California Resources Corporation

Third Quarter Earnings Conference Call

Thursday, November 02, 2023, 1:00 PM Eastern

CORPORATE PARTICIPANTS

Francisco Leon - *President and Chief Executive Officer*

Nelly Molina - *Executive Vice President and Chief Financial Officer*

Chris Gould – *Executive Vice President and Chief Sustainability Officer, and Managing Director, CTV Holdings*

Jay Bys – *Executive Vice President and Chief Commercial Officer*

Omar Hayat – *Executive Vice President Operations*

Joanna Park - *Vice President, Investor Relations and Treasurer*

PRESENTATION

Operator
Good day, and welcome to the California Resource Corporation Third Quarter Earnings Conference Call. All participants will be in a listen-only mode. Should you need assistance, please signal a conference specialist by pressing the "*" key followed by "0." After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press "*" then "1" on your telephone keypad, to withdraw your question, please press "*" then "2." Please note, today's event is being recorded.

I would now like to turn the conference over to Joanna Park, Vice President, Investor Relations and Treasurer. Please go ahead.

Joanna Park
Welcome to California Resources Corporation third quarter 2023 conference call.

Participating on today's call are Francisco Leon, President and Chief Executive Officer, Nelly Molina, Executive Vice President and Chief Financial Officer, as well as CRC's entire Executive Team. I'd like to highlight that we have provided slides in the Investor Relations section of our website, crc.com. These slides provide additional information about our operations and our third quarter results.

We have also provided information reconciling non-GAAP financial measures discussed to the most directly comparable GAAP financial measures on our website as well as in our earnings release. Today, we are making some forward-looking statements based on current expectations. Actual results may differ due to factors described in our earnings press release and in our periodic SEC filings. As a reminder, we have allotted additional time for Q&A at the end of our prepared remarks, and we ask that participants limit their questions to a primary and one follow-up. With that, I will now turn the call over to Francisco.

Francisco Leon
Thank you, Joanna. CRC continues to demonstrate what it means to be a different kind of energy company. We are executing on our low-decline and high cash flow generating oil and natural gas business, increasing shareholder returns, and advancing our leading Carbon Management business. We are doing this, all while working to provide innovative energy solutions to help California meet its 2045 decarbonization goals.

Cash flow, carbon and California are our core strengths, and our quarterly results demonstrate substantial progress on all these fronts.

Starting with cash flow, during the third quarter we continued to deliver strong results, producing 85,000 barrels of oil equivalent per day and generating $71 million dollars of free cash flow. We remain on track with our 5% to 7% entry to exit production decline expectation for the year and have progressed our business transformation efforts targeting $55 million of annual run rate cost savings that are expected to lower our E&P business cost structure by approximately $2 dollars per barrel. Nelly will expand on the cost reductions achieved to date, our shareholder return progress and cover the key business drivers for 2024.

Moving on to carbon. We continued to expand our reach and strengthen our role as the market leader for CCS in California.

Our first mover advantage is demonstrated through our multiple Class VI permit applications with the EPA. A recently published tracker by the EPA shows our leadership in region 9 with over 50% of all permits submitted to date and shows CTV I on track to receive the first draft Class VI permit in California by year end. Additional progress can be seen in our growing project queue as we develop pore space in other parts of the state.

We are pleased to announce our own capture and storage project at CRC's cryogenic gas processing plant at Elk Hills. This project will install new equipment to capture 100,000 metric tons of CO2 per year from some of our natural gas production through a pre-combustion separation process and permanently sequester the CO2 in our CTV I reservoir. We are targeting FID of this project during the first half of 2024 and first injection by the end of 2025.

This project is co-located at Elk Hills with our CTV I CO2 storage reservoir and is our fastest track to CCS adoption and to first CCS cash flow in California. CRC expects to earn 45Q credits and other incentives and anticipates paying CTV JV an injection fee for CO2 sequestration services. CTV JV's economics are expected to be in line with previously announced storage-only deals with an EBITDA in the $50 to $75 per ton range. Further, this project will increase the operational efficiency of our cryogenic gas processing plant, which will benefit from improved propane recovery, higher production, and reduce the carbon intensity of the electricity generated from the Elk Hills Power Plant, which as a result, will potentially lower the carbon tax for the plant.

