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OXY.N - Occidental Petroleum Corp Market Update Call

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OVERVIEW:

Company Summary

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PRESENTATION

Operator

Hello, and welcome to Occidental's Market Update Conference Call. (Operator Instructions) Please note, this event is being recorded.

I would now like to turn the conference over to Neil Backhouse, Vice President of Investor Relations. Please go ahead.

Neil S. Backhouse - *Occidental Petroleum Corporation - Vice President, Investor Relations*

Thank you, M.J. Good morning, everyone, and thank you for joining today's call to discuss Occidental's acquisition of CrownRock. On the call with us today are Vicki Hollub, President and Chief Executive Officer; Sunil Mathew, Senior Vice President and Chief Financial Officer; and Richard Jackson, President Operations, U.S. Onshore Resources and Carbon Management. 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'll now turn the call over to Vicki. Vicki, please go ahead.

Vicki A. Hollub - *Occidental Petroleum Corporation - President and Chief Executive Officer*

Thank you, Neil, and thank you, everyone, for joining us today. I'm excited to discuss this morning's announcement that Oxy is going to acquire CrownRock LP, an asset-rich Midland Basin operator. We believe this transaction positions Oxy to deliver immediate and significant free cash flow accretion per diluted share and build better scale in the Midland Basin, along with a unique opportunity to high-grade our premier U.S. onshore asset portfolio. Tim Dunn not only built a high-quality portfolio, he also put together a great organization, and we're looking forward to working with the CrownRock employees as they join us after close.

This acquisition will also accelerate our value proposition for our investors through increased value per share, driven by their free cash flow accretion that will also enable us to step up our dividend in the near term, along with the addition of high-margin inventory that will support the sustainable growth of our dividend over time. As Richard and Sunil will discuss, this transaction brings multiple operational and financial benefits to Oxy, including quality inventory, high margins and a low reinvestment rate. Our purchase price of $12 billion emphasizes the expected high level of free cash flow generation. In addition to high-margin production, the assets have significant and undeveloped potential with approximately 1,700 locations. Supporting infrastructure is also largely in place for the undeveloped acreage, which is beneficial to capital efficiency and maintaining the assets low investment rate.

I want to emphasize that free cash flow accretion is the key driver for this transaction. But we're also excited about the new opportunities the acquisition brings. For example, integrating the CrownRock inventory is expected to create a strategic opportunity to high-grade our premier U.S. onshore portfolio while also positioning Oxy to further strengthen our cash flow resilience at low oil prices. In addition, we also anticipate that our common shareholders will benefit from the transaction's high free cash flow accretion, which we will calculate at approximately 25% or greater at a range of WTI prices. We expect the free cash flow accretion from this transaction will be immediate, providing us with the confidence to announce a raise to our sustainable quarterly dividend of over 22%, effectively the April 2024 dividend payment.

Now let us talk about the attractive asset package that we are acquiring. CrownRock is a leading private operator in the core of the Midland Basin with assets that are extremely complementary and contiguous to Oxy's existing Midland Basin operations. Our teams have great confidence in the subsurface quality of the CrownRock acreage. The inventory consists of largely undeveloped DSU's or drilling spacing units which we can apply our subsurface expertise to extract maximum value across up to 14 geologic horizons. We said it before, Oxy's operational excellence and subsurface expertise is the key to our exceptional performance. The scale that we have built in the Delaware and DJ Basins has been a key attribute in our ability to accelerate operational advancements and maximize cross-basin innovation. This acquisition positions Oxy to maximize scale in the Midland Basin, including logistical advantages.

CrownRock's operating team also has a strong track record of running safe, efficient and highly productive assets. They have achieved remarkable results in the Midland Basin through demonstrated operational excellence that is aligned with Oxy's approach. The CrownRock team will be a seamless valuable addition to our organization, and we look forward to welcoming all eligible CrownRock employees to Oxy in the coming months. As I stated previously, Oxy has one of the best portfolios in our over 100-year history. Our current portfolio was built through a continuous drive for improvement. We periodically review our oil and gas portfolio to see that we have the optimal mix of free cash flow generation, low decline and short versus mid-cycle projects. Recently, our portfolio management program has consisted of smaller scale bolt-on transactions and acreage trades. These smaller transactions followed the successful completion of a large-scale divestiture program associated with our last major acquisition. However, the potential we saw in CrownRock for cash flow accretion, strategic fit and the opportunity to build scale in the Midland Basin made this transaction an ideal fit for Oxy.

