

California Resources Corporation

Third Quarter 2025 Earnings Conference Call

Wednesday, November 05, 2025, 01:00 PM ET

CORPORATE PARTICIPANTS

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PRESENTATION

Operator

Good day, and welcome to the California Resources Corporation Third Quarter 2025 Earnings Conference Call. [Operator Instructions] Please note, this event is being recorded.

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

Joanna Park

Good morning, and welcome to California Resources Corporation's third quarter 2025 conference call. Following prepared remarks, members of our leadership team will be available to take your questions. By now, I hope you have had a chance to review our earnings release and supplemental slides.

We have also provided information reconciling non-GAAP financial measures to comparable GAAP measures on our website and in our earnings release. We will also discuss our pending Berry merger. We encourage you to read our Form S-4 filed on October 14, 2025, as it contains important information. Copies of this and other relevant documents are also available on our website and the SEC's website.

Today, we will be making forward-looking statements based on current expectations. Actual results may differ due to factors described in our earnings release and SEC filings. As a reminder, please limit your questions to one primary and one follow-up as this allows us to get to more of your questions.

I will now turn the call over to Francisco.

Francisco Leon

Good morning, everyone.

CRC delivered another strong quarter, reinforcing the disciplined performance and strategic focus that set us apart as a different kind of energy company and also positioning us at the forefront of California's energy revival. We have a lot of good news to share this morning. Here's how we're going to structure the call. First, we will open with a list of accomplishments and summarize important recent events. Next, Clio will discuss our third quarter results. Lastly, we will share some early thoughts around 2026.

Let's start with the highlights. California's energy and regulatory environment is improving in meaningful ways, and CRC is well positioned. The recent passage of key legislation has created the most constructive framework we've seen in more than a decade, strengthening oil and gas permitting, authorizing CO₂ pipelines, and extending the Cap-and-Invest Program through 2045.

Together, these laws help support reliable in-state production while encouraging investment in the state's rapidly rising energy demand. CRC's E&P, CCS and power businesses can support California's need for energy security and clean energy solutions.

Our E&P business continues to perform exceptionally well. Our teams are executing safely, and our assets are demonstrating strong production performance and low base declines. With our successful Aera integration behind us, we can now move our annual base decline assumption to 8% to 13%, which is down from 10% to 15% previously. This significant change strengthens our

cash flow generation, improves our capital intensity, and enhances the value of our large PDP reserve base.

CRC's conventional reservoirs are advantaged with significantly higher estimated ultimate recoveries when compared to shale resource plays. As many of the lower 48 producers are moving towards lower quality locations, we are well positioned with long duration, high-quality, low-decline reservoirs. We believe that this will allow us to effectively replace reserves, maintain production with less capital and deliver consistent results through the cycle.

Strong execution and smooth integration remain key strengths of our operating teams. We recently announced our merger agreement with Berry Corporation. Like Aera, this deal was well timed, is progressing as planned and will add assets that are adjacent to our current positions, creating meaningful synergies that further enhance our leading operational scale in California. Through Aera, we demonstrated our ability to effectively integrate assets, improve operating efficiencies, and rapidly capture value. We plan to apply that same approach to Berry.

Turning to our Carbon TerraVault business, momentum continues to build. We are well ahead of the competition and close to making history at Elk Hills with our first CCS cash flows. Our first carbon capture and sequestration project at our Elk Hills cryogenic gas plant is advancing with construction underway and first CO₂ injection expected in early 2026, pending regulatory go ahead. This will be California's first commercial-scale CCS project and a critical step toward realizing the state's decarbonization goals.

Now that the CO₂ pipeline moratorium has been lifted, our strategically positioned CTV reservoirs across the state have the potential to provide storage solutions for existing brownfield emitters that don't have the benefit of co-location, creating a true state-wide framework for emissions reduction.

We are also advancing our regulatory efforts in permitting inventory to expand our state-wide storage network. We currently have seven Class VI permits under active review with the EPA and are preparing additional applications totalling roughly 100 million metric tons across Central California.

As we focus on the most attractive markets for CCS, one thing is clear. California's biggest opportunity lies in delivering clean, reliable power.

