional earn-out consideration related to our Ventura basin asset divestiture.

#### NOTE 12 CONDENSED CONSOLIDATING FINANCIAL INFORMATION

We have designated certain of our subsidiaries as Unrestricted Subsidiaries under the indenture governing our Senior Notes (Senior Notes Indenture). Unrestricted Subsidiaries (as defined in the Senior Notes Indenture) are subject to fewer restrictions under the Senior Notes Indenture. We are required under the Senior Notes indenture to present the financial condition and results of operations of CRC and its Restricted Subsidiaries (as defined in the Senior Notes Indenture) separate from the financial condition and results of operations of its Unrestricted Subsidiaries. The following condensed consolidating balance sheets as of June 30, 2023 and December 31, 2022 and the condensed consolidating statements of operations for the three and six months ended June 30, 2023 and 2022, as applicable, reflect the condensed consolidating financial information of our parent company, CRC (Parent), our combined Unrestricted Subsidiaries, our combined Restricted Subsidiaries and the elimination entries necessary to arrive at the information for the Company on a consolidated basis. The financial information may not necessarily be indicative of the financial condition and results of operations had the Unrestricted Subsidiaries operated as independent entities.

**Condensed Consolidating Balance Sheets**  
**As of June 30, 2023 and December 31, 2022**

As of June 30, 2023						
Parent	Combined Unrestricted Subsidiaries	Combined Restricted Subsidiaries	Eliminations	Consolidated		
(in millions)						
Total current assets	\$ 467	\$ 30	\$ 370	\$ —	\$ 867	
Total property, plant and equipment, net	12	7	2,726	—	2,745	
Investments in consolidated subsidiaries	2,736	(9)	1,530	(4,257)	—	
Deferred tax asset	108	—	—	—	108	
Investment in unconsolidated subsidiary	—	14	—	—	14	
Other assets	14	42	110	—	166	
<b>TOTAL ASSETS</b>	<b>\$ 3,337</b>	<b>\$ 84</b>	<b>\$ 4,736</b>	<b>\$ (4,257)</b>	<b>\$ 3,900</b>	
Total current liabilities	95	9	478	—	\$ 582	
Long-term debt	593	—	—	—	593	
Asset retirement obligations	—	—	411	—	411	
Other long-term liabilities	77	76	51	—	204	
Amounts due to (from) affiliates	462	21	(483)	—	—	
Total equity	2,110	(22)	4,279	(4,257)	2,110	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 3,337</b>	<b>\$ 84</b>	<b>\$ 4,736</b>	<b>\$ (4,257)</b>	<b>\$ 3,900</b>	
As of December 31, 2022						
Parent	Combined Unrestricted Subsidiaries	Combined Restricted Subsidiaries	Eliminations	Consolidated		
(in millions)						
Total current assets	\$ 329	\$ 33	\$ 502	\$ —	\$ 864	
Total property, plant and equipment, net	13	6	2,767	—	2,786	
Investments in consolidated subsidiaries	2,096	—	1,512	(3,608)	—	
Deferred tax asset	164	—	—	—	164	
Investment in unconsolidated subsidiary	—	13	—	—	13	
Other assets	8	33	99	—	140	
<b>TOTAL ASSETS</b>	<b>\$ 2,610</b>	<b>\$ 85</b>	<b>\$ 4,880</b>	<b>\$ (3,608)</b>	<b>\$ 3,967</b>	
Total current liabilities	76	7	811	—	\$ 894	
Long-term debt	592	—	—	—	592	
Asset retirement obligations	—	—	432	—	432	
Other long-term liabilities	78	67	40	—	185	
Total equity	1,864	11	3,597	(3,608)	1,864	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 2,610</b>	<b>\$ 85</b>	<b>\$ 4,880</b>	<b>\$ (3,608)</b>	<b>\$ 3,967</b>	

**Condensed Consolidating Statement of Operations**  
**For the three and six months ended June 30, 2023 and 2022**

Three months ended June 30, 2023						
	Parent	Combined Unrestricted Subsidiaries	Combined Restricted Subsidiaries	Eliminations	Consolidated	
	(in millions)					
Total revenues	\$ 5	\$ —	\$ 586	\$ —	\$ 591	
Total costs and other	62	11	371	—	444	
Non-operating (loss) income	(11)	(2)	1	—	(12)	
<b>(LOSS) INCOME BEFORE INCOME TAXES</b>	<b>(68)</b>	<b>(13)</b>	<b>216</b>	<b>—</b>	<b>135</b>	
Income tax provision	(38)	—	—	—	(38)	
<b>NET (LOSS) INCOME</b>	<b>\$ (106)</b>	<b>\$ (13)</b>	<b>\$ 216</b>	<b>\$ —</b>	<b>\$ 97</b>	

Three months ended June 30, 2022						
	Parent	Combined Unrestricted Subsidiaries	Combined Restricted Subsidiaries	Eliminations	Consolidated	
	(in millions)					
Total revenues	\$ —	\$ —	\$ 747	\$ —	\$ 747	
Total costs and other	43	5	425	—	473	
Gain on asset divestitures	—	—	4	—	4	
Non-operating (loss) income	(13)	—	1	—	(12)	
<b>(LOSS) INCOME BEFORE INCOME TAXES</b>	<b>(56)</b>	<b>(5)</b>	<b>327</b>	<b>—</b>	<b>266</b>	
Income tax provision	(76)	—	—	—	(76)	
<b>NET (LOSS) INCOME</b>	<b>\$ (132)</b>	<b>\$ (5)</b>	<b>\$ 327</b>	<b>\$ —</b>	<b>\$ 190</b>	

Six months ended June 30, 2023						
	Parent	Combined Unrestricted Subsidiaries	Combined Restricted Subsidiaries	Eliminations	Consolidated	
	(in millions)					
Total revenues	\$ 9	\$ —	\$ 1,606	\$ —	\$ 1,615	
Total costs and other	112	19	951	—	1,082	
Gain on asset divestitures	—	—	7	—	7	
Non-operating (loss) income	(27)	(5)	3	—	(29)	
<b>(LOSS) INCOME BEFORE INCOME TAXES</b>	<b>(130)</b>	<b>(24)</b>	<b>665</b>	<b>—</b>	<b>511</b>	
Income tax provision	(113)	—	—	—	(113)	
<b>NET (LOSS) INCOME</b>	<b>\$ (243)</b>	<b>\$ (24)</b>	<b>\$ 665</b>	<b>\$ —</b>	<b>\$ 398</b>	



**Six months ended June 30, 2022**

	<b>Parent</b>	<b>Combined Unrestricted Subsidiaries</b>	<b>Combined Restricted Subsidiaries</b>	<b>Eliminations</b>	<b>Consolidated</b>
	(in millions)				
Total revenues	\$ —	\$ —	\$ 900	\$ —	\$ 900
Total costs and other	81	7	781	—	869
Gain on asset divestitures	—	—	58	—	58
Non-operating (loss) income	(27)	—	3	—	(24)
<b>(LOSS) INCOME BEFORE INCOME TAXES</b>	<b>(108)</b>	<b>(7)</b>	<b>180</b>	<b>—</b>	<b>65</b>
Income tax provision	(50)	—	—	—	(50)
<b>NET (LOSS) INCOME</b>	<b>\$ (158)</b>	<b>\$ (7)</b>	<b>\$ 180</b>	<b>\$ —</b>	<b>\$ 15</b>

**NOTE 13 SUBSEQUENT EVENT**

On July 28, 2023, our Board of Directors declared a quarterly cash dividend of \$0.2825 per share of common stock. The dividend is payable to shareholders of record at the close of business on September 1, 2023 and is expected to be paid on September 15, 2023.

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

### General

We are an independent energy and carbon management company committed to energy transition. We produce some of the lowest carbon intensity oil in the United States according to a joint report by Ceres and the Clean Air Task Force and we are focused on maximizing the value of our land, minerals and technical resources for decarbonization efforts. We are in the early stages of developing several carbon capture and storage (CCS) projects and other emissions reducing projects in California. We intend to pursue some or all of these projects through our Carbon TerraVault JV that we formed with BGTF Sierra Aggregator LLC (Brookfield). While all of these projects are in early stages, we expect that the size and scope of our projects providing these and similar services and capital spent on such projects will continue to grow given our strategy of expansion into carbon management. For more information about the risks involved in our carbon capture projects, see *Part I, Item 1A – Risk Factors* in our Annual Report on Form 10-K for the year ended December 31, 2022 (2022 Annual Report) and for more information on the Carbon TerraVault JV, see *Part I, Item 1 – Financial Statements, Note 2 Investment in Unconsolidated Subsidiary and Related Party Transactions*.

