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PRESENTATION

Operator

Good morning, and welcome to Occidental's Second Quarter 2020 Earnings Conference Call. (Operator Instructions) Please note this event is being recorded. I would now like to turn the conference over to Jeff Alvarez, Vice President of Investor Relations. Please go ahead.

Jeff Alvarez ***Occidental Petroleum Corporation - VP of IR***

Thank you, Andrea. Good morning, everyone, and thank you for participating in Occidental Petroleum's Second Quarter 2020 Conference Call. On the call with us today are Vicki Hollub, President and Chief Executive Officer; and Rob Peterson, Senior Vice President and Chief Financial Officer.

This morning, we will refer to slides available on the Investors section of our website. The presentation includes a cautionary statement on Slide 2 regarding forward-looking statements that will be made on the call this morning.

I will now turn the call over to Vicki. Vicki, please go ahead.

Vicki A. Hollub ***Occidental Petroleum Corporation - President, CEO & Director***

Thank you, Jeff, and good morning, everyone. On our first quarter earnings call, we outlined the cost-reduction measures implemented across our company to adapt to the immediate crisis of the pandemic and to the ensuing market volatility. I'm pleased to be able to say that compared to a few months ago, our financial position has notably improved as we are currently free cash flow positive and expect to generate significant free cash flow over the remainder of this year, thanks to the relentless efforts of our teams as well as the moderate recovery in commodity prices. We are determined to build upon this progress, ever mindful that COVID-19 remains a threat to the global economy, the demand for the products we produce and to the health and safety of our employees and their families. We continue to manage our employees as carefully as possible through this health threat. To ensure that we continue to be positioned for success through the cycle, we are permanently embedding many of the implemented cost reductions into our repositioned cost structure.

This morning, I will provide updates on our base management optimization progress, the pathway to and capital required to sustain our production, and our cash flow priorities. Rob will cover our financial results, current guidance and debt management progress.

Turning to our second quarter results. Our businesses outperformed expectations despite a slowdown in activity. Production from continuing operations of 1.4 million BOE per day exceeded the midpoint of guidance by 36,000 BOE per day. Our outperformance was primarily driven by our consistent focus on efficiency, increased uptime, and base management. Operability remains high across our oil and gas operations, and we've reduced downtime across the legacy Anadarko acreage faster than originally planned. To maximize the economic benefit from our existing base production, we have increased production by debottlenecking surface infrastructure, mitigating decline, and reducing operating cost. We are employing remote surveillance processes, utilizing artificial intelligence to further enhance our predictive maintenance schedules, optimizing artificial lift systems, tying in additional wells to centralized gas lift and reducing backpressure throughout our gathering systems and facilities. In the Permian, we also continued to lower our waterhandling expenses by increasing utilization of the WES infrastructure.

Domestically, our midstream and marketing business has consistently and reliably delivered our products to market at times when other operators may have curtailed their production. The close integration of our upstream and midstream businesses enabled us to shut-in less production than originally planned. For the second quarter, shut-ins averaged about 29,000 BOE per day, of which approximately half were OPEC+ related. Shut-ins peaked in May at approximately 47,000 BOE per day. We have now brought back online the majority of the domestic production that was shut-in for economic reasons with no detrimental impact to well performance across our portfolio.

We accomplished this with total oil and gas operating cost of $5.27 per BOE and domestic operating cost of $4.69 per BOE, significantly exceeding our guidance of $6.25 per BOE. Although a portion of the significant cost reduction relates to a deferral of activity, we expect our repositioned cost base to lower full year operating costs on a BOE basis by over 15% compared to our original 2020 guidance as we maintain low operating costs in the second half of the year, even with declining production. Our teams are continuing to deliver exceptional operational results as they deliver better-than-expected production at lower-than-expected costs.

This quarter, we achieved our combined overhead synergy and cost-reduction goal by decreasing our overhead cost to below $400 million. On an annualized basis, we have fully realized $1.5 billion of total overhead savings versus our original synergies target of $900 million. We exceeded our original cost synergy targets and delivered these savings in less than a year after the close of the acquisition, a full year ahead of our original 2-year plan. We expect that more than 90% of the additional cost savings will remain permanent in future years.

We also reduced our operating cost by $800 million, which is an additional $600 million more than our synergy target of $200 million. We expect more than 2/3 of the additional operating cost savings will be permanent even as we return to normalized activity levels.

Our capital spending was below $400 million in the quarter, demonstrating our agility in adapting to changing circumstances. We are committed to spending within our 2020 full year capital budget of $2.4 billion to $2.6 billion, and intend to moderately increase drilling and completion activities in the third and fourth quarters. We are restarting activity with our JV partner in the Midland Basin, and we'll be running 2 rigs there by the end of the third quarter. We are pleased to be continuing this development with EcoPetrol, who's an excellent partner for us. In the DJ Basin, we will begin completing a select group of high-return, drilled-but-uncompleted wells. We will also selectively resume activity across other assets, including completing key development sections in Permian Resources within Greater Sand Dunes and Silvertip during the fourth quarter. In the Gulf of Mexico, we are restarting our drillship that was idled earlier in the year.

As all of our businesses continue to outperform, they have also stayed true to our core value of safety for all. This includes all of our people in our operations, our employees, our contractors and the public. Recently, our OxyChem and Gulf of Mexico teams demonstrated their safety commitment by setting a new all-time safety record for their operations, joining others in our company who have also accomplished record-setting safety performances. We're proud of them all.

In the second quarter, we continued to execute on our divestiture program. In June, we closed the sale of our Greater Natural Buttes asset in Utah. Although the asset accounted for 33,000 BOE per day in the second quarter, the cash flow impact from the sale is immaterial as the asset did not generate cash or income with gas prices below $2.50 per Mcf. While our Rockies production will now be lower this year, the remaining barrels are higher margin.