With that, I will now turn the call over to Richard, who will discuss the many compelling facets of the CrownRock assets and operations.

Richard A. Jackson - *Occidental Petroleum Corporation - President Operations, U.S. Onshore Resources and Carbon Management*

Thank you, Vicki. We are very excited to have the opportunity to bring CrownRock's assets and team together with Oxy. With this acquisition, we are immediately adding high-margin, established base production and improving our development inventory with prolific resources that we understand. By pairing CrownRock's assets with Oxy subsurface capabilities in the Permian unconventional, we expect strong near-term performance with significant long-term upside. Importantly, their efficient and high-performing team adds to our capabilities. Their approach and strong results are aligned with our operating methods and our culture. We look forward to them helping drive our future.

Upon closing, we will acquire over 94,000 net acres of top-tier stacked pay acreage in the core of the Midland Basin, including approximately 10,000 surface acres and 1,700 undeveloped locations. These assets will be 99% Oxy-operated and are immediately competitive at the top end of Oxy's portfolio. We estimate that CrownRock will add an incremental production of 170,000 BOE per day in 2024, which will increase Oxy Permian's production to over 750,000 BOE per day compared to our 2023 estimated outlook of 583,000 BOE per day.

CrownRock has been operating efficiently with five rigs for several years, and we expect to maintain this activity level. Creating opportunities for low single-digit growth for these assets over the next few years along with significant free cash flow. Given the rock quality, strong operational performance and established production, with an approximately 35% base decline, our corporate decline rate is expected to remain in the low 20's percent next year, also supporting our ability to deliver free cash flow at any price. This acquisition also brings value-added infrastructure. Our water recycling capabilities will advance in the Midland Basin with new assets that include 55 miles of freshwater pipelines and four water recycling plants.

Additionally, over 200 miles of gas gathering pipeline support reliable takeaway with advantaged midstream contracts already in place. And with 10,000 surface acres, it provides further support for common infrastructure. The CrownRock acreage sits in the most prolific core of the Midland Basin. This position is well understood by our Oxy team as we have improved our development results through basin-wide technical work. As we consider the opportunity going forward, we see good upside potential by combining Oxy's subsurface characterization with CrownRock's high-quality undeveloped inventory. Approximately 80% of the CrownRock inventory is located in largely clean and undeveloped sections, which provides opportunity to leverage our customized section development approach to improve well performance. While we often highlight our Delaware progress, our Midland Basin new well performance has also delivered over the past few years, with a 20% increase in new well production since 2020.

Beyond the primary inventory, we see deeper horizon upside potential where we can leverage Oxy's knowledge and success in the Barnett, where our new well production is 34% higher than the basin average. Additionally, we see potential to expand our unconventional EOR opportunity where we have had a successful CO2 EOR pilot in the Midland Basin for several years. We have demonstrated improved recovery and are now working our future development plans. This capability can provide incremental recovery, store anthropogenic CO2 and lower our environmental footprint by reusing existing wells already drilled across the position.

Building upon the subsurface, this transaction is an excellent opportunity to further high-grade our Permian portfolio in several ways. We're increasing our Permian unconventional less than $60 breakeven locations by 1,250 or 24%. This 1,250 low breakeven inventory gives us approximately 10 years of development at the current pace of five rigs across these new assets. The added inventory also increases our less than $40 breakeven locations by approximately 750 or 33%. Again, the CrownRock assets are immediately competitive with the Delaware Basin and contribute to greater balance to our Permian unconventional development. Prior to this acquisition, our less than $40 breakeven inventory was approximately 80% of the Delaware Basin.

We now would have 60% Delaware Basin and 40% Midland Basin, balancing this Tier 1 inventory. Also the Midland Basin production would move from 9% to nearly 30% of our total Permian unconventional production based on 2023 estimated and combined totals. Greater basin diversification is expected to increase operational and supply chain efficiencies through economies of scale. We continue to work with our service partners to drive utilization and operational efficiency. Expanding our footprint in the Midland Basin will enable a more balanced program with higher utilization, especially across our drilling and completion activities.

