California Resources Corporation

Fourth Quarter 2024 Earnings

March 3, 2025, at 1:00 p.m. Eastern

CORPORATE PARTICIPANTS

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

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

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

Omar Hayat – *Executive Vice President and Chief Operating Officer*

PRESENTATION

Operator
Good day, and welcome to the California Resources Corporation Fourth Quarter and Year-End 2024 Earnings Conference call. Note this event is being recorded.

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

Joanna Park
Good morning, and welcome to California Resources Corporation's Fourth Quarter and Year-End 2024 Conference call. Following our prepared remarks, members of our leadership team will be available for questions. By now, I hope you have had a chance to review our earnings release and supplemental slides. We have also provided information reconciling non-GAAP financial measures to comparable GAAP measures on our website and in our earnings release.

Today, we will be making some forward-looking statements based on current expectations. Actual results may differ due to factors described in our earnings release and in our periodic SEC filings.

As a reminder, please limit your questions today to one primary and one follow up as this allows us to get to many more of your questions today.

And now I'll now turn the call over to Francisco.

Francisco Leon
Good morning and thanks for joining us. We have a lot of good news to share. I will kick off with a summary of our 2024 accomplishments and recent milestones from our carbon management business. I'll also provide more details around today's announcement with National Cement. Next, I'll ask our new CFO, Clio Crespy, to cover the fourth quarter, our 2025 outlook and key financial priorities. So here we go.

2024 was an exceptional year for CRC. We're executing well today and building for tomorrow. We delivered on our key targets and meaningfully reduced costs across the business by achieving sustainable Aera related synergies. Importantly, we announced an exciting new deal today with National Cement. This agreement further validates the Carbon TerraVault business model and our ability to provide industrial partners with near-term solutions to create a cleaner California.

CRC is a different kind of energy company. Today, we will highlight the big value drivers gaining visibility in our story.

Our conventional oil and gas business has a proven track record, delivering robust cash flow and solid financial results. Post our Aera merger, we're California's largest oil and gas producer, supported by quality proved reserves and a deep inventory. This scale unlocks significant synergies from our low decline, low capital intensity assets.

We're also excited for our new high growth opportunities in power and carbon management. With available behind-the-meter power capacity in our portfolio, we're actively pursuing agreements with multiple well-known and capitalized parties to advance new AI data centers in California. Stay tuned.

Let's talk about our rapidly expanding Carbon TerraVault business, which has moved from concept to reality, as leading companies across industries are coming to us for innovative solutions to complex

challenges. This should allow us to command a premium valuation in the market. The expected returns we model under these new arrangements are compelling and show a path to future profitability and attractive returns.

Aera made us bigger, better and more sustainable. Our operating teams have captured over 70% of our targeted synergies, improving our 2025 cost structure and reinforcing that assets are better in our hands.

Now, let's look at our growing carbon management business. We received the nation's first EPA Class VI permit, giving us the green light to advance California's first CCS project at Elk Hills. We plan to break ground in the second quarter with first injection expected later this year. Including today's announcement with National Cement, we have nearly 9 million metric tons per annum of carbon management projects under consideration.

Our CTV business has seven additional Class VI permits in the queue with an estimated total storage capacity of 287 million metric tons. Our Brookfield JV is working well, allowing us to capitalize the growth of the CTV business.

Let me expand on today's announcement with National Cement, a large, private, domestic subsidiary of an international cement producer. This is a first-of-its-kind brownfield project to decarbonize a very hard-to-abate sector of the economy. The cement industry is vital to the growth of any community across America.

Here are some important details. Once operational, the plant will mark the first step in establishing a decarbonized cement market. It will be California's first net-zero cement facility backed by up to $500 million in DOE funding. California's SB596 requires 40% of all cement used in the state to be net-zero by 2035, and 100% by 2045. This project is crucial to meeting these mandates, and National Cement selected CTV as its partner. This vote of confidence validates our CCS strategy and our expertise in carbon management and transportation.

Just last week, Governor Newsom flagged carbon management as part of a statewide plan for economic growth, recognizing it as an emerging sector with high strategic importance to the innovation ecosystem of California. CRC is in a great position today. We are selecting partners that meet our criteria and advance California's decarbonization goals. These projects are attracting significant new capital and high paying jobs to the Golden State. Our unique asset portfolio offers our partners near-term answers to today's complex energy challenges. Whether it's access to clean and reliable power for a new AI data center, or carbon capture and storage for critical industries like cement and agriculture, we have solutions.

I'll now pass the mic to Clio.

Clio Crespy
Thank you, Francisco, and good morning, everyone. Let me start with a discussion of our recent financial results.

We exceeded expectations this quarter driven by net production of 141,000 BOE per day, realized oil prices at 99% of Brent, and continued cost discipline. Our focus on cost control and operational improvements drove $316 million in adjusted EBITDAX and generated $118 million in free cash flow, a testament to our disciplined execution. Combined operating and transportation costs came in 4% lower than our initial guidance at the closing of the Aera merger totaling $344 million.