We remain highly confident in closing over $2 billion of divestitures in 2020, and we'll close divestitures in excess of that amount over time. As we've said before, we will balance divestiture timing with value realization, and we'll not sacrifice value just to close transactions quickly.

During this downturn, base management proficiency has become increasingly important and may be the best described as multiple small actions compounding and having a sizable impact on the long-term decline rate. The actions we are taking today may not be highly visible within the quarter, but remain an effective way to mitigate our decline rate over time, expand margins, and minimize the growth wedge needed in future periods.

As an example, we set new uptime records in New Mexico, the DJ Basin, and on the Lucius platform by automating more processes where possible. We are applying these learnings across all of our portfolio.

Earlier this year, we swiftly and decisively maximized liquidity by lowering our capital budget and repositioning our cost base while maintaining the integrity of our assets. Some of the near-term actions we took were activity-based, which will cause our production to decline through the rest of the year. However, our asset base retains its full potential, which will enable us to stabilize our production through the allocation of capital through our highest-return barrels.

We expect approximately $2.9 billion of capital will be required to sustain production from our 2020 fourth quarter rate. At this capital spending level, we could keep production flat at approximately $40 WTI. This is a significant reduction from the sustaining capital of $3.9 billion we previously communicated for 2021 and is a testament to the progress we've made in stripping costs out of the business. The optimized capital activity in the second half of 2020 will help serve as a bridge to build momentum into 2021 as we thoughtfully ramp up activity. Our teams continue to optimize development plans to safely extract more value for less cost.

Our approach to stabilizing production will involve exercising capital discipline by spending within cash flow and selectively allocating capital. We do not intend to grow production until we have significantly reduced debt and we view the long-term price of WTI to be sustainable at higher levels than where the current curve indicates. In any eventual growth scenario, we expect that annual production growth will be less than the 5% per year that we had previously stated. While our desire is to at least stabilize production next year, our 2021 capital budget will depend on what market conditions are indicating when we roll out the budget in the fourth quarter. We'll communicate our full 2021 capital budget in our future earnings calls.

On our cash flow priority slide, we have updated the framework for how we will prioritize capital allocation and excess cash flow going forward. As we move towards 2021, our top priorities are to stabilize and maintain our low-cost base production and to further delever. We intend to return to a position where we have the ability to deliver solid returns and, again, distribute more capital to shareholders with the support of a strengthened balance sheet.

I will now hand the call over to Rob, who will walk you through our financial results, revised guidance and debt management progress.

Robert L. Peterson ***Occidental Petroleum Corporation - Senior VP & CFO***

Thanks, Vicki. Turning to Slide 9. In the second quarter, we announced an adjusted loss of $1.76 per diluted share and a reported loss of $9.12 per diluted share. Difference between adjusted and reported results is primarily due to $6.6 billion of after-tax impairments related to decline in oil prices, which is at the lower end of the $6 billion to $9 billion estimate we communicated in June.

Additionally, we have incurred approximately $100 million of debt charges, including $149 million in acquisition-related transaction costs, which was partially offset by a gain on pension curtailments. Our commitment to capital discipline and liquidity preservation was evident as we exited June with approximately the same cash balance we reported for April 30. We reduced our capital spending to $375 million, more than 20% below our second quarter guidance. Our progress in reducing cost is equally impressive as we reduced overhead below $400 million in the second quarter and decreased our oil and gas Opex by more than 40% versus prior quarter. Contributions and new ideas that our teams identified reduced costs, and quickly adapt to a low-commodity price environment is just one example of how dynamic and nimble our company is.

Including the amount expensed in 2019, we have now expensed approximately $1.9 billion in total acquisition-related costs. We do not anticipate incurring additional material acquisition-related expenses this year. In the second quarter, we had cash outlays of approximately $125 million related to these expenses, bringing the total, including the amount paid in 2019, to $1.8 billion. For the remainder of 2020, we expect to incur acquisition-related cash outflows of approximately $150 million.

We restored our guidance and cash flow sensitivity for the second half of 2020, but we continue to have a cautious outlook as the macroeconomic environment remains uncertain.

In approaching our production guidance for the third quarter and full year 2020, we have taken into account a number of factors, including the loss of 33,000 BOE per day associated with the divested GNB asset. Third quarter production will also be lower due to a combination of scheduled maintenance and seasonal contingencies for weather in the Gulf of Mexico, the impact of higher prices on production sharing -- contracts, selective ethane rejection in DJ Basin, and declining wedge and base production across all our assets. We expect third and fourth quarter production shut-ins to average approximately 20,000 BOE per day due almost entirely to OPEC+ production restrictions.

As a testament to the strength of our base management cost-reduction programs, our full year 2020 production guidance remains in line with the guidance midpoint we've communicated in our March 25 press release, while our capital budget is expected to be $300 million less, adjusting for Algeria and GNB. Our full year 2020 production guidance also reflects the outperformance of our business in the second quarter as higher-than-expected production essentially absorbed the OPEC+ restriction. A breakdown of our third and fourth quarter production guidance is available in the appendix of the earnings slides.

We expect our production change from 2Q to our 3Q guidance will be greater than our base decline. This is due to the timing of activity and bring wells online, which impacts the size of the wedge, especially over a period where activity changed significantly. We are pleased that our annual base decline rate of only 25% remains intact despite significant reduction in our operating costs as a higher decline of our wedge production from newer wells naturally tapers off, overall corporate decline will level out as demonstrated by the difference between our third and fourth quarter production guidance.

