

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ▶ SEE ATTACHED

18 Can any resulting loss be recognized? ▶ SEE ATTACHED

19 Provide any other information necessary to implement the adjustment, such as the reportable tax year ▶ _____

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here Signature ▶ *Noelle M. Repetti* Date ▶ 9.15.2016

Print your name ▶ NOELLE M. REPETTI Title ▶ VP TAX

Paid Preparer Use Only	Print/Type preparer's name	Preparer's signature	Date	Check <input checked="" type="checkbox"/> if self-employed	PTIN
	DENNIS G. KROCK	<i>[Signature]</i>	9/12/2016		P01481362
	Firm's name ▶ DELOITTE TAX LLP			Firm's EIN ▶ 86-1065772	
	Firm's address ▶ 555 W. 5TH STREET, LOS ANGELES, CA 90013			Phone no. 213-688-0800	

California Resources Corporation
FEIN 46-5670947
Attachment to Form 8937
Report of Organizational Actions Affecting Basis of Securities
Debt Instrument: Term Loan and Revolving Loan

Disclaimer: The information contained in Form 8937 and this attachment does not constitute tax advice and does not purport to take into account any lender's specific circumstances. Lenders are urged to consult their own tax advisors regarding U.S. tax consequences of the amendment described herein and the impact to tax basis resulting from the amendment.

California Resources Corporation
FEIN FEIN 46-5670947
Attachment to Form 8937
Report of Organizational Actions Affecting Basis of Securities
Debt Instrument: Term Loan and Revolving Loan

Form 8937, Part II, Line 14

On September 24, 2014, California Resources Corporation (the “Issuer”) and certain lenders (the “Lenders”) entered into a credit agreement (the “Credit Agreement”), that provided for a term loan with a principal amount of \$1 billion (the “Old Term Loan”) and a revolving loan with commitments up to \$2.0 billion (the “Old Revolving Loan” and together with the Old Term Loan the “Old Loans”). On February 23, 2016, the Issuer and the Lenders entered into the Third Amendment to the Credit Agreement (the “Amendment”). The Amendment, *inter alia*, effectively increased the margin on the Old Loans by 75 basis points. As a result of the Amendment, for U.S. federal income tax purposes, the Old Loans were deemed to be retired and reissued for a new term loan (the “New Term Loan”) and a new revolving loan (the “New Revolving Loan” and together with the New Term Loan, the “New Loans”). The Issuer paid a \$6.5 million consent fee in connection with the Amendment.

At the time of the Amendment, the Old Term Loan had an outstanding principal amount of \$1.0 billion and the Old Revolving Loan had an outstanding balance of \$590 million.

Form 8937, Part II, Line 15

To the extent that the Old Loans and the New Loans constitute “securities” for purposes of the rules providing for tax-free recapitalizations (“Tax Securities”), the Amendment likely qualifies as a tax-free recapitalization. To the extent that either the Old Loans or the New Loans are not Tax Securities, the Amendment does not qualify as a tax-free recapitalization.

To the extent the Amendment is a tax-free recapitalization, each Lender’s aggregate tax basis in the New Loans will generally equal such Lender’s aggregate adjusted tax basis in the Old Loans immediately prior to the deemed exchange, less the cash delivered to the Lenders, and increased by any gain recognized.

To the extent the Amendment is not a tax-free recapitalization, each Lender will recognize gain or loss upon the deemed receipt of New Loans and cash. In that event, each Lender’s tax basis in its Old Loans will be extinguished and the Lender’s tax basis in the New Loans will equal the fair market value thereof. In such case, each Lender’s tax basis in its New Loans would equal the issue price (which serves as fair market value for this purpose) of the respective Old Loan.

Lenders should consult their tax advisors to determine the tax consequences of the Amendment to them.

Form 8937, Part II, Line 16

To the extent that the Amendment is a tax-free recapitalization, Lender's aggregate tax basis in the New Loans will generally equal such Lender's aggregate tax basis in the Old Loans that were deemed to be surrendered, less the cash delivered to the Lender, and increased by any gain recognized. Each Lender's aggregate tax basis in the Old Loans depends on circumstances specific to such Lender.

To the extent that the Amendment is not a tax-free recapitalization, a Lender's tax basis in the New Loans deemed to be received as a result of the Amendment will equal the fair market value thereof. In such case, each Lender's tax basis in its New Loans would equal the issue price (which serves as fair market value for this purpose) of the respective Old Loan.

Lenders should consult their tax advisors to determine the tax consequences of the Amendment to them.

Form 8937, Part II, Line 17

Sections 354, 356, 358, 1001 and 1012.

Form 8937, Part II, Line 18

The Amendment generally should not result in a loss to Lenders to the extent the Amendment is a tax-free recapitalization. To the extent the Amendment is not a tax-free recapitalization, the Amendment may result in a loss to a Lender to the extent such Lender's tax basis in the Old Loans exceeds the fair market value of the New Loans and cash received.