The California Public Utilities Commission estimates that incremental power capacity in the state will need to double by 2035 to meet demand. Layer on the projected investment in AI inference targeting major population centers, and it's clear that California is heading towards a substantial power shortfall. While renewable resources and scalable battery storage have a role, they will not be enough to satisfy demand.

California needs clean, reliable baseload power to enable data center growth while ensuring a reliable grid. State leaders recognize this challenge and have proposed several pathways to address it. With CCS, CRC and CTV are well placed to be part of the solution.

Google recently announced plans to deploy natural gas generation with carbon capture for their Illinois data centers. Here in California, the Energy Commission recently issued a report highlighting that pairing natural gas generation with CCS is a practical and scalable path to decarbonize baseload power across the state's legacy assets. It's clear that leading innovators share this vision, and so do we.

CRC and CTV have an unequal portfolio of assets located in the heart of the nation's largest economy. We can readily pair existing power generation with carbon capture to rapidly unlock firm, clean baseload power in proximity to major demand centers.

We are evaluating multiple opportunities today in this rapidly expanding market.

First, utility and wholesale markets, where front of the meter sales could provide decarbonized baseload power directly into the grid to support system reliability and reduce emissions under the CPUC's newly proposed Reliable and Clean Power Procurement Program, or RC triple P.

Second, we can help meet demand from existing large technology and data center operators. Based on PG&E's interconnection queue, data center requests in California have now exceeded 10 gigawatts, reflecting surging energy needs tied to AI, cloud computing, and electrification across the state.

As the AI revolution advances from training to inference, data center sites are expected to shift from prioritizing areas with cheap abundant electricity to low latency areas near major population clusters. As the largest state in the nation with nearly 40 million people and four of the top largest U.S. cities, California screens extremely well.

As we evaluate our options, it's important that we do the right deal at the right time to create the most value for our shareholders.

We're focused on turning an evolving market opportunity into real progress. And earlier today, we took another important step in our natural gas power with CCS strategy in Kern County, as we announced a new partnership with Capital Power to develop carbon management solutions for the La Paloma power facility. This builds on our previous announcements with Hull Street and our own project, CalCapture in Elk Hills. These partnerships validate market demand, expand scale from front or behind the meter data centers and highlight CRC's ability to connect firm power generation with carbon storage. With strong execution, disciplined growth and a constructive policy environment, CRC is well positioned to lead California energy comeback, one that values both reliability and responsibility.

Clio, over to you.

Clio Crespy

Thanks, Francisco.

This quarter's operating performance once again exceeded expectations, underscoring CRC's consistent execution, operational strength and financial discipline, the hallmarks of our strategy.

For the third quarter of 2025, we delivered net production of 137,000 BOE per day, 78% oil, roughly flat quarter-over-quarter on a \$43 million D&C and workover capital program. Realizations remained above national averages. Oil at 97% of Brent, NGLs at 60% of Brent and natural gas improving to 113% of NYMEX. We generated adjusted EBITDAX of \$338 million and free cash flow before changes in working capital of \$231 million, reinforcing the durability and efficiency of our operating model.

G&A and operating costs were within guidance and our hedge portfolio continued to provide downside protection, while preserving margins.

Capital investment for the quarter totaled \$91 million, squarely within plan.

In October, we raised \$400 million on attractive terms to refinance Berry's debt ahead of the pending merger. This financing demonstrates our ability to quickly capitalize on favorable market conditions, strategically enhance our balance sheet by lowering costs and extending duration and maintain leverage below 1x. These proactive steps kick start our synergies capture and position us well for a seamless integration once the merger closes.

Our balance sheet remains a key strength. At quarter end, net leverage is at 0.6x and total liquidity exceeded \$1.1 billion, including \$196 million of cash and an undrawn revolver. In October, we used available cash to redeem the remaining \$122 million of our '26 Senior Notes at par. Since then, we've rapidly rebuilt our cash balance, ending October with more than \$170 million, excluding the high-yield proceeds reserved for the Berry closing. We have no near-term debt maturities. The next comes due in 2029.

