BofA Securities 2020 Global Energy Conference

Occidental Fireside Chat

November 12, 2020 Transcript

DOUG LEGGETT: Good afternoon, everyone. My name is Doug Leggett with Bank of America, and I'm delighted to welcome you to our last fireside session of our 2020 virtual conference. As I've been saying all day, 2020 is virtually over, and I guess we're all glad about that but in all seriousness, I am delighted to welcome Occidental to our fireside session with CEO Vicki Hollub and the Investor Relations Team.

So Vicki, I know you've been extremely busy. Thank you for making some time for us. We really appreciate you being part of our event this year. Thank you for being here.

VICKI HOLLUB: Thank you, Doug. Appreciate it.

DOUG LEGGETT: I'd like to just explain a couple of housekeeping items for everyone. So we have a Vericast system. If anyone has any questions, please type them directly into your Webex, and it will pop up on my screen. And we will be able to ask the question.

So Vicki, we've got about 45 minutes. So let's see if we can get through this. First of all, it's been a bit of a roller coaster since you took over as CEO, between the acquisition and obviously between now the coronavirus collapse in oil prices. So I'm just curious, how's the team holding up? After the headcount reduction and so on, how's the morale within the company?

VICKI HOLLUB: The morale has been great. And I can tell you, the passion and performance of our employees has been amazing. And that's what I'm really excited about for our future.

We have a company that, in my view, is technically and operationally performing at the highest level ever. And they're applying their expertise to the best portfolio of assets that I think our company has ever had. And that, combined with the fact that we have a differentiated strategy to become carbon neutral in a way that enhances our ability to extract more value out of our unconventional and our conventional assets, that's an exciting story for us. So I'm doing fine and, again, boosted and motivated by the performance of our teams.

DOUG LEGGETT: Well, earlier this week, you spoke at ADIPEC. And I saw you quoted on Bloomberg, talking about the risks of a spike in oil prices. I wonder if I could ask you just to elaborate on what you were thinking.

VICKI HOLLUB: Well, what we're seeing from a macro perspective is we truly believe that, based on what we're hearing and seeing in terms of recovery around the world, we believe that-- as does many of the models that are out there-- we believe that by the end of next year, that we'll see pre-pandemic levels of demand. And we believe what's driving that is a V-shaped recovery in both China and India. And I was actually on a phone call with some CEOs-- one of the side things from ADIPEC.

There were about 30 CEOs from around the world and several from both China and India. And they were actually very positive about where India is right now. And one of the facts that they brought up was that everybody in India is pretty much wearing a mask, and in China as well.

And, yeah, I just wish the US could get to that point, and we could start a recovery. But in China-- I mean, in India, they actually said that right now, their refineries are back at the capacity that they were at pre-pandemic. That's a very, very good sign. And that, along with China, is driving demand internationally.

China is one of the only countries in the world that's going to end up with a positive GDP for this year. So there are lots of things that are pointing to a better environment at the end of next year. And the question for us is, in the near term, how soon is the demand and supply balance going to start to take effect?

And we believe that, based on the models and based on our view, that there's going to be a 300-million-barrel deficit in supply from demand. And so that's going to help bring down the inventory. And it's really only when the inventory starts to reduce significantly that I think we'll see price movement. But certainly by the end of next year, the macro is looking better for the energy industry.

DOUG LEGGETT: Well, clearly--

VICKI HOLLUB: And--

DOUG LEGGETT: Go on, please.

VICKI HOLLUB: All right. Well, then the other thing I was going to add-- my reference about a spike is I do believe that this sets us up, because of the supply situation, for a peak-- and albeit, it could be short-term-- a peak spike in 2022. Because I do believe that peak supply is going to come before peak demand, and that because of the lack of significant exploration over the past five to 10 years around the globe, and with the situation of the shale in the United States not being able to, in my view, get us back to 13 million barrels a day-- where we were previously-- I think all of that really points toward a much healthier situation in 2022, and even a spike or two in that year. So I think there's good things to look forward to. It's just a matter of ensuring that we're diligent around capital allocation until we get to that point.

DOUG LEGGETT: Sure. Well, thank you for that. From your mouth to God's ears, and we'll see how that plays out. Vicki, there's a couple of things that dominate the Oxy investment case right now.