Let me highlight the work behind these numbers. Following our transformative merger, the teams have been focused on safely achieving sustainable cost reductions, optimizing operations and finding

innovative ways to make our business leaner, more efficient and more profitable across several key areas. First, we strengthened our supply chain synergies to unlock new economies of scale. Second, we optimize operations, applying mutual best practices, improving rig efficiencies, sharing resources across assets and refining work planning. Third, we enhanced our energy efficiency, improving connectivity across our energy portfolio and reducing steam requirements, all of which are maximizing field profitability. And lastly, we reduced our G&A by 10% quarter-over-quarter to $95 million, eliminating inefficiencies, improving people's processes and strengthening team cohesion.

All of this puts us in a stronger position, running leaner while driving even more value. We closed out 2024 with gross production of 163,000 BOE per day. Thanks to our team's dedication, our reservoirs maintain a low annual gross decline of about 6%, which we efficiently managed through $123 million in drilling capital.

Importantly, we are deploying new remote technologies to increase production uptime and maximize revenues. For the year, we delivered over $1 billion of adjusted EBITDAX and generated $355 million in free cash flow. We are committed to sustainably rewarding shareholders and returned about 85% of 2024 free cash flow through dividends and share repurchases. This is key to driving long-term value.

CRC is in a very strong position as we enter 2025. Let's talk about the key components of our outlook.

In 2025, we should benefit from new sustainable efficiencies. We expect to invest $285 million to $335 million. So far, we've actioned approximately 70% of our $235 million of targeted Aera related synergies and expect to achieve the remainder of this year through operational planning, vendor management and ongoing G&A savings.

When compared to the pro forma combined 2023 organization, our 2025 targeted controllable cost structure is estimated at $220 million or nearly 16% lower. We have high quality conventional assets and expect single-digit reservoir declines again this year. We plan to run a single rig in the first half of the year and add an additional rig in the second half. We expect to deploy $165 million to $180 million in drilling, completions and workover capital with annual net production estimated at about 135,000 BOE per day. Oil should comprise nearly 80% of the total.

Through hedges, we have reduced commodity price risk and underpinned cash flow. More than 70% of our expected 2025 oil production is hedged at an average full price of $67 per barrel and more than 60% of our 2025 fuel gas is hedged at an average price of $3.95 per MMBtu.

Lastly, our financial results will benefit from enhanced revenue streams in natural gas marketing and power. Our resource adequacy power capacity payments will increase 50% to $150 million, and we are assessing new power purchase agreements for spare power capacity. Once signed, these should expand the value of our power offering. The cumulative impact of these financial drivers in 2025 are expected to generate $1.1 billion to $1.2 billion in adjusted EBITDAX at $73 per barrel Brent while growing cash flow per share.

Let me wrap up with our financial priorities. Maintaining a strong balance sheet is paramount. This allows us to invest for the future and support our integrated business strategy in conventional oil and gas, carbon management and power. Today, we have more than $1 billion of liquidity. In just 6 months after our Aera merger we rebuilt cash on hand from practically $0 to more than $350 million at year-end, reflecting the strength of our conventional asset business.

Last week, we redeemed roughly half of our 2026 senior notes at par and expect to act on the remaining $122 million later this year. Our leverage ratio remains less than one turn.

I would like to reiterate - we understand the importance of sustainably returning capital to shareholders. Last year, we increased our dividend by 25% and returned 85% of free cash flow to shareholders. Since 2021, these returns totaled more than $1 billion. We see great value in our stock, and we will opportunistically use our buyback program to support our equity and enhance per share metrics. We have ample capacity with more than $550 million remaining under our buyback authorization as of year-end 2024.

I've enjoyed meeting many of you on the road in recent weeks and look forward to staying connected throughout the year. Francisco, back to you.

Francisco Leon
Thanks, Clio. Before taking your questions, let me quickly reiterate our focus on shareholder returns and summarize today's key points.

There is no doubt today that CRC is a different kind of energy company. We have a sound business plan, strong execution and a high-performing team. Our team has a proven track record of returning capital to shareholders and growing cash flow per share, all while maintaining a very strong balance sheet. We are well positioned to deliver on the significant near-term value drivers we discussed today. With these strengths in place, we see tremendous value in our stock and are confident in our ability to maximize shareholder returns.

To recap our plans, our oil and gas business is performing well. We are benefiting from strong reservoir performance, synergies, lower costs and predictable and sustainable cash flow. This is a powerful combination. We are leading California's decarbonization efforts. We will soon break ground on the state's first CCS project at Elk Hills, with first injection and cash flow expected later this year.