Rating agencies have taken notice. Moody's upgraded CRC's corporate family rating to Ba3 and Fitch assigned a positive outlook, citing our consistent cash flow generation, low leverage, disciplined capital allocation and the improving regulatory environment in California.

In addition, our borrowing base was reaffirmed in October at \$1.5 billion, while existing and new lenders increased their elected commitments by \$300 million to \$1.45 billion, further enhancing our financial flexibility.

CRC's balance sheet and capital framework remain among the strongest in our sector, giving us flexibility to fund disciplined growth, while sustaining meaningful shareholder returns.

During the quarter, we increased our dividend by 5%, reflecting continued confidence in our business and cash generation. Year-to-date, we've returned more than \$450 million through dividends and share repurchases. Under our current authorization, we have over \$200 million of remaining capacity for share repurchases through mid-2026.

The fourth quarter is shaping up extremely well. We expect to benefit from continued stable production, lower costs, and new efficiencies. Capital spend will be modestly higher than in the third quarter, mainly reflecting the catch-up of deferred projects and a strategic scope change to our CCS project at CRC's Elk Hills cryogenic gas plant.

As we've advanced this project, we've identified an opportunity to upgrade facilities to serve both Belridge and Elk Hills. Improvements that enhance NGL recovery and increase operational efficiency as we prime the facility for carbon capture. This once again demonstrates our team's innovative approach and our focus on value-enhancing initiatives through integration.

Importantly, full year capital expenditures are still expected to remain within our previously disclosed annual guidance range of \$280 million to \$330 million.

As we look ahead, CRC is poised to enter 2026 with a premier balance sheet, a flexible capital structure and a resilient production base, all supporting durable free cash flow and long-term shareholder value. Furthermore, roughly two-thirds of our expected 2026 production is hedged at a Brent floor price of \$64 per barrel, ensuring the stability of our cash flow. Our preliminary 2026 plan assumes an average of four rigs supported by our strong hedge position and our inventory of existing permits. We plan to operate these rigs using both current permits and those expected following SB237's enactment.

As always, we will remain disciplined and agile, adjusting our capital program as commodity prices and market conditions warrant. Importantly, our current outlook does not yet include the impact of the pending Berry merger, where we anticipate meaningful synergies once the transaction closes.

CRC remains focused on consistent performance, disciplined growth and competitive shareholder returns as we move into 2026.

And with that, I'll turn it back to Francisco.

Francisco Leon

Thanks, Clio. 2025 is proving to be a remarkable year for CRC with strong momentum as we head into 2026. We're posting wins across multiple fronts - robust reservoir performance, structural improvements in our portfolio, lower costs, a more resilient capital structure and greater alignment between industry and the state to achieve common goals.

For the second consecutive year, we will grow our production through strategic transactions and disciplined reservoir management. More importantly, we expect these actions to position us for sustained cash flow per share growth in 2026 and beyond.

We're excited about what lies ahead, from closing and integrating Berry to advancing Carbon TerraVault and CalCapture and expanding our power and CCS partnerships. Together, these initiatives will allow us to unlock meaningful value for our shareholders.

Our focus remains clear, creating considerable and sustainable value for shareholders. We believe California is entering a new era for locally produced energy, one defined by abundance, affordability and sustainably produced solutions. California's energy landscape is improving, and CRC intends to play a leading role in that transition. CRC is a different kind of energy company.

Operator, we're now ready for your questions.

QUESTION AND ANSWER

Operator

We will now begin the question-and-answer session. [Operator Instructions] Our first question comes from Kalei Akamine from Bank of America. Please go ahead.

Kalei Akamine

Hey, good morning, guys. I want to start with the MOU with Capital Power. It's been our view that brownfield emitters, power plants in our vicinity would need to get involved to underwrite the CTV development. So yesterday's announcement in our view was a positive step. My question concerns your PPA efforts from this point forward.

At 200 megawatts, one could argue that maybe it's not big enough. If you're collaborating with others, then presumably there's more megawatts on offer. So, as you think about developing this business, there are others in the area that you could perhaps pull into this joint effort. So, maybe just kind of stepping back, can you talk about maybe next steps for the PPA?