And unfortunately, it's not the things we want to dominate-- the operational performance, the well performance, and so on, which we'll get to in a minute. It's obviously the balance sheet. It's the sustaining capital. The breakeven.

So I'm going to try and navigate around those topics, if I may. I think you made some headlines the other day when-- I think I asked you the question about the corporate breakeven. So I'd like to talk a little bit about that, if I may.

The third quarter, you did $6-- now, almost $6.5 billion of annualized free cash flow, if I take 1.6 and annualize it. Your sustaining capital is $2.9. I realize there's some hedge gains in there.

But it seems to me that your breakeven oil price is quite a bit below the upper 30s, which I think is what you guided. What am I missing? Or are you sandbagging those numbers a bit?

VICKI HOLLUB: Well, we guided upper 30s for 2021. And we still don't have an optimum program in place for 2021. We're still in the process of putting together our budgets and everything.

One of the things I had intended to portray on the call, and didn't do it fully, is that that upper 30s was really dependent on how Midstream the Chemicals perform, along with how much of the synergy capture that we can carry into-- I mean, not the synergy capture, we've got that, but how some of the cost-cutting that we've already done-- how that will translate into 2021.

We were seeing some positive things that could certainly offset the lower production rate for 2021 versus total year 2020. And that was what was driving some of our conservatism around what the breakeven will be. We see in 2020 a lot of things that could drive efficiencies better than-- even than where we are today in 2021.

And that's why I was talking about our staff and our employees and what they're able to do. They are continuing to come up with ways to further reduce our capital and improve our operating efficiencies. And the more that you can do, the better you are with respect to lowering your breakeven. And so we do see some upsides to what I said, but until we bake it all in and are sure of it, we're going to be fairly conservative with any numbers that we talk about.

DOUG LEGGETT: Sure. Well, let me dig into some of this a little bit. So first of all, the well performance you've had and some of the productivity of what's contributing to your underlying decline rate seems to be well above how you were performing when you gave the original guidance back in the middle of 2019. So is that included in your-- in other words, wells are doing a lot better. Is that included in your expectations for '21, or not yet?

VICKI HOLLUB: I don't feel like all the Silvertip area is included. The kind of efficiencies and well recoveries that we're seeing there-- I'm not sure that all of that's included. And so that's a part of the process, is to make sure that we're capturing that. Although we have a team that's incredibly aggressive around achieving synergies and achieving better well productivity, they are fairly conservative when they roll it up into the numbers.

DOUG LEGGETT: OK. So let me ask you about third quarter, specifically. You've obviously had a lot of costs related to achieving those synergies, including headcount reduction and so on. What was the cash cost in the third quarter that is nonrecurring, if you like-- still related to delivering those synergies-- that wouldn't be there in 2021?

VICKI HOLLUB: Well, we had a little bit of still acquisition-related severance. As far as I can think of, that's probably about it.

DOUG LEGGETT: OK. So if I could take it to the next level down, then, it's the interest charge is still, I guess, the big difference between the 2019 guidance on breakeven and the current guidance on breakeven. Obviously, the debt reduction has been a little slower. But you did talk to $2 to $3 billion of additional disposals. Can you walk us through where you are in the process on the kind of assets that you're thinking about are non-core to the portfolio?

VICKI HOLLUB: Yes. We, as you know, should close on Colombia before the end of this year. And the $2 to $3 billion incremental that we're working on is in process. We're moving those divestitures along.

We expect, as we mentioned on the earnings call, that we'll have that-- those closed before mid-year. The one that we made public and that we've talked about before is Ghana. The others we have not mentioned publicly.

But when people ask what the cash flow impact is, it wouldn't be any more than what we had originally talked about with respect to the divestiture of Ghana and Algeria. What we're trying to do as we look for what to divest is we look at the asset itself, at what it's contributing, what its return is, how it fits in the portfolio on a go-forward basis, what the capital requirements for that asset could be going forward versus that capital used in some of our other operations.

So we do a full analysis of which divestitures make the most sense for us. And we have more in process than we're actually going to have to achieve to get to the minimum of $2 billion. And once we achieve that, we'll be over the minimum that we originally promised, which was the $10 to $15 billion. And we will have achieved it in less time than we originally stated that we would.