Market demand for Carbon TerraVault is accelerating. Today's announcement with National Cement is a major milestone in domestic industrial decarbonization. With multiple carbon management projects under consideration, we can prioritize the best projects for us. This deal pipeline gives us a visible path to future revenue growth and profitability. Our power business is generating reliable and consistent cash flow and returns. We expect to unlock even greater near-term value through new agreements with AI data center providers later this year. We are executing well today and building for tomorrow.

Operator, we're ready for your questions.

QUESTIONS AND ANSWERS

Operator
We'll now begin the question-and-answer session. To ask a question, you may press star then one on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. If at any time your question has been addressed and you would like to withdraw your question, please press star then two. In the interest of time, we ask that you please limit yourself to one question and one follow up. At this time, we will pause momentarily to assemble our roster.

The first question today comes from Scott Hanold with RBC Capital Markets.

Scott Hanold
My first question is probably a tough one for you all to answer, but look, your stock price is underperforming some of your peers despite some of the progress you all make and especially today with now OPEC looking to bring back its volumes, I think it's hitting all oil stocks, but you guys continue to underperform. Can you give us a sense of a couple of things related to that?

Number one, do you think the lockup from the Aera owners is having some influence in that? And is there a way for you guys to help mitigate that impact? And associated with that is you talked about your buybacks, but is this a point where you get really aggressive in buying back your stock as well?

Francisco Leon
Scott, I appreciate the question. So, we really can't comment on what other investors we'll be doing with their shares, but let me give you my perspective. We have a great track record, we returned over $1 billion since 2021. That's about 2/3 of our free cash flow. If you look at 2024, we bought back about 3.5 million shares at an average price of $52.12. If you combine that with a dividend, that's an 8% cash return yield to shareholders.

Now 2025, the fundamentals remained unchanged. Our business is stronger today and the catalysts are near. So, what I would say is we see tremendous value in our stock. It's trading well below our estimated intrinsic value, and we are buyers of CRC shares, full stop.

I want to ask Clio to maybe cover some of the specifics on the lockup.

Clio Crespy
Thanks, Francisco.

Yes, CPPIB, IKAV and Oaktree are under a lockup agreement post the merger with Aera. 1/3 of the shares is no longer under lockup. The first tranche expired early January, which is around 6.5 million shares held by IKAV and CPPIB. The other 2/3 remain under lockup until July for the second 1/3 and January 2026 for the final 1/3.

As Francisco said, we can't speak to what the shareholders will ultimately do, but you can look at our track record. CPPIB has a deep expertise in California's energy sector and a strong track record as a strategic, thoughtful and long-term partner to their portfolio companies. But if either large owner does decide to sell, we have the ability to help support in one way or another. We have a buyback program with more than $550 million remaining, that represents over 12 million shares at current prices and close to double the amount of the initial 1/3 tranche held by CPPIB and IKAV. And we have been active on the buyback front. As a reminder, we have repurchased 18.5 million shares since the start of the program in May 2021.

Scott Hanold
I appreciate all that color. I know it's a tough situation, but it sounds like you guys are definitely defending your stock where you can right now. My next question is, Francisco, you kind of wet our whistles with more to come on the data center front. What color can you provide us in terms of what's going on there? And I'm assuming this would be potential capacity, unused capacity at Elk Hills, the Elk Hills facility, but could you generally talk about what kind of structures are you looking at and what should we expect with this?

Francisco Leon
Yes. So, in terms of data centers, we're talking to multiple parties and we really see a big potential here. But as a reminder, we have a strategic infrastructure advantage. And what that means is we can get to speed to market, so front of the line for data centers in the California markets. The delay here is long lead times to interconnect, and we see a behind the meter solution at Elk Hills. Then if you look at backup power from the grid, that's something that works really well in California from both an economic and regulatory perspective.

So, what we're trying to solve for is a high value, long-term PPA. And we're looking at about 150 to 200

megawatts. But then also unlocking the low carbon emissions solution with CCS. Finding the right partner, locking arms with our partner, is critical as we expect this to be a decade plus type of contract.

So, the goal here is deliver power today, make the electrons low emissions and then the data carbon free. We're going to be first in the nation in being able to do this given our permits. So, we're really looking at this advantage as deliver the power now. We also have about 90 acres of land at Elk Hills that we've identified to build the data centers. And we also have the ability to provide firm supply of natural gas.

So, when you look at all these advantages and then you also take into account that we participate in the resource adequacy program in California, which it's up 50% year-over-year, that's what I think what explains that we're being thoughtful about this. The key is long-term value, the key is a long-term contract, it's optimization of what we have today, and then ultimately also bridging to low carbon emissions power with CCS. So, it's finding the right partner, and we're talking to a number of groups that are interested. And that's what we said later this year, we'll provide an update, but I feel very good about the positioning of our plant.

Operator
The next question comes from Kalei Akamine with Bank of America Merrill Lynch.

