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Occidental Petroleum Corp (OXY) CEO Vicki Hollub on Q3 2019 Results - Earnings Call Transcript

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Q3: 11-04-19 Earnings Summary

Press Release *Slides*

EPS of $0.11 misses by $-0.33 | Revenue of $5.87B (-4.94% Y/Y) beats by $273.36M

Earning Call Audio

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Occidental Petroleum Corp (NYSE:OXY) Q3 2019 Earnings Conference Call November 5, 2019 11:00 AM ET

Company Participants

Jeff Alvarez - VP, IR

Vicki Hollub - President, CEO & Director

Cedric Burgher - SVP & CFO

Oscar Brown - SVP, Corporate Strategy & Development

Kenneth Dillon - SVP & President, International Oil and Gas Operations

Conference Call Participants

Devin McDermott - Morgan Stanley

Ryan Todd - Simmons & Company International

Paul Cheng - Scotiabank

Pavel Molchanov - Raymond James & Associates

Brian Singer - Goldman Sachs Group

Michael Hall - Heikkinen Energy Advisors

Operator

Good morning, and welcome to the Occidental's Third Quarter 2019 Earnings Conference Call. [Operator Instructions]. Please note, this event is being recorded. I would now like to turn the conference over to Jeff Alvarez, Vice President of Investor Relations. Please go ahead.

Jeff Alvarez

Thank you, Brandon. Good morning, everyone, and thank you for participating in Occidental Petroleum's Third Quarter 2019 Conference Call. On the call with us today are Vicki Hollub, President and Chief Executive Officer; Cedric Burgher, Senior Vice President and Chief Financial Officer; Ken Dillon, President, International Oil and Gas Operations; BJ Hebert, President of OxyChem; and Oscar Brown, Senior Vice President, Strategy, Business Development and Integrated Supply. In just a moment, I will turn the call over to Vicki.

As a reminder, today's conference call contains certain projections and other forward-looking statements within the meaning of the federal securities laws. These statements are subject to risks and uncertainties that may cause actual results to differ materially from those expressed or implied in these statements or more fully described in our cautionary statement regarding forward-looking statements on Slide 2. Our earnings press release, the Investor Relations supplemental schedules and our non-GAAP to GAAP reconciliations and the conference call presentation slides can be downloaded off our website at www.oxy.com.

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

Vicki Hollub

Thank you, Jeff, and good morning, everyone. I'm pleased to welcome you to our first earnings call since closing the acquisition of Anadarko on August 8. I'd like to thank our employees who are hard at work updating our development and capital spending plans and implementing our team-based structure across the combined organization with an emphasis on safety, collaboration, creativity and results. Our integration and value capture team is working with our business units to capture synergies at an early stage so we can deliver the full potential of this transaction for our shareholders. As we work through the integration process, we become more confident every day in our ability to fully realize annual capital overhead and OpEx synergies of $2 billion, which I'll provide more detail on in a few minutes.

For those of you who know Oxy well, you'll see our third quarter financial statements include a number of changes due to the completion of the Anadarko acquisition mid-quarter. Our income and cash flow statements capture legacy Oxy results for a full quarter and include Legacy Anadarko results as well as consolidated WES results for only 53 days. WES is now consolidated in our financial statements as a fourth operating segment, and our balance sheet reflects the consolidated company, including WES as of September 30. For transparency for our shareholders, we have provided a schedule in our earnings release, breaking out key financial and operational information from Oxy and WES on a stand-alone basis. As our financial statements do not include a full quarter of Legacy Anadarko and WES results, we understand that Street consensus was not able to reconcile all of the line items affected by the acquisition this quarter, for example, DD&A, tax and interest.

Going to Slide 4. Oxy's complementary assets and the alignment of our Upstream, Chemical and Midstream businesses, including our ability to compete in a low-carbon world, position us for a full cycle success. Our leadership in each area where we operate, combined with our enhanced portfolio of high-return, short-cycle cash-flow-generating assets will facilitate profitable free cash flow growth, which we will utilize to reduce debt and also to return additional cash to shareholders. The substantial free cash flow we will generate in higher price environments, combined with our ability to pay a sector-leading dividend throughout lower commodity price environments, is unmatched.