DOUG LEGGETT: Is the upper end of the target range still in the mix? I mean, when you get to $10, are you done? Or do you still want to get to that $15?

VICKI HOLLUB: We are no longer targeting necessarily getting to the $15 because we're balancing our divestitures with our cash flow. And unless we were to get an unsolicited offer or come up with something that doesn't significantly impact our cash flow beyond what we're talking about-- the $2 to $3 billion-- anything beyond that would have to have minimal impact on cash flow.

DOUG LEGGETT: OK. So to be clear, then, after Ghana and, I guess, the residual from the Land Grant area, that's pretty much it. Then, you're pretty much done.

VICKI HOLLUB: Oh, Ghana-- there will be an asset or two along with Ghana. But the whole of the assets, the divestitures, would be over $2 billion.

DOUG LEGGETT: One last question on this, and I apologize if this is getting irritating. But there was some press speculation about Oman. I just want to clear this up. Is Oman a core asset for Oxy?

VICKI HOLLUB: Oman's always been a core asset for Oxy. And it's difficult to exclude and talk about excluding any of our assets from divestitures, because if you go down that process, then you get asked about all of them. And ultimately, you end up having to comment on all of them. And then what it does is it compromises our ability to be able to execute better on the things that we have in process.

DOUG LEGGETT: That makes sense. I guess the question I get asked a lot from investors is should we expect Oxy to become a pure play US company at some point? In other words, the international portfolio ultimately is all essentially for sale? So I guess that was where-- why I was asking the question on Oman. I don't know if you would care to opine on that. Will we ever see Oxy as a standalone US company?

VICKI HOLLUB: Yeah, I think the quality of our international assets are such that it would be hard to see that happening. But I will say that we are continually evaluating our portfolio and evaluating what it does for our shareholders. And we just want to make the best decision from a value perspective.

And so when we assess the portfolio, what we like about the international assets are when you have low-decline assets internationally, and you have significant upside of conventional development, that will ultimately fit very well with our shale development in the US. And even our conventional in the US, which we haven't invested in very much in the recent past, that still is a core part of our portfolio for a number of reasons. One is the LCV part of it, the Low Carbon Ventures part of it, but also the fact that it's lower decline. So the PSC contract, the low decline in Oman, is something that is synergistic, we believe, with a higher decline faster cycle of the shale play in the US.

DOUG LEGGETT: Well, I'd like to get to the LCV business in a little while. And we actually had an opportunity to do a panel this morning with Carbon Engineering. So we're very fascinated to talk about that. But let me finish on the oil and gas assets. And we'll get to that in a minute, if that's OK.

So let me move to the decline rate. Earlier this year, unmitigated-- you talked about the underlying decline being around 25%. How is that trending now?

VICKI HOLLUB: It's still trending 25% for this year.

DOUG LEGGETT: Unmitigated?

VICKI HOLLUB: Unmitigated, yeah.

DOUG LEGGETT: OK. So the sustaining capital of $2.9 billion-- is that just a 2021 number? Or how does that trend over time? And I guess what I'm thinking is the underlying decline will slow down as well at some point.

VICKI HOLLUB: Yes. In 2021, the decline is expected to be lower-- around 23% in 2021 versus 25% in 2020. So the $2.9-- that is the sustaining capital for 2021. And it does have a few DUCs in it that we wouldn't have on a go-forward basis. So the $2.9 is a specific number for 2021.

And I'm sure the next question is going to be, well, then what is it for 2022? And we really-- just to help you out, Doug. So for 2022, we're not projecting that right now because we're going to let our teams show us what they can do and what the next step change will be in our drilling and completion capital and recoveries before we talk about what it's going to take in 2022 for a sustainability capital. It could be very, very competitive with 2021, as far as we know, based on the possibility of further improving our cost structure.

DOUG LEGGETT: That's really a great segue into costs because one of the other things you've delivered on is significant upside to your original synergy target. And one of the drivers of the original deal was amortizing or allocating some of your efficiencies over the legacy Anadarko assets, specifically around the Aventine area. So I'm just curious. With the slowdown in activity, how much of that operational efficiency have you been able to achieve? How much is still in front of you?