Kalei Akamine
Good morning, Francesco, Clio. My first question is on the PPA development, so maybe Jay can weigh in here. One issue that we've identified is obviously with the co-location opportunity is power redundancy. So, gas plants are baseload, but they don't operate 24/7/365. There are scheduled and maybe even unscheduled periods of maintenance. So, my question is, how are you thinking about addressing this issue? Is it a great connection for backup power or is it modular generation? And does whatever solutions that you choose affect your economics, i.e., is one solution better for you than another?

Francisco Leon
So, I'll take a first pass at the question and then I'll turn it to Jay. As a reminder, our plant runs 24/7. It's a baseload plant. It’s one of the most efficient plants in California. So, where you might be hearing issues, peakers and other issues in other states, that's not the case here. We operate this plant for oilfield operations, and then we sell the rest into the grid. And then it's supplemented by very attractive contracts on resource adequacy to be on standby.

Maybe I'll turn it to Jay to answer the question on the interconnect.

Jay Bys
Yes, thanks. That's a good question. Currently, at Elk Hills, we do have standby agreements that back up not only the plant itself, but also the assets and load behind defense. We're looking to do the same thing here. We've got import and export capacity at the plant well in excess of the plant's capacity and the anticipated load behind the fence. So, all the resources physically are sitting there right now.

Kalei Akamine
Got it. That's helpful. My next question is a clarification on the synergies, so maybe this one is for Clio. So this year, you guys plan to capture 72% of the $235 million run rate of synergies then the balance in '26. My question is, these are run rate numbers and the benefit to '25 maybe depends on when that run rate is achieved. So maybe for better transparency, can you offer what the absolute dollar benefit is on '25 and for '26. And then, as we think about how that's reported, is it all effectively in your non-energy and G&A guidance of $1.2 billion?

Francisco Leon
So yes, I'll start, and then I'll turn it to Clio. I also wanted to have Omar give some of the specifics on our plans for 2025.

But just to recap, I am very proud of the team's progress on synergies. We set out an initial goal of $150 million of synergies. We've increased that to $235 million. We closed the transaction on July 1 and the team went to work. And as you point out, 70% of those synergies are captured already, meaning we took action in 2024 for the benefit of 2025, and we see those numbers flowing through to guidance.

Clearly, we'll give a little bit more specific answer on where the numbers are coming from, but another point to make is we're cutting costs faster and at a better pace than our estimated decline on the business for 2025. So then if you look at how we think about this year, cut costs, increase margins, buyback shares aggressively, which will all look to grow cash flow per share as we wait for permits to get back on track at the end of the year. So that's our strategy.

Maybe, Clio, you could provide some perspective, please, on the numbers.

Clio Crespy
Thanks, Francisco. So just to put things into context here, if you remember, at deal announcement, the targeted synergies amount was initially $150 million, then up by 57% to $235 million, which implies synergies representing roughly 11% of the deal EV. This compares very favorably versus other deals in our sector. In fact, it's a top-tier number given the average is in the 3% to 5% range of target EV for E&P transactions in the past four years.

Now if I unpack our $235 million target between what has been actioned versus remaining today, while on an annualized basis Aera merger run rate savings actioned in 2024 totaled $170 million and that included $110 million in nonenergy and G&A savings and $60 million in interest expense. This year, we plan to achieve the remaining $65 million as we progress in 3 key areas. First, we plan to further optimize our vendor agreements to drive operational efficiencies. Second, we'll continue to reduce G&A while improving our processes. And third, leverage scale to enhance cost discipline and margin expansion.

So, versus pro forma combined 2023, we expect to see $220 million in cost improvements in 2025. And beyond synergies, the Aera merger provided us with significant premium CO_2 pore space in Kern County.

I'll now turn it over to Omar on our operational plan this year to capture these incremental synergies.

Omar Hayat
Thanks, Clio. I think Francisco and Clio have covered the numbers. Maybe I can help by providing a little more color on what's behind the numbers, how are we driving these synergies.

If you look at 2024, that was mostly around G&A optimization and supply chain efficiencies. So more specifically around supply chain, we looked at price matching, which means we adopted the lowest unit rate between CRC and Aera price books and drive cost reductions around that. We also brought some of the purchasing operations in-house, and what that did is that it helped us avoid third-party markups through direct sourcing and we'll continue to see G&A and supply chain being an important part in 2025. But what 2025 is going to be about is infrastructure consolidation between Aera and CRC assets. I'll give you a more specific example, what do I mean by that?

So, for example, right now, we have a project in the budget, in our capital budget for 2025, where the gas production, the associated gas production at Belridge, which is a field that came in with the Aera acquisition, it produces about 15 million to 20 million in gas that is being used as a fuel gas for steam

generation. What we're planning to do is bring that gas over to Elk Hills cryogenic gas plant and drop a thousand barrels of NGLs and then reroute that gas back to Belridge. So, by implementing that project, we will add a thousand barrels to our liquid production by the end of 2025.