Francisco Leon

Hey, Kalei, thanks for the question. Yeah, the market is getting hot. We're seeing far more opportunities today than we did 12 months ago and I think as we mentioned on the remarks,

having one of the hyperscalers, Google, going into natural gas power with CCS is similar to when you hear hyperscalers going into nuclear, right? So, it is a big moment, it is a big market signal. So, the vision that we have had for Kern County, which is on slide 7 on our deck, is to build a hub to serve either data centers or the grid, but at big scale.

And yes, our CalCapture project, our excess power at our own plant, is a big component of that. It is an anchor element to it. But now we are -- as we move with partnerships with both Capital Power and Hull Street, we are putting a significant scale on the map. So as these hyperscalers are looking now for more inference, looking low latency, you have a site here that can serve the LA market at scale and decarbonized.

So, it's coming together, it is coming together nicely. It is the story of not only building data centers or increasing power, which is what everybody is looking for, but we are particularly well positioned on both the gas supply -- natural gas supply that we have in basin but also take away the CO₂ emissions and store them on our side. So it's a nice integrated project and with great partners like Capital Power, which is a fantastic independent power producer. I think the signal is CCS is here and this site is going to be an attractive place for us to grow that power demand, so excited about the next steps. And yeah, there is a lot more to come. I think the site continues to -- we continue to find ways to grow different power elements to it and the things are coming together nicely.

Kalei Akamine

I appreciate that. Francisco. Maybe for the next question, going to your '26 soft guide you highlight a 2% entry-to-exit decline. When I think about your assets, projects like floods require some time to activate a production response. So I'm wondering about the cadence of that decline. Is it isolated to maybe the first half of the year, while second half of '26 firms up as to as projects come to bear?

Francisco Leon

Yes. It's really been building an exceptionally good 2025 in terms of reservoir delivery and the team's performance in managing the assets. We will have -- our plan is to have four rigs on 1/1. So January 1, by then, we would have four rigs running and -- no, we expect that to be the entry to exit plan as we lower our base decline assumptions, we're putting capital back to work, primarily in the form of workovers and sidetracks permits that we have in hand. We expect that to be a fairly steady performance throughout 2026.

Kalei Akamine

Thank you. Appreciate it.

Francisco Leon

Thanks, Kalei.

Operator

Our next question comes from Betty Jiang with Barclays. Please go ahead.

Betty Jiang

Hi team. Thank you for taking my question. It's really great to see the momentum across the portfolio. My first question is on the upstream side on the PDP decline. It struck me that your PDP decline improved from 10% to 15% to 8% to 13% since like this natural declines don't typically change. So can you just speak to what's driving that improvement? Is that a function of the portfolio or anything else you're doing operationally?

Francisco Leon

Yes, it's a combination of things. It really is -- an answer that has several components, Betty. But it's first of all, it's owning great assets, and conventional assets are just good rock in assets that our team knows how to manage really well. So as we move the decline rates and now that we are a year plus with the Aera assets and we can see that this team can really bring the most out of it, we feel comfortable changing the corporate assumption.

In terms of tangible things that the team is doing, if you look at 2025 and the composition of our activity, a lot of it was focused on injection and injection at Belridge. So with pressure support in these great reservoirs the oil flows nicely. So the Belridge is -- the Belridge field is performing extremely well, an asset that we acquired from Aera.

We also, on Elk Hills, it was more about technology and it's about remote surveillance. So it's -- I mean, it's an AI component of being able to identify wells when they fail and quickly repair those wells, right? So any well that's down, it's cash flow. So our team has been seeing some improvements in that surveillance and that leads us to be able to manage the down list that you have in conventional assets and manage that more effectively.

So and those are the two biggest fields. So Belridge and Elk Hills, if you're able to move those reserves, those decline rates shallower that cascades to the rest of the portfolio, right? So -- and it's really just -- I mean, I really want to comment on the team's performance. I mean, they are just completely on the ball and doing the right things in terms of managing the asset base. So that's how you get conventional assets to perform better. It's blocking and tackling, it's things like surveillance, things like injections that ultimately pay off big dividends.