VICKI HOLLUB: Well, we achieved a lot. As you know, when we first started drilling on the legacy Anadarko acreage, we, within two wells of the first rig running over there, had already hit a record for their area-- had already achieved better than the best well that they had drilled up to that point. So we achieved the Oxy drilling dynamic synergies on the drilling part of the program very, very quickly, and as well on the completion side.

And the exciting thing for me is not only did we hit the ground running over there and get those synergies very quickly, the recent rigs that we brought back online took them just one well to get back to the cost-cutting targets that we had set for ourselves on the Anadarko acreage. And so in Silvertip area, we're setting records for that. So the teams didn't lose any ground during the slowdown.

And that's really unheard of in our industry, where you could shut down and shut down for several months, and then bring a rig and crew back. And within drilling one well, they're back to the same efficiency level. We haven't lost anything. The competencies of the team are still there.

They worked through this whole downturn to get the next phase of improvement ready to go and ready to execute. And so we're really optimistic that we're going to see even better records set here in the near term. As we mentioned on the call, we set the drilling record in the Midland basin, too. So we're setting records everywhere for capital efficiency and well deliverability.

DOUG LEGGETT: Well, I guess, if I may, what about the legacy Oxy assets? So are the Anadarko assets taking priority over the legacy Oxy assets at this point? How are you allocating capital across the portfolio?

VICKI HOLLUB: No, we're still drilling and then still interested in continuing development in southeast New Mexico. It's a critical area for us. As we increase our activity level, we'll have almost an equal number of rigs in both southeast New Mexico to Texas Delaware. I mean, to the legacy Anadarko.

We'll have maybe one more in the legacy Anadarko. But the reality there is their working interest in that area was lower. So on a net rig basis, it's going to be a bit lower than what we're doing in southeast New Mexico. And then we'll have two in the JV in the Midland basin by the end of the year. Well, we have those two running right now.

DOUG LEGGETT: Right. And that's in the joint venture area?

VICKI HOLLUB: Yes.

DOUG LEGGETT: OK. What about the DJ? Because I know you only had a rig running there. But how's that production holding up?

VICKI HOLLUB: The production is-- the productivity, I'd say, is holding up. We need to get back to drilling there. We are adding two rigs back in the DJ. I expect, though, that their productivity, from the capital standpoint, drilling efficiency and completion efficiency is going to be certainly as good. What they've shown as they're now completing some of the DUCs in the DJ, they're looking very good from an efficiency standpoint.

DOUG LEGGETT: OK, thank you. If I may, I'd like to turn just a little bit to some of the financial questions again before I go back to the other businesses. You have Mr. Chazen back on the board. And I seem to recollect he was-- even on a non-executive role, he was very averse to hedging. So I'm just curious. What's Oxy's thinking on hedging for 2021?

VICKI HOLLUB: I would say Steve Chazen did hedge when he bought Vintage. So he--

[LAUGHTER]

But other than that, he was averse to it. But given our scenario, I don't think any of us would be averse to hedging, should we find a situation where it makes sense to do it, especially in this environment. If we had the opportunity, it would be something that we would certainly consider.

DOUG LEGGETT: Well, I realize that the debt maturities, as they show up right now, you've pretty much dealt with. It looks to me anyway, at least with the disposals planned for 2021, you've pretty much taken care of the debt maturities all the way through almost 2023 with free cash flow. Does that sound like a reasonable way of thinking about it?

VICKI HOLLUB: Well, certainly that with the divestitures that we have, we're going to be able to take care of all of 2021. We'll be into most of the maturities in 2022, except those that happen in August. And achieving the divestitures that we expect to achieve, we'd probably be able to cover about half of the August divestitures. And the rest we would likely be able to cover with cash flow.

DOUG LEGGETT: Maturities. Right, sure. But then you'll have another sizable cliff in 2024. So would you expect to just keep terming out the debt at this point? Or is the objective still to drop the absolute level of debt?

VICKI HOLLUB: We would still-- we do want to drop the level of debt. Though at that point, it really depends on all the factors. Our decision at that time would be driven by what oil prices are, where we are with our investment opportunities. But I suspect, based on where oil prices will be at the time, that we should be in a situation where we could cover the substantial part of the 2024 debt with cash flow. And if we couldn't, we would probably extend that with more bonds issuance.