That's just one example. We see similar opportunities in power, we see similar opportunities around optimizing our fuel gas, and we'll continue to build on that momentum to deliver on the remaining $65 million that we have promised to the market.

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

Nate Pendleton
My first question, I wanted to dive a little deeper into the MOU with National Cement. First off, congrats on signing the deal. I think it highlights that CCS can reduce emissions from a broad array of hard-to-abate sectors. Can you share any specific milestones that you're focused on as this project progresses? And how are you thinking about the CO_2 transportation component of the project?

Francisco Leon
Nate, welcome back. So very excited about National Cement. It's the type of brownfield partnership we were looking for. Also, if you remember, California is the second largest cement producer in the nation, so it's a big market, a big market opportunity. National Cement generates about one million tons per year of emissions. They have a state-of-the-art plant in the town called Lebec and they've done a lot of upgrades into enhancing energy efficiency. They're very focused on this resource, reduction of emissions.

They were able to secure a $500 million loan from the DOE just at the end of last year. And we understand that they're working on their engineering and pre-FEED study around that. So, where we come in, we would be the transport and the storage solution. It's a great project across the board, will generate a lot of jobs in the state, and we need them.

In terms of pipeline, we've been talking about CO_2 pipelines and needing those to be able to physically connect the emission sources to our reservoirs, we're taking kind of a two-step approach. We're working with the federal government to release and move forward the completion of the rulemaking. We were trending in the right direction. January 20, the government announced plans to release the safety rules around the national pipeline regulation. Then there was an executive order that temporarily paused all rulemaking for 60 days. And so, we've been advocating for PHMSA, which is the agency that controls the pipeline regulations, to move forward to a completion point given that's the trigger to lifting California's SB 905 moratorium on CO_2 pipelines here. So, we're working closely with the federal government to get that step moving forward.

Now also here in California, we're engaged with the state leadership looking to provide a solution, the California solution to the same dynamic. There's growing recognition that in order for California to be successful with climate goals, with all the ambitious targets that we have here in the state, we're not going to be able to do those without CO_2 pipelines. And we see momentum building with legislators in the administration to lift that moratorium in the 2025 legislative session.

So, I feel we have multiple ways to get this back or to get this on track. There's significant investments that we have ready great projects behind it, and we think we're going to get the momentum there to be able to get to a good landing spot this year.

Nate Pendleton
Got it. As my follow up, perhaps for Clio, now you've been in the role for a few months, can you share

your top financial priorities going forward? And you also mentioned the recent redemption of the 2026 notes in your prepared remarks, and that was only about half of the amount outstanding. So, could you also touch on the rationale behind that? And anything to read into that?

Clio Crespy
Sure. So, my financial priorities as CFO are clear: maintain a strong balance sheet, drive sustainable cash flow and as a result, create long-term shareholder value.

First, we're focused on financial resilience. We have a pristine balance sheet, strong free cash flow and a clear path to further debt reduction. And earlier this year, we took strategic steps to de-lever, and we will remain on track for the rest of the year.

Second, we're committed to disciplined capital allocation. Our approach ensures that we have the flexibility to invest in high return opportunities across oil and gas, carbon management and power while still returning significant capital to shareholders. Our track record of shareholder returns, transactional expertise and strong financial position speaks for itself.

And third, we're building for the future. We have many value-creating opportunities coming and knocking on our doors. I need to make sure that we have the balance sheet, the capital and the people to make these valuable opportunities a reality for our shareholders. We are positioning CRC to thrive not just in today's market but for years to come, and our big value drivers should provide the market with a clear view of our long-term path.

So why did we pay down only half of the debt? Well, it was the right strategic move. Our 2026 notes are our lowest cost of debt. And with our strong hedge book and cash flow visibility, we have the ability to be patient and to be deliberate. We chose to pay down half now, which is more than double the amount allocated to our buybacks over the past two quarters. This allows us to really maintain balance sheet flexibility, keeping leverage low, but also supporting growth and shareholder returns.

To note, we also have some cash flow commitments in the near-term that will require additional cash deployment. As an example, our expected bonus payments in the first quarter, which included a timing shift back to our standard practices and also includes a one-time payout tied to Aera retention payments, which were part of the merger-related commitments to ensure a smooth transition and integration. Our durable assets really provide us with the confidence to deliver on both our leverage objectives and our shareholder returns. Our ability to rebuild cash on hand from practically $0 to more than $350 million in just six months post-merger is a true testament to how we can fund both. And we fully intend to act on the rest of our '26 notes well ahead of maturity.

To summarize, our financial strategy is working. We're running a leaner, more efficient business with a balance sheet built for the long-term and we’re also investing in the right places, generating strong free cash flow and creating real sustainable value for our shareholders.

Operator
The next question comes from Josh Silverstein with UBS.