The $2 billion in notes issuance and tender offer we completed in July are a key part of our effort to address near-term debt maturities. Leveling our debt maturity profile will allow us to continue our divestiture program at a pace that reflects current market conditions without sacrificing value.

We continue to focus on generating as much value and cash as possible from divestitures, and our expectation of raising over $2 billion in 2020 remains in place. As we work towards closing these additional divestitures, we continue to take significant steps to preserve liquidity, for example, the payment of the preferred dividend in common shares in lieu of cash in the second quarter.

As a result of our cash preservation efforts, our liquidity position remains robust. Today, our $5 billion credit facility remains undrawn with no letters of credit outstanding, and we have approximately $750 million of unrestricted cash available as of July 31.

I will now turn the call back over to Vicki.

Vicki A. Hollub ***Occidental Petroleum Corporation - President, CEO & Director***

Thank you, Rob. Looking forward, I'm confident in Oxy's continued success. We have one of the highest-quality asset bases of any company in our industry, with a competitive advantage in the areas we operate due to our scale and unique operating and development expertise. Applying this expertise to our diverse portfolio provided us the optionality to manage through this crisis. We will continue to optimize our cost and capital allocation across our portfolio of high-return short-cycle opportunities. This will enable us to maneuver through the near-term volatility, facilitate profitable free cash flow growth in a normalized commodity price environment, enhance our ability to delever, and generate substantial free cash flow in a higher-priced environment. We have taken these steps to succeed during this transition period. And we expect our differentiators, combined with our low-carbon strategy, to drive our success and sustainability long into the future.

I'll now open the call to your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And our first question comes from Brian Singer of Goldman Sachs.

Brian Singer ***Goldman Sachs Group, Inc., Research Division - MD & Senior Equity Research Analyst***

I appreciate the greater color with regards to the maintenance scenario, and you talked about not wanting to really invest for growth until the balance sheet is sufficiently delevered. Can you add some greater color on what commodity environment and leverage would you deploy the maintenance scenario that you talked about here versus something more or something less?

Vicki A. Hollub ***Occidental Petroleum Corporation - President, CEO & Director***

Well, what we're looking at as we go forward is our debt reduction combined with our cash flow from operations. So the driver for us is to, first of all, ensure that we have the liquidity to go forward so we have the ability to meet our maturities. And then the second is to ensure that as we're processing through our asset sales, that we're preserving the cash flow needed to enable us to do the things that we need to do, sustaining capital. And ultimately, when we get to the point where we see that, that balance has turned for us, where we have a lower cost structure that enables us still to meet our maturities with cash flow from operations, that's the point at which we would start to consider the next level down on the cash flow priorities, which is growth after the dividend. So it'd be first, the maintenance, second, debt reduction, then sustainable dividend, and then growth.

Brian Singer ***Goldman Sachs Group, Inc., Research Division - MD & Senior Equity Research Analyst***

And is it fair to say that at current commodity prices, you would want to be in that maintenance mode? Or would you be in sub-maintenance mode?

Vicki A. Hollub ***Occidental Petroleum Corporation - President, CEO & Director***

It really depends. We intend to, if we're within cash flow, to sustain our production. So that's the intent. That's -- and in 2021, with such a low sustainability capital required, we do expect to be in that mode at least.

Brian Singer ***Goldman Sachs Group, Inc., Research Division - MD & Senior Equity Research Analyst***

Great. And then my follow-up is with regards to the asset sale targets. Can -- the Greater Natural Buttes sale brought in $69 million. Your goal is $2-plus billion. Can you just give us any color on how that's progressing? And then if there's any broad range, when you talk about the $2-plus billion of the EBITDA or how much EBITDA you would expect to be to -- would be given up to achieve that target.

Vicki A. Hollub ***Occidental Petroleum Corporation - President, CEO & Director***

Well, first of all, I will say we're on track with our asset divestitures. It's going well. We reported in the last earnings call that we had just completed round 1 of the Land Grant process. And in that process, we got 13 bidders. We had commented that we expected that with the process, that we would be able to close on the Land Grant acquisition in the third quarter or fourth quarter. That'd be late third or early fourth quarter. We're still on schedule for that. And the update on the progress there is that after the first round, we went through and evaluated those bids, then we finished the second round in the second week of July. Now we have selected a bidder to proceed with, and we're working on due diligence and a purchase and sell agreement with the bidder that we selected. So the longer time line for this divestiture is due to the meticulous work that really goes into a deal with so many different parts and of such size. But we're on progress there.

And I do expect that we'll get the $2-plus billion divested by the end of this year. We also expect another $2 billion to $3 billion of divestitures in the first half of next year. And some of the things that's driving the timing there is that while we've had some companies that have tried to be opportunistic with us in terms of our divestitures and tried to get our assets at a discount, we've discarded those and moved to the more serious bidders. And some of the more serious bidders are working diligently on our divestitures, but the problem they're having is putting their model in place and having been -- getting more comfortable with what the pricing environment will look like.

Fortunately, these more serious companies that we're dealing with now have a much stronger, longer-term view of oil prices. So we're confident about the additional asset sales and expect to more than achieve the lower-end of our target of $10 billion.

Jeff Alvarez ***Occidental Petroleum Corporation - VP of IR***

Brian, this is Jeff. And just for clarity, on the GNB sale, we received $87 million in consideration; $67 million upfront with a $20 million contingent payment based on oil prices, just so there's no confusion there.

Operator

Our next question comes from Doug Leggate of Bank of America.

Doug Leggate ***BofA Merrill Lynch, Research Division - MD and Head of US Oil & Gas Equity Research***

Vicki, thanks for the walk-through on a lot of the progress you've made so far. I guess my first question might be for Rob. And Rob, I'd like to just do a little math with you, if that's okay. So I understand what you're trying to tell us this morning. So Vicki's basically said that you think you can sustain the maintenance capital level at $40 oil. But then she also said that you expect to be able to deal with debt maturities from operating cash flow. So I want to take those 2 data points and look at Slide 11.