DOUG LEGGETT: Well, if your view on oil prices is correct, I don't think we'll have to worry about it too much. But let's wait and see how that plays out. Vicki, I have had a question come in on the Veracast. And it actually dovetails with something I wanted to ask on the chemicals business. And the question is, if the oil price have to sell off again, how would you deal with the debt maturities that we just talked about?

VICKI HOLLUB: If we needed to, we could go back to the capital markets and raise funds to extend those out. And that's something that we talk about all the time. We look at the macro. We look at what's happening with the pandemic. And we're trying to be very conscience and conservative around when we would attempt to potentially raise some more funds to push some more debt out.

DOUG LEGGETT: OK. So if I may, the back end of that question is a chemicals question. So I'm going to put my own version of it, if I may, so maybe walk through this a little bit.

So the chemicals business is clearly an extremely valuable business as it relates to the mid-cycle free cash flow. Even if we annualize your guidance on the fourth quarter, it, with depreciation, is probably getting close to a billion-dollar operating cash flow business. Doesn't seem to us that you ever get recognition of the value for that. Now that you're not paying a big dividend, why is the chemicals business not an option in terms of either raising capital, a different ownership structure, whether it be a partial IPO that you could put debt onto-- why has that never been a consideration?

VICKI HOLLUB: Well, we try to consider all things. And it depends on our situation. And it depends on the markets and what our level of available other sources of cash are.

But the chemicals business is certainly something that adds tremendous value to us. It delivers a good return. It's really, most of the time, a hedge for the downturns in the industry, in the oil and gas industry. This time, during a pandemic, we'd had no cushion from anything for this.

But the chemicals business, given that all things considered, is still performing pretty well. And again, we look at our assets all the time. And I'm not saying that there's never a time we would consider that or consider other options. We do that.

And we periodically go through and look at every asset to think about what is the best way to get value out of that asset. We, at this point, have not chosen to do anything with chemicals. And chemicals is important to us, not that it wouldn't be able to do the same thing in a structure that you're talking about, but it does provide synergies with our low-carbon ventures, as I talked about on the earnings call.

I'll assume everybody heard the earnings call, so I won't repeat that. But it provides a lot of synergy there. And so it's important to us from not only that standpoint, but for the low decline cash flow that it provides.

DOUG LEGGETT: The partial IPO structure-- you still retain control though, right?

VICKI HOLLUB: You would think so, if we considered that kind of structure.

DOUG LEGGETT: Well, I do want to segue to low-carbon ventures because I was particularly interested with your comments on that, and maybe come back to some of the other things. So why do we go there now? You made a comment. I don't want to put words in your mouth, but it sounded like the low-carbon ventures business could ultimately be bigger than the chemicals business. Can you walk us through how you get there?

VICKI HOLLUB: Yeah. The first way to get there is that we need to do what our original task was. Our original objective in getting into this business was to lower the operating costs for our enhanced oil recovery business. Because as you know, the CO2 enhanced oil recovery business is really-- had always been the foundation of Oxy, at least for a long, long time, since we got big into the Permian back in 2000.

And so as we started developing the resources business, we saw that there was a big differential between the operating cost of EOR and the operating cost of the Resources business. To lower that differential, we knew that we needed to lower our CO2 cost and also lower our energy costs as the two biggest costs for that business. Already, the F&D for the business, the development capital for drilling and completions, was fairly low. It was lower than $10. So it was just the opex that we needed to work.

So we started working on trying to-- back 10 years ago-- trying to figure out a way to get less expensive CO2 and determined that even back then-- and this was earlier than a lot of people were thinking about this-- we decided that we needed to try to make carbon capture happen in some way so that we could use anthropogenic or man-made CO2, which would be a continuous source of CO2. And ultimately, we figured we could make it lower cost than the organic CO2 that we were developing. So the big step in doing that was trying to get the tax credits for carbon capture and sequestration extended and better terms for that extension.

We accomplished that. And with that accomplishment, we've now started looking more at what this business could do for us and how we could do this business. And we initially thought it would take retrofitting industrial sites, like cement plants, steel plants, power plants, and ethanol plants.