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 consolidated subsidiaries.

### Business Environment and Industry Outlook

#### Commodity Prices

Our operating results and those of the oil and natural 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 may 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 declined slightly in the three months ended June 30, 2023 compared to the three months ended March 31, 2023 as global demand for oil remained generally flat. The decrease in natural gas index prices during the three months ended June 30, 2023 compared to the three months ended March 31, 2023 occurred as North American natural gas production and storage inventories remained relatively high in the second quarter. Refer to *Prices and Realizations* below for additional information our realized prices.

The following table presents the average daily benchmark prices for oil and natural gas during the periods presented:

	Three months ended		Six months ended	
	June 30, 2023	March 31, 2023	June 30, 2023	June 30, 2022
Brent oil (\$/Bbl)	\$ 78.01	\$ 82.22	\$ 80.12	\$ 104.59
WTI oil (\$/Bbl)	\$ 73.78	\$ 76.13	\$ 74.95	\$ 101.35
NYMEX Henry Hub (\$/MMBtu) Average Monthly Settled Price	\$ 2.10	\$ 3.42	\$ 2.76	\$ 6.06

## Regulatory Updates

CalGEM is California's primary regulator of the oil and natural gas production industry on private and state lands, with additional oversight from the State Lands Commission's administration of state surface and mineral interests. From time to time we have experienced significant delays with respect to obtaining drilling permits from CalGEM for our operations. A variety of factors outside of our control can lead to such delays. Since December 2022, CalGEM has issued a limited number of permits for new production wells in California, and those permits were issued to other operators. We continue to receive permits from CalGEM for workovers, deepenings, sidetracks and plugging and abandonment operations. For more information, see *Part I, Item 1 & 2 – Business and Properties, Regulation of the Industries in Which We Operate* in our 2022 Annual Report.

Our operations in the Wilmington Oil Field utilize injection wells to reinject produced water pursuant to waterflooding plans. These operations are subject to regulation by the City of Long Beach and CalGEM. We are currently in discussions with the City of Long Beach and CalGEM with respect to what injection well pressure gradient complies with CalGEM's regulatory requirements for the protection of underground sources of drinking water, while at the same time mitigating subsidence risks. CalGEM's local office has preliminarily indicated that the injection well pressure gradient should be reduced from the gradient that has been used for several decades. As part of our ongoing discussions, we and the City of Long Beach have provided CalGEM with technical information regarding how the historical injection well pressure gradient complies with CalGEM's requirements, as well as the Clean Water Act, and to inform them of the absence of risk of leakage from the injection zone. CalGEM has proposed a meeting for CRC and the City of Long Beach to present their technical findings in more detail, to occur in or around August 2023. As part of that meeting, and subject to its outcome, CalGEM has also proposed that CRC and the City of Long Beach present a work plan for the reduction of injection pressures over a six-month period to levels acceptable to CalGEM. We are in the process of preparing a response and continue to believe that existing injection pressures address subsidence risks and are protective of underground sources of drinking water. If CalGEM were to ultimately disagree and determine to reduce the injection well pressure gradient, and we were unable to reverse that decision on appeal or other legal challenge, we expect any material reduction in injection well pressure gradient for our operations in the Wilmington Oil Field would result in a decrease in production and reserves from the field. For additional information, see *Part I, Item 1 & 2 – Business and Properties, Regulation of the Industries in Which We Operate, Regulation of Exploration and Production Activities* and the Risk factor entitled *"Our business is highly regulated and government authorities can delay or deny permits and approvals or change requirements governing our operations, including hydraulic fracturing and other well stimulation methods, enhanced production techniques and fluid injection or disposal, that could increase costs, restrict operations and change or delay the implementation of our business plans"* in our 2022 Annual Report.

## Supply Chain Constraints and Inflation

In 2023, we have experienced relatively flat pricing compared to 2022. Labor costs and national electricity prices have risen which has partially negated the benefits of supply chains opening up in 2023. Further, we have been unable to obtain price reductions from our vendors for certain purchased goods, including OCTG, wellbore tubulars and chemicals. These categories have raw material inputs such as steel and diesel fuel which have experienced intermediate price spikes throughout the first half of 2023 preventing our vendors from offering price reductions for these items.

We have taken measures to limit the effects of inflation by entering into contracts for materials and services with terms of one to three years. For contracts that we anticipate renegotiating in the second half of 2023, we expect moderate price increases for certain purchased goods and services. We also continue to look at ways to improve productivity and performance from our workforce and our vendors.

## Production

The following table sets forth our average net production of oil, NGLs and natural gas per day in each of the California oil and natural gas basins in which we operated for the periods presented.

	Three months ended		Six months ended	
	June 30, 2023	March 31, 2023	June 30, 2023	June 30, 2022
<b>Oil (MBbl/d)</b>				
San Joaquin Basin	34	35	35	38
Los Angeles Basin	19	20	19	17
Total	53	55	54	55
<b>NGLs (MBbl/d)</b>				
San Joaquin Basin	11	11	11	11
Total	11	11	11	11
<b>Natural gas (MMcf/d)</b>				
San Joaquin Basin	119	119	119	127
Los Angeles Basin	1	1	1	1
Sacramento Basin	15	16	16	18
Total	135	136	136	146
<b>Total Net Production (MBoe/d)</b>	<b>86</b>	<b>89</b>	<b>88</b>	<b>90</b>

Total daily net production for the three months ended June 30, 2023, compared to the three months ended March 31, 2023 decreased by 3 MBoe/d largely due to natural decline and changes in NGL storage volumes. This decrease was partially offset by increased production from drilling and workover activity. Our production-sharing contracts (PSCs), which are described below, negatively impacted our net oil production by 1 MBoe/d in the three months ended June 30, 2023 compared to the three months ended March 31, 2023.

Total daily net production for the six months ended June 30, 2023, compared to the same prior year period decreased by 2 MBoe/d largely due to natural decline partially offset by increased production from drilling and workover activity. Our PSCs positively impacted our production by 2 MBoe/d in the six months ended June 30, 2023 compared to the same prior year period.

The following table reconciles our average net production to our average gross production (which includes production from the fields we operate and our share of production from fields operated by others) for the periods presented:

	Three months ended		Six months ended	
	June 30, 2023	March 31, 2023	June 30, 2023	June 30, 2022
<b>Total Net Production</b>	86	89	88	90
Partners' share under PSC-type contracts	7	6	6	7
Working interest and royalty holders' share	8	7	8	8
Changes in NGL inventory and other	2	1	1	1
<b>Total Gross Production</b>	<b>103</b>	<b>103</b>	<b>103</b>	<b>106</b>

### **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. 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. Operating costs, excluding effects of PSC-type contracts is a non-GAAP measure which adjusts for excess costs attributable to PSC-type contracts for the periods presented in the tables below:

	<b>Three months ended</b>			
	<b>June 30, 2023</b>		<b>March 31, 2023</b>	
	(in millions)	(\$ per Boe)	(in millions)	(\$ per Boe)
Operating costs	\$ 186	\$ 23.71	\$ 254	\$ 31.61
Excess costs attributable to PSC-type contracts	(17)	(2.15)	(18)	(2.23)
Operating costs, excluding effects of PSC-type contracts	<u>\$ 169</u>	<u>\$ 21.56</u>	<u>\$ 236</u>	<u>\$ 29.38</u>

	<b>Six months ended</b>			
	<b>June 30, 2023</b>		<b>June 30, 2022</b>	
	(in millions)	(\$ per Boe)	(in millions)	(\$ per Boe)
Operating costs	\$ 440	\$ 27.71	\$ 372	\$ 22.90
Excess costs attributable to PSC-type contracts	(35)	(2.19)	(40)	(2.45)
Operating costs, excluding effects of PSC-type contracts	<u>\$ 405</u>	<u>\$ 25.52</u>	<u>\$ 332</u>	<u>\$ 20.45</u>

For further information on our production-sharing contracts, see *Part I, Item 1 & 2 Business and Properties, Oil and Natural Gas Operations, Production, Price and Cost History* in our 2022 Annual Report.