Today, we have also announced a new carbon dioxide management agreement or CDMA with NLC Energy, an innovative renewable energy partner. CTV will sequester 150,000 metric tons of CO2 per year from a new renewable natural gas facility that will be constructed at our proposed CTV Clean Energy Park at Elk Hills. Once online, CRC will have the option of utilizing this product to supply facilities at our Energy Park with decarbonized energy, or we can sell the RNG to the market. With this new CDMA, combined with our Elk Hills gas plant capture project, we now have reserved 57% of the pore space in our CTV I storage reservoir.

The CTV Clean Energy Park at Elk Hills will provide unique advantages and benefits to industrial partners. The Park provides greenfield projects with access to land and proximity to a favorable end-user market where we can reduce the all-in costs of production and effectively transport decarbonized products by conventional means, effectively creating a virtual CO2 pipeline designed to decarbonize brownfield emissions by capturing the market for their products versus the CO2 at their facilities.

The proximity of CTV's storage reservoirs to major demand centers in the Bay Area, Los Angeles, and the broader Central Valley will help make greenfield projects competitive with gray products that are transported to California from thousands of miles away. Furthermore, CRC and CTV get an added benefit of access to renewable fuels for use in our own processes to help further lower our carbon intensity while also providing development and employment opportunities to our local communities.

And finally, our California positioning is a key advantage that enables us to develop energy solutions for the state's future energy landscape. CRC has the leading permit application position, land and mineral ownership, strong partnerships, and California expertise. We control several key aspects and variables that allow CRC to de-risk the new energy projects and enable commercial scale CCS quicker than many others in the state or even the US. We are also well positioned as the largest natural gas producer in California. We believe low carbon intensity natural gas will play an important role in the energy transition. We want to grow our contribution

of local supply by developing our inventory. As such, we have identified incremental resource of 1 Tcf of natural gas in our existing fields in Sacramento and Western San Joaquin. We are in the process of high-grading the inventory and finalizing plans to develop this resource. Further, and to validate our low methane intensity positioning, we are pursuing third party Responsibly Sourced Gas designation for our current and future production which we expect to have in 2024.

Over the past several years, CRC has primarily focused on developing our oil inventory. However, California's gas markets continue to experience significant volatility due to the reliance on imported gas from other states and aging infrastructure. This coupled with strong expected demand through 2045 will likely lead to continued premium pricing relative to the rest of the country. Our teams are working on development plans to unlock CRC's untapped natural gas potential to meet this need with local and responsibly sourced supply.

At CRC, we are determined to lead the energy transition. We are committed to improving our products and providing carbon management solutions that help enable renewable and replacement fuels.

And now I'll pass it over to Nelly to provide an update on CRC's financial position and several important points on our preliminary 2024 financial and operational outlook. Nelly?

Nelly Molina
Thank you, Francisco, and welcome again everyone. Shifting to the quarterly financial results, we executed on our plan and delivered another strong quarter of free cash flow. Results were largely in line with guidance, and we have modestly narrowed our full year 2023 guidance to reflect our operational results year-to-date.

The increase in oil prices during the quarter meant production sharing contracts had a greater impact on CRC's net oil production. Brent averaged $85.95 for the quarter, compared to the price of $75.28 per barrel used to set guidance. The nearly $11 difference in price assumption contributed to a $7 million increase in cash flow, but also impacted oil production by 1.2 thousand barrels down due to PSC effects.

We have actioned nearly all our business transformation initiatives and expect to see at least $55 million of run rate level savings beginning in 2024. Our work continues and we believe we can further identify opportunities over time. We expect to exit the year with a solid balance sheet and ample liquidity.

To demonstrate our confidence in future performance and our commitment to shareholder returns, the Board has authorized a dividend increase for the third consecutive year, and as a result, we are increasing our fixed dividend by 10% bringing our quarterly dividend to $0.31 cents per share. This reflects an annual dividend of $1.24 per share with an approximately 2.4% yield at end of third quarter stock price.

Since year end 2020, we have returned $736 million through dividends and stock buybacks while increasing our cash position by over $450 million. Our share repurchases amount to 18% of the company's shares outstanding at the end of calendar year 2020. CRC has a $1.1 billion share repurchase program in place with $497 million of capacity remaining through June 2024. In addition to our stock buybacks, we have de-levered our balance sheet by repurchasing, at a slight premium, $35 million of our notes, reducing the principal amount of our outstanding debt to $565 million.

Looking ahead to 2024, we anticipate an increasing level of drilling activity in the second half of next year. We have various paths to achieve this beyond the resolution of the Kern County EIR. The first is by utilizing updated field level EIRs, the second is by pursuing natural gas projects within the Sacramento basin, and finally, through developing a more robust inventory of sidetracks to access bypassed hydrocarbons and new reserves.

