

Report of Organizational Actions Affecting Basis of Securities

OMB No. 1545-2224

▶ See separate instructions.

Part I Reporting Issuer

1 Issuer's name California Resources Corporation		2 Issuer's employer identification number (EIN) 46-5670947	
3 Name of contact for additional information Noelle M. Repetti	4 Telephone No. of contact (818) 661-6023	5 Email address of contact noelle.repetti@crc.com	
6 Number and street (or P.O. box if mail is not delivered to street address) of contact 9200 Oakdale Avenue, Suite 900		7 City, town, or post office, state, and Zip code of contact Los Angeles, CA 91311	
8 Date of action December 15, 2015		9 Classification and description Issuance of debt in a recapitalization	
10 CUSIP number 13057QAG2, U1303AAD8	11 Serial number(s)	12 Ticker symbol	13 Account number(s)

Part II Organizational Action Attach additional statements if needed. See back of form for additional questions.

14 Describe the organizational action and, if applicable, the date of the action or the date against which shareholders' ownership is measured for the action ▶ **On December 15, 2015, certain holders ("Holders") of 5.0% senior notes due 2020, 5.5% senior notes due 2021 and 6.0% senior notes due 2024 (collectively the "Old Notes") exchanged (the "Transaction") an aggregate principal amount of \$2.8 billion of outstanding Old Notes for newly issued 8.0% secured notes (the "New Notes"). Holders that tendered at or before a specified date (the "Early Participation Date") received a fee in the form of additional amount of New Notes in the Transaction.**

The outstanding aggregate principal amount of the Old Notes prior to the Transaction was \$5.0 billion. The launch date for the Transaction was November 12, 2015. The last day to withdrawal tendered notes was November 25, 2015. The New Notes were issued in a private placement and are not listed on a public exchange.

15 Describe the quantitative effect of the organizational action on the basis of the security in the hands of a U.S. taxpayer as an adjustment per share or as a percentage of old basis ▶ **The information contained in this Form 8937 does not constitute tax advice and does not purport to take into account any Holder's specific circumstances. Holders are urged to consult their own tax advisors regarding U.S. consequences of the Transaction described herein and the impact to tax basis resulting from the Transaction.**

In general, Holders' basis in the New Notes is equal to such Holder's basis in the Old Notes at the time of Transaction. The Holder's aggregate basis in the old notes is allocated proportionally to each \$1000 of principal of New Notes. A Holder's basis in a New Note is equal to such Holder's aggregate basis in the Old Notes divided by the total number of New Notes received in the Transaction.

16 Describe the calculation of the change in basis and the data that supports the calculation, such as the market values of securities and the valuation dates ▶ **The Transaction of the Old Notes for the New Notes constitutes a tax-deferred recapitalization.**

Part II Organizational Action (continued)

17 List the applicable Internal Revenue Code section(s) and subsection(s) upon which the tax treatment is based ►
IRC Sections 368(a)(1)(E) and 358(a)(1)

18 Can any resulting loss be recognized? ► If the Transaction were not treated as a tax-deferred recapitalization then gain or loss would be recognized by the holder of the New Notes equal to the difference between the fair market value of the New Notes and the Holder's adjusted tax basis in the Old Notes.

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 ► *July 20, 2016*

Print your name ► *Noelle M. Repetti*

Preparer's signature *[Signature]*

Title ►

Paid Preparer Use Only

Print/Type preparer's name

DENNIS G. KROCK

Firm's name ► DELOITTE TAX LLP

Firm's address ► 555 W. 5TH STREET, SUITE 2700, LOS ANGELES, CA 90013-1010

Date

7/20/2016

Check if self-employed

PTIN

P01481362

Firm's EIN ►

86-1065772

Phone no.

213-688-0800

**Tax Information Provided Pursuant to U.S. Treas. Reg. Sec. 1.1273-2(f)(9):
Issue Price Disclosure**

On December 15, 2015, California Resources Corporation ("CRC") consummated an exchange of its outstanding 5.0% Senior Notes due 2020 (the "5% Notes"), 5 ½% Senior Notes due 2021 (the "5 ½% Notes") and 6.0% Senior Notes due 2024 (the "6% Notes") for newly issued 8.0% Senior Secured Second Lien Notes due 2022 (the "New Secured Notes").

Pursuant to U.S. Treasury Regulation Section 1.1273-2(f)(9), CRC determined that the New Secured Notes are traded on an established market within the meaning of U.S. Treasury Regulation Section 1.1273-2. Accordingly, the issue price of the New Secured Notes is equal to the fair market value of the newly issued debt instrument determined on the issue date (December 15, 2015). Based on the information reasonably available to CRC, the "issue price" of the New Secured Notes, within the meaning of U.S. Treasury Regulation Section 1.1273-2(b), is 63.25% of par value.

As provided by the Regulations, the above determination is binding upon all holders of the 5% Notes, the 5 ½% Notes and the 6% Notes unless such holder explicitly discloses, in accordance with the requirements of the Regulation, that its determination is different from CRC's determination. A holder's disclosure must be made on a timely filed federal income tax return for the taxable year that includes the acquisition date of the New Secured Notes.

There can be no assurance that the IRS will not take a different position from ours or that any such position would be sustained.

This notice is only intended to fulfill CRC's notification obligation under the Regulation and does not constitute tax advice. Holders of the CRC New Secured Notes are encouraged to obtain independent tax advice to determine the implications of this notification to them.