## Prices and Realizations

The following tables set forth the average realized prices and price realizations as a percentage of average Brent, WTI and NYMEX indexes for our products for the periods presented:

	Three months ended			
	June 30, 2023		March 31, 2023	
	Price	Realization	Price	Realization
<b>Oil (\$ per Bbl)</b>				
Brent	\$ 78.01		\$ 82.22	
Realized price without derivative settlements	\$ 75.77	97%	\$ 78.68	96%
Derivative settlements	(12.11)		(15.64)	
Realized price with derivative settlements	<u>\$ 63.66</u>	82%	<u>\$ 63.04</u>	77%
<b>WTI</b>				
WTI	\$ 73.78		\$ 76.13	
Realized price without derivative settlements	\$ 75.77	103%	\$ 78.68	103%
Realized price with derivative settlements	\$ 63.66	86%	\$ 63.04	83%
<b>NGLs (\$ per Bbl)</b>				
Realized price (% of Brent)	\$ 42.48	54%	\$ 58.88	72%
Realized price (% of WTI)	\$ 42.48	58%	\$ 58.88	77%
<b>Natural gas</b>				
NYMEX Henry Hub (\$/MMBtu) - Average Monthly Settled Price	\$ 2.10		\$ 3.42	
Realized price without derivative settlements (\$/Mcf)	\$ 3.46	165%	\$ 21.56	630%
Derivative settlements	—		—	
Realized price with derivative settlements (\$/Mcf)	<u>\$ 3.46</u>	165%	<u>\$ 21.56</u>	630%

	Six months ended			
	June 30, 2023		June 30, 2022	
	Price	Realization	Price	Realization
<b>Oil (\$ per Bbl)</b>				
Brent	\$ 80.12		\$ 104.59	
Realized price without derivative settlements	\$ 77.25	96%	\$ 104.07	100%
Derivative settlements	(13.90)		(42.36)	
Realized price with derivative settlements	<u>\$ 63.35</u>	79%	<u>\$ 61.71</u>	59%
WTI	\$ 74.95		\$ 101.35	
Realized price without derivative settlements	\$ 77.25	103%	\$ 104.07	103%
Realized price with derivative settlements	\$ 63.35	85%	\$ 61.71	61%
<b>NGLs (\$ per Bbl)</b>				
Realized price (% of Brent)	\$ 50.88	64%	\$ 72.57	69%
Realized price (% of WTI)	\$ 50.88	68%	\$ 72.57	72%
<b>Natural gas</b>				
NYMEX Henry Hub (\$/MMBtu) - Average Monthly Settled Price	\$ 2.76		\$ 6.06	
Realized price without derivative settlements (\$/Mcf)	\$ 12.44	451%	\$ 6.58	109%
Derivative settlements	—		(0.07)	
Realized price with derivative settlements (\$/Mcf)	<u>\$ 12.44</u>	451%	<u>\$ 6.51</u>	107%

*Oil* — Brent prices decreased slightly for the three months ended June 30, 2023 compared to the three months ended March 31, 2023 as global demand for crude remained generally flat. Oil prices in the six months ended June 30, 2023 were lower than the same prior year period in 2022 as global energy inventories (including crude, refined products and natural gas) stabilized and as Russian crude and refined products continue to reach markets.

*NGLs* — NGL prices for the three months ended June 30, 2023 decreased compared to the three months ended March 31, 2023 reflecting traditional seasonality in NGL pricing, as well as higher than normal levels of inventory for this time of year. NGL prices for the six months ended June 30, 2023 decreased compared to the same prior year period as prices for competing and complementary products (natural gas, crude oil) have declined. For both periods, California remained a premium market compared to other North American locations.

*Natural Gas* — Our realized price for natural gas decreased for the three months ended June 30, 2023 compared to the three months ended March 31, 2023 as weather across the West Coast of the United States during the quarter remained moderate and as California storage inventories rebounded from historically low levels. Natural gas prices in the six months ended June 30, 2023 were higher than the same period in 2022 reflecting the unprecedented pricing experienced in California natural gas markets during the first quarter of 2023.

## 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 months ended June 30, 2023 and March 31, 2023 and the six months ended June 30, 2023 and 2022. Energy operating costs consist of purchased natural gas used to generate electricity for our operations and steam for our steamfloods, purchased electricity and internal costs to generate electricity used in our operations. Gas processing costs include costs associated with compression, maintenance and other activities needed to run our gas processing facilities at Elk Hills. Non-energy operating costs equal total operating costs less energy operating costs and gas processing costs. Purchased natural gas used to generate steam in our steamfloods was reclassified from non-energy operating costs to energy operating costs beginning in the third quarter of 2022. All prior periods have been updated to conform to this presentation.

	Three months ended		Six months ended	
	June 30, 2023	March 31, 2023	June 30, 2023	June 30, 2022
	(\$ per Boe)			
Energy operating costs	\$ 7.39	\$ 15.56	\$ 11.52	\$ 9.24
Gas processing costs	\$ 0.64	\$ 0.62	\$ 0.63	\$ 0.55
Non-energy operating costs	\$ 15.68	\$ 15.43	\$ 15.56	\$ 13.11
Operating costs	\$ 23.71	\$ 31.61	\$ 27.71	\$ 22.90
Field general and administrative expenses <sup>(a)</sup>	\$ 1.40	\$ 1.49	\$ 1.45	\$ 0.92
Field depreciation, depletion and amortization <sup>(b)</sup>	\$ 6.50	\$ 6.72	\$ 6.61	\$ 5.29
Field taxes other than on income	\$ 3.70	\$ 3.73	\$ 3.72	\$ 3.20

a. Excludes unallocated general and administrative expenses.

b. Excludes depreciation, depletion and amortization related to our corporate assets and our Elk Hills power plant.

Operating costs decreased during the three months ended June 30, 2023 compared to the three months ended March 31, 2023 primarily due to lower energy operating costs as natural gas prices in California markets declined between quarters. Operating costs were higher in the six months ended June 30, 2023 compared to the same prior year period primarily due to increased energy operating costs as natural gas prices in California experienced unprecedented highs during the first quarter of 2023. Lower production volumes also contributed to the increase on a per Boe basis.

Field depreciation, depletion and amortization decreased slightly during the three months ended June 30, 2023 compared to the three months ended March 31, 2023 due to lower production volumes. Field depreciation, depletion and amortization increased during the six months ended June 30, 2023 compared to the same prior year period primarily due to a change in our depreciation, depletion and amortization rates which are periodically adjusted to reflect current reserve estimates. This increase was partially offset by lower production volumes in the six months ended June 30, 2023 compared to the six months ended June 30, 2022. Lower production volumes also contributed to the increase on a per Boe basis.

### Consolidated Results of Operations

For financial information related to our subsidiaries designated as Unrestricted Subsidiaries under the Senior Notes Indenture, see *Part I, Item 1 – Financial Statements, Note 12 Condensed Consolidated Financial Information*.



Three months ended June 30, 2023 compared to March 31, 2023

The following table presents our operating revenues for the three months ended June 30, 2023 and March 31, 2023:

	Three months ended	
	June 30, 2023	March 31, 2023
	(in millions)	
Oil, natural gas and NGL sales	\$ 447	\$ 715
Net gain from commodity derivatives	31	42
Sales of purchased natural gas	72	184
Electricity sales	34	68
Other revenue	7	15
Total operating revenues	<u>\$ 591</u>	<u>\$ 1,024</u>

*Oil, natural gas and NGL sales* — Oil, natural gas and NGL sales, excluding the effects of cash settlements on our commodity derivative contracts, were \$447 million for the three months ended June 30, 2023, which is a decrease of \$268 million compared to \$715 million for the three months ended March 31, 2023. This decrease was primarily due to lower realized prices for the second quarter of 2023 as shown in the table below.

	Oil		NGLs		Natural Gas		Total	
	(in millions)							
Three months ended March 31, 2023	\$ 390	\$ 62	\$ 263	\$ 715				
Changes in realized prices	(15)	(18)	(221)	(254)				
Changes in production	(13)	(2)	1	(14)				
Three months ended June 30, 2023	<u>\$ 362</u>	<u>\$ 42</u>	<u>\$ 43</u>	<u>\$ 447</u>				

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

The effect of cash settlements on our commodity derivative contracts is not included in the table above. Payments on commodity derivatives were \$63 million for the three months ended June 30, 2023 compared to \$65 million for the three months ended March 31, 2023. Including the effect of settlement payments for commodity derivatives, our oil, natural gas and NGL sales decreased by \$266 million compared to the three months ended March 31, 2023.

*Net gain from commodity derivatives* — Net gain from commodity derivatives was \$31 million for the three months ended June 30, 2023 compared to \$42 million for the three months ended March 31, 2023. The change primarily resulted from non-cash changes in the fair value of our outstanding commodity derivatives from the positions held at the end of each measurement period as well as the relationship between contract prices and the associated forward curves:

	Three months ended	
	June 30, 2023	March 31, 2023
	(in millions)	
Non-cash commodity derivative gain	\$ 94	\$ 107
Net cash payments on settled commodity derivatives	(63)	(65)
Net gain from commodity derivatives	<u>\$ 31</u>	<u>\$ 42</u>

*Sales of purchased natural gas* — Sales of purchased natural gas relates to natural gas acquired from third parties which is subsequently sold in connection with certain of our marketing activities. Sales of purchased natural gas were \$72 million for the three months ended June 30, 2023, a decrease of \$112 million from \$184 million during the three months ended March 31, 2023. The decrease was primarily the result of lower market prices for natural gas. Our natural gas sales net of related purchased natural gas expense were \$45 million for the three months ended June 30, 2023 compared to \$60 million for the three months ended March 31, 2023.