We thought we'd have to build the retrofitting capabilities and equipment on those, and then pipeline the CO_2 to the Permian. And although we have done an ethanol plant, or will be doing an ethanol plant and a cement plant, we did figure out that to put a pipeline to the Permian was something that had just become formidable. We couldn't seem to get the capital to make that happen. So instead, we started looking into direct air capture. And that's how we came to partner with Carbon Engineering and actually to buy into the company.

And so with Carbon Engineering's design for direct air capture, that was our solution, to build direct air capture, because we can build it anywhere. And you don't have to build it in an industrial site to lower CO_2. So for Houston, because if you put it in the Permian, and you remove CO_2 from the air in the Permian, the world balances out. The atmosphere balances over time.

So it's just the same as pulling it from a major industrial site. So that direct air capture concept started taking root with us. And we started realizing that this would not only benefit us significantly, but it would benefit others, too.

So we started seeing the potential for cash streams coming from not just our incremental oil production that would come from using the CO_2 from the direct air capture plant and our enhanced oil recovery reservoirs. We realized that beyond that, there would be people and companies and other industries that would be interested in a way to partner with us and/or buy credits from us to be able to lower their carbon footprint as well. So that's a source of cash flow.

So you have, then, three sources of cash flow. It's one, the credits from 45Q, and also the credits from low carbon fuel standard in California. And then you have the incremental cash flow from the incremental production and potential cash flow from others who need to buy credits. And then another form of cash flow is the incremental that you could get by selling a net neutral or net negative barrel of oil. And there are people that are willing to pay extra for that, just to ensure that they can have a lower carbon footprint.

DOUG LEGGETT: It's truly-- I don't want to hog the call by talking about this. But it's truly fascinating. And as I say, we had Steve earlier today from Carbon Engineering talking about this.

And I just have one-- I mean, obviously there's a lot of data that you haven't given us. And for confidentiality reasons, I don't expect you'll be able to, yet. But just on a timeline, when would you expect to start to see a positive contribution from the LCV business?

VICKI HOLLUB: Well, we expect that our plant will be up and running toward the end of 2023-- the first plant. And from the first day of putting the first molecule of CO_2 in the reservoir, we'll start getting cash for that. But it will take a little while. And that's why I said 10 to 15 years to get to the point where it could equal chemicals is because it will take some more of these plants to be built. And it'll take some time to get the plants built that we need to build.

DOUG LEGGETT: Sure, of course. Well, we're watching it with a great interest. We've got about 10 minutes left, Vicki, so I'm going to run through some bullet point questions so we can try and hit the rest of the topics I wanted to talk on. First of all, I wanted to deal with Midstream. Midstream significantly outperformed your guidance in the third quarter.

Obviously, it's a bit of a drag for you right now because of the differentials. But what are you doing there to try and improve the margin situation? Because obviously, you're stuck based on where Brent TI trades or Midland and MEH, I should say.

VICKI HOLLUB: Yes. We're looking at how to balance the extensions of some of our contracts with lowering our rate over the next term of the contract. So we're looking at ways to-- I guess the industry would call it blend and extend. We're looking at those kind of options.

We're looking at partnerships with others, who want to lock up some capacity for the long term, but have no capacity, say, today. I can tell you, we're turning over every leaf we can and every idea that we can muster to figure out how to mitigate the cost of the incremental capacity that we have to the Gulf Coast and the cost of that capacity.

DOUG LEGGETT: OK. Is there a timeline you can offer as to when you expect to be able to do that?

VICKI HOLLUB: We're aggressively working it now. I would say that our internal target is to have something done and at least resolved from an agreement standpoint by the end of the year.

DOUG LEGGETT: OK. That's good to know. And I'm sorry to press on this. Can you offer an order of magnitude on the relief?

VICKI HOLLUB: Not yet.

DOUG LEGGETT: OK.

VICKI HOLLUB: Hope to do that, want to do that at some point.

DOUG LEGGETT: OK. Gulf of Mexico-- it's one of my favorite topics because when you took over, I remember you telling me that you sat it in pretty much every technical meeting on the asset reviews, which is quite an endeavor, I'm sure. And I don't want to put words in your mouth.

But I seem to recall you suggesting along the lines of that what Anadarko was presenting as a sustainable production, the longevity of the production, was conservative. And the team thought they could do significantly better. Just wondered if you'd give a quick update as to how that looks like now-- the longevity of holding the Gulf flat.