CRC has considerable expertise in drilling sidetracks from existing wellbores. We have executed over 1,000 sidetracks from our THUMS islands, which target reserves from one of the largest oil fields in the US, our Wilmington field. CRC is committed to increasing its level of activity and the optionality we have for 2024 reflects the benefit of our diverse portfolio and extensive operating expertise.

In addition to our increased activity set, on the operations front, we have scheduled a four-year major maintenance at Elk Hills Power Plant and one of our gas processing facilities at the beginning of next year, which will require a combined capital investment of approximately $34 million. This downtime is expected to reduce gas volumes by approximately 20 million cubic feet per day for the first quarter of 2024.

The Elk Hills Power Plant is a very important asset for us and for the CAISO grid. CRC has consistently supplied both energy and generating capacity to the CAISO marketplace. In 2024, we have contracted an increase of approximately $45 million in capacity revenue, which will flow through our electricity revenue line. Increased capacity revenue is expected to offset both of these major maintenance activities. We continue advancing our strategy on both our conventional and energy transition business to be the energy solutions provider for California.

Francisco, back to you.

Francisco Leon
Thank you, Nelly. As we look to 2024, we see a number of exciting catalysts for CRC as we remain disciplined and focused on building a different kind of energy company. Cash flow, carbon and California remain our core strengths. We continue to deliver meaningful value to our shareholders. We're producing some of the lowest carbon intensity oil and gas energy for the state and are helping California reach its climate goals through industry-leading carbon management solutions.

Thank you for joining us on the call today. We'll now open the line for questions. Operator?

QUESTION AND ANSWER

Operator
Thank you. If you would like to ask a question, please press "*" then "1" on your telephone keypad. If you're using a speakerphone, we ask that you please pick up your handset before pressing the keys. To withdraw your question, please press "*" then"2."

Today's first question comes from Kalei Akamine with Bank of America. Please go ahead.

Kalei Akamine
Hey, good morning, guys. I've got a couple, so I apologize in advance. The first one is more of a housekeeping one in nature, and I want to understand why there was the CapEx revision in the quarter. Presumably, your permitting constraints were already anticipated, but the market seems to be interpreting that maybe there's a new message that the constraints have maybe

gotten worse. So, wondering if you can first clear that up, and maybe while we're at it, some early thoughts in '24 could be helpful?

Francisco Leon
Hey Kalei. Yeah, so on the CapEx, there's just…there were some delays in third quarter facility spend that we expect to finish here before the end of the year. So, it's really nothing more than timing on some of the facilities projects that we laid out. So, I wouldn't read too much into that. And in 2024, we've laid out some of the big catalysts that we see. We have…we're still not ready to put out guidance for '24, but there's some important aspects to take into account as you model next year. First one is the business transformation work, cost reduction efforts $55 million, annualized run rate savings, team did a phenomenal job bringing those in, and we've effectively executed on most of that, and we're not stopping there, we're going to keep looking at new ways of working together and reducing some of that cost structure, which we brought down by about $2 a barrel.

We also have a resource adequacy contract around our power plant where we see an incremental $45 million of capacity associated with that plant. As a reminder, that plant makes on resource adequacy about $50 million per year in 2023, so this is almost a doubling of that payment to be on standby for the grid. So, we have some really exciting catalysts coming up next year. We also have a maintenance for the plant, which we want to make sure it's running in tip top shape. So, we disclosed that as well. So, we still don't have any new information about permits. We still have a view that for the first half of the year, next year, you should assume a one rig program, and the second half of the year is what we expect back to go back to three or four rigs, a little bit more normalized run rate in terms of drilling activity.

Kalei Akamine
Got it. That's very clear, thanks. My second question is on natural gas. And I want to spend a little bit of time framing this out, so I apologize for the multiple parts. So, I guess, first, the dynamics in California are obviously very tight. Just kind of looking at the chart, it implies that something has changed post-COVID. I guess first off, can you help us understand what that change is?

And then next, all activity has a value school, right? So, when you think about gas, at what price does it compete with oil, and you can pick your oil price, maybe call it $80, and then when you think about this opportunity in longer-term, and I think your slide on the balances actually frames this very well. California gas has a direct link with the Permian basin, albeit that build out is still taking place and there's a couple of years before it really gets underway. But I'm wondering what you can do now today to sort of get ready for that opportunity. How much low friction growth do you have in the bag and how do you think about the infrastructure constraints?