*Electricity sales* — Electricity sales decreased by \$34 million to \$34 million for the three months ended June 30, 2023 compared to \$68 million for the three months ended March 31, 2023 predominately due to higher power prices during the first quarter of 2023.

The following table presents our operating and non-operating expenses and income for the three months ended June 30, 2023 and March 31, 2023:

	Three months ended	
	June 30, 2023	March 31, 2023
	(in millions)	
<b>Operating expenses</b>		
Energy operating costs	\$ 58	\$ 125
Gas processing costs	5	5
Non-energy operating costs	123	124
General and administrative expenses	71	65
Depreciation, depletion and amortization	56	58
Asset impairment	—	3
Taxes other than on income	42	42
Exploration expense	1	1
Purchased natural gas expense	27	124
Electricity generation expenses	13	49
Transportation costs	16	17
Accretion expense	11	12
Other operating expenses, net	21	13
Total operating expenses	444	638
Gain on asset divestitures	—	7
Operating income	147	393
<b>Non-operating (expenses) income</b>		
Interest and debt expense	(14)	(14)
Loss from investment in unconsolidated subsidiary	(1)	(2)
Other non-operating (expense) income	3	(1)
Income before income taxes	135	376
Income tax provision	(38)	(75)
Net income	\$ 97	\$ 301

*Energy operating costs* — Energy operating costs for the three months ended June 30, 2023 were \$58 million, which was a decrease of \$67 million from \$125 million for the three months ended March 31, 2023. This decrease was a result of lower natural gas prices in the second quarter of 2023. For more information on our natural gas market prices, see *Prices and Realizations* above.

*Non-energy operating costs* — Non-energy operating costs includes \$3 million and \$1 million of stock-based compensation expense related to our cash-settled awards for the three months ended June 30, 2023 and March 31, 2023, respectively. See *General and administrative expenses* below for additional information on our stock-based compensation awards.

*General and administrative expenses* — General and administrative (G&A) expenses were \$71 million for the three months ended June 30, 2023, which was an increase of \$6 million from \$65 million for the three months ended March 31, 2023. The increase in G&A expenses was primarily attributable to compensation-related expenses including accelerated vesting for certain departing employees and new stock-based compensation awards granted. Stock-based compensation awards are discussed further below.

The table below shows G&A expenses for our exploration and production business (including unallocated corporate overhead and other) separately from our carbon management business. The amounts shown for our carbon management business do not include expenses borne by the Carbon TerraVault JV.

	Three months ended	
	June 30, 2023	March 31, 2023
	(in millions)	
Exploration and production, corporate and other	\$ 68	\$ 62
Carbon management business	3	3
<b>Total general and administrative expenses</b>	<b>\$ 71</b>	<b>\$ 65</b>

Awards are granted under our stock-based compensation plans to executives, non-executive employees and non-employee directors that are either settled with shares of our common stock or cash. Our equity-settled awards granted to executives include performance stock units and restricted stock units that either cliff vest at the end of a two- or three-year period or vest ratably over a two- or three-year period. Our equity-settled awards granted to non-employee directors are restricted stock units that vest ratably over a three-year period. Our cash-settled awards granted to non-executive employees vest ratably over a three-year period.

Changes in our stock price introduce volatility in our results of operations because we pay half of our cash-settled awards based on our stock price performance and we adjust our obligation for unvested cash-settled awards at the end of each reporting period. Equity-settled awards are not similarly adjusted for changes in our stock price.

Stock-based compensation included in G&A expense is shown in the table below:

	Three months ended	
	June 30, 2023	March 31, 2023
	(in millions)	
Cash-settled awards	\$ 5	\$ 3
Stock-settled awards	8	6
<b>Total included in general and administrative expenses</b>	<b>\$ 13</b>	<b>\$ 9</b>

*Purchased natural gas expense* — Purchased natural gas expense relates to natural gas acquired from third parties in connection with certain of our marketing activities. We purchased \$27 million of natural gas for marketing activities during the three months ended June 30, 2023, which was a decrease of \$97 million from \$124 million for the three months ended March 31, 2023. The decrease was predominantly the result of a decline in marketing activity and lower market prices in the three months ended June 30, 2023 compared to the three months ended March 31, 2023. For more information on our natural gas market prices, see *Prices and Realizations* above.

*Electricity generation expenses* — Electricity generation expenses for the three months ended June 30, 2023 were \$13 million, which was a decrease of \$36 million from \$49 million for the three months ended March 31, 2023. This decrease was primarily due to lower prices for natural gas.

*Income taxes* — The income tax provision for the three months ended June 30, 2023 was \$38 million (effective tax rate of 28%), compared to \$75 million (effective tax rate of 20%) for the three months ended March 31, 2023. Excluding the effect of the change in valuation allowance, our effective tax rate would have been 28% in the three months ended March 31, 2023. See *Part I, Item 1 – Financial Statements, Note 6 Income Taxes* for more information on a valuation allowance related to our Lost Hills divestiture.

Six months ended June 30, 2023 compared to June 30, 2022

The following table presents our operating revenues for the six months ended June 30, 2023 and 2022:

	<b>Six months ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
	(in millions)	
Oil, natural gas and NGL sales	\$ 1,162	\$ 1,346
Net gain (loss) from commodity derivatives	73	(662)
Sales of purchased natural gas	256	107
Electricity sales	102	83
Other revenue	22	26
Total operating revenues	<u>\$ 1,615</u>	<u>\$ 900</u>

*Oil, natural gas and NGL sales* — Oil, natural gas and NGL sales, excluding the effects of cash settlements on our commodity derivative contracts, were \$1,162 million for the six months ended June 30, 2023, which is a decrease of \$184 million compared to \$1,346 million for the six months ended June 30, 2022. This decrease was primarily due to changes in realized prices as shown in the table below, including lower realized prices for oil and NGLs partially offset by higher realized prices for natural gas.

	<b>Oil</b>	<b>NGLs</b>	<b>Natural Gas</b>	<b>Total</b>
	(in millions)			
Six months ended June 30, 2022	\$ 1,033	\$ 139	\$ 174	\$ 1,346
Changes in realized prices	(266)	(42)	155	(153)
Changes in production	(15)	7	(23)	(31)
Six months ended June 30, 2023	<u>\$ 752</u>	<u>\$ 104</u>	<u>\$ 306</u>	<u>\$ 1,162</u>

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

The effect of cash settlements on our commodity derivative contracts is not included in the table above. Payments on commodity derivatives were \$128 million for the six months ended June 30, 2023 compared to payments of \$422 million for the six months ended June 30, 2022. Including the effect of settlement payments for commodity derivatives, our oil, natural gas and NGL sales increased by \$110 million compared to the six months ended June 30, 2022.

*Net gain (loss) from commodity derivatives* — Net gain from commodity derivatives was \$73 million for the six months ended June 30, 2023 compared to a net loss of \$662 million for the six months ended June 30, 2022. The change primarily resulted from non-cash changes in the fair value of our outstanding commodity derivatives from the positions held at the end of each measurement period as well as the relationship between contract prices and the associated forward curves:

	<b>Six months ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
	(in millions)	
Non-cash commodity derivative gain (loss)	\$ 201	\$ (240)
Net cash payments on settled commodity derivatives	(128)	(422)
Net gain (loss) from commodity derivatives	<u>\$ 73</u>	<u>\$ (662)</u>

*Sales of purchased natural gas* — Sales of purchased natural gas relates to natural gas acquired from third parties which is subsequently sold in connection with certain of our marketing activities. Sales of purchased natural gas were \$256 million for the six months ended June 30, 2023, an increase of \$149 million from \$107 million during the six months ended June 30, 2022. The increase was primarily the result of higher marketing activity and higher market prices in 2023. Our natural gas sales net of related purchased natural gas expense were \$105 million for the six months ended June 30, 2023 compared to \$19 million for the six months ended June 30, 2022.

*Electricity sales* — Electricity sales increased by \$19 million to \$102 million for the six months ended June 30, 2023 compared to \$83 million for the six months ended June 30, 2022. The increase was predominately a result of higher power prices in the first quarter of 2023 compared to the prior year. Our electricity sales net of electricity generation expenses were \$40 million for the six months ended June 30, 2023 compared to \$26 million for the six months ended June 30, 2022.