Betty Jiang

Great. Thank you. My second question is on the Kern County decarbonized power opportunity. As you highlighted on slide 7, it's really great to see the capital power MOU. But what strikes me also is this emerging hub of opportunities that's in Kern County with multiple power plants on top of the CO₂ reservoir. So, can you speak to the vision that you see that's emerging in this area? How could a potential hub decarbonized power scenario could look like? What needs to happen to really catalyze that development?

Francisco Leon

Yeah, Betty. So a lot of things have come together very nicely. So, but it's also a reminder that the California market operates different than other parts of the U.S. Here, you have a lot of the infrastructure already exists. And it's been -- natural gas fire generation has been sidelined as more and more renewables have come in.

But then if you take the growth expectations of California power, right? So where we're looking to double in 10 years and triple in 20 years, the -- that growth is not going to be all served by renewables and batteries. So you're going to have to bring in baseload, you're going to have to bring baseload at scale. So we have the ability to take these plants and retrofit for CCS to make them decarbonize so they can participate in this growing market.

So in Kern County alone, and this is all very close to our -- either within our field boundaries or next to it, we see 2.4 gigawatts of power generation that could serve a growing market. Now when we also saw pipelines, the moratorium on CO₂ pipelines being lifted, that brought forward that brownfield idea that we had, and we're now able to connect -- we'll be able to connect these power plants with our storage sites.

And as you see on the map, these are very short distances and some 5 miles to 20 miles for all these power plants to be able to get to one of our reservoirs. So we're building scale on power. We're building scale on emissions. On an aggregate basis, we see about 5.5 million tons of emissions from these plants. And if you look at our inventory of permits, we're up to about 9 million tons that we are in some part of the permitting process all in the Central Valley.

So it's all coming together. The big part that we were waiting for is that market signal. And the market signal already talked about Google, but also California is looking for decarbonized power, understanding that we're going to have to bring incremental sources. And we feel retrofit of existing plants that are already there producing power is going to work much better and faster than having new build of any power generation in California, right?

So we are really well-positioned to create this hub. LA is within 100 miles; 100 miles is important because of latency requirements as you look for inference. So this is all starting to take shape, where before we talked about a single site with single pore space. Now you can see that it's multiple sites, multiple plants and third parties are coming -- looking for a solution that only CRC can provide.

Operator

Our next question comes from David Deckelbaum with TD Cowen. Please go ahead.

David Deckelbaum

Thanks for the time. And Congrats, Francisco, Clio, Omar and team on several of the milestones achieved to-date. I'm probably going to ask you more questions around a lot of things you're going to be asked on today. I want to go back to just the PDP decline. Curious like as we approach sort of year-end reporting for Francisco or Omar, how you think about, are we recovering more oil in place at this point with performance revisions or are we shifting more recovery into earlier parts of the reservoirs economic life at this point?

Francisco Leon

Hey, David. Thanks for the comments. I'll turn it to Omar to give any incremental highlights. But yeah, these are some of the largest oil fields in the country. And if you look at oil in place, they are in the billions of barrels of oil in place. If you look at the ultimate recovery factors, these are sandstones that have both good permeability and porosity.

So the ability to, in a lot of cases, maintain pressure support or to go through a bypassed oil enhances those recoveries. But -- so this is different than sales, right? Sales is all about drilling and completion and about how effective can you make that single event of drilling. Here, you're managing the reservoir, and now that we have both permits and a very strong backdrop or from our ability to allocate capital to these projects, we're able to really work on life of field plans to maximize that output, bring a lot of that production forward. But maybe I'll turn it to Omar see if he wants to add anything.

Omar Hayat

Yeah. Thanks, Francisco, and thanks for the question, David. One thing I would add to Francisco's comments is, just where we are with these reservoirs in their life cycle. We have a long history of operating these reservoirs. So we have steamfloods that started steaming back in '70s, waterflood back in '80s. And the point I'm making is that we understand the behaviour very well. So there are very little surprises as you manage PDP.

And then you can look for incremental opportunities to shallow the decline. And it's basic blocking and tackling with the EOR projects, you're not going to get 2,000 barrel wells. You have a lot of 20 barrel, 30 barrel wells that you manage well and you work on them to gain another barrel or two. And just given the number of wells, they add up to a shallower decline.