So in 2021, it looks like you've got about $4.5 billion now outstanding. You've got $2.9 billion of capital -- sustaining capital; $800 million of preference shares dividend, assuming that's paid in cash; and then you're seeing a little over $2 billion of disposals. That would get me to a little over $6 billion of operating cash flow at $40 oil. Am I in the ballpark?

Robert L. Peterson ***Occidental Petroleum Corporation - Senior VP & CFO***

Well, Doug, we've updated our guidance, as you know, for second half of this year and total year to go along with what you've outlined. And so in the case of '21, we did provide the sustaining capital guidance of the $2.9 billion that Vicki reviewed -- holding the production flat in the fourth quarter.

And I think what's noteworthy on that is that the last time we provided sustaining guidance as a stand-alone company prior to the acquisition, it was $2.5 billion to hold 715,000 to 730,000 barrels a day of production. That means our 2021 sustaining results is roughly 60% higher production for 2021, with only 15% more CapEx.

And so with that said, breakevens going into 2021 are dependent upon more than just oil price, including the performance of our midstream and chemical business whether or not we do, as you said, pay the preferred dividend in cash versus common. And so rolling that all together is part of that fulsome plan for 2021 that Vicki mentioned that we will put together as the year goes along. In the later part of the year, have that reviewed with our Board of Directors and, ultimately, make that available to the market on what we think our breakeven number is for 2021.

Doug Leggate ***BofA Merrill Lynch, Research Division - MD and Head of US Oil & Gas Equity Research***

Okay. I understand. Forgive the part B to my first question, but just to be clear, the last time you gave sustaining capital, Rob, was actually $3.9 billion for the combined company. And at that point, with a $2.8 billion dividend and an $800 million pref, the breakeven suggested to the market in the middle of last year was $40 oil. And now, obviously, production declined a bit since then, but I'm just trying to basically get to the equivalent number that you gave us a year ago, which was $40 breakeven of oil with those dividend commitments and so on.

So again, I'll try this one more time. So ballpark, at $40 oil, what do you think your operating cash flow is?

Robert L. Peterson ***Occidental Petroleum Corporation - Senior VP & CFO***

We're not going to guide that today yet, Doug, until we have a whole plan for 2021. But certainly, as Vicki indicated, the company's focus is to maintain a breakeven value that's going to be at or below that $40 level.

Operator

Our next question comes from Jeanine Wai of Barclays.

Jeanine Wai ***Barclays Bank PLC, Research Division - Research Analyst***

So I would say just following up on some of the prior questions on the 2021 maintenance CapEx, can you provide just a little more color on what assumptions are factored into that? I know you mentioned whether you pay the pref in cash versus stock, for example. But also in the past, you've mentioned that there are start-up costs in year 1 of returning to maintenance mode, and you've realized improvements in your U.S.-based management. So we're just curious on what's embedded in your $2.9 billion estimate on both costs and base declines?

Jeff Alvarez ***Occidental Petroleum Corporation - VP of IR***

Sure, Jeanine. This is Jeff. I'll take the first stab at that, and Vicki and Rob can jump in if I miss anything.

So I think while we're not prepared to go through, business by business, what the sustaining capital is for each one of those, but we will give more color as we roll out the plan for next year, I can add a little bit of color to that.

I think one of the important things to understand is while we call that to sustain production, there is between $400 million and $500 million of capital associated with our midstream and chems business. So first thing is you guys strip that out when you think about sustaining capital just to hold production flat.

And the thing I'd say is what we've seen is pretty much across all of the businesses, we've seen improvements in sustaining capital, primarily driven by driving cost out of the business. The developments get better and better. I mean, I look at -- even though we've kind of taken this pause in activity, I've watched our development teams continue to learn from everything they've done and figure out optimal ways where I think all of them are confident we'll have better capital intensity when we restart the program than when we ended the program.

Now previously, we have talked about some start-up costs. We do think there will be some start-up costs. When you bring rigs on, the learning curve will have to take effect. They won't start day 1, where they'll be on day 100. There'll be some facility costs. But what we're seeing is we'll see offsets to those, like, for example, areas where we had developments that we thought we're going to have to build more facilities, we're seeing decline come in. So you're getting incremental capacity on some of those same facilities, and we'll be able to use some centralized infrastructure to take advantage of that. So we largely think the start-up costs will be mitigated by some of these other benefits we've seen.

So I think when you look at it, I mean, the 25% decline we gave, given the year we're having just as a corporation with lower production than what we previously thought from a growth standpoint, you would expect to see that decline to come down a little bit. So that will also help you. So when you look at all those things, better capital intensity, slightly lower decline across our entire portfolio, we're pretty confident in the sustaining capital we gave.

Jeanine Wai ***Barclays Bank PLC, Research Division - Research Analyst***

Okay. Great. That's a lot of nice detail there. My follow-up is just a quick clarification. That $2.9 billion, that's the hold total BOEs flat? Is the number to hold oil flat something similar? And if not, do you have a rough ballpark estimate for that?

Jeff Alvarez ***Occidental Petroleum Corporation - VP of IR***

Yes. I'd expect it to be very similar to that.

Operator

Our next question comes from Neal Dingmann of Truist Securities.

Neal Dingmann ***Truist Securities, Inc., Research Division - MD***

My first question kind of tag on what some of the guys have asked, just on asset sales. I'm wondering, first, is there any official -- Vicki, I'm just wondering if there any official processes currently going on with any of the properties? And secondly, for '21, will potential asset sale success, will that dictate sort of what you spend, maybe high end, low end CapEx? Or are they sort of exclusive to a degree?