The following table presents our operating and non-operating expenses and income for the six months ended June 30, 2023 and 2022:

	<b>Six months ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
	(in millions)	
<b>Operating expenses</b>		
Energy operating costs	\$ 183	\$ 150
Gas processing costs	10	9
Non-energy operating costs	247	213
General and administrative expenses	136	104
Depreciation, depletion and amortization	114	99
Asset impairment	3	2
Taxes other than on income	84	76
Exploration expense	2	2
Purchased natural gas expense	151	88
Electricity generation expenses	62	57
Transportation costs	33	24
Accretion expense	23	22
Other operating expenses, net	34	23
<b>Total operating expenses</b>	<b>1,082</b>	<b>869</b>
Gain (loss) on asset divestitures	7	58
<b>Operating income</b>	<b>540</b>	<b>89</b>
<b>Non-operating (expenses) income</b>		
Interest and debt expense	(28)	(26)
Loss from investment in unconsolidated subsidiary	(3)	—
Other non-operating (expense) income	2	2
<b>Income before income taxes</b>	<b>511</b>	<b>65</b>
Income tax provision	(113)	(50)
<b>Net income</b>	<b>\$ 398</b>	<b>\$ 15</b>

*Energy operating costs* — Energy operating costs for the six months ended June 30, 2023 were \$183 million, which was an increase of \$33 million from \$150 million for the six months ended June 30, 2022. This increase was a result of higher prices in the first six months of 2023 compared to the same prior year period. For more information on our natural gas market prices, see *Prices and Realizations* above.

*Non-energy operating costs* — Non-energy operating costs were \$247 million for the six months ended June 30, 2023, which was an increase of \$34 million from \$213 million for the six months ended June 30, 2022. The increase was predominately a result of higher downhole maintenance activity. Non-energy operating costs also includes \$4 million and \$2 million of stock-based compensation expense related to our cash-settled awards for the six months ended June 30, 2023 and 2022, respectively. See *General and administrative expenses* below for additional information on our stock-based compensation awards.

*General and administrative expenses* — General and administrative (G&A) expenses were \$136 million for the six months ended June 30, 2023, which was an increase of \$32 million from \$104 million for the six months ended June 30, 2022. The increase in G&A expenses was primarily attributable to compensation-related expenses, including stock-based compensation awards granted in 2023, and higher spending on information technology infrastructure. Stock-based compensation awards are discussed further below.

The table below shows G&A expenses for our exploration and production business (in addition to unallocated corporate overhead and other) separately from our carbon management business. The amounts shown for our carbon management business do not include expenses borne by the Carbon TerraVault JV.

	<b>Six months ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
	(in millions)	
Exploration and production, corporate and other	\$ 130	\$ 99
Carbon management business	6	5
<b>Total general and administrative expenses</b>	<b>\$ 136</b>	<b>\$ 104</b>

Awards are granted under our stock-based compensation plans to executives, non-executive employees and non-employee directors that are either settled with shares of our common stock or cash. Our equity-settled awards granted to executives include performance stock units and restricted stock units that either cliff vest at the end of a two- or three-year period or vest ratably over a two- or three-year period. Our equity-settled awards granted to non-employee directors are restricted stock units that vest ratably over a three-year period. Our cash-settled awards granted to non-executive employees vest ratably over a three-year period.

Changes in our stock price introduce volatility in our results of operations because we pay half of our cash-settled awards based on our stock price performance and we adjust our obligation for unvested cash-settled awards at the end of each reporting period. Equity-settled awards are not similarly adjusted for changes in our stock price.

Stock-based compensation included in G&A expense is shown in the table below:

	<b>Six months ended</b>	
	<b>June 30, 2023</b>	<b>June 30, 2022</b>
	(in millions)	
Cash-settled awards	\$ 8	\$ 4
Stock-settled awards	14	8
<b>Total included in general and administrative expenses</b>	<b>\$ 22</b>	<b>\$ 12</b>

*Depreciation, depletion and amortization* — Depreciation, depletion and amortization (DD&A) increased \$15 million to \$114 million for the six months ended June 30, 2023 from \$99 million for the six months ended June 30, 2022. The increase was primarily due to a change in our DD&A rates which are periodically adjusted to reflect current reserve estimates.

*Purchased natural gas expense* — Purchased natural gas expense relates to natural gas acquired from third parties in connection with certain of our marketing activities. We purchased \$151 million of natural gas for marketing activities during the six months ended June 30, 2023, which was an increase of \$63 million from \$88 million for the six months ended June 30, 2022. The increase was predominantly the result of higher marketing activity levels and higher market prices in the six months ended June 30, 2023 compared to the six months ended June 30, 2022. For more information on our natural gas market prices, see *Prices and Realizations* above.

*Income taxes* — The income tax provision for the six months ended June 30, 2023 was \$113 million (effective tax rate of 22%), compared to \$50 million (effective tax rate of 77%) for the six months ended June 30, 2022. The income tax provision for the six months ended June 30, 2022 included a valuation allowance related to our Lost Hills divestiture that was released in the six months ended June 30, 2023. See *Part I, Item 1 – Financial Statements, Note 6 Income Taxes* for more information on a valuation allowance related to our Lost Hills divestiture.

## Liquidity and Capital Resources

### Liquidity

Our primary sources of liquidity and capital resources are cash flows from operations, cash and cash equivalents 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 six months ended June 30, 2023 were for capital investments, repurchases of our common stock and dividends.

The following table summarizes our liquidity:

	<b>June 30, 2023</b>	
	(in millions)	
Cash and cash equivalents	\$	448
Revolving Credit Facility:		
Borrowing capacity		627
Outstanding letters of credit		(148)
<b>Availability</b>	<b>\$</b>	<b>479</b>
<b>Liquidity</b>	<b>\$</b>	<b>927</b>

In April 2023 we amended our Revolving Credit Facility and our borrowing base was reaffirmed at \$1.2 billion. See *Part I, Item 1 – Financial Statements, Note 3 Debt* for more information on the amendment to our Revolving Credit Facility.

At current commodity prices and based upon our planned 2023 capital program described below, we expect to generate operating cash flow to support and invest in our core assets and preserve financial flexibility. We regularly review our financial position and evaluate whether to (i) adjust our drilling program, (ii) return available cash to shareholders through dividends or stock buybacks to the extent permitted under our Revolving Credit Facility and Senior Notes indenture, (iii) repurchase outstanding indebtedness, (iv) advance carbon management activities, or (v) maintain cash and cash equivalents on our balance sheet. We believe we have sufficient sources of liquidity to meet our obligations for the next twelve months.

### Cash Flow Analysis

*Cash flows from operating activities* — For the six months ended June 30, 2023, our operating cash flow increased \$77 million, to \$418 million from \$341 million in the same period in 2022. The increases in operating cash flow for the six months ended June 30, 2023 primarily relates to higher average realized natural gas prices (increasing sales revenue from the natural gas we produce and margins on our marketing and trading activities) in 2023 compared to the same prior-year period. This increase was partially offset by lower production volumes in 2023 as compared to the same period in 2022. The increase in our revenue was partially offset by an increase in operating costs primarily related to higher prices for purchased natural gas and electricity used in our operations.

*Cash flows used in investing activities* — The following table provides a comparative summary of net cash used in investing activities:

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2023</b>	<b>2022</b>
	(in millions)	
Capital investments	\$ (86)	\$ (197)
Changes in accrued capital investments	(15)	9
Proceeds from divestitures, net	—	76
Acquisitions	(1)	(17)
Other, net	(3)	—
Net cash used in investing activities	<b>\$ (105)</b>	<b>\$ (129)</b>

*Cash flows used in financing activities* — The following table provides a comparative summary of net cash used in financing activities:

	<b>Six months ended June 30,</b>	
	<b>2023</b>	<b>2022</b>
	(in millions)	
Repurchases of common stock	\$ (123)	\$ (167)
Common stock dividends	(40)	(26)
Issuance of common stock	1	\$ —
Debt amendment costs	(8)	\$ —
Shares cancelled for taxes	(2)	\$ —
Net cash used in financing activities	<u>\$ (172)</u>	<u>\$ (193)</u>

### **2023 Capital Program**

Our capital program is dynamic in response to commodity price volatility while focusing on oil production and maximizing our free cash flow. We expect our 2023 capital program to range between \$200 and \$245 million under current conditions with heavier weighting in the second half of the year due to timing of projects and higher expected workover activity and facilities projects. We expect our capital program related to oil and natural gas development to continue to be focused primarily on executing projects using existing permits outside of Kern County.