So the two things that Francisco mentioned earlier, we have been focused on improving the injection side of EOR, both in steamfloods and waterfloods. That was most of the work we did in the first half of the year. And then we are focused on getting to the wells that fail quicker through technology. And AI is a big help. It's eliminating a lot of human error. It's eliminating a lot of human lag, and we are getting to those opportunities faster.

So it's never a single silver bullet. It's a combination of all these factors. Where we are in the reservoirs life cycle, where the declines are very predictable. Application of basic blocking and tackling and leveraging technology. Thank you.

David Deckelbaum

I appreciate the color. Thank you. And then maybe Francisco, can I ask on just the high-level thoughts on the '26 plan, which I think was a pleasant surprise for everyone, just given the capital efficiency. It appears as you kind of approach a maintenance level, I'm curious as with the pending opportunity now for increased permits. It seems like your approach to capital allocation is still very much rooted in maximizing free cash per share, if I have that correct. And I guess how do you think about that in the context of now more or less receiving a call from local governments to increase production in the state?

Francisco Leon

Yeah, David. It's a great question. So you're absolutely right. Our focus is on growing cash flow per share. And so you do look at production as one of the components, but it's not the only one. So the way we're thinking about 2026 is a disciplined ramp-up on capital and we have a lot of flexibility.

And one of the things that we talked about, the type of assets that we have, but the ownership of the assets, it's also create a key advantage that we have, we own 100% of our fields. And so we controlled the spend depending on the commodity cycle. So it allows us to be very efficient. And as you make these assets better, as we've talked about then your capital deployment becomes one of the highlights.

So the way we thought through it is, as we look for the best and optimal way to grow cash flow per share, it's really through a combination of drilling and also leaving cash to that we can opportunistically buy back shares. So I think the combination of two -- of the two with a foundation of a very, very strong hedge book, we have 64% of our oil hedged into 2026. And that's only going to improve once we close the deal with Berry.

So that gives us a really good place to start delivering we need to showcase the inventory, and we have a significant runway of great inventory to go after. But we've been in a permitting constrained scenario. So the reactivation needs to be measured, thoughtful discipline in a way that we can showcase what this business is capable of. But you're right, in terms of the signal from the government is we need more California production.

We need more Kern County production in particular. So, as the state is looking for increased activity in Kern County, we will look to participate as we look to, first, grow cash flow per share and look for inventory that gets developed. We will look to participate, and our contribution is

going to be to effectively double our rig count for now. But we'll continue looking and we'll obviously have to see where oil prices are. We'll have to see where share prices are as we continue to think about capital allocation, but the way we are leaning into 2026, it's a good balance between buybacks and investing in our business.

Operator

Our next question comes from Josh Silverstein with UBS. Please go ahead.

Joshua Silverstein

Good morning, guys. Maybe just sticking on the decline rates. You had previously discussed around a six to eight rigs, \$500 million capital program in order to keep production flat. Now that you've had this reduction in the base decline rate I was curious if you could just kind of give us some color as to what that new maintenance level may be for CRC going forward?

Francisco Leon

Yes, I mean, we're below \$500 million, clearly. I think with our 2026 preliminary guide. That's the number that you can triangulate around. Now as we mentioned, these numbers do not include the Berry assets. So as we bring -- we closed the Berry merger, we'll refresh that number inclusive of their assets and we'll provide a full corporate number to maintain -- the maintenance capital to keep production flat.

But on a standalone basis, so CRC and Aera assets given the improvements that we showcased in the earnings call today, we're clearly now below \$500 million. We've seen Berry be able to maintain their production, total capital, and that's all of the capital with about \$70 million, but we need to be able to close the transaction and provide a refresh to the market, but the baseline assumption is improving.

Josh Silverstein

Got it. And then it's been a while since we've gotten an update on the Huntington Beach assets and what you guys are doing there and what the permitting in that process looks like. If you could just provide an update, that would be great?