CrownRock's development approach has delivered impressive results. While current operations are very cost efficient, we do see opportunities to further improve both capital and operating expense. For example, we have already identified several opportunities to begin developing 3-mile laterals. Additionally, we are eager to incorporate Oxy subsurface workflows to further optimize frac designs and well spacing. And while we have not assumed any cost synergies, we are confident our combined teams will improve as we learn from each other and leverage the scale of the combined position.

Acquiring CrownRock also enhances Oxy's capital flexibility throughout the commodity cycle. The short-cycle nature of these high-quality assets will help us have the ability to scale back capital as needed when commodity prices decrease while maintaining production and strong cash flow. Finally, at Oxy, we're focused on advancing operations that drive improved safety and environmental performance. CrownRock has had an excellent safety performance and established a strong approach to emissions reduction. These are other areas we look forward to working together as one team.

I'll now turn the call over to Sunil, who'll walk through with you the financial details of this transaction.

Sunil Mathew - *Occidental Petroleum Corporation - Senior Vice President and Chief Financial Officer*

Thank you, Richard. This exciting transaction is the catalyst for several financial actions that we strongly believe will benefit Oxy's common shareholders in the near and long term. The free cash flow generated from the acquired assets will be applied to increasing cash returns to shareholders and to deleveraging. Maintaining our investment-grade credit ratings is a key priority. We expect that after closing, our existing ratings would be affirmed, including our investment-grade credit ratings from Moody's and Fitch. This expectation is based on our analysis of published credit rating methodologies and our intent to rapidly deleverage through the repayment of at least $4.5 billion of debt within a year of closing the acquisition.

Rapid deleveraging will be driven by the free cash flow generated in 2024 as well as proceeds from our new $4.5 billion to $6 billion divestiture program, which we expect to complete within 18 months of closing. We have full confidence in our divestiture target and timeline given our track record of completing previous divestiture programs even during periods of adverse economic conditions. Also, the remarkable quality of the incoming assets provides a unique opportunity to high-grade our portfolio. I would like to now summarize the transaction's financial structure.

We intend to finance the $12 billion acquisition with the issuance of $9.1 billion of new debt and the assumption of CrownRock's $1.2 billion of existing debt. Additionally, we will issue $1.7 billion of common equity to the seller which is approximately the amount of shares we have repurchased through the third quarter in 2023. In support of the financing, we have a fully committed $10 billion bridge loan facility. Prior to close, we intend to replace the bridge with a combination of term loans and senior unsecured notes to cover the cash portion of the transaction and refinance majority of the sellers' existing notes. We are targeting a transaction close in the first quarter of 2024 with an effective date of January 1, subject to customary closing conditions and regulatory requirements. We anticipate this acquisition to be highly accretive to free cash flow per diluted share at the range of commodity prices.

Slide 14 of our presentation illustrates that we expect to attain between 25% and 35% accretion in to free cash flow per diluted share in different oil price scenarios ranging between $65 and $75 WTI. Pro forma free cash flow is strengthened at lower oil prices as a result of incorporating the high-quality and high-margin CrownRock assets. In the appendix to our presentation, we have included a comprehensive example of how the free cash flow generated from this transaction will improve free cash flow per diluted share. We note that there are no cost synergies assumed in our valuation, so we see good potential for operational upside. The financially accretive nature of this transaction is expected to steepen the trajectory of our cash flow growth potential, positioning us for future dividend increases while also strengthening our balance sheet.

Pro forma excess cash flow will be allocated first to our sustainable and growing common dividend and then to debt reduction until the outstanding principle is reduced to $15 billion or below. The pace at which we achieve our $15 billion debt target will be primarily driven by commodity prices and the pace of our new divestiture program. In supportive commodity price environments, our increased cash flow sensitivity to oil prices will advance our progress towards achieving our debt reduction target, after which we intend to revitalize our share repurchase program. Now moving on to guidance.