Francisco Leon
Yes, Kalei, I think you got it right on the framing. Just to underscore the California market dynamics, California needs more natural gas today. We import as a state over 92% of the gas consumed, we're the fifth largest economy, a lot of industrial and commercial needs for the gas beyond residential and the gas is brought from other states. It's not under long-term contracts. So, the reason it comes to the West Coast is to find better pricing and that better pricing now will be competing with LNG export facilities built in other parts of the US. So there's a big problem that California has and introduces big risks to base load power.

Our commitment in a number of ways is to find solutions from an energy perspective to the state and we have a lot of gas. We haven't highlighted in the past couple of years our gas resource,

but we went out earlier this year and started looking at, okay, can we high-grade a number of locations that are within existing fields that are near facilities, near customers, and today we're announcing the results of that effort.

Also, by making, pursuing RSG designation, we really want to highlight and contrast the gas that we're importing. Not all gas is the same. Gas comes from other basins that is fracked and there's more fugitive emissions in other states. You want it to be California produced and we want it to be CRC produced. So we're excited about the prospect of being there in the very, very near term. We're not ready to talk about economics, but as we've laid out, there's a structural premium to natural gas in California, which we expect to persist for years to come, and having that local resource that can contribute to the needs of the state is going to be critical.

So, our positioning is very strong and our ability to make good returns for the shareholders is going to be right on par with oil. This doesn't mean that we're not looking to drill more oil wells. We're convinced that low carbon intensity oil and gas will be here to stay for the long run and multiple decades. The state needs oil and the gas, and we can provide both. We're bringing forward the gas side of the equation that we really haven't talked about before, but I feel really good about the potential of our assets.

Kalei Akamine
So, I guess just to clarify, the change in California is just greater power demand? And then could you address the infrastructure constraints piece? How much can you grow without spending additional material capital dollars on infrastructure today? And how much do you think you could spend over the next few years?

Francisco Leon
Yes, it's too early to put it into numbers, but just to highlight the resource base a little bit more, when we talk about western San Joaquin, that tends to be wet gas primarily at Elk Hills and Buena Vista. So, fields that already have a lot of that facilities infrastructure in place, it's about drilling for those wells. A little bit deeper formations but known to us being very productive for a long time. So as we're focusing on those gas wells, we have the added benefit of generating NGLs from that production. As you move north to Sacramento, that's dry gas. So very limited gas processing requirements. Already a lot of infrastructure in place, markets, proven markets out there. So it's also more about getting the permits and going after drilling.

We still need to decide what pace we want to develop this. We're still moving towards putting economics into the projects and that we can disclose. But we feel, again, very excited about the positioning. What's changed in California State is short gas but consumes it in big quantities. I think what you saw a change is, we talked about it earlier this year, $47 per Mcf, natural gas pricing here in the state, where the rest of the country was around $4. So more than a 10x premium in a state that decides to import gas, 92% is imported, you better have a gas storage solution in state, otherwise you're going to be very susceptible to market shocks in volatility and aging infrastructure.

So, I think that was a wake-up call that we need more local production, that we need more storage. The storage fields in California just got expanded in terms of capacity that you can store, that should help moderate, at least this winter, some of the prices. But we'll see. At the end of the day, the demand is still very strong. And I think, again, it's a realization that being isolated and dependent from imports, not having that energy security, is a risk and a problem for the state.

Operator
Thank you. And our next question today comes from Scott Hanold with RBC Capital Markets. Please go ahead.

Scott Hanold
Yes. Hey, thanks. When you were, in your prepared comments, talking about the Kern County EIR and looking at the second half of '24 and doing some more drilling, you kind of mentioned, obviously, potentially more drilling in the Sacramento Basin for gas, sidetracks, and then obviously exploring the field-level EIRs. With respect to, like, sidetracks, and, I mean, do you need to get permits for that, or is the permitting process a little bit different?

Francisco Leon
You do need permits for sidetracks, Scott. It's a little bit different process. We've seen not only CRC pursuing this, but most of the other operators in the state have been using the sidetrack inventory. So relatively high confidence that we're going to be able to unlock multiple options here as the year progresses. Still very much looking for resolution on Kern County EIR. We anticipate a hearing, more than likely, in the first quarter, first half of next year. So that's still moving forward. We don't have any new updates other than…the briefs have been completed and the decision is likely early next year.