Francisco Leon

Yes, absolutely. So things continue to progress well with Huntington Beach. We've made a number of public filings around preliminary development plans, 800 units that could be ultimately built at the site once it's fully approved. That's all part of the process of engaging with the City of Huntington with all the local and regulatory agencies around the project.

So things are marching forward. We have a dedicated rig abandoning the wells there as we go. We continue to produce; we have abandoned the wells as we get all the permitting lined up. As we said before, we think this project is going to be ready 2028 timeframe. That doesn't mean that there's not a monetization sooner. But as we looked at this project in the past, the -- as you re-title the land for its best use, which is residential housing and you are able to abandon the -- abandon the wells, you're going to get to an optimal price where the market appetite will be there.

We provided guidance on the cost around \$200 million to \$250 million to abandon the property. That was a 2023 number. We have already made number of abandonments. So that number will come down as we look for that point to monetize the asset in 2028, but things are progressing well.

Operator

Our next question comes from Nate Pendleton with Texas Capital. Please go ahead.

Nate Pendleton

Good morning and congrats on yet another strong quarter. Looking at slide 8 with your existing power generation portfolio and with some of your investments to-date, can you talk about your willingness to lean further into the power generation space beyond Elk Hills such as additional plan ownership or additional investment in some more leading-edge power generation solutions?

Francisco Leon

Nate, so I would say for right now, the focus is going to be on the feedstock, which is natural gas, low methane emissions gas and certified -- third-party certified gas, which we think is going to be very attractive and we're the largest natural gas producer and then on offering a CCS solution on the back end. And that's the way we're positioning the company.

I don't anticipate owners of -- ownership of natural gas combined cycle plans beyond what we have at this point. We are looking for other ways to bring power forward, things like fuel cells and geothermal, there's a lot of prospectivity in California for -- for geothermal, there's a lot of appetite on fuel cells to have a CCS solution.

So we're looking to see what's the right mix of providing this both decarbonized, but also base load power that we need to be able to serve the growing market. But we are the solution on CCS, and we are the feedstock on natural gas. That plays to our strength and that's where we're going to continue to advance. And as we continue to bring some of these ideas forward more and more technologies, more and more hyperscalers. I think we'll start looking at what we have and to build that vision for a Kern County power platform that we talked about earlier.

Nate Pendleton

Thanks, Francisco. And as a follow-up from an earlier question on connecting the emitters on slide 7 with the recently passed legislation. Are there any underutilized pipelines or right of ways around those assets that could be brought in-house or repurposed to serve as the connection of tissue there?

Francisco Leon

Yes, absolutely. So as you look at slide 7 and you can see that we showcased the footprint fairly well that has both the fields and the current pipelines. So you can see that this is -- these are right of ways that are owned either by CRC or by other E&P companies. These fields are adjacent to - - ours sort of these power plants are also adjacent to ours.

So it's a particularly good place to be able to decarbonize this whole kind of micro grid. And so definitely, there's advantages as we talked about, we own a lot of land, we learn a lot of surface ourselves and that we have partnerships with others that own that land as well. So -- so this is something that -- now that we have the moratorium on pipes lifted, that's what we were really waiting on to be able to connect all of these assets and that's what we're working with Capital Power and others to try to figure out.

Operator

Our next question comes from Noel Parks with Tuohy Brothers Investment Research. Please go ahead.

Noel Parks

Thanks. I have a couple of questions. So, sort of as a reality check, how long has it been since you've had the activity levels at Elk Hills that you're going to be ramping up into starting next year?

Francisco Leon

Yes. We've been in a permitting constrained environment since the beginning of 2023. So the improvements that we've had in the past few months around the regulatory framework is a significant milestone for the company. Now we have been able to execute capital work overs and sidetracks effectively over that time, but it's new wellbores that we haven't had permits to pursue. But now we have SB237, so a brand-new law that not only allows for permits in Kern County, but it also gives us duration.

So it's effectively a 10-year tied to the Kern County EIR. So a 10-year runway -- so how much -- when was the last time we had as much support in this big of a runway? It's been a very long time. So as we mentioned in our slides, and I think we mentioned publicly before, the stage looking for local production to ramp back up to about 25% of the supply of the state. We've been trending down over the years.