Our teams are currently in the process of integrating CrownRock's premier assets into Oxy's 2024 plan. While we are looking forward to providing detailed company-wide guidance on our next earnings call, we are able to share a few key preliminary details this morning. We anticipate that 2024 CrownRock production will be approximately 170,000 BOE per day. We also expect a mid-single-digit percent decline in our domestic operating cost per BOE as the transaction is accretive to both our domestic and Permian operating costs. Based on the preliminary capital guidance provided in our third quarter call and subject to Board approval, we anticipate a pro forma corporate capital spending range of $7.3 to $7.5 billion for 2024, including approximately $900 million to the CrownRock assets. This level of investment maintains their current five-rig development phase.

In summary, we are pleased with the expected financial benefits from this acquisition. And we firmly believe that the financial actions we are announcing today will deliver sustained superior value to our common shareholders.

I will now turn the call back over to Vicki to close before the Q&A.

Vicki A. Hollub - *Occidental Petroleum Corporation - President and Chief Executive Officer*

Thank you, Sunil. In closing, I want to reiterate how excited we are about this financially accretive opportunity to high-grade our portfolio with assets that are best-in-class in terms of well productivity, cost structure and cash margins. CrownRock adds to one of the strongest and most differentiated portfolios that Oxy has ever had, and we expect that this transaction will contribute to Oxy's continued exceptional operational and financial results for years to come.

With that, we'll now take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Today's first question comes from John Royall with JPMorgan.

John Macalister Royall - *JPMorgan Chase & Co, Research Division - Analyst*

So can you talk about keeping the long-term debt target at $15 billion despite having a bigger asset base now? Did you consider going to a higher long-term target, and getting back to buying back shares, any sooner instead? And just maybe anything on your thought process there with sticking with that $15 billion target, which would mean lower leverage pro forma from the legacy business?

Vicki A. Hollub - *Occidental Petroleum Corporation - President and Chief Executive Officer*

We believe that the cash flow strength of the CrownRock assets will help us to get to the $15 billion also returning as quickly as we can to share repurchases. So we don't think that delay will be significant. We do consider share repurchases to be a key part of our value proposition because it does increase value per share. So we will certainly be committed to doing that in the future. But we think $15 billion is the right place for us to be.

Operator

The next question comes from Neil Mehta with Goldman Sachs.

Neil Singhvi Mehta - *Goldman Sachs Group, Inc., Research Division - VP and Integrated Oil & Refining Analyst*

Congrats on the transaction. Vicki and Sunil, would love some perspective on the asset sale market. And just as you think about the target that you laid out, confidence interval about achieving it and how we should think about where in the portfolio, what is core and what could be more open to sale?

Vicki A. Hollub - *Occidental Petroleum Corporation - President and Chief Executive Officer*

So I'll start with how we think about assets. The way we are -- where we are today is we really have great assets across the board. But one of the things, especially with respect to upstream oil and gas, there are some things that, while they may be good assets, they're just not cored-up, and they're not contiguous or close to logistically our greater -- a number, a greater concentration of assets. So just because we're divesting of something doesn't mean that it's not a quality asset. It just means it doesn't fit with our development plans and where we are. And it doesn't deliver the margins that we might need, but might work for someone else. So with respect to that, it's -- Sunil has some metrics that we will go by and that are important to us. But just wanted to make sure you understand that these are all -- these assets that we will divest of will be all domestic. So a lot easier than what we attempted in the past and actually achieved in the past during a pandemic.

Sunil Mathew - *Occidental Petroleum Corporation - Senior Vice President and Chief Financial Officer*

Neil, when we think about asset monetization, some of that attributes that we look into, one is the strategic fit in this new portfolio. Does it compete for capital in this new high-graded portfolio. Then what is the potential value? And the last thing is actionability because we are committed to the deleveraging plan that we outlined. We said we will reduce $4.5 billion of debt within 12 months, and we want to get to that $15 billion target, which is primarily going to be driven by commodity prices and the pace of our divestiture program. And as Vicki mentioned, we achieved that $10 billion divest target in one of the most difficult macro conditions. So we are very confident of achieving this target and meeting the deleveraging plan that we have outlined this morning.

Operator

The next question is from Paul Cheng with Scotiabank.