Post-acquisition, Oxy's diversified portfolio provides numerous competitive advantages. Oxy is now the largest oil and gas leaseholder in the United States on a net acreage basis, providing us with ample opportunities in the Permian, DJ, Powder River and the Gulf of Mexico to selectively deploy capital in a way that optimizes capital intensity. Oxy was the largest U.S. producer of oil and liquids on a combined company basis in the first half of 2019. This will allow us to maximize cash margins on a BOE basis, especially when taking our advantaged Midstream position into account. Through the acquisition, we acquired approximately 450,000 square miles of modern 3D seismic data in our core domestic development areas. This included a 40% increase in our already extensive Permian seismic inventory. The advantages that Oxy's diversified portfolio provides, coupled with our unmatched subsurface characterization ability and the execution excellence that Oxy is known for, ensures that we are positioned for full cycle success in the years ahead.

As we continue our integration efforts, we are aligning WES to work seamlessly with Oxy's Upstream business. We're standing WES up as a more independent operation and to improve operating performance to benefit both Oxy's Upstream business and WES, inclusive of enabling WES to be more competitive for third-party business. We're also evaluating alternatives that could result in the deconsolidation of WES in the future. However, we expect to retain a significant economic interest in WES for the foreseeable future as we recognize their tremendous value that WES provides, and we plan to drive long-term value for both companies.

Before providing additional details on synergy capture, I want to turn to the excellent operational results that our businesses continue to deliver. Since completing the acquisition of Anadarko, we continue to make quick progress towards fully achieving our post-acquisition divestiture and deleveraging goals. During the third quarter, we divested our Plains interest for net proceeds of $650 million and closed the sale of our Mozambique LNG stake for $3.9 billion. Upon completion of the divestitures contracted since May 2019, we will have essentially reached the lower end of our $10 billion to $15 billion divestiture goal net of taxes. We applied the proceeds from our closed divestitures toward reducing debt and have already eliminated our 2020 debt maturities. I'm very proud of the progress our teams have made over the last few months. We know that we have more to do on the deleveraging front, and I look forward to being able to make that additional announcement as we move forward towards the top end of our goal.

Our integration and value capture efforts are proceeding exceptionally well without shifting focus away from our core business, which is evident from our strong third quarter operational results. Oxy continues to deliver the best wells in the basin, having delivered 25 of the top 100 wells in the Delaware Basin while drilling less than 7% of the total wells. We accomplished this using less proppant than peers, which results in lower cost for us. We also designed our developments with a full cycle -- with our life cycle approach using appropriate well spacing that we expect to deliver optimal results now and in the future.

While we tend to highlight the Permian as it is a growth asset for us, all of our businesses continue to perform well. Since the close of the Anadarko acquisition, single day or monthly production records have been set in the Gulf of Mexico, DJ, Al Hosn and Permian resources for both legacy Anadarko and Oxy assets. This demonstrates the quality and expertise of both the former Oxy and Anadarko employees as they stay laser-focused on delivering superior results even during this integration process.

As proud as I am of all of our teams for the operational excellence they have maintained during integration, I'm even more pleased with our outstanding safety record. Our teams are continuing to look for ways to further improve our safety performance as operating safely is and will continue to be a core value for us.

Our consistent industry-leading operational results, combined with our ability to fully deliver on value capture, positions us for a full cycle success and enhances our ability to generate increased excess free cash flow to reduce debt and to return cash to shareholders. Returning excess capital to our shareholders is a part of Oxy's DNA. In the third quarter, we returned approximately $600 million to shareholders.

Going to Slide 7. I'm thankful to have had the opportunity to engage with many of our shareholders over the past few months to discuss the free cash flow potential of the new Oxy. Interest in our 2020 capital plan is high. While we typically do not release our full year capital budget until our fourth quarter earnings call, we're able to provide many details of our 2020 capital plan this morning. Our 2020 capital budget of $5.3 billion to $5.5 billion will deliver expected annual total company production growth of 2%. This represents an approximate reduction of $3.6 billion from Anadarko's and Oxy's combined 2019 capital budgets.

When we communicated our annual synergy target of $2 billion, we also stated that capital spending would be reduced by $1.5 billion, lowering our company-wide annual production growth from approximately 10% to 5%. We have gone further than this for 2020. We anticipate that the combination of lower capital spending and production growth will generate greater free cash flow, enhanced by our industry-leading capital efficiency, which I'll touch on shortly.

2020 production growth on the company level will be driven by Permian resources, while we expect production from other areas to be flat or grow at a reduced rate compared to 2019. We expect Permian Resources production to grow by approximately 5% in 2020, operating 15 gross rigs and 8 net rigs. The rough breakout for specific areas is 5 rigs in new Mexico; 6 to 7 in Legacy Anadarko, Texas Delaware; and 3 to 4 in the Midland Basin JV. In the DJ, our plan represents approximately three operated rigs.