Josh Silverstein
I wanted to see if you can provide an update on the CTV JV with Brookfield. You announced the delay in the final payment until you reached the 35% of the 26 storage capacity. Was this due to just the timing around the project startup versus when the JV was announced? Or any shift in view on the JV structure or future projects?

Francisco Leon
So, in terms of the Brookfield JV, it's been working extremely well. It's a long-term partnership. We signed up for five years to work together to unlock the value of CCS in California. I would say great engagement and a lot of good opportunities we're reviewing together.

The delay that you point out is really an agreement on the timing, but it also has to do with the capital that Brookfield wants to deploy. There's multiple reservoirs, multiple projects that we're looking at. So, it makes sense that you calibrate the capital coming into the project and try to tie it closely to execution, what you're generating the cash flows so that the returns make sense.

So, when we look at project #1, it's a small project, 100,000 metric tons per year, but we're looking to fill the rest of the reservoir with emissions that we have nearby. I mean we have our own emissions, and we have third-party emissions, so we see about two million metric tons near the 26R reservoirs. So, we feel very good about reaching this threshold and it's just a timing and an allocation of when that money comes in. We received $92 million to date on the first 2 payments. So again, the mechanics of the JV have proven to be working really well.

And now we're focusing on adding more reservoirs, dropping in more assets into the JV, and that could be in the form of pipes, capture or more reservoirs as we go forward. So, I would say the report on Brookfield is extremely good as a partner and we're working together to put more and more capital to work.

Josh Silverstein
Got it. Maybe sticking with CTV as well. You have several MOUs outstanding and I think five Class VI permits in the queue for the EPA this year. Can you just give an update on the timing for those permits when you expect those? And then as you get those in, do you expect to convert a lot of those MOUs over to formal agreements?

Francisco Leon
Yes, that's the expectation. So, we received the first permit at the end of the year, and we expect to break ground on our cryogenic plant project here in the second quarter. The goal is to get the first injection of first cash flow by the end of the year and be off to the races on the first project. If you look at the EPA tracker, there's four to five incremental permits that should be approved this year or beginning of next, and those are in different parts of the state. We're going to be talking more about Northern California and the pore space that we have there. So definitely, I see a path to getting those MOUs converted.

I also see a path to incremental brownfield and greenfield projects coming down the pike. As we move up north, you open up a different universe of emitters. That's where the data centers are, there's a lot of power generation, a lot of potential customers that are in those northern reservoirs. And as we've proven by being the first in California with a permit, we know what we're doing, and we're going to march on and bring that pore space that we've accumulated into execution form into fully permitted, and that's going to turn into cash flow.

As a reminder, we have projects here in California, you might be hearing about CCS nationally, but the value and the returns that we see of CCS in California are very competitive returns to the rest of the portfolio. So excited to bring those forward, and the team has had a really good track record to get us here.

Operator
The next question comes from Betty Jiang with Barclays.

Betty Jiang
I want to ask about the CalCapture project. It seems pretty consequential from both the CTV JV perspective and as well unlocking the power value. Where do you see that project today? Now from a CTV standpoint, it seems like the most consequential sequestration project that may be going into 26R, should we be thinking about it that that could be the project that gets you through that 35% threshold with Brookfield?

And then along that line, as you are having the power conversations, where is the interest level to move forward with that CalCapture to get you that incremental value from the low carbon side?

Francisco Leon
Betty, as you point out, it's all connected. The carbon capture business and data centers are linked from our perspective. We see that working extremely well in California. The solar penetration is already there, we're down to one nuclear plant. So, if you think about a solution that works here, that not only addresses the environmental requirements but also the affordability point that the governor is driving is going to be natural gas with CCS. So, we do see the CalCapture as being critical to unlocking that business opportunity for us and for others around California.

So, the CalCapture decision is critical. We continue to look at the FEED study. And it has nothing to do with technology, we're very comfortable with the technology, but we're seeing improvements in the cost aspect of it. We want to make sure we have the highest efficiency in terms of capture and we're looking to submit all the permits that are required to get going. So, it's still hard to say where the emissions will go because we haven't pointed the regulators to where that will end up.

But we have 26R and we have several other reservoirs next to 26R where this could go. So that's why we're very comfortable. We feel we're oversubscribed, if you look at our emissions and third-party emissions, to not only satisfy the Brookfield requirements, but also to have all the reservoirs in and around that area is completely full. So, we want to work the CalCapture decision hard this year, try to get to a resolution and an FID. And we think this is a way to unlock a tremendous value for our shareholders.

Betty Jiang
Great. I look forward to that update. My follow up is back on the oil and gas operations. Thank you for giving us a look at 4Q to 4Q trajectory. You guys start thinking about a 5% to 8% decline for 2025. I know it's really early to talk about 2026 right now, but could you just give us some early look out how to think about 2026 once the permit is all up and running?