Vicki A. Hollub ***Occidental Petroleum Corporation - President, CEO & Director***

So we do have other processes going on. And I think the only other one that's probably more public is the process around Ghana. And so it's still up for sale. And we've had a very good conversation with the Finance Minister in Ghana about that. So that's the one that's more public, but we do have others right now in progress.

I will say that, though, let me -- I would like to clarify one thing. The one that's in Africa that's not up for sale is Algeria. And as I mentioned on our last earnings call, we've taken the strategic direction to make Algeria a core asset for our company. Our teams continue to dive deeper into the data for Algeria. And the more we learn, the more excited we get about our future there.

We see upside not only in the areas we currently operate, but also in expansion areas. Our initial focus will be to maximize the value of the assets we currently have. And to jump-start that process, we've utilized some of our experts from Oman and Houston to support extensive subsurface reviews. And at the same time, we're taking steps to strengthen our operational capabilities in our joint venture operator -- operations with Sonatrach.

Of particular importance, I want to highlight that our relationship with the government is excellent, and we continue to engage to ensure alignment for the future. To support that, we're also having very productive meetings and working sessions with Sonatrach, along with our other partners. We're looking forward to seeing the value we can create for Algeria and our other shareholders.

So Algeria is not for sale. I wanted to clarify that from the first quarter earnings call.

Neal Dingmann ***Truist Securities, Inc., Research Division - MD***

Okay. And that sort of leads me to my second question, just on the growth for next year. To your point, Vicki, on Algeria and some of these international properties, if prices do continue to rally as they've been, how do you foresee sort of domestic growth or domestic sort of targeting CapEx and growth versus the international? Are they going to be pretty similar as far as you could see both? Or will it be much more domestically?

Vicki A. Hollub ***Occidental Petroleum Corporation - President, CEO & Director***

I don't really see us growing next year. I see us optimizing or -- and following our cash flow priorities, which is really the maintenance first. And so I expect that, should we get approval from the Board, that we would spend the $2.9 billion in maintenance capital to keep our production flat for next year as we continue to use all available cash to retire debt, to address our maturities. So that's the highest priority for next year.

Now we do have a, as we go forward, a general pathway to more cash flow, more earnings to start generating a return and to get to a competitive total shareholder return. So we do have things planned beyond next year that will help to increase cash flow without significant additional capital.

Part of what we really needed to do to maximize the cash flow that we get out of our operations was, first, to capture the synergies. And as we've outlined in this presentation today, the OpEx and SG&A cost reductions that we've achieved are more than double our synergy targets, and we achieved them in less than a year after the close of the acquisition.

The second part, as I've been talking about here, is to divest of the appropriate assets. We're trying to make sure that we balance the divestitures with our cash flow. And so we want to make sure that we're divesting the appropriate things as we go and that we're preserving all the cash flow that we're going to need for the future.

So thus far, we've divested, as you know, of close to $6 billion of assets. And our divestiture process almost took like a 3-month pause in March, April and May when everybody was really dealing with the crisis. And now we're back on track to -- as I said earlier, to achieve the low end of our divestiture range.

So first, capture synergies; second, divest of the appropriate assets; and third is to delever. So using the divestitures and any cash flow that's in excess from cash flow from operations, while maintaining just a capital spend of the sustaining capital limit, we'll continue to delever with proceeds from divestitures and cash flow.

And then Rob has been very involved in liquidity management here over the past few months. The funds we raised from the bonds helped us to move out some of the maturities, all but about a little over $500 million in early 2021. So that's really given us some room to make sure that we optimize the timing of our divestitures. Again, as I said in my script, not to sacrifice value for timing, so we've got some room to make the right decisions around our divestitures.

And the third thing that I think that we haven't really talked a lot about, but it's something that is really important to us, is the restoration of our cash flow. And we've started the first huge step to do that, and that's through increased margin from our significant cost reductions.

The second way that we'll continue to restore our cash flow is to increase our oil production volumes. But when you talk about growth and ask about growth, the way we need to do that is not necessarily increasing our capital spend, but taking on partners to form JVs, just like the one that we did in the Midland Basin with EcoPetrol, where we're getting carried for a portion of the capital. That's the way we're going to continue to restore cash flow for ourselves without exceeding in the near-term, our capital maintenance.

So the JVs that we'll be looking at -- and first, we wanted to do the divestitures first. That was our highest priority. So now we'll be looking at, as we go along, JVs in our core areas.

We're divesting of things that would -- that are not core or don't -- won't fit within our core in the future. But JVs on our core acreage, and that's in areas that are way further out in terms of development, our longer-term inventory. So the JVs will enable us to bring on another wedge of cash flow that will get us to where we need to be able to get back to a stronger balance sheet, get back to growth probably sooner than most people are modeling at this point.

So in all of this is to -- all the things that we're doing, every step we may take and every decision we make is around ensuring that, ultimately, we get back to a stronger balance sheet and that we're at breakeven at less than $40.

Operator

Our next question comes from Pavel Molchanov of Raymond James.

Pavel Molchanov ***Raymond James & Associates, Inc., Research Division - Energy Analyst***

Is it fair to say that you've essentially given up on trying to sell Algeria? Or is there some chance that, that will be revived further down the road?

Vicki A. Hollub ***Occidental Petroleum Corporation - President, CEO & Director***

We -- it's not that we gave up on selling Algeria. There's a lot of interest in Algeria. It's that as we learned more about Algeria, took that deep dive into it, we believe that those assets there are of such high quality, they're going to be very competitive with our domestic assets.