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

Vicki, just curious that if I look at your current asset in the U.S. onshore, your inventory backlog is roughly about 14 years of your drilling program. And with the CrownRock according to Richard, it's about 10 years, is that intentionally or that -- I mean, just trying to curious that why that you will be buying an asset with that your reserve -- your inventory backlog life is going to be shortened -- and also that from that standpoint, maybe a slightly delay, historically, you do far more in the Delaware. And now that this transaction is mainly in Midland, is it because do you think that diversified to Midland is better because the asset quality in Midland is better than Delaware? Or is there any other reason?

Vicki A. Hollub - *Occidental Petroleum Corporation - President and Chief Executive Officer*

There's a lot to that question. But let me start with the last part of that, which was about Midland Basin versus Delaware. The reality is that the Permian Basin is massive. And so it's about from an aerial extent about the size of North Dakota. So when people think about the Permian, it's important -- more important to think about it as the sub basins we call them subbasins. But if they were anywhere else, they'd be their own stand-alone basin, and that's Midland Basin with the Central Basin platform to the west of the Midland Basin and then Delaware on the western side. So, the Central Basin platform is where we have our EOR assets or at least most of them. And the Midland Basin and Delaware basins are where we have our -- the bulk of our unconventional developments.

And it's important to note that, that distance means that the scale that you have -- that we have in the Delaware Basin doesn't really help the Midland Basin from a logistics standpoint. So, scale is important in both basins, and we didn't have the scale in the Midland Basin that we felt like we needed. So, this acquisition adds scale that will be important to us for the Midland Basin and will enable us to reduce cost over time. And then the acquisition really was not done just for the inventory. It basically was done because the cash flow accretion was so significant. And we saw that with where we're looking at oil prices being long-term that it would help us in downturns and then would just be incremental value that we could return to our shareholders in moderate to high price environments. But it is -- it does keep us strong on the downturns.

And then in addition to the scale and the cash flow accretion, it's also what their team brings in terms of their expertise and experience along with ours. We think the combination of the two employee bases will also deliver significant results because of their expertise, and they have water infrastructure that could be important to us. So that would provide us some incremental value. I think -- did I get everything there. But yes, it's a lot more than just for the inventory. But inventory is important. The -- there will come a time that the United States will start to see that it's important to have a lot of volume here. Right now, this acquisition prior to the acquisition, we were about 80% production here in the U.S. This will drive that up a little bit. But having reserves in the U.S. is much more critical we think, to the long-term sustainability of any oil and gas company. So that's -- it's important to have the barrels here.

Operator

The next question is from Kalei Akamine with Bank of America.

Kalei Akamine - *Bank of America - Analyst*

I am deputizing for Doug, who sends his regards from the air. There's a lot to ask here. So I'm going to do my best to respect that one question limit. But I guess what we're trying to better understand is the economics associated with your cash flow guide. So maybe you can offer some clarifying details to help us reconcile the disclosure. So, looking for anything you can offer on cost items, operating expense, G&A, hedging benefits or NG yield would really help us get there as we back into a revenue number. And if I could sneak in a quick part B, wondering if you see any divestiture opportunities from CrownRock and especially thinking about the logistics side of that business.

Vicki A. Hollub - *Occidental Petroleum Corporation - President and Chief Executive Officer*

With respect to the specific numbers, Richard can provide some information. But let me caution you now that we - while we know the overall specific financials and we see the cash flow, we're very confident in the numbers that we have. But we have not received full approval to divulge a lot of information yet. A lot of what we can divulge will be after close. But the - what we see from the financials is, certainly, it's incredibly accretive. And I think what our statement was around the opex was that we're seeing lower numbers for their opex in ours.

Without giving specifics, Richard, do you have some more color without going to specific numbers.

Richard A. Jackson - *Occidental Petroleum Corporation - President Operations, U.S. Onshore Resources and Carbon Management*

Yes, perfect. I'll talk around this a little bit in terms of what we see. The first thing I think I would start with is reiterate that how strong, efficient team that they have from an operating standpoint. So, both capital efficiency and margin, which play through on that free cash flow, very strong. And as we mentioned, very competitive in terms of our portfolio. So, as we look across kind of the efficiency of the operation, their designs and kind of their approach, very consistent with us and still felt very confident with that. I think from an operating cost, obviously, things like improved water management that we highlighted, even some of the takeaway being adjacent to our current position help us in terms of how we think about preserving or improving that cash margin.