VICKI HOLLUB: Yeah, when we first started looking at it with the Anadarko team-- and I would say it really didn't-- it was not a reflection of the competency and capability of the team. It was more their approach and how conservative they were. And as we were looking at it, they knew they had five years of runway with very low-risk, high-return tieback opportunities.

And then when our team partnered with them to start looking at how do we get that to 10 years, we did find the exploration opportunities around our existing platforms. And we do believe that we can double the timeline for which we can hold the Gulf of Mexico flat, generating about the same cash flow that it's generating today. And that's all we need the Gulf to do.

We're not going to expand our position significantly. And there are going to be scenarios where we drill some higher-risk wells that we'll bring in partners just to lower our risk. But the Gulf has plenty of exciting opportunities. And some of those are things that could deliver in a big way.

But again, some of the higher risk, we'll bring in partners for. But I think the Gulf is really exciting. I think that there is going to be zones there that are developed that are going to be more prolific than what was originally thought. And so I think it's an exciting area.

DOUG LEGGETT: OK. It's that visibility which I think is what I was really looking for, so I appreciate the color. So my last question, Vicki, is really-- I hate to do to you, but it's basically an election question. Both in Colorado and in New Mexico, in the event that we do end up with a Biden Administration, how are you positioned in terms of managing the drilling backlog in New Mexico? And what is-- related, I guess-- what is the latest on the setback situation coming out of Colorado?

VICKI HOLLUB: So I'll start with Colorado. The setback situation is really what our team had worked to try to get for us. We knew that the governor needed to have a setback. And he was getting pressure from all sorts of sources.

And he needed to impose a setback. So he made that happen. But what we were happy with about it is there are ways to get waivers for the setback.

And the good thing about the waiver system is that some of it's dependent on what the community around the well thinks and whether or not they will approve it. And since we have a lot in Weld County, we think that will go well. The other part of it is the requirement to have a lot of automation around not just safety, but automation and high tech around the noise caused by the equipment on the location.

And all of those things are things that we do to the nth degree now because we don't want to have facilities in subdivisions that pose any risk to the people who live there. And so we've gone-- Anadarko did before us, and we now are doing the same thing, and even stepping it up a bit to ensure that we have safe operations there and that somebody sitting on their back porch is not going to hear our compressor. That makes their backyard not a place where they want to be.

So we're trying to be very thoughtful about it. And all that we're doing right now, we believe, will fit in very well with the waiver system. And we do have a lot of permits approved already. And as we go into 2021, where the setback will become in effect, the important thing for us is to understand how long the bureaucracy will take to pass the paper through to get the waiver. And so the fact that we have so many permits approved already means that we're starting that process and starting to put together that work, even before the rule is in effect, to ensure that when it is, that we're ready to hit the ground running to get those waiver requests in.

DOUG LEGGETT: OK. So just to be clear, obviously things-- because you slowed down the activity right now, I'm assuming the duration of those permits in terms of your drilling backlog is pretty robust. Can you put some numbers around that?

VICKI HOLLUB: I think that we have well over 300 drill days of permits already approved. And we have another tranche of permits in waiting for approval. So we have a good long period that we could go. And we're not at risk for not being ahead on our permits. So I don't think that, given the activity level we expect to have in the DJ in 2021 and 2022, I think we're set for two years.

DOUG LEGGETT: OK. And then, finally, in New Mexico?

VICKI HOLLUB: New Mexico is-- we certainly have in New Mexico more on BLM acreage. We have the permits already approved. I think there's a couple hundred of those-- more than 250.

Yeah, I thought we at least had 200. We've got 250 approved already. And so that gets us far enough ahead with just the two rigs that we'll be running in southeast New Mexico.

DOUG LEGGETT: OK. Well, Vicki, we've exhausted the time. And I think we've pretty much run through all the things that we wanted to talk about today. So I want to thank you and your team.

I know you've been working pretty hard to get yourself to a point where you can start doing what the original intent of the acquisition was intended to, which was improve efficiencies and exploit the better operating model. So I just want to extend our thanks to you and your team for making this happen for us and participating in our 2020 conference. So thanks again for putting up all my questions, and I appreciate you being here.

VICKI HOLLUB: Thank you, Doug. Appreciate it.