We want to be in Algeria. The more we've met with Sonatrach and the more we get to know the government in Algeria, the better we learn the assets, the depositional environment, the operations, we're very committed to Algeria. We've had interest there, but we're committed. Algeria's now a core area for Oxy. So it -- Algeria will not be up for sale.

Pavel Molchanov ***Raymond James & Associates, Inc., Research Division - Energy Analyst***

Okay. From the chart showing the breakdown of your 2020 budget, it's pretty clear that low carbon is a de minimis portion of the program. Thinking ahead to next year and the $2.9 billion kind of base number you've mentioned, what would be the role of low carbon in that level of budget?

Vicki A. Hollub ***Occidental Petroleum Corporation - President, CEO & Director***

I'd say that low carbon, just because you don't see the capital on the chart, it doesn't mean it's not a huge part of our business. We believe that our Low Carbon Ventures strategy is going to be -- is certainly going to differentiate us from others, and we're very committed to it.

There are 2 things that -- or 3 things probably that the Low Carbon Ventures will do for us. The first and foremost thing, the reason we actually formed it, and this has been 10 years in the making, but the reason we formed it is that we needed a way to reduce our cost in our EOR operations. And even in our conventional EOR operations, the biggest driver -- or 1 of the 2 largest drivers of our cost there is CO_2 and the cost that it takes to -- electrically, to inject our CO_2. So electrical costs and CO_2 are the 2 highest cost.

For us to further increase our margins, as we've been trying really hard to do over the past few years and making a lot of headway there, we're now attacking the EOR business because what we've realized is that our EOR business is going to be critically important for us for the future. It got us up to -- it was the foundation of our company as we got up to the shale development, and it's going to continue to be the foundation of our company because not only can we do enhanced oil recovery through CO2 processing in conventional reservoirs, we've now done 4 pilots in the shale play. And we know it's going to be as successful in the shale as it was in the -- as it has been in our conventional reservoirs. But what we need to do to ensure that we maximize the margins and get the most value that we can out of it is we need to lower the cost.

So the Low Carbon Ventures team has put together a strategy, that you're going to hear more about in the coming quarters. But for now, I'll just summarize to say, they have worked out a business model that's going to enable us to get CO2 at either very low cost or no cost.

And so when you start looking at an EOR project and you can get CO2 for essentially no cost, that's going to dramatically improve the margins of our EOR business in conventional. And we have about 2 billion barrels of resources available in the conventional that we can exploit. And when you take that and you expand it into the shale, that's another probably 2 billion that we can exploit in that as well.

So the massive recovery that we can get just by lowering the cost of our CO2 is, in and of itself, a reason to continue our Low Carbon Ventures strategy in a very strong way.

The second thing about our Low Carbon Ventures strategy is that there's a lot of interest in the world now, and thankfully, to lower our CO2 in the atmosphere to reduce the impact on global warming that CO2 has. And if you look at the models that were put together by Stanford, by Columbia, by IEA and others, there's no way to significantly mitigate climate change without further reduction of CO2 from the atmosphere.

So the second thing that our LCV business model will do is help to do that. It will lower CO2 emissions. And that's important for the climate. And we started long ago feeling like that is the right thing to do for the environment. We wanted the lower-cost CO2. That was the primary thing. And secondly, it's good to lower the CO2 in the atmosphere to address the climate change.

And now the third thing is that we have -- there are a lot of investors in the world that are interested in not only helping to invest in things that improve the world versus things that don't. So now these investors who are interested in also helping to do these kind of things, realize that with the low carbon fuel standard in California, and with 45Q that was passed just a few years ago, we are now able to provide revenue from this business model that we're creating. So it turns into a very safe, low-risk, steady stream of revenue for investors. And so this checks 3 boxes for us and is so critically important that we view this to be 1 day, we'll certainly generate, we believe, significant cash flow for our company as well.

So we're not only improving the economics of our EOR in conventional, and ultimately, shale. We're doing the right thing that will help the world. And we're going to get a revenue and cash flow stream from it.

Robert L. Peterson ***Occidental Petroleum Corporation - Senior VP & CFO***

I think, Pavel, I would add to that, too, is related to -- you asked a question also about the capital and the budget, is that -- I don't want you just to think about the things that Vicki just described, which are really game changers for the company as Oxy's contribution solely being cash in those projects. So 40-years-plus of expertise we have in the EOR business, coupled with having certified pore space capable for this EOR-type sequestration is a commodity in itself that is valued and the company can contribute relative to cash and still maintain a high equity percentage of these projects.

Operator

Our next question comes from Paul Cheng of Scotiabank.

Paul Cheng ***Scotiabank Global Banking and Markets, Research Division - Analyst***

Vicki, you mentioned about -- currently, you already received revenue in the carbon sequencing. Can you share with us that how big is that number right now?

And my second question is that I'm trying to get a little bit better understanding, how, from the second to third quarter the drop, as you mentioned, that it's bigger than your underlying decline and saying that this is the timing of the well. So can you give us some -- a little bit better understanding and color that -- by month, that the number of well that is going to come on stream, so that we can do our model better?

Vicki A. Hollub ***Occidental Petroleum Corporation - President, CEO & Director***

I'm sorry, was your question was the source of the revenue? I didn't hear.

Paul Cheng ***Scotiabank Global Banking and Markets, Research Division - Analyst***

No. How much is the revenue? How much you are generating now on those carbon sequencing? And what's the projection on that.

Vicki A. Hollub ***Occidental Petroleum Corporation - President, CEO & Director***

Yes. We haven't talked about externally, but we are, today, sequestering about, I think, about 20 million tons a year. So we are sequestering today.

I don't know off the top of my head what our revenue is for that. But we do -- we just now worked with the IRS to get the process in place to start to claim those credits. So probably in the next -- in the coming quarters, we'll be able to provide you a better estimate of that.