As Permian resources shelf production becomes a larger portion of our total oil and gas production, we expect our oil and gas base decline rate to increase to 25% in 2020. However, we do not expect our base decline rate to continue to increase in future years given our moderated growth rate. Similar to 2019, our 2020 capital program is dominated by short-cycle investments. At approximately $35 WTI, our 2020 program would generate a double-digit rate of return. Oxy remains flexible throughout the commodity cycle. And if necessary, in less than 6 months, we can reduce capital spending to sustaining levels.

Looking past 2020, we know that capital discipline will continue to be important to investors. Our intent is to cap our annual production growth at an average of 5% as we balance the vast opportunities in our portfolio with growing free cash flow. Our planned activity in 2020 should enable us to grow production by 5% annually in 2021 with a capital budget of $6.6 billion. As for 2019, capital discipline, as always, is intact at Oxy as we remain on track to spend within our combined capital budget of $8.6 billion, excluding Africa.

Since the acquisition closed, we've had the opportunity to take a deeper dive into the company that's combined, Oxy/Anadarko, and are as excited today as we have been at any time during the last 2 years about the opportunities in front of us. Through the strength of our combined companies, we've identified approximately 150 specific capital synergy initiatives across our enhanced portfolio, which we plan to incorporate into our development plans. Applying these initiatives will lower well costs by $3.1 million per well in Texas Delaware and by $600,000 per well in the DJ Basin.

In drilling and completions, we are implementing efficient development concepts utilizing Oxy drilling dynamics to improve the trajectory of the bid and wellbore, which reduces drill times and costs. For example, we expect to improve our drilling rates or footage drilled per day in the Texas Delaware about 35%. The technical work completed by all of our teams to identify savings initiatives and to improve well productivity has been outstanding, and I'm extremely confident in our ability to execute and realize the full synergy targets.

On Slide 10, we provide a bottom-up view of the $605 million of drilling and completion synergies based on expected savings per well and estimated 2021 net well counts to achieve annual production growth of 5% in 2021.

On Slide 11, in addition to realizing $900 million in capital synergies, Oxy's best-in-class capital intensity is expected to continue to improve. This often underappreciated measure of operational excellence and competitive advantage truly sets Oxy's capabilities in the Permian apart from other operators. As a reminder, capital intensity is defined as the total net annual capital required for 1,000 net barrels per day of average annual ledge production.

Fully capturing our capital synergies and improving our overall capital intensity through faster time to market and better well performance will contribute to driving efficient wedge growth, enabling Oxy to deliver expected production growth of 5% in 2021 with $6.6 billion in capital. We've been a top performer in capital intensity for multiple years, and we will substantially improve the capital efficiency of our newly combined Permian resource portfolio. We expect the largest improvement in intensity to originate from legacy Anadarko Delaware acreage, along with continued improvements from legacy Oxy acreage. Our unmatched Permian capital intensity reflects significant improvements in time-to-market through our efficient operations and SIMOPS planning, applying Oxy's advanced subsurface characterization to improve well results and limited inference to reduce infrastructure costs in our legacy acreage from the reuse of existing facilities and the high grading of inventory as well as implementing our Midland Basin joint venture with EcoPetrol.

In 2020, improvement in capital intensity is aided by the deceleration in capital spending. Moving into 2021, we will maintain our intensity in the low 20s -- $20 million range, even when production grows from Permian Resources is increased to support annual company production growth of 5%. While this example applies to our Permian Resources business, we continue to make notable productivity and efficiency gains across all business segments. We will highlight some of the exciting initiatives in our other areas in next quarter's earnings call.

On Slide 12, overhead synergies will be derived from aligning our workforce to meet the current needs of our company and carving out costs related to assets that will be divested in reducing real estate and other costs. In terms of reducing OpEx, Permian cash operating costs continue to be at the lowest they've been in a decade, driven by our long-term, high-return investments, including facilities and infrastructure. We expect this trend to continue, especially with our large footprint in the Permian.

On Slide 13, as I mentioned earlier, we have had many initiatives underway to fully capture the synergies promised. You can see on our energy tracker, we've already made progress in adding both overhead and capital synergies. While our progress in realizing synergies may not be linear, we will continue to provide updates so investors are able to clearly see our progress each quarter.

Turning to Permian Resources. We again delivered the highest number of top wells in the Delaware Basin on a 6- and 12-month cumulative basis, and we continue to drive significant productivity improvements. We also continued to reach new milestones, including a record 10,000-foot lateral drilled in only 10.7 days and a record 267 completion stages in 1 month completed by one frac team. This is a record for Oxy and also for our main frac provider in the Permian.