I would say the other sort of upside that we highlighted are things like utilization factors in supply chain. So trying to think about how do you optimize the right balance between drilling rigs and frac cores and sort of, as we call it the white space in between, having this improved operational footprint allows us to drive that utilization up, which really benefits our service partners and us from both the time-to market and a cost perspective.

The other thing I would just maybe say is I can't highlight enough the opportunity to work across a larger subsurface. So a couple of real meaningful things. I think as we look at this. One, as I mentioned, our Midland Basin team has continued to improve their well performance. So, I noted 20% better since 2020. What's really supported that is an improvement of the inventory. So, the ability to high-grade inventory, some of the new zones like the Barnett where we've taken a leading position in terms of performance are things that we're excited to have the opportunity to work with the CrownRock team to look at. And so, from both a cost, whether it's capital or opex and importantly, the well performance, that's really how we have played into the free cash flow. We think the uncertainties have been fully accounted for, but we'll look forward to getting into more details and finding how we can learn from each other.

Vicki A. Hollub - *Occidental Petroleum Corporation - President and Chief Executive Officer*

Last part of that was around divestitures where while we know that we can get -- achieve what we need to with respect to the Oxy assets there might be the opportunity also for divestitures from the CrownRock assets once we've had a chance to look at everything in comparison to where our portfolio is.

Sunil Mathew - *Occidental Petroleum Corporation - Senior Vice President and Chief Financial Officer*

So with respect to the hedging, with Anadarko acquisition being an exception, Oxy has not historically hedged as we believe shareholders actually benefit over the long-term from full exposure to the commodity price. And what this acquisition has done is it's made our cash flow even more resilient at lower commodity prices. And then the other thing to highlight, a large part of our spending is U.S. onshore. And this is actually increasing it. And we have shown even during the pandemic, that how we can quickly reduce activity and do that more efficiently.

So just a couple of data points. In terms of the U.S. onshore rigs, in 2020, we had 8 rigs compared to around 27 today. So we were able to efficiently ramp up. And if required, we can actually ramp down also efficiently. And in terms of domestic LOE, it's -- I mean in 2020, it was almost 40% lower than where we are today. And the other thing is about the diversity we have in our portfolio. So, we have the international assets which is based on production sharing contracts where your production actually is more at lower oil price. And then we have the gas assets in the Middle East, where the gas prices are specified in that contract. And then we have our chemicals business. So we believe our diverse portfolio actually helps in mitigating some of the commodity price risk. So that's the reason why we don't look at hedging.

Operator

The next question is from David Deckelbaum with Cowen.

David Adam Deckelbaum - *TD Cowen, Research Division - MD & Senior Analyst*

Congrats on the deal. I wanted to ask just simplistically, you have the asset growing, I think, from $150,000 equivalent to $170,000 talked about $900 million of spend in '24. Is this an asset that you foresee yourselves growing for multiple years? How would you help us think about that relative to the rest of your portfolio?

Vicki A. Hollub - *Occidental Petroleum Corporation - President and Chief Executive Officer*

We think that this -- the Midland Basin assets would be similar to the Delaware. We may grow the Delaware faster at times, but the Midland Basin could also depending on how our performance is going there and how our development plan looks. We always, as you know, we always try to optimize our net present value of all the assets. So we're always putting together plans that may, at times, increase our production a bit versus other times. But it's important to look at that on an annual basis and to plan that out so that we're maximizing value each year.

Richard A. Jackson - *Occidental Petroleum Corporation - President Operations, U.S. Onshore Resources and Carbon Management*

I'll just add a couple of points to that. I think, one, as you think about next year, we've talked about keeping the five rigs. So getting to that 170 outlook is not a step-up in terms of significant resource adds or anything that we would need to do there. So I think that's important for us. The other thing to attribute that I think it's important to think about it in terms of how capital goes forward is the relatively low base decline for unconventional asset. Again, the CrownRock team has done a great job of maturing into this production profile. And so having that approximately 35% kind of base decline rate provides a lot of sustainability at lower prices, meaning, as Sunil said, if you pull back on capital, you're generating free cash flow better than some high-growth areas that you may see on some assets if they take an aggressive approach. So they're at a great point in their life. They've demonstrated great high margin and capital efficiency. And so really going forward, it's how to sustain that and generate this max free cash flow position.