Jeff Alvarez ***Occidental Petroleum Corporation - VP of IR***

And Paul, this is Jeff. If I understood your second question, it's cadence of wells coming online for the remainder of the year? Is that what you're looking for?

Paul Cheng ***Scotiabank Global Banking and Markets, Research Division - Analyst***

That's correct, because I don't get to how -- why that the production will jump up so much based on the activity level that you're mentioning.

Jeff Alvarez ***Occidental Petroleum Corporation - VP of IR***

Okay. So yes. So I guess, 2 questions. Why production dropped from Q2 to Q3. I can talk through that. And then the cadence of activity, I'll hit that.

So if you look at Q2 to Q3 -- I mean, I can walk you through some of the big things that take you from 1,406 to our current guide. So the first thing is to take 33 off the top. That's GNB sale. That's pretty easy. The 25% base decline, we've said that still looks where we're at. So if you back out from the number before that, you back out the wedge, you take 25%, that's about 75,000 barrels. GOM maintenance weather is about 20. PSC impacts and additional OPEC is another 15. And then the decline in wedge we outlined is about 30. And then you take some other things with ethane rejection, and you give another 10, that pretty much gets you to the Q2 number in a relatively straightforward way.

So when you look at cadence of wells coming online, on Slide 16, we put out what the activity looks like for the second half of the year for both Permian Resources and Rockies. Permian Resources, the well count, our wells online went up about 10 to 15 from what we previously guided. Today, I think we have 1 frac core and 1 drilling rig in Permian Resources, so the activity has started there.

If you look at the DJ, that's gone up about 40 wells from our last guidance for wells online. That activity really won't start in earnest probably until September or so. So most of those will come on late in the year. But that is -- you get some mitigation in Q4, but the majority of the impact is in 2021.

Paul Cheng ***Scotiabank Global Banking and Markets, Research Division - Analyst***

Jeff in Permian, those well coming on stream in the second half will be pretty variable? Or that is going to be second half or the more in the fourth quarter?

Jeff Alvarez ***Occidental Petroleum Corporation - VP of IR***

It's probably more heavy to the fourth quarter, for sure.

Operator

Our next question comes from Phil Gresh of JPMorgan.

Phil Gresh ***JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst***

First question would just be if you go back at the time of the Anadarko acquisition, you laid out a specific leverage target. I believe it was 2x at $60 oil. If you think about where we are now and everything that's happened since then, do you have an updated view of what you'd like the leverage target to be and at what price?

Robert L. Peterson ***Occidental Petroleum Corporation - Senior VP & CFO***

Yes, Phil, we've indicated that we -- that our intent is to get back to an investment grade. To move back from the high yield to investment grade. And we know that conversation doesn't start until we get below a leverage of 3. And so right now, obviously, between all the things that Vicki's detailed with regards to divestitures and positioning the business to benefit from all the cost reductions that we've done, and coupling that with an improving overall macro commodity environment to allow the business itself to generate free cash flow to retire and reduce, moving both the numerator and the denominator at the same time in that process. That's our current goal, is to get below 3 to have that conversation on being investment grade again, and then move from there.

Phil Gresh ***JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst***

And do you have a price deck where you think you could accomplish that based on all the things you've been outlining today?

Robert L. Peterson ***Occidental Petroleum Corporation - Senior VP & CFO***

We haven't -- as far as looking at a price that we'd accompany, obviously, the trajectory of that price is going to impact the timing of that. And so that's the one part of the equation we can't control is the trajectory of the price.

And so we realize that if it's obviously a sharper increase, then the timeline to accomplish that is shorter. And if it continues on a more moderate pace, it's going to take longer to get there than otherwise.

Phil Gresh ***JPMorgan Chase & Co, Research Division - Senior Equity Research Analyst***

Okay. My follow-up question would just be, I guess, just sort of getting at what Doug Leggate was asking about with the outlined $2 billion to $3 billion of asset sales for the first half of 2021 and the free cash flow generation with the sustaining CapEx and implied free cash flow generation you've outlined. Do you believe that those things are sufficient to address the 2022 maturities as well on top of the actions you've already taken for the 2021 maturities? Or just any additional color to help us think through not just '21, but also '22 maturities?

Robert L. Peterson ***Occidental Petroleum Corporation - Senior VP & CFO***

Yes. And so I think it's -- as Vicki outlined, one of the key things to manage our divestitures is doing them on a timeline that allows us to get the greatest value for those and not being sort of in a fire-sale position. Actually highlighted when you're running this many processes, you do have instances where there are people that were willing to close on a more rapid timetable. But it's an expense of our company and ultimately, our shareholders in closing those, and we're not going to do that. And so we're not going to create arbitrary deadlines on ourselves for that.

So one way we manage that is not just from the free cash flow business, but also the capital markets. And so the recent transaction we did was meaningful in several ways because our prior earnings call was only a few weeks removed from negative price environment in April. We discussed the company was looking at every possible form of liability management at our disposal. And so -- but the continued improvement allowed us, ultimately, with the improvement in demand and commodity prices, to approach the market despite getting probably the 2 worst days in the month of June, to do it with an unsecured debt offering and raising -- tended to be $1.5 billion to $2 billion of unsecured debt on our existing maturities.

And as we sit here today, those bonds themselves, in a short period of time, have rallied to the point to where at close yesterday, the 5s were at 110, the 7s were over 112, and the 10s were over 115, and is indicative of the strength of those bonds and our ability to probably return to the market when they're open at our discretion at -- and to achieve similar results at a lower price.