But we see multiple paths to getting back to drilling wells, and sidetracks are an exciting opportunity. Different permitting process, but ultimately in line with the expectation to satisfy all the requirements from the agencies that we need to. It's something that we've done over the years. The industry is very comfortable doing that. So, we feel that's a path forward, and as you said, Sacramento Basin, different counties, different needs for the product will be out there as well. So we're advancing on all fronts, and difficult to handicap which one comes first, but we're growing more and more comfortable that there will be a solution in the second half of next year.

Scott Hanold
Okay. Okay. Then just to clarify again, you are actively getting permits in the Sacramento Basin for gas wells. You are getting, you're pursuing permits in the sidetracks and field level EIRs, so you're all doing that at this point in parallel with hoping the Kern County EIR comes through right now. Is that a fair statement? Or is that something that you still have to work towards?

Francisco Leon
No, no. We're pursuing all fronts. We still haven't received a new permit this year, to be very clear. But we are pursuing all the fronts that we laid out as solutions towards getting back on track. So all of the above Kern County EIR, field level EIR, sidetracks, or drilling outside of Kern County, the team is working on all of them. And, yes, we look forward to getting back, you know, on the phone in February of next year with our plans for 2024.

Scott Hanold
Got it and then maybe a little bit on the CMB business. You talked about the Elk Hills gas plant and obviously there'll be, I guess the first prom field out there that you guys have contracted with yourselves for. You already discussed a little bit about the economic parameters. I am just kind of curious, how does that economics work if…your understanding is still right now 45Q and LCFS eligible and are you sharing that credit with the JV. So is there some benefit like CRC by itself, you know, through this process as well?

Francisco Leon
There is. So we…the way to think about this project is CRC is investing into the capture equipment. It's a little bit different from what we ultimately will do on a bigger scale because we…this is a pre-combustion capture system. So low capital requirements with a piece of equipment with the CGP1 cryogenic plant already functioning and operating. So this is an add-on to that facility, low capital pre-combustion and that's a CRC expense. So yes, we will look for 45Q, we will look for LCFS, we will look for all the incentives that are available to CCS. But on top of that, the plant…there is benefit to CRC on the plant itself. We expect a higher yield of NGLs, specifically propane, and a little bit more production as well. You should…I mean we are reducing the emissions, not entirely but we are reducing the emission of the plant system.

So should expect a carbon tax reduction. So there will be….there are economics specific to CRC beyond CCS, right? So, the way to think about it is that the capture system is what earns the 45 Q. We pay a fee…storage fee to the JV consistent to what we are asking others to pay, but there are multiple benefits for CRC as well that goes to CRC shareholder. So it's a very nice project, nice win. I wish we had the ability to control all aspects of projects in terms of CCS. That's not the case but this one is a great proof point, great way to showcase that things are working. And very importantly, this is the way to get CCS…CO2 in the ground by 2025, should be the fastest in the state and ultimately earn the 45Q credit and solve a lot of the questions out there in terms of feasibility of CCS, so having more control points is very helpful to get to that answer.

Scott Hanold
Thank you.

Operator
Thank you. And our next question comes from Leo Mariani with ROTH-MKM. Please go ahead.

Leo Mariani
Hey guys. A few questions around some of these numbers that you've drawn out here. So, the first one is on this kind of $45 million, sort of, resource adequacy payment from the state. I guess you are saying that's kind of roughly doubling in 2024 versus 2023. I just wanted to make sure I sort of understood the mechanics around that. Is this basically the state that has been cutting you a check so far in 2023 for that amount? And that amount sort of doubles, you know, next year. Does this flow through your sort of electricity business margins or if you guys are selling the power, maybe you don't really get the check there? I am just trying to kind of understand the best kind of free money for being on standby or if you are producing then maybe, you don't get all of that. Just kind of some help around the mechanics there would be great.

Francisco Leon
That's a great question. So you know, as you know the state, California, has a big penetration of renewable energy and in that percentage work 24/7. So, you require base load from different sources to make sure the lights are on in the state. So, years ago, California entered into this resource adequacy program through the utilities that they pay independent power producers to be on standby. Let me turn it over to Jay Bys if he has a few more thoughts around resource adequacy and what it means.

Jay Bys
Yes, thanks. Just to be really clear. The state is not actually paying for the capacity. Anybody's serving load in the state, in CAISO in particular is required to have capacity to back that load.