Francisco Leon
So, to recap 2024, outstanding work by the team, 6% production decline, extremely good capital efficiency, so lower capital spending to get there. We feel really good about 2025 in delivering a very similar trajectory.

As it relates to permits, we remain encouraged that we will get permits by year-end. We see a path to receive them. We're seeing progress through the current county EIR process. We also have applied for conditional use permits that will be through CalGEM. So, we have a number of fronts that we've been progressing. The outlook is, I would say, becoming clear that we should have some news by the end of the year. So that will lead us to a 2026 return to activity in a more normalized basis to be able to invest to stay flat. So, it’s still, as you said, very early to guide, but we wanted to establish a no-permitting risk this year, and that's what we guided in 2025. So, we look to get permits being able to develop a critical mass of permits. And then we have the inventory ready to go, a lot of attractive projects to go into next year. So, we'll look to get to that more normalized return to activity.

Operator
The next question comes from Neal Dingmann with Truist Securities.

Neal Dingmann
My question is maybe just twofold. One, just on the MOU at [indiscernible] a month or so with Net Power. Similar to the question was sort out on National Cement I was just wondering, with Net Power is there any sort of steps, catalysts we should look through on that? And then in that kind of same vein, are you anticipating more Class VI permits separately?

Francisco Leon
Neal, thanks. So, Net Power and National Cement, the existing MOUs, as we talked about before, our goal is to solve for storing our emissions and delivering low carbon intensity oil and gas, but we see a big opportunity to impact positively every single industry that operates in California. And cement and power are the two very natural places that are absolutely industries that are hard-to-abate, so difficult to reduce the emissions, but they also absolutely critical to the state functioning. So, we see this as great longer-term projects that ultimately provide the running room on a very long-term sustainable cash flow of the CCS business. So, it's a good match.

The market is basically saying we need to decarbonize and we're partnering with CTV to do it. So, we're working on things like the CO_2 pipeline moratorium and a few other elements to get these projects off the ground. But I would say we're being highly selective on the partnerships that we're entering to. We want projects that are viable, that make economic sense, that have the right return profile. We're also looking for partners that bring their own money to be able to build the capture systems. And you mentioned Net Power, you mentioned National Cement, both very credible and good businesses that are saying California is where they want to be, and we want to partner with CTV.

So, I would say the next milestone to look for would be on CO_2 pipelines as we think that will be the key to getting us to start getting more money put together with Brookfield on these projects.

Operator
The next question comes from David Deckelbaum with TD Cowen.

David Deckelbaum
Welcome, Clio. Francisco, I just wanted to just clarify on the budget this year. The addition of the second rig in the back half of the year seems like it's sort of predicated on confidence that you're seeing on the permitting environment turning around. Is that happening in your mind towards the end of this year? Or is that more of a '26 event? And should we think about that second rig as sort of being a contingency right now?

Francisco Leon
So, David, thanks for the question. It's important to clarify. No, there's no contingency. We're adding the second rig. We have the permits to be able to deliver that second rig today. That comes from our team's ability to look at sidetracks and capital workovers. We have a lot of the producing wellbores. The history here in California is those wellbores get drilled vertically through multiple pay zones, so you have multiple bites at the apple, if you will.

The wellbore, you drill it, you produce out of a zone and then you go back and you can go up or you can go down hole, you can do a sidetrack. So, our team has been working on that inventory as we get our hands on the air assets. And that second rig is not contingent on any incremental work we have the permits on hand.

So, then the second part to the question is what happens in 2026. We continue to build inventory on sidetracks and capital workovers, but we see a potential point where permits get back on track, and that would be incremental activity beyond the two rigs in 2026 if that were to happen as we expect that. So, it is showing a sign of getting to a more normal investment cadence and it's evidenced by the free-flowing aspect of the permits on sidetracks and capital workovers. And we expect new permits for new wells to come in, like I said, in the second half of the year. So, we're getting back on track.

David Deckelbaum
I appreciate that. And then either you or Omar, I was just kind of curious around this year, obviously, I think you guys guided to $310 million at the midpoint for CapEx, which is a fairly efficient program, especially pro forma. Would you sort of credit that efficiency to just the high grading around workover activity from the Aera properties? And you alluded to some of this runway with workover and sidetrack opportunities, but how do you feel about their trajectory over the next couple of years in terms of just capital efficiency and these opportunities around perhaps low-hanging fruit from this pro forma?

Francisco Leon
No, absolutely. We agree with the point that capital efficiency is a result of the Aera merger, the workover and side track opportunities that we see. When you put a very high caliber, very good asset like Belridge in front of our team, they immediately got to work and selected a number of really good locations to get after.