Following my earlier comment on safety, I'd like to draw attention to our new Mexico completions team, which went in an entire year without a single OSHA recordable incident for employees and contractors. That includes over 2 million work hours, conducting high-pressure frac operations without an incident. This is a remarkable achievement.

The next slide reinforces our unique development approach and subsurface expertise, one of the key factors that continuously enables us to deliver the best wells while using less proppant than others, resulting in significant capital savings. Oxy's combined acreage portfolio supports nearly 1/3 of the top wells in the Delaware Basin, including Anadarko's 6 record wells. The subsurface potential in the acquired acreage is prolific, and we can't wait to unlock more top wells using our development expertise, combined with Anadarko's best practices.

I'll now hand the call over to Cedric, who will walk you through our financial results and updated guidance.

Cedric Burgher

Thanks, Vicki. As we move forward as a combined company, our commitment to capital discipline and returning capital to shareholders remains unchanged. We remain on track to spend within our full year pro forma combined capital budget of $8.6 billion, excluding Africa. Furthermore, we have an established -- we have established a capital budget for 2020 that we expect will fully optimize free cash flow and position us to grow production in a capital-efficient manner while maintaining the safety of our dividend. In the third quarter, we returned $660 million of cash to shareholders through our dividend, protecting our dividend as a top priority, and we look forward to continuing to return significant capital to our shareholders.

Continuing with our third quarter results, taking into account the mid-quarter completion of the acquisition, we announced adjusted earnings of $0.11 per diluted share and reported a loss of $1.08 per diluted share. The difference between adjusted and reported results is mainly due to the $969 million of onetime costs related to the Anadarko acquisition and $325 million of oil and gas impairment charges.

With respect to our segments, oil and gas adjusted income decreased in the third quarter compared to the prior quarter, mainly due to lower international production and lower realized oil prices. Total third quarter reported production from continuing operations of 1.1 million BOEs per day included contributions from legacy Anadarko operations of 377,000 BOEs per day. As Vicki mentioned, all of our U.S. upstream businesses are performing exceptionally well, with several single day or monthly average production records having been set since completion of the acquisition. Oxy's legacy Permian resources operations exceeded guidance with production of 300,000 BOEs per day due to best-in-class well results and execution. Actual production of 655,000 BOEs per day for Anadarko's legacy U.S. businesses exceeded guidance of 585,000 to 630,000 BOEs per day due to improved operability in the DJ, Permian and Gulf of Mexico.

To assist investors with reconciling reported and pro forma production for the third quarter, we have included a table in the appendix of this presentation, breaking down actual total company production of 1.4 million BOEs per day by operating area.

OxyChem surpassed guidance with income of $207 million for the third quarter despite vinyl margins coming under pressure from increased ethylene costs, which were driven higher by industry-wide ethylene cracker downtime. Higher ethylene costs were offset by stronger sales and production across most product lines. Our Marketing and other Midstream business reported third quarter adjusted income of $155 million, excluding $111 million gain on the sale of our Plains interest driven by a Midland to MEH differential of approximately $5.30. Compared to the second quarter, the decrease in earnings was largely driven by the narrowing of the Midland to MEH differential impacting Marketing margins. As the differential compresses and impacts Marketing income, currently, 70% of the impact will be realized as an income benefit to the Upstream business.

For the fourth quarter, we have provided guidance on a combined company basis and expect Permian Resources growth to slow as we have begun moderating our capital spend going into 2020. Fourth quarter international guidance reflects the termination of the Idd El Shargi North and South Dome contracts in Qatar in early October. The continuous improvements we are making are evident in our operational results and outlook. Our revised fourth quarter production guidance represents an increase of 28,000 MBOEs per day compared to the implied fourth quarter guidance provided in Oxy's second quarter earnings call and the updated guidance we released for legacy Anadarko operations in early August. Pro forma production guidance for full year 2019 is included in a table in the appendix to this presentation. As has been the case in previous years, fourth quarter guidance for Oxychem is not representative of our full year outlook as chloro vinyls -- as the chloro vinyls market is typically subject to seasonal factors in the fourth quarter each year.

In the third quarter, we applied the proceeds from our sale of Mozambique asset and Plains interest as well as free cash flow from Algeria and Ghana, to pay down $4.9 billion in debt. We have now retired all of our debt maturities for 2020 and will apply proceeds from future sales to retire debt due in 2021 and beyond.

As we continue to apply asset divestiture proceeds and free cash flow to debt reduction, we will update the debt-reduction tracker shown on Slide 20 so that investors can see our progress in meeting our divestiture target of $10 billion to $15 billion net of taxes and in deleveraging. I look forward to continuing to provide updates on our progress on both of these fronts.