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

	<b>2023 Full Year Estimate</b>	<b>Six months ended June 30, 2023</b>
		(in millions)
Oil and natural gas operations	\$165 - \$195	\$ 75
Carbon management business	5 - 15	1
Corporate and other	30 - 35	10
<b>Total Capital</b>	<u>\$200 - \$245</u>	<u>\$ 86</u>

We recently amended and extended our Revolving Credit Facility as described in *Part I, Item 1 – Financial Statements, Note 3 Debt*, and continue to evaluate refinancing options for our Senior Notes. We also intend to pursue financing options for our carbon management business that are separate from the rest of our business.

### **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. Our hedging strategy seeks to mitigate our exposure to commodity price volatility and ensure our financial strength and liquidity by protecting our cash flows. We will continue to evaluate our hedging strategy based on prevailing market prices and conditions.

Unless otherwise indicated, we use the term “hedge” to describe derivative instruments that are designed to achieve our hedging requirements and 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 months ended June 30, 2023. See *Part I, Item 1 – Financial Statements, Note 5 Derivatives* for further information on our derivatives and a summary of our open derivative contracts as of June 30, 2023 and *Part II, Item 8 – Financial Statements and Supplementary Data, Note 4 Debt* in our 2022 Annual Report for information on the hedging requirements included in our Revolving Credit Facility.



## Dividends

On April 28, 2023, our Board of Directors declared a quarterly cash dividend of \$0.2825 per share of common stock. The dividend was payable to shareholders of record at the close of business on June 1, 2023 and was paid on June 16, 2023.

On July 28, 2023, our Board of Directors declared a quarterly cash dividend of \$0.2825 per share of common stock. The dividend is payable to shareholders of record at the close of business on September 1, 2023 and is expected to be paid on September 15, 2023.

The declaration of future cash dividends, and the establishment of record and payment dates, is subject to final determination by our Board of Directors each quarter after reviewing our financial performance and position. For information regarding past dividends paid, see *Cash Flow Analysis, Cash Flow Used in Financing Activities* above.

## Share Repurchase Program

Our Board of Directors has authorized a Share Repurchase Program to acquire up to \$1.1 billion of our common stock through June 30, 2024. 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 and contractual limitations in our debt agreements. 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. The total value of shares that may yet be purchased under the Share Repurchase Program totaled \$517 million, excluding commissions and excise taxes on repurchases, as of June 30, 2023. The following is a summary of our share repurchases, held as treasury stock for the periods presented:

	<b>Total Number of Shares Purchased</b>		<b>Total Value of Shares Purchased</b>		<b>Average Price Paid per Share</b>
	(number of shares)		(in millions)		(\$ per share)
Three months ended June 30, 2022	2,255,445	\$	96	\$	42.57
Three months ended June 30, 2023	1,618,746	\$	64	\$	39.12
Six months ended June 30, 2022	3,923,901	\$	167	\$	42.55
Six months ended June 30, 2023	3,042,510	\$	123	\$	40.12
Inception of Program (May 2021) through June 30, 2023	14,498,770	\$	584	\$	40.18

Note: The total value of shares purchased includes approximately \$1 million in the six months ended June 30, 2023 related to excise taxes on share repurchases, which was effective beginning in 2023. Commissions paid were not significant in all periods presented.

## Divestitures and Acquisitions

See *Part I, Item 1 – Financial Statements, Note 7 Divestitures and Acquisitions* for information on our transactions during the three and six months ended June 30, 2023 and 2022.

## 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, 2023 and December 31, 2022 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 4 Lawsuits, Claims, Commitments and Contingencies* for further information.

**Critical Accounting Estimates and Significant Accounting and Disclosure Changes**

There have been no changes to our critical accounting estimates, which are summarized in *Part II, Item 7 – Management’s Discussion and Analysis of Financial Condition and Results of Operations, Critical Accounting Estimates* of our 2022 Annual Report.

## Forward-Looking Statements

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

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

- fluctuations in commodity prices, including supply and demand considerations for our products and services;
- decisions as to production levels and/or pricing by OPEC or U.S. producers in future periods;
- government policy, war and political conditions and events, including the war in Ukraine and oil sanctions on Russia, Iran and others;
- regulatory actions and changes that affect the oil and gas industry generally and us in particular, including (1) the availability or timing of, or conditions imposed on, permits and approvals necessary for drilling or development activities or our carbon management business; (2) the management of energy, water, land, greenhouse gases (GHGs) or other emissions, (3) the protection of health, safety and the environment, or (4) the transportation, marketing and sale of our products;
- the impact of inflation on future expenses and changes generally in the prices of goods and services;
- changes in business strategy and our capital plan;
- lower-than-expected production or higher-than-expected production decline rates;
- changes to our estimates of reserves and related future cash flows, including changes arising from our inability to develop such reserves in a timely manner, and any inability to replace such reserves;
- the recoverability of resources and unexpected geologic conditions;
- general economic conditions and trends, including conditions in the worldwide financial, trade and credit markets;
- production-sharing contracts' effects on production and operating costs;
- the lack of available equipment, service or labor price inflation;
- limitations on transportation or storage capacity and the need to shut-in wells;
- any failure of risk management;
- results from operations and competition in the industries in which we operate;
- our ability to realize the anticipated benefits from prior or future efforts to reduce costs;
- environmental risks and liability under federal, regional, state, provincial, tribal, local and international environmental laws and regulations (including remedial actions);
- the creditworthiness and performance of our counterparties, including financial institutions, operating partners, CCS project participants and other parties;
- reorganization or restructuring of our operations;
- our ability to claim and utilize tax credits or other incentives in connection with our CCS projects;
- our ability to realize the benefits contemplated by our energy transition strategies and initiatives, including CCS projects and other renewable energy efforts;
- our ability to successfully identify, develop and finance carbon capture and storage projects and other renewable energy efforts, including those in connection with the Carbon TerraVault JV, and our ability to convert our CDMAAs to definitive agreements and enter into other offtake agreements;
- our ability to maximize the value of our carbon management business and operate it on a stand alone basis;
- our ability to successfully develop infrastructure projects and enter into third party contracts on contemplated terms;
- uncertainty around the accounting of emissions and our ability to successfully

gather and verify emissions data and other environmental impacts;

- changes to our dividend policy and share repurchase program, and our ability to declare future dividends or repurchase shares under our debt agreements;
- limitations on our financial flexibility due to existing and future debt;
- insufficient cash flow to fund our capital plan and other planned investments and return capital to shareholders;
- changes in interest rates;
- our access to and the terms of credit in commercial banking and capital markets, including our ability to refinance our debt or obtain separate financing for our carbon management business;
- changes in state, federal or international tax rates, including our ability to utilize our net operating loss carryforwards to reduce our income tax obligations;

- effects of hedging transactions;
- the effect of our stock price on costs associated with incentive compensation;
- inability to enter into desirable transactions, including joint ventures, divestitures of oil and natural gas properties and real estate, and acquisitions, and our ability to achieve any expected synergies;
- disruptions due to earthquakes, forest fires, floods, extreme weather events or other natural occurrences, accidents, mechanical failures, power outages, transportation or storage constraints, labor difficulties, cybersecurity breaches or attacks or other catastrophic events;
- pandemics, epidemics, outbreaks, or other public health events, such as the COVID-19 pandemic; and
- other factors discussed in *Part I, Item 1A – Risk Factors* in our 2022 Annual Report.

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

### **Item 3 Quantitative and Qualitative Disclosures About Market Risk**

For the three and six months ended June 30, 2023, 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 2022 Annual Report.

#### ***Commodity Price Risk***

Our financial results are sensitive to fluctuations in oil, NGL and natural gas prices. These commodity price changes also impact the volume changes under our PSC-type contracts. We maintain a commodity hedging program primarily focused on hedging crude oil sales to help protect our cash flows, margins and capital program from the volatility of crude oil prices. As of June 30, 2023, we had a net liability of \$18 million for our commodity derivative positions which are carried at fair value. For more information on our derivative positions as of June 30, 2023, refer to *Part I, Item 1 – Financial Statements, Note 5 Derivatives*. We have price exposure for natural gas we purchase and use in our business. We used natural gas to generate electricity for our operations and higher natural gas prices will also result in an increase to our electricity costs.

#### ***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. Counterparty credit limits have been established based upon the financial health of our counterparties, and these limits are actively monitored. In the event counterparty credit risk is heightened, we may request collateral and accelerate payment dates. Concentration of credit risk is regularly reviewed to ensure that counterparty credit risk is adequately diversified.

As of June 30, 2023, the majority of our credit exposure was with investment-grade counterparties. We believe exposure to counterparty credit-related losses related to our business at June 30, 2023 was not material and losses associated with counterparty credit risk have been insignificant for all periods presented.