And so I think the one way we would look at that to manage both the '22s and beyond, and even potentially the '21s, to some extent, to give us some time for the divestitures on our timeline is returning to the capital markets. And that gives us the time -- with even looking at '21 itself, but we just did the $2 billion of divestitures that we have outlined for 2020, couple that with a similar-sized transaction we did July, that cleared us runway essentially going all the way to '22 by itself.

It allows us the time for the free cash flow generation of the business, allows the impact of those cost reductions we've done, and really goes back to that combination of our underlying thesis from the acquisition that we've now taken the world-class portfolio we have today and coupling it with the operational excellence we have so that, that allows us to make the acquisition work.

Operator

Our next question comes from Jeffrey Campbell of Tuohy Brothers.

Jeffrey Campbell ***Tuohy Brothers Investment Research, Inc. - Senior Analyst, E&P and Oil Services***

My first question, I wondered if you could update us on your federal land position permits in place, percentage of current anticipated Delaware Basin spend that might be directed to the federal acreage, assuming no change in government policy? Just sort of what's going on there, assuming things stay the same.

Jeff Alvarez ***Occidental Petroleum Corporation - VP of IR***

Sure. So this is Jeff. So I'll take the first run at that. So one thing we did on -- you'll see on Slide 29, we updated the footnotes with what our federal acreage position is because it came down with the sale of GNB and a couple of other things.

So we have approximately 1.7 million net acres of federal land, 800,000 onshore, 900,000 offshore. And so if you look at our key development areas, Permian has about 280,000 acres of federal land, the vast majority of that's in New Mexico. None of the former APC development area is on federal land. So pretty clean running room there. And the DJ, it's minuscule. You'll see it's like 4,000 acres. So there's very little in the DJ on federal land as well.

So from a permitting standpoint, both in New Mexico and GoM, which would be the most exposed to federal land given the question you asked, we've got permits approved that give us running room for the foreseeable future. I mean, at activity rates even at a much higher activity than where we were prior to COVID, we would have plenty of running room of permits that are already approved in both of those areas.

Was there another part of your question, or did that hit at all?

Jeffrey Campbell ***Tuohy Brothers Investment Research, Inc. - Senior Analyst, E&P and Oil Services***

No. That's fine. I guess the only other thing I'd that might still be of interest is just if you can disclose at what percentage of current CapEx or the anticipated CapEx in 2021 might be directed to those federal positions?

Jeff Alvarez ***Occidental Petroleum Corporation - VP of IR***

Yes. I mean, since we haven't given a CapEx for 2021, wouldn't for current CapEx, you could pretty easily take the GoM number that we disclosed. And then of the remaining Permian part, which is only a couple of hundred million for the rest of the year, I mean, assume that's 1/4 of that for New Mexico. So it's a pretty small number.

Operator

Our final question will come from Leo Mariani of KeyBanc.

Leo Mariani ***KeyBanc Capital Markets Inc., Research Division - Analyst***

I was hoping you could talk a little bit on kind of leading-edge well costs in terms of what you're seeing. Obviously, there's been significant cost reductions in the business here that you guys have been able to implement. Could you give us maybe a little bit more color on what you're seeing in terms of kind of completion and drilling and kind of facilities costs kind of all in on a per-well basis in the Permian and the DJ, kind of where they are today versus kind of where they were maybe to start the year on like a per-foot basis or something?

Jeff Alvarez ***Occidental Petroleum Corporation - VP of IR***

Leo, we haven't updated that since our last disclosure on the last call. The thing I'd tell you is, like I mentioned earlier on the call, I do fully expect that capital intensity costplus the benefits will be better once we start back up. So I do expect those to come down. But the data set's been so small that it'd almost be misleading to say this went from X to Y just because it's -- we've drilled and completed so few wells.

But I do fully expect -- I mean, they're continuing to make great progress on the operational designs and seeing that. The other thing I've mentioned is we previously talked about how much of the capital synergy we captured. I think we said 70% because, again, we only measure capture if we've actually done it. And so with a small activity set it's hard to improve that number, but it went up to 80% when we look this quarter. So they do continue to make progress on the small activity set that we're doing.

Vicki A. Hollub ***Occidental Petroleum Corporation - President, CEO & Director***

And I'll just add to that, that our team, the New Mexico team, is working on some really exciting things and driven by Thaimar Ramirez, who's working hard on trying to further reduce well cost, and there's a lot of collaboration going on there to make that happen. And so I think with the subsurface team's support and all that's going on there, I think we're in for exciting news for next year when we do pick up another rig or 2 maybe.

Leo Mariani ***KeyBanc Capital Markets Inc., Research Division - Analyst***

Okay. That's helpful. And I guess just want to follow-up a little bit on the debt-reduction initiatives. You guys obviously did a good job kind of talking about sort of what's underway on the asset sales side. You guys also, of course, are free cash flow positive. And then lastly, you talked about refinancing some of the nearer-term maturities. Are there any other levers that you guys might consider to kind of accelerate debt pay down, not necessarily maybe today, but as you look forward into next year? Any other things that you think you might pull out of the toolbox to try to cut that a little faster here?

Robert L. Peterson ***Occidental Petroleum Corporation - Senior VP & CFO***

Leo, obviously, the other ones that aren't in that category right now be issuing equity or something like that. We did do the warrants. I don't see us pulling that lever, as we discussed last time. So I think the combination of the liability management tools that we have from the -- accessing the capital markets, the divestitures and the free cash flow. Right now, we feel like is going to give us a pathway that allows the business model to work.

Operator

In the interest of time, this concludes our question-and-answer session. I would like to turn the conference back over to Vicki Hollub for any closing remarks.

Vicki A. Hollub ***Occidental Petroleum Corporation - President, CEO & Director***

I'd just like to say thank you all for your questions and for joining our call. Have a great day.

Operator

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