I will now turn the call back over to Vicki.

Vicki Hollub

Thank you, Cedric. As a leader in our industry, Oxy must drive improvement on all fronts, including reducing emissions. In the coming quarters, we will provide updates on the progress our Low Carbon Ventures business is making and supplying anthropogenic or man-made CO_2 to the Permian for the purpose of carbon utilization and sequestration. While Low Carbon Ventures is leading our strategy to produce the lowest carbon barrel of oil, we are also reducing greenhouse gas emissions. We are doing so by working to eliminate routine flaring, monitoring infrastructure for methane emissions and reducing miles driven by transporting supplies into the Permian via rail through our Aventine Logistics Hub. On an annualized basis, we reduced 1.9 million truck miles per year, which is equivalent to 1,700 metric tons of CO_2 reductions.

Also in this quarter, in the Permian Basin, we brought online the largest solar facility in the state of Texas that directly supports oil and gas operations. The latest publicly available emissions data shows that on a like-for-like basis, Oxy is a leader in greenhouse gas emission intensity in the Permian. While we are pleased to be ahead of peers on this metric, we are not satisfied with where we are, and we're committed to continue working on reducing emissions across all of our assets.

Going to Slide 23. To Oxy, being an innovative and sustainable energy leader means maintaining leadership in each area that we operate. Our teams are relentlessly focused on value creation through the application of advanced technical excellence, applied technology, breakthrough innovation and operations and capital execution, all of which helped to make us a lower-cost operator and will translate into higher-margin free cash flow growth. The cash will be used to delever the near term and to return more cash to shareholders through a balance of our dividend and share repurchases in the future.

Sustainability also means planning for the future, which we do through the lens of a best-in-class operator with an unmatched portfolio of world-class assets. Our focused portfolio includes multiple decades of high-return, short-to-medium cycle development opportunities that will include primary, secondary and tertiary recovery options. The diversity of our enhanced portfolio strengthens our strategy to operate profitably in a low-carbon world. The combination of technical and operations excellence applied over a vast set of diverse assets and a strategy to lower our carbon footprint sets us apart from other energy companies. This will enable us to further strengthen our value proposition and ensure our success and sustainability long into the future.

In closing, I want to stress how much potential our newly combined company now has in terms of what we can achieve both financially and operationally. There is much to look forward to for our shareholders and for Oxy.

And now we'll open it up for questions, and while we're lining up the questions, I do want to give a shout-out to our DJ Basin team for also achieving record production. Our DJ Basin team achieved almost 301,000 barrels a day just here recently, so we're excited about what they're doing and the improvements they're making and the commitment they have to operational excellence.

Now we'll move to the first question.

Question-and-Answer Session

Operator

[Operator Instructions]. Our first question comes from Devin McDermott with Morgan Stanley.

Devin McDermott

So my first question is on the synergy targets, and it seems like you've made some really good progress so far post the integration. I think the additional detail on the specific drivers of synergies is definitely helpful. It seems like you identified a lot of clear items that get you to the overall targets. My question is more on -- now that we're a few months into the deal post close, what you identified or what opportunities you've seen that might be incremental to or different than your expectations going into the deal, and specifically, if those might drive upside over time? And as part of that, I was hoping you could address some of the difference in capital efficiency between some of the legacy Anadarko, Permian wells and Oxy. And how much, if any, improvement in that productivity is baked into the synergy targets and also 2020 guidance?

Vicki Hollub

Well, what we baked into our synergy targets were the things that we knew about, the things that we could see. And in the Permian Basin, we had the data there so we knew that we had the opportunity to significantly lower cost and to do that through a combination of our drilling expertise and our subsurface characterization. So we've looked at that. Our teams have delved into that. That's why we're very, very confident of the Permian resources synergies that we've outlined. We know that we can achieve those there.

In the DJ, not only based on what we knew with respect to our Oxy drilling dynamics, we've been incredibly impressed with what the team up there is doing from a drilling perspective. They're -- and also completions. They have started to work their completions differently, and they are bringing some best practices that we believe are really advanced. We think that we can still improve that with the subsurface characterization that we've applied to the resources business. But I would say on an operational perspective, from drilling and completing, those guys are doing a great job, and they're doing a great job operationally, which is how they achieved their record production of almost 301,000 barrels here in the last couple of weeks.