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

Changes in interest rate may affect the amount of interest we pay on our long-term debt. We had no variable-rate debt outstanding as of June 30, 2023. Our Senior Notes bear interest at a fixed rate of 7.125% per annum.

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

Our Chief Executive Officer and 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, 2023.

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, 2023 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 4 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 2022 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 2022 Annual Report and our Quarterly Report on Form 10-Q for the three months ended March 31, 2023. Except as set forth below, there were no material changes to those risk factors during the three months ended June 30, 2023.

***Our business is highly regulated and government authorities can delay or deny permits and approvals or change requirements governing our operations, including hydraulic fracturing and other well stimulation methods, enhanced production techniques and fluid injection or disposal, that could increase costs, restrict operations and change or delay the implementation of our business plans.***

Our operations are subject to complex and stringent federal, state, local and other laws and regulations relating to the exploration and development of our properties, as well as the production, transportation, marketing and sale of our products.

To operate in compliance with these laws and regulations, we must obtain and maintain permits, approvals and certificates from federal, state and local government authorities for a variety of activities including siting, drilling, completion, stimulation, operation, inspection, maintenance, transportation, storage, marketing, site remediation, decommissioning, abandonment, protection of habitat and threatened or endangered species, air emissions, disposal of solid and hazardous waste, fluid injection and disposal and water consumption, recycling and reuse. For example, our operations in the Wilmington Oil Field utilize injection wells to reinject produced water pursuant to waterflooding plans. These operations are subject to regulation by both the City of Long Beach and CalGEM. We are currently in discussions with the City of Long Beach and CalGEM with respect to what injection well pressure gradient complies with CalGEM’s requirements for the protection of underground sources of drinking water while at the same time mitigating subsidence risks. CalGEM’s local office has preliminarily indicated that the injection well pressure gradient should be reduced from the gradient that has been used for several decades. As part of our ongoing discussions, we and the City of Long Beach have provided CalGEM with technical information regarding how the historical injection well pressure gradient complies with CalGEM’s requirements and to inform them of the absence of risk of leakage. CalGEM has proposed a meeting for CRC and the City of Long Beach to present their technical findings in more detail, to occur in or around August 2023. As part of that meeting, and subject to its outcome, CalGEM has also proposed that CRC and the City of Long Beach present a work plan for the reduction of injection pressures over a six-month period to levels acceptable to CalGEM. We are in the process of preparing a response and continue to believe that existing injection pressures address subsidence risks and are protective of underground sources of drinking water. If CalGEM were to ultimately disagree and determine to reduce the injection well pressure gradient, and we were unable to reverse that decision on appeal or other legal challenge, we expect that any material reduction in injection well pressure gradient for our operations in the Wilmington Oil Field would result in a decrease in production and reserves from the field.

Failure to comply may result in the assessment of administrative, civil and/or criminal fines and penalties, liability for noncompliance, costs of corrective action, cleanup or restoration, compensation for personal injury, property damage or other losses, and the imposition of injunctive or declaratory relief restricting or prohibiting certain operations or our access to property, water, minerals or other necessary resources, and may otherwise delay or restrict our operations and cause us to incur substantial costs. Under certain environmental laws and regulations, we could be subject to strict or joint and several liability for the removal or remediation of contamination, including on properties over which we and our predecessors had no control, without regard to fault, legality of the original activities, or ownership or control by third parties.

Our ability to timely obtain and maintain permits for our operations, including from CalGEM, has from time to time been subject to significant delays and uncertainties and is subject to factor our control. These factors include changes in agency practices, new regulations, or legal challenges to existing approvals for our operations from individual citizens and non-governmental organizations. For example, beginning in 2021, CalGEM ceased issuing new well stimulation permits and has slowed the approval of new drill permits even as it continues approving plugging and workovers. In addition, in 2020 a group of plaintiffs challenged in court the ability of Kern County to issue well permits in reliance on an existing Environmental Impact Report (EIR). See *Part I, Item 1 and 2 – Business and Properties, Regulation of the Industries in Which We Operate, Regulation of Exploration and Production Activities*. We can also provide no assurances that we will always be able to successfully navigate these risks and timely obtain permits or obtain them on favorable terms. While we have existing permits that will allow us to run a modified drilling program in 2023, we are unlikely to be able to offset projected oil production declines over the same period.

Changes to elected or appointed officials or their priorities and policies could result in different approaches to the regulation of the oil and natural gas industry. We cannot predict the actions the Governor of California or the California legislature may take with respect to the regulation of our business, the oil and natural gas industry or the state's economic, fiscal or environmental policies, nor can we predict what actions may be taken at the federal level with respect to health, environmental safety, climate, labor or energy laws, regulations and policies, including those that may directly or indirectly impact our operations. For additional information, see *Part I, Item 1 & 2 – Business and Properties, Regulation of the Industries in Which We Operate, Regulation of Exploration and Production Activities* and the Risk factor entitled "Our business is highly regulated and government authorities can delay or deny permits and approvals or change requirements governing our operations, including hydraulic fracturing and other well stimulation methods, enhanced production techniques and fluid injection or disposal, that could increase costs, restrict operations and change or delay the implementation of our business plans" in our 2022 Annual Report.

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

Our Board of Directors has authorized a Share Repurchase Program to acquire up to \$1.1 billion of our common stock through June 30, 2024. The repurchases may be affected 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 and contractual limitations in our debt agreements. 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, 2023 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, 2023 - April 30, 2023	542,465	\$ 39.60	542,465	\$ —
May 1, 2023 - May 31, 2023	449,631	\$ 39.70	449,631	\$ —
June 1, 2023 - June 30, 2023	626,650	\$ 38.28	626,650	\$ —
Total	1,618,746	\$ 39.12	1,618,746	\$ —

(a) The total value of shares that may yet be purchased under the Share Repurchase Program totaled \$517 million as of June 30, 2023.

## Item 5 Other Disclosures

As previously disclosed, on June 16, 2023, Omar Hayat was appointed to the position Executive Vice President — Operations. In connection with this appointment, the Company and Mr. Hayat entered into an employment agreement, effective July 27, 2023, providing for the following: (i) a base salary of \$400,000, (ii) an annual cash bonus with a target value equal to 100% of his annual base salary; (iii) participation in those benefit plans and programs of the Company available to similarly situated executives; (iv) reimbursement for reasonable business-related expenses, subject to the Company's business expense reimbursement policy; and (v) annual long-term incentive awards (expected to be comprised 60% of performance stock units and 40% of restricted stock units) under the Company's 2021 Long-Term Incentive Plan (as amended, the "LTIP") with a target grant value of 400% of Mr. Hayat's base salary as in effect on the applicable grant date, commencing in calendar year 2024. The performance stock unit awards are expected to vest over a three-year cliff vesting period beginning on the date of grant, and the restricted stock units are expected to vest in three equal installments over a three-year vesting period beginning on the date of grant. The terms and conditions of his LTIP awards will be governed by individual award agreements to be entered into between the Company and Mr. Hayat in connection with the grant of those LTIP awards. He will continue to be a participant in the Company's Executive Severance Plan.



**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 [Certificate of Amendment of Amended and Restated Certificate of Incorporation of California Resources Corporation \(filed as Exhibit 3.1 to Registrant's Current Report on Form 8-K filed on May 6, 2022 and incorporated herein by reference\).](#)
- 3.3 [Certificate of Amendment of Amended and Restated Certificate of Incorporation of California Resources Corporation \(filed as Exhibit 3.1 to Registrant's Current Report on Form 8-K filed on May 1, 2023 and incorporated herein by reference\).](#)
- 3.4 [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 [Amended and Restated Credit Agreement, dated as of April 26, 2023, 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 \(filed as Exhibit 10.5 to the Registrant's Quarterly Report on Form 10-Q filed on May 4, 2023 and incorporated herein by reference\).](#)
- 10.2\*\* [Employment Agreement by and between Manuela Molina and California Resources Corporation, dated May 8, 2023 \(filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on May 1, 2023 and incorporated herein by reference\).](#)
- 10.3\*,\*\* [Employment Agreement by and between Omar Hayat and California Resources Corporation, dated July 27, 2023.](#)
- 10.4\*,\*\* [Amended and Restated Employment Agreement by and between Christopher D. Gould and California Resources Corporation, dated July 27, 2023.](#)
- 31.1\* [Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2\* [Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1\* [Certifications of Principal Executive Officer and Principal Financial Officer 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 or furnished herewith

\*\*Certain portions of this exhibit (indicated by "[\*\*\*\*\*]") have been omitted pursuant to Item 601(b)(10) of Regulation S-K

## 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 1, 2023

/s/ Noelle M. Repetti

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Noelle M. Repetti  
Senior Vice President and Controller  
(Principal Accounting Officer)

Certain portions of this exhibit (indicated by “[\*\*\*\*\*]”) have 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 Omar Hayat (“**Employee**”) effective as of July 27, 2023 (the “**Effective Date**”).