Operator

The next question is from Leo Mariani with Roth MKM.

Leo Paul Mariani - *ROTH MKM Partners, LLC, Research Division - MD*

I was hoping to follow up a little bit more on the 1,250 wells in inventory that have a breakeven at $60 below. Could you talk a little bit more in detail about what the key zones there are on the asset there that kind of make up that 1,250 wells?

Richard A. Jackson - *Occidental Petroleum Corporation - President Operations, U.S. Onshore Resources and Carbon Management*

Sure. And I know we put some in that slide. I would first say that 1,250 a couple of points I want to make sure kind of communicate. One, we call that development ready. So if you follow Oxy and the way we disclose our inventory, that means that we've had the opportunity to kind of physically identify the locations. We understand a general sense for spacing, land position in terms of lateral length. And so that 1,250 is over that -- really that section of primary delineated inventory that we showed in the slide. It does include some Barnett opportunities, but we continue to grow, we're early days, I would say, in terms of the Barnett, but we are seeing really strong results. So, when you think about the 1,700 I think that's another number we focus on. And I wouldn't say that it's higher cost or less certain. It's that we continue to improve. So, our appraisal program, as I mentioned, we continue to make zones that we are developing today and new zones better like a Barnett.

And so when we think about that 1,700, it's really allowing our teams, as Vicki said, as they get into the data and we're able to learn from what CrownRock is doing to be able to identify opportunities on spacing, lateral length - and some of those zones, we've gone across looked at obviously Wolfcamp zones, Strawn, Woodford, Devonian. So we've looked across that entire section that we included in the slide deck to highlight the geologic opportunity set. So, for us, we're very focused on the 1,700 and making that better and adding which we've been able to do year-on-year over the last several years.

Vicki A. Hollub - *Occidental Petroleum Corporation - President and Chief Executive Officer*

Yes. I think our teams have done a great job to make Tier 2 and 3 zones in the Delaware Basin, moving those up to Tier 1. I think the same thing will happen here once the CrownRock team and the Oxy team get together and have the time to look that far out.

Operator

The next question is from Kevin MacCurdy with Pickering Energy Partners.

Kevin Moreland MacCurdy - *Pickering Energy Partners Insights - Director*

I wanted to follow up on the question regarding cash flows on the CrownQuest asset. You mentioned that the cost structure is lower than your legacy assets, and you talked a little bit about the infrastructure being built out on the CrownQuest acreage. I just wanted to know, do you see an uplift on gas and NGLs as well compared to your legacy assets? And maybe for clarification, what is the gas and NGL price assumptions you're using on Slide 21?

Richard A. Jackson - *Occidental Petroleum Corporation - President Operations, U.S. Onshore Resources and Carbon Management*

Maybe just a couple of points. I don't think we're seeing any necessarily upside. I think it's in line with what we're seeing in terms of realizations for our products. And the other thing just to clarify, it's again, strong operating performance, both on capital and opex, but understood and fairly in line as we think about, say, our Midland Basin unconventional operating expense. And so, when you think about how this contributes, when we talk about domestic, there's Gulf of Mexico, there's EOR, and so as we add this production, it's very, I guess, accretive in terms of what it brings from a cash margin basis. And so that's really -- as we highlight those numbers, how we roll them up, that's where it looks. We see upsides, again, great infrastructure position. I know our operating teams will look forward to how can we put all that -- those pieces together to get better, but that's how we are talking about it and think about it at this time.

Sunil Mathew - *Occidental Petroleum Corporation - Senior Vice President and Chief Financial Officer*

So with respect to the gas price, I guess you're asking on Slide 21, right?

Sunil Mathew - *Occidental Petroleum Corporation - Senior Vice President and Chief Financial Officer*

Okay. So the gas price assumption was $3. And with respect to NGL, we assumed 30% of WTI price.

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 and Chief Executive Officer*

I'd just like to thank you all for participating in our call today, and have a great day. Thanks. Bye.

Operator

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