So what we're really excited about is that now that we've had a chance to work together, the 2 teams, we're coming up with more synergies. The ones that we identified in my script and the ones that we had counted on initially to deliver what we expected are -- we already had a little bit more than those because we wanted a little bit of cushion to ensure that we did deliver what we said we would. But now I'm really excited about what Anadarko's expertise is bringing to the table for us. And I believe that, that's going to be exciting news when we could roll it out. What we need to do first is quantify the value that it's going to add, but we know that they have some best practices that are really important to us. One, I can tell you that's not even related to the shale is their seismic interpretation. Some of the things they're doing there are very, very impressive, and we're going to be applying that to some of our international operations.

Devin McDermott

Got it. Great. And just to clarify on the Permian operation. So as we think about the 2020 plan, how quickly can you implement some of the Oxy best practices, subsurface characterization, drilling techniques into the Anadarko development program. When might we see some of those productivity improvements show up as we move through 2020 and beyond?

Vicki Hollub

Well, what we have found is that the subsurface work, that's going to be pretty immediate because those guys are starting to work that now. So from a completion cost perspective, that will start happening right away. Now the results of that, the improved recovery per well, you'll see that have a bigger impact from a production standpoint next year, but we'll see the efficiency improvements in using less proppant to still manage to frac and complete more effectively. That will start happening as we start drilling on the Anadarko acreage in a big way.

The Oxy drilling dynamics, everywhere we've rolled it out, even internally, it takes a little while to get the teams used to it so that they can start to make it happen and work for them. There's always a little bit of a learning curve with that, but we do expect that we will achieve that process by the first quarter of 2020 for it to start taking hold. And so by the mid to later part of 2020, you'll start seeing, I believe, some improved drilling in the Permian, along with the efficiencies of the completions by midyear. So that by the end of the year, I'm quite confident that, that drilling and completion program will be much improved.

Devin McDermott

Excellent. I look forward to seeing the progress there. And I have one more on a separate topic, and that's just on some of the asset sale and leverage reduction targets. So I mean, you've achieved the lower end of the $10 billion to $15 billion target so far. I was wondering if you could comment just on the overall market or backdrop for these additional divestitures, what your thinking is on the opportunities there.

And then I understand it might be hard to comment, but any additional color on how you see that deconsolidation of WES potentially playing out with the intention of, as you mentioned, containing or retaining a large economic ownership but deconsolidating some of the debt and overall financials there.

Vicki Hollub

Okay. I'll just say that one thing that we really want people to understand is that we are very focused. We're very intense on ensuring that we get the asset sales done because we believe we must get our debt down. That's an internal target. We talk about it every day. We're getting help throughout the entire organization because I don't think there are very many of our employees that you wouldn't walk up to and that they wouldn't be able to tell you that the highest priority we have as a company is to save every dollar that we can save and to become as efficient as we can be, as quickly as we can be, because making sure that we have the dollars either from cash flow or asset sales to lower the debt is critically important for us.

And just as when we first rolled out our plan to achieve cash flow neutrality at $40, we had a plan to do that in 2 years, and we made that promise to the shareholders. As you all know, we achieved that 6 months ahead of schedule, and we did that because our teams are incredibly focused and determined to deliver results and to deliver what we say we'll deliver. We're taking that same intensity to this debt reduction. So we are approaching asset sales very aggressively and intently. But with that said, one of the things that we're not doing is we're not compromising on the value that we can get from those assets, and so we're balancing both of those. And I feel confident that with, not only the intensity that we're approaching it, but the creativity that I hope we've shown you all in the way that we've approached the asset divestitures thus far. So we will -- there will be some creativity. There will be some things that you might not expect, but none of those we can talk about or we compromise our ability to make it happen. So I appreciate you recognizing that.

With respect to WES, I'm going to hand it over to Oscar to tell you a little bit more about how we're thinking about that.

Oscar Brown

Sure. And as Vicki made earlier comments, obviously, we're focused on the integration right now and helping WES improve operations and really become more competitive, not only with the supporter of Oxy's upstream operations, but with third-party operations. So all that's ongoing. We've been working with our auditors to focus on the accounting deconsolidation of WES. So there's some work to do, but we think we can do that pretty quickly. That really not changed too much our ownership interest in WES. And so as Vicki said, we have the option to retain a substantial stake in WES economically both in terms of ownership, but also, obviously, we're tied together as their largest customer going forward. So all that's progressing just fine, and we hope to have some news on that in the near future.

Vicki Hollub

I will add to that. I'm really excited about the new management team at WES. They're very operationally focused, and they're working on -- that's why I said the part about picking up third-party volumes, they're really focused on improving operations and efficiencies and being a really strong competitor to other midstream businesses in the Permian.

Operator

Our next question comes from Ryan Todd with Simmons Energy.