**WHEREAS**, during the 2023 calendar year, the Employee has previously provided services to the Company as an employee in the positions of Vice President – Operations; Senior Vice President – Operations; and beginning on June 19, 2023, Employee became Executive Vice President – Operations;

**WHEREAS**, in connection with Employee becoming the Company’s Executive Vice President – Operations, the parties have agreed to enter into this Agreement.

**NOW, THEREFORE**, in consideration of the mutual covenants and obligations contained herein, the Company hereby agrees to employ the Employee, and the Employee hereby accepts such employment upon the new terms and conditions as set forth below:

1. **Employment.** During the Employment Period (as defined below), the Company shall employ Employee, and Employee shall serve, as Executive Vice President - Operations 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; and (iii) with the prior written consent of the Board, engage in other personal and passive investment activities (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 \$400,000 (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 2023 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 2023, 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. For clarity, the performance targets set for the Annual Bonus with respect to the 2023 calendar year have been communicated to Employee prior to the Effective Date, and the Annual Bonus amount that Employee shall be eligible to receive for the 2023 calendar year shall be based solely on his employment position and Annual Bonus targets applicable as of the Effective Date. 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, commencing in calendar year 2024, Employee shall be eligible to receive annual long-term

incentive awards under the Company's 2021 Long Term Incentive Plan (such plan, or any successor plan, the "**LTIP**") with a grant date target value not less than 400% 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 (40% 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 (60% 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. Unless specifically addressed within this Agreement, all awards granted to Employee under the LTIP (whether prior to or following the Effective Date) 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 second (2nd) 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 \$10,000 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.

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) for an alleged action or omission that the Board deems to be curable 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 may be subject to the possibility of cure that constitute "Cause," and (2) Employee has failed to cure any 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) 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; 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 in order for the Company to deem the termination of employment 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 a multiplier of one and one-half (1.5) (or if such termination occurs upon or within the one (1)-year period following a Change in Control (as defined below) ("**a CIC Termination**"), a multiple of two (2)) times the sum of the Employee's Base Salary as of the date on which the Employee's employment terminates (the "**Termination Date**") plus the Employee's target Annual Bonus for the year in which the Termination Date 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 Termination Date (or, in the event of a CIC Termination, over the twenty-four (24) month period following 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 the eighteen (18)-month or twenty-four (24)-month period, as applicable; *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. Solely for purposes of this Section 7(f), a "**Change in Control**" shall be defined 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).

(B) The Company shall pay Employee a pro-rata Annual Bonus for the year in which the Termination Date occurs based on the actual performance results achieved for the applicable year, and pro-rated for the period of days beginning on the first day of the applicable Bonus Year and ending on the Termination Date, relative to the number of days in the applicable Bonus Year. The prorated Annual Bonus described in 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.

(C) During the portion, if any, of the initial eighteen (18)-month period following the Termination Date (or in the event of a CIC Termination, a twenty-four (24)-month period) (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) 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 of the Company Group 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  
1 World Trade Center  
Suite 1500  
Long Beach, California 90831

Attention: General Counsel

**If to Employee, addressed to:**

Omar Hayat  
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*(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 (i) the date of Employee’s death or (ii) 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: **Omar Hayat**

**COMPANY**

CALIFORNIA RESOURCES CORPORATION

By: \_\_\_\_\_  
Name: Daniel S. Watts  
Title: Vice President - Compensation and Benefits

Signature Page  
to  
Employment Agreement  
4879-3815-0257v.4

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**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.

Certain portions of this exhibit (indicated by “[\*\*\*\*\*]”) have been omitted pursuant to Item 601(b)(10) of Regulation S-K.

## AMENDED AND RESTATED EMPLOYMENT AGREEMENT

This Amended and Restated Employment Agreement (“**Agreement**”) is made and entered into by and between California Resources Corporation, a Delaware corporation (the “**Company**”), and Christopher D. Gould (“**Employee**”) effective as of July 27, 2023 (the “**Effective Date**”).

**WHEREAS**, the parties previously entered into that certain Employment Agreement dated June 14, 2021 (the “**Initial Agreement**”);

**WHEREAS**, by entering into this new Agreement, the parties hereby agree that, unless otherwise specifically indicated herein, the Initial Agreement shall be terminated as of the date hereof and replaced in its entirety with this Agreement.

**NOW, THEREFORE**, in consideration of the mutual covenants and obligations contained herein, the Company hereby agrees to employ the Employee, and the Employee hereby accepts such employment upon the new terms and conditions as set forth below:

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 Managing Director of Carbon TerraVault Holdings, LLC 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. The Company agrees that Employee’s primary work location shall be in Wilmette, Illinois. 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 consent of the Board or the CEO, continue to serve as an advisor to Pana LCE and Energy Capital Ventures; and (iv) with the prior written consent of the Board, engage in other personal and passive investment activities (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 \$600,000 (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 2023 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 2023, 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. For clarity, the performance targets set for the Annual Bonus with respect to the 2023 calendar year have been communicated to Employee prior to the Effective Date, and the Annual Bonus amount that Employee shall be eligible to receive for the 2023 calendar year shall be prorated between the two positions that he served in during the 2023 performance year and the two target Annual Bonus amounts that were set for him with respect to each of those positions. 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.** Provided that Employee is employed by the Company on the applicable date of grant, commencing in calendar year 2024, Employee shall be eligible to receive annual long-term incentive awards under the Company's 2021 Long Term Incentive Plan (such plan, or any successor plan, the "**LTIP**") with a grant date target value not less than 400% 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 (40% 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 (60% 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 (whether prior to or following the Effective Date) 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 second (2nd) 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 \$10,000 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.

## 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) for an alleged action or omission that the Board deems to be curable unless (1) within thirty (30) days of the Board obtaining actual knowledge of such action(s) or omissions(s) Employee has been given written notice by the Board describing the specific alleged action(s) or omission(s) that may be subject to the possibility of cure that constitute "Cause," and (2) Employee has failed to cure any 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) 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 in order for the Company to deem the termination of employment 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 a multiplier of one and one-half (1.5) (or if such termination occurs upon or within the one (1)-year period following a Change in Control (as defined below) ("**a CIC Termination**"), a multiple of two (2)) times the sum of the Employee's Base Salary as of the date on which the Employee's employment terminates (the "**Termination Date**") plus the Employee's target Annual Bonus for the year in which the Termination Date

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 Termination Date (or, in the event of a CIC Termination, over the twenty-four (24) month period following 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 the eighteen (18)-month or twenty-four (24)-month period, as applicable; *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. Solely for purposes of this Section 7(f), a “**Change in Control**” shall be defined 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).

(B) The Company shall pay Employee a pro-rata Annual Bonus for the year in which the Termination Date occurs based on the actual performance results achieved for the applicable year, and pro-rated for the period of days beginning on the first day of the applicable Bonus Year and ending on the Termination Date, relative to the number of days in the applicable Bonus Year. The prorated Annual Bonus described in 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.

(C) During the portion, if any, of the initial eighteen (18)-month period following the Termination Date (or in the event of a CIC Termination, a twenty-four (24)-month period) (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.

The payments and benefits described in clauses (A), (B) and (C) 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) 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 of the Company Group 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 supersedes 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  
1 World Trade Center  
Suite 1500  
Long Beach, California 90831

Attention: General Counsel

**If to Employee, addressed to:**

Christopher D. 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 (i) the date of Employee's death or (ii) 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: **Christopher D. Gould**

**COMPANY**

CALIFORNIA RESOURCES CORPORATION

By: \_\_\_\_\_  
Name: Daniel S. Watts  
Title: Vice President - Compensation and Benefits

Signature Page  
to  
Employment Agreement  
4877-6103-2560

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**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.

**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 1, 2023

/s/ Francisco J. Leon

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Francisco J. Leon

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, Manuela (Nelly) Molina, 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 1, 2023

/s/ Manuela (Nelly) Molina

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Manuela (Nelly) Molina  
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, 2023, as filed with the Securities and Exchange Commission on August 1, 2023 (the "Report"), Francisco J. Leon, as Chief Executive Officer of the Company, and Manuela (Nelly) Molina, 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/ Francisco J. Leon

Name: Francisco J. Leon  
Title: President and Chief Executive Officer  
(Principal Executive Officer)  
Date: August 1, 2023

/s/ Manuela (Nelly) Molina

Name: Manuela (Nelly) Molina  
Title: Executive Vice President and Chief Financial Officer  
(Principal Financial Officer)  
Date: August 1, 2023

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.