So, I expect that to continue. I expect that to be the norm. You'll hear more about Belridge. The history here of pretty much every oilfield that's not owned by us is that the operator stays into the very, very shallow reservoirs with the heavy oil, but deeper and deeper in California is 3,000 to 8,000 feet. A lot of very high-quality potential as you develop these stack reservoirs. So more to come on Belridge. I'm really excited. I think the team sees this as the next Elk Hills and Elk Hills has had a magnificent track record. But we expect to continue and have a really good program this year as we have a high-graded set of workovers and sidetracks a lot of that in Belridge, but it also covers a lot of our other fields, particularly in the San Joaquin Basin.

Operator
The next question comes from Alejandra Magana with JPMorgan.

Alejandra Magana
You had a meaningful step up in the percentage of free cash flow returned to shareholders between '23 and '24, with ‘24 coming in at 85%. Recognizing the payout percentage can move around in part due to working capital, how do you think about the payout percentage directionally in 2025 in light of your other cash calls this year?

Francisco Leon
Thank you, Alejandra. So, we intentionally haven't been formulaic on our cash flow, but I think our track record really speaks to our intent to be a top performer as it relates to returning cash to shareholders.
We see, as I stated earlier, tremendous value on the stock right now, a very, very high return, opportunities to buy shares at current pricing, so we will do that throughout the year and happy to also address some of the headwinds from any exiting shareholders in the same way to the extent that they want to exit, but we see a lot of value there.

We also like the fixed dividend. We've grown it for three years. We think the combination of fixed dividend and share buybacks is the most attractive way to return capital to shareholders.

The nice thing about CRC is we can do that and then we could also pay down our debt, which we've

done half of it already for the 2026 notes. We intend to take care of the remaining half later this year. And you can see how we can do this by the ability for this business to generate cash flow very quickly. And to add cash flow, just in the second half of last year, we went from effectively $0 cash at the time of the merger as we pay down the debt to rebuilding to over $350 million by the end of the year. So, it's a nice thing about our predictable business. It's a cash generation business, and then we're able to both keep a clean balance sheet, take care of our debt, but also buy shares aggressively where we see them being disconnected from the intrinsic value, which is what we're seeing today.

Operator
The next question comes from Leo Mariani with Roth.

Leo Mariani
I wanted to dig a little bit more into the CapEx here, just to kind of lay out the numbers here, it looks like you guys spent around $88 million in the fourth quarter of '24, you're guiding to around $65 million in the first quarter of '25, so it's a pretty nice step down. But kind of eyeballing your guidance here in 2025, it looks like maybe that $65 million holds flattish in the second quarter and then it's probably going to go up in the second half with the addition of the second rig. So, I guess maybe you get to kind of $85 million to $95 million perhaps run rate in the second half CapEx with 2 rigs. But you had kind of 1 rig in the fourth quarter with $88 million of CapEx. So, it seems like an enormous step change there in capital efficiency with the 1 rig, roughly the same CapEx as with 2 rigs. So, can you provide a little bit more color around that? Is there any kind of maybe cut down in the actual workover activity or anything like that, that was going into capital that kind of allows for that efficiency?

Francisco Leon
Leo, it's really about the mix of projects. The team is tasked to deploying the most efficient capital on the drilling program and they're doing a really good job. So last year, we had a different mix, first as a standalone company then as we came into the second half of the year with Aera. And you can see that there's a good slide on slide 8 that shows that trajectory on the capital efficiency. We see almost 10%, I think we're highlighting a 9% improvement year-over-year. So, it's just blocking and tackling. The team has done this before, and now we have a new sandbox with the Aera assets to try to enhance value. So, it's just capital efficiency and a little bit of the mix.

Operator
The next question comes from Michael Scialla with Stephens.

Michael Scialla
I want to see now that you have the final permit at CTV I, what the next steps we should look for are on the path to seeing the 26R reservoir becoming operational?

Francisco Leon
Michael, so we received the first permit, first in California, first in oil and gas reservoir actually in the nation, so our team is working hard to – I mean the permit is effective, so we're going to start breaking ground in the second quarter. So, we expect to be doing all the facilities work, connecting the plant, which is our cryogenic plant into the injector well later this year, and we expect to be flowing CO_2 from the plant by the end of the year and collecting our first CCS cash flow.

So, the milestones, you go through the EPA, they have to check that everything is a go, but we baked that into the timeline. So, what you should hear next from us is that we've broken ground on the project and then every big milestone, we're happy to communicate it, but the plan is to get to that first injection that's a big milestone. But along with that, we're working on every other project around that to be able to fill this reservoir as quickly as we can from either our own emissions or third parties.

So, I think giving just the evidence to all of our stakeholders that this can be done in a fast-track basis after you get the permit is important for us. We've been waiting for three years for this permit to come through. And now that it's here, we have a great queue and inventory of the rest of the permits and that will tell us where we're going to start having cash flow from this business very soon.

CONCLUSION

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

Francisco Leon
Thank you, everyone. We will be presenting at several investor conferences in March, and we look forward to seeing you soon. Thanks.

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