Ryan Todd

Great. Maybe to follow-up. At a high level, is it fair to characterize the large cuts to the 2020 program as an effort to demonstrate your priorities in terms of deleveraging in dividend and the 2021 plus outlook as a normalization of the business? And if that's the case, what sort of checkpoints would you have to see to normalize things again versus staying in belt-tightening mode? Is commodity price hitting certain checkpoint on debt metrics? What would you have to see to kind of renormalize in 2021? Or not?

Vicki Hollub

Todd, thank you. You just answered the question for me. So thank you for that, but it really goes more beyond just trying to get back to normal. What we really would need to look at and evaluate when we get closer to 2021 is how oil prices look, what we've achieved on the debt reduction and what we've achieved with respect to the synergies and also how well our teams are performing from an efficiency standpoint. All of those factors will be considered as we go and move toward 2021 because the reality is that we don't have to be at the 5% right away. What we wanted people to know is that, over time, the 5% is what we believe is the right growth percentage to enable us to, not only start to grow our dividend more meaningfully again, but to also be able to, at the same time, return cash to our shareholders through buybacks.

Ryan Todd

Okay. And on the leverage side, is there anything that you're looking at to say kind of until we get to this place, we'll probably keep things tight.

Vicki Hollub

I would say that we have aggressive internal targets, and if we haven't met those, then that would play a big role in what we do in 2021.

Ryan Todd

Okay. And maybe a follow-up on the 2020 plan. I mean, should we think about everything outside of the Permian resources as being held roughly flat from a production point of view with all the growth coming from the Permian Resources? And if that's the case, under a normalization to $6.6 billion in 2021, do some of these other assets, Rockies, EOR, et cetera, kind of return to growth? Or does the majority of that incremental capital will just go back to Permian? I guess on a multi-year view, should we think of ex Permian resources as being largely held flat? Or will we see growth outside of the Permian?

Vicki Hollub

What we like to do with our teams internally is let them compete for capital, and they have to compete for capital by submitting projects that can beat the Permian. And actually, we have -- we believe that some of those projects, both in Oman, Abu Dhabi, Colombia, the DJ and probably in about 2 to 3 years, the Powder River, we believe -- and Gulf of Mexico. Looking at the data that we see now and the performance that we see, the margins and the returns, our returns from almost -- from everything that we have the opportunity to invest dollars in is double digits at $40 or above. And so we have -- this is what -- this is the value of this tremendous portfolio we have today. We have lots of options. We have lots of flexibility. And what the teams have to do is they just have to make their projects competitive enough to get the dollars. And ultimately, the way I see it now, in a $6.6 billion environment and by 2021, essentially, we would be potentially growing all of our areas, except Gulf of Mexico and maybe Powder River. But certainly, all the other areas would have the opportunity to grow because of the projects that they have in their inventory today.

Operator

Our next question comes from Paul Cheng with Scotiabank.

Paul Cheng

Vicki, earlier, you said that -- from your standpoint, 5% is the wide growth rate. Can you elaborate why 5%? I mean, given the size of the company, today and long-term or demand growth looks like it's going to be 1% or below. I think the market is actually will be more happy if you grow at 3% instead of 5%.

Vicki Hollub

It would be -- commodity prices always come into play when we're deciding what our growth rate would be. And what I -- a better way for me to say it is that we're going to average a 5% growth rate on the average over time. So in those times when commodity prices because of weaker demand, we would grow at a lower rate. So we're going to adjust.

And I think at one time, we showed a chart that showed that we would potentially grow from a certain oil price to a different oil price above which that our growth would be capped. We'll have that same scenario going forward. And as we delever and get back to the scenario where we'll start taking into account the opportunities to grow at that 5% cap, then we'll start looking at those metrics and providing those to you again. But it really depends on commodity prices, efficiencies, where we are from a leverage standpoint.

And I guess, what I'm really trying to say is that once we put all the variables in our model and we run the various scenarios, it's -- at the end of the day, it's a value calculation. And whatever creates the most value is -- and then delivers the most return to the shareholders is what we'll do.

Paul Cheng

But just my two cents is that given the increasing number of the journalists, there's a concern about the long-term oil demand outlook and correspondingly, that the longer-term commodity prices. The notion saying that we grow at 5%, I think the easy way to look at it is that most investors today probably one burn on hand and 2 burn in the bushes.

The second question, quick one on Permian, how much is your percent of your land position, just in the federal land? And how much of your production today is in the federal land?

Vicki Hollub

So in the Permian Resources business, we have a very low percentage of what is total federal lands. I can't remember overall. I think our overall percentage is about 2%. Let me hand this to Jeff. He's got those numbers.