So, whether that's the utility or an aggregator, they have to secure the capacity necessary to back up the load which they are serving. So, they are in fact the party paying CRC to make this capacity available. Historically, there has been more maybe more lax treatment in how much and to the extent by which certain parties would backup their supply using this marketplace, but CAISO has become very resolute that they want…they do want people to be backing up their load. So you are seeing a price that's reflected of the true market value this capacity today. And the fact that we have an asset that's readily available at all times is certainly attractive to the marketplace.

Francisco Leon
And Leo, just to add one more to clarify, we have 550 megawatts at Elk Hills. We use about a third of that power for our own consumption in the oil field and two-thirds is available to sell to Cal ISO and utilities and so this is a way to guarantee that supply to this resource adequacy program and it's another way to kind of showcase that you want to be long commodity and long power in the state that's struggling to keep up otherwise.

Leo Mariani
Okay. Maybe, I can just to phrase this a little bit differently. If the plant pretty much runs at the same rate in 2024 as it does in 2023, it will say all of the variables are the same, you know, such as power pricing input cost et cetera. Are you getting an extra $45 million next year in the business?

Francisco Leon
Correct. That's exactly what to say and typically that comes in the third quarter. That's what we got just now, the payment for 2023. These are contracted capacities that the team has already executed on. So it's an incremental $45 million of cash, correct.

Leo Mariani
Ok, great. Thanks for clarification. And then just on the $55 million of cost savings which you are expecting, you know, next year. I just wanted to understand are you seeing some of that already in the second half 2023 numbers or do you think that's kind of an incremental $55 million when the calendar turns?

Francisco Leon
From a modeling perspective, I would apply it in 2024, Leo. We are seeing already some of the savings this quarters but there are offsets. There is severance cost, there is a number of things that you have to…as you go through big cost reductions that you have to take care of, so you will see the full impact of the $55 million plus as part of 2024.

Leo Mariani
Okay. That's helpful. And then lastly guys, is there is any update on kind of pipeline regulation on the CO2 side, you know, in the state?

Francisco Leon
Yes, so we are looking for cleanup language around Senate Bill 905, which is the beginning of the conversation around pipelines in California. We are, there's no new update, we're anticipating beginning of next year, when the budget gets set by the state to have the next opportunity for the legislature to pass the language that ultimately creates the framework for CO2 regulation.

So, look for that early next year, in terms of new information. But, our view is that the energy transition cannot wait and that's why we're excited about our Greenfield projects, excited about the projects that are captured the storage project at Elk Hills. We have the ability to make all of this a reality, as we wait for things like the CO2 pipeline regulation to get passed. So, this co-location of emissions on top of the reservoirs really, really gives us an advantage over the rest of the market, in terms of being able to get cash flows from, from this growing business. So but in terms of the pipeline, we feel there's really good support from the administration, from the legislator, the legislators. So again, hoping beginning of next year is when we get some, some progress made in that front.

Operator
Thank you. And our next question today comes from Nate Pendleton with Stifel. Please go ahead.

Nate Pendleton
Good morning. Thanks for taking my questions.

Francisco Leon
Morning.

Nate Pendleton
Growing the plan spending for the carbon management business on land and easements, how should we think about that type of spending trending into the future? And can you provide some insight into competition you're seeing in California for that pore space?

Jay Bys
Hey Nate, yes. So we have a strategy to build multiple areas around the state for, for pore space in the CCS business. In Elk Hills, we happen to have all aspects of the business in one place, surface minerals, emissions, but as we move to other parts of the state, we do have to acquire land to make sure we have the right size of the plume. And that we've accounted for all the different elements to it. So the $20 million that you're seeing of easements anticipated in the fourth quarter of this year is to, to expand some of our land holdings.

As we get ready to submit permits, as we get ready to make the business a reality in other parts of the state, we are buying land that we can develop over time. So that's what that is, it's difficult to predict the, the intensity of that spend going forward. But what you can see if you go through our slide deck, you can see a lot more specific details as to what we've been doing at CTV 2 and CTV 3. So, where we don't, you know, we're building new sites, we're submitting permits, we have a long queue.

The easements is for the next wave of projects that are in the CTV 4,5,6, category where we're looking to perfect those reservoirs and build the strongest position that we can in a market that is competitive. So, we have seen where there is, I would say competition out there for the land rights. We don't necessarily see immediately this competition submitting permits, but we know they're out there, some big developers that are looking to build their own CCS platform. So without being specific as to who's out there, there is demand for land, there is demand for pore space. You just don't hear it because the companies are not necessarily public or they are too big for this to register. But we do see demand. But we feel really good about our positioning that we're building and building scale and multiple, multiple projects that can grow the business beyond what we laid out for the market.