We used to be 40%, 50% of the local suppliers, local E&P companies to the state. That's trended down to about 22%. So the call from the government is to bring more of that California low CI production and so meaningful changes and meaningful improvements and in terms of the stage view towards local production and as the leading producer in the state. We have -- we want to do our part to help stabilize the fuel markets and look forward to bringing more production forward.

Noel Parks

Great. And I'm just sort of thinking that, there are so many irons in the fire and different types of catalysts you have at work right now. And as sort of the message of trying to the need to double the state's power production by 2035. So when do you foresee a ramp-up in production for your gas assets as you look ahead?

Francisco Leon

Yes. It's a function of capital allocation, where the best returns are. And if we look at our 2026 plan with the four rigs, we're going to focus on primarily oil. About 80% of the anticipated contribution from '26 activities is oily -- so that means 20% gas and NGLs. So that's just a matter of where we are in terms of the returns, again, supported by a very strong hedge book. We see great returns in the projects, the returns that we've outlined before.

So natural gas will come if we get either stronger natural gas prices or we have supply agreements to all these groups that need power. Certainly, that will be the call to drill more gas. We have a lot of prospectivity. We have -- we're sitting on these great basins. And depending on what you are in the state, you could have heavy oil in the shallow reservoirs and then deep gas, a few thousand feet below that, right?

So -- you have a lot of stacked pay and a lot of flexibility in how you can run the assets and allocate capital. So we're looking for where the best returns are. And right now, we're seeing them in oil. But as again, as the market demand changes or increases in particular for natural gas, we will be ready to also pursue some gas on a go-forward basis.

Operator

[Operator Instructions] Our next question comes from Leo Mariani with ROTH. Please go ahead.

Leo Mariani

I wanted to ask a little bit about on the capital plan for 2026. So as you're talking about running four rigs continuously for roughly \$280 million to \$300 million of D&C plus workover capital -- but if I just look at your kind of E&P spend in 2025, it was \$200 -- I think it's \$245 million to \$275 million for kind of 1.5 rigs. So just the proportion seems a little bit out of whack there. So can you kind of help me just kind of square up the numbers a bit there?

Francisco Leon

Yes. I think you may be mixing Leo total capital versus D&C. So the D&C for '25 is lower. We have like you said, two rigs, and we didn't start the year with two rigs. We stepped into two rigs later. We do have a different facility spend and the facility spend that we talked about in this quarter, which is to bring the NGL project forward from Aera.

And so what we're doing is we're building a pipe from Aera to Elk Hills to bring rich wet gas to Elk Hills, run it through our cryogenic plant and extract 1,000 barrels of NGLs. It's a particular legal project because it just follows the natural assets already in place. It's just a more efficient way to extract incremental value from the project. But in terms of the D&C numbers, they're definitely lower for 2025. I don't know if -- what is the number, Clio?

Clio Crespy

Yes, absolutely. Leo, you're comparing, obviously, our total capital versus what we're disclosing here related to the activity pickup. But for 2025, capital, we're effectively lining up to stay within our guidance, we haven't changed that. And that spend is all encompassing. It includes, obviously, the oil and gas spend as well as our carbon management spend -- and so that's where you're seeing the delta here as well as our corporate level spend.

But going forward, there's definitely significant capital efficiencies. Those gains have been through the merger with Aera, consolidating those gains has been the story for 2025. And in 2026, you're seeing that come through in the numbers and the efficiency that we're able to get from that capital spend in the \$280 million to \$300 million range, that's really yielding a very significant arrest of the decline.

Leo Mariani

Okay. And is that largely going to be workovers, which maybe are less capital intensive? Is there kind of a component of new drilling there? Do you have an estimate of that? Just trying to kind of get this a little bit apples-to-apples here.

Francisco Leon

Yes, 2026 will be -- will continue to be primarily workovers and sidetrack. Roughly speaking, 60%, 70% of the D&C will be in that category. So the rest would be in new wells as new permits start coming in for those.

Conclusion**Operator**

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

Francisco Leon

Thank you. Thanks, everybody, for joining us today. We really look forward to seeing you in upcoming investor conferences during the winter season. Thanks so much.

Operator

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