Jeff Alvarez

Yes. So domestically, of our 14 million acres, 2 million of that is federal, but half of that is offshore. So if you think of onshore, about 1 million acres is federal. And if you go to the Permian, about 270,000 acres across the Permian. And then if you continue to narrow that down into the Delaware Basin, that's where people want to talk about the most, approximately 20% of our acreage in the Delaware Basin is on federal land. And if you look at the DJ, it's less than 1%. It's very, very small there.

Operator

Our next question is from Pavel Molchanov with Raymond James.

Pavel Molchanov

On the low-carbon initiatives, as I look at the slide breaking out your 2020 CapEx, if it's there, it seems awfully small so I thought I would just ask. What level of funding you're planning to allocate to the low-carbon effort this coming year?

Vicki Hollub

Our strategy for Low Carbon Ventures is more around a target and goal of the activities and what we need to accomplish. And how we accomplish that with respect to a capital standpoint is a part of the Low Carbon Ventures team. Strategic initiatives is to look at the best way to fund those. I -- ultimately, I'm so excited about this business because this is a win-win-win business in that we are going to be able to lower emissions both in the United States and in the other areas that we operate while also taking the anthropogenic CO2 and using it to increase oil production, thereby creating value for royalty owners, for the states and for the country in which we operate, wherever it is. And in addition to that, we're going to be able to ultimately, in my view, make -- and our team's view, make a business of this in that we will be able to build this into a business that generates cash flow and earnings for our shareholders.

So the way we intend to do that is a bit -- at this point, something that's proprietary in terms of how we want to -- how we think about it and how we're building that to happen. But it's a win-win-win, and it's a great -- the team is doing just a great job in making this happen.

And we've made some investments in some new technologies. Those have been direct investments. We have a -- one of those was net power, which generates a lower cost of electricity and still provides a CO2 stream, almost pure CO2 stream for use in enhanced oil recovery. And the other thing we've invested in, and we've even announced that we will build, we're evaluating building one of the largest or the largest direct air capture unit in the world in the Permian. And what that will do is take CO2 from the atmosphere, and we can then use that in our enhanced oil recovery projects.

And the reason all of this is so important to use in enhanced oil recovery rather than sequestration is that using it in an oil reservoir still sequesters about 40% of what you're cycling every time you cycle through the reservoir, so you get the sequestration part of it. But what you also do is by using that, you're able to generate a lower-carbon intensity barrel of oil. And so the -- I believe that for the world, the last barrel of oil produced in the world, whenever that happens, should come from a CO2-enhanced oil recovery reservoir because then it will be a net lower emission barrel. And our teams are working toward that, and they've got some very creative commercial ways to deal with it.

Pavel Molchanov

That's helpful. And then lastly, on the Board changes or the changes in the charter that you outlined at the very end of your slides today. Do these proposals that will be voted on next year potentially settle the disagreement with Icahn?

Vicki Hollub

I'll say that when Mr. Icahn brought up the concerns he had, these were a part of his concerns. And that's one of the things that is -- a result of him bringing up is the reason we looked at it. We're not out to settle anything with this. What we're out to do is just to do the right thing for our shareholders, and we felt like he brought up an issue that we needed to address, and the Board did that.

And the Board has actually gone further than that. We -- I'm -- not only are we responding to shareholder feedback on the 2 proposals to lower the percentage required for a special meeting, but also the procedure lowering the requirement for the written consent vote as well. But what I'm even more excited about is what the Board has done with respect to the creation of a committee now that specifically addresses ESG, and specifically addresses it in a way that engages the Board more with the shareholders. So what's sometimes missed in what that proposal was is it's yet to -- they're going to focus on the ESG things that fall sort of in between the Health, Environmental and Safety Committee and the Governance Committee. So there are some things that we were struggling with, where do we include that, who takes the ownership of that. So creating this committee clearly has a committee on our Board focused on our specific ESG initiatives that are not really so much safety- or environmental-related, and those that are not specifically governance-related puts them in this committee. So this committee is going to be focused on that.

But the other things that our Chairman wants this committee to do is be a lot more engaged with the shareholders, both on the ESG side and on the portfolio management side to ensure that they are more engaged to know how our shareholders think, what are the topics that are top of mind for them. And if there are issues that we need to address, they're getting that feedback now directly. And so I think that's been a huge change for us, and I think it's going to be a positive thing for all of our shareholders going forward.

Operator

Our next question comes from Brian Singer with Goldman Sachs.

Brian Singer

With regards to the Permian, you talked about the rig split earlier. But can you talk a little bit