Nate Pendleton
Got it. Thanks for the detail. And you have the potential for equity ownership in a number of the projects that plan to use CTV for CCS. So at a high level, can you speak to your framework for making an investment decision at the various projects including the NLC RNG facility?

Jay Bys
Yes, absolutely. So, commercially, I think our team made a great decision to retain an option to participate, that gives us access into new markets, and how those markets are coming together. As we develop the Clean Energy Park at Elk Hills, as we bring in new technology forward and enable these projects, understanding the value of their proposition in their off-take agreements is critical to the success of our CCS franchise.

So, certainly there are some projects that are going to be better fit, there's going to be projects that are more mature and there's going to be an appetite to invest in some of these projects. We have the option alongside with Brookfield, so we, we go in together, we understand the scalability of the markets, the pricing point, the positioning that we have. So, if we feel there's a strong return opportunity, then it's something you'll see us invest in.

And if we think they're, they are going to take a little bit longer to develop, then we may not, so it's good to have the option. I think we're going to face the first decision here early next year, in Lone Cypress, I feel it's a very attractive project on to develop the first clean hydrogen offering at scale in the state, again, a fast track market, a low cost producer, potentially, given all the advantages that we talked about as being the Clean Energy Park. So we're approaching that FID decision. First, we have to get the Class VI permit and, and then we'll, we'll make a decision on the project. So we're looking at it, it's, it's very difficult to be prescriptive, because the projects are so different, and their funding requirements are different. The capital behind them is different. But I do like having the ability to think through the market of every project and how that's going to play in California.

Nate Pendleton
Absolutely, thanks for taking my questions.

Operator
Thank you. And our next question comes from Scott Gruber at Citi. Please go ahead.

Scott Gruber
Yes, just staying on the capture project at the Elk Hills gas plant, is the economic range there $50 to $70 million of EBITDA per ton. Just consider the 45Q credits, or does it also include LCFS and just some color on the LCFS qualification process and outlook to tap that market as well?

Francisco Leon
Hey Scott**.** So, the $50 to $75 is the range of what we see in California, as being the value for pore space, for storage only projects. So, whether it's our emissions or third party emissions, that's the rate to pay for pore space, and that's what this is signaling. There may be a pass through of credits, there may be cash, those are negotiations that are happening with each other between the emitters and the JV. So it could be a combination of two, I think the way to think about this project is, you get 45Q, which is by the way, an after tax number, so you gross that before tax, and it's over $100 per ton.

Then we're going to look to apply for LCFS pathway because this is a project that ultimately feeds a power plant that goes to providing power for the oilfield and you're bringing lower carbon molecules and electrons in this case into the mix. We feel it qualifies for LCFS so we're starting that project. We also pay in California carbon tax for any form of emissions throughout the state, any industrial group has to pay those, those carbon taxes. So, we see this as being an offset by reducing the emissions and the less greenhouse gas cost to CRC and as I talked about before, there is propane in an incremental yield. So, the economics for…you have to look at the economics two ways, right? The economics for the JV are as we discussed is $50 to $75 per ton give you an unlevered return of between 10% to 30% big range, but that's what we can disclose right now.

So, this project will be consistent on that basis, but on top of that, there is a CRC economics which brings in twofold our participation on the JV, but also we added increases and benefits that we see beyond 45Q. Could be credits, but definitely more propane is a good thing in avoidance of carbon tax. So, good returns all around anticipated. It also, it's a light capital per ton project, so capital for this system is on the lower end. So, we see very strong returns across the board.

Scott Gruber
I appreciate all that color. Then returning to your asset sales, it looks like the P&A activity on the 90 acre parcel at Huntington Beach is going to step up to 40 wells next year. Can you give us a sense of the cost associated with that and then, just ultimately what's the cost to clean up the property, P&A all the wells on the property, rezone and get it ready for sale. Do you have a better sense for costs associated with that?

Francisco Leon
Yes, thanks for the question. So, we're making really good progress on the 1 acre property. So, as a reminder, we have the large field Huntington Beach which is 90 acres that's going to be…that's going to take more time to abandon and monetize, but we are focused on another field that's about five blocks away which is 1 acre. We refer to it as Fort Apache. We are making really good progress there. We have abandoned…we have completed abandonment of the wells that we are producing in there, so that's done…we are in the process of completing all the surface abandonment. We are working with the city and regulators to get that site ready to be sold and we are looking to call for offers here in the fourth quarter.

So, what we want to do to answer your question more specifically is once we have a dollar per acre per value established by the market, that's when we will like to talk about cost as well, right? So, to give a read through of what an 1 acre abandonment to sale looks like in this part of the world, right? So, we want to give an all-in kind of answer to the process that ultimately can be applied to the 90-acre property as well alongside with some timeline to the bigger property, but the focus right now, it's on the 1 acre and feel we're making good progress, so more to come.

Scott Gruber
Got it. We'll await those details. Thank you.

Operator
Thank you. And our next question today comes from Noel Parks with Tuohy Brothers Investment Research. Please go ahead.

Noel Parks

Hi, good morning.

Francisco Leon
Good morning.

Noel Parks
Just a couple of things. In your discussion about the capture-to-storage project in the pre-combustion capture system that you talked a little bit about, I am not really familiar with those systems. I am curious about who or if you can characterize what sort of an equipment vendor you would be using for that. Is that proprietary technolog or something that's widely available?

Francisco Leon
Yes, it's…yes, available…it's amine technology. Let me turn it over to Omar to provide more details, but we will be doing the works here. CRC will do the work, but go ahead Omar.

Omar Hayat
Just a little bit more color on the technology. It's not a new technology. It's an amine plant that was put in place with our cryogenic gas plant several years ago, but we are repurposing, adding equipment to it to get it to the point where we can execute this project. So, to answer your question, this is proven technology, yes.

Francisco Leon
So, a proven technology within our control within our field and that's what gets us really excited, because at the end of the day we have naturally a lot of things to prove in terms of the viability of CCS and there is a lot of moving parts from interstate pipelines in other places to some concerns about the injecting of CO2. But you know, what we created at Elk Hills is an opportunity to have it all in one place, take a lot of the variables away, and including the emission capture, which ultimately we know it's going to work. We know what the capital cost is going to be and this gets us into a fast track to be injecting by 2025, so really excited about it.

Noel Parks
Great, thanks. And interesting to also hear you talk about third party RSG certification being something on track for next year. I was just curious which program or regime are you using for that?

Francisco Leon
Don't know if we are bound on some confidentiality to talk about it, but it would be one of the…there is two big national companies that most companies use. It would be one of them.

Noel Parks
Okay. Okay, great. And just a general question. It's clear as you described the different projects you've already disclosed and ones you're in the process of putting together, that there are a lot of moving parts going on all at once and I wonder in your exploration of different opportunities, is there much opportunity that you see in sort of like the, specifically the waste gas type of industrial plant, whether it's water treatment or I don't know how far along sort of carbon capture from ag sources is in the state, but just anything you can tell me about that would be great.

Francisco Leon
Yes, absolutely. So, like said, there is a lot of synergies between what we are doing and what California wants to have happened and a lot of the waste, you can talk about forest

management. We have issues with fires in the state. Part of it is the lack of forest management. And we have companies like NLC who we announced are partnering today that are looking for that pathway that will spend the money to clean up the forest and then we can turn that into clean energy. So, that's part of the overall objective, part of the strategy we are trying to advance here, but maybe I'll turn it over to Chris Gould for any additional comments he has here.

Chris Gould
Yes, just to build upon that, it…when you look at the proximity of our reservoirs, they are in the Central Valley. They are very close to ag waste in terms of feedstocks and that's why you see several of these projects are utilizing waste for the production of these renewable fuels, including NLC. So, we are doing that and we are doing it where it strategically makes sense relative to the advantage we have where our CTV storage reservoirs are located. The same is true in northern California with CTV 2 through 5 that is in a very strategically located near forest waste and forest trimmings which as Francesco mentioned are a huge challenge that we can help solve for the state, by using that as a feedstock and in addition to the proximity to that feedstock, the reservoirs in the Greenfields are in proximity to the demand centers to the west such as the Bay area for the products that get created out of that. So again, location, location, location, it's very important where these reservoirs are, we're a first mover in that pore space in that region and we feel advantaged towards these waste products streams.

Noel Parks
Great, thanks a lot.

Operator
Thank you. And ladies and gentlemen, that's all the time we have for questions today. I'd like to turn the conference back over to the management team for any closing remarks.

CONCLUSION

Francisco Leon
Thank you for joining us today. We will be presenting several investor conferences in November and December and also in early 2024. I look forward to seeing everybody soon. Thanks again.

Operator
Thank you. Ladies and gentlemen, this concludes the conference call. We thank you all for attending today's presentation. You may now disconnect your lines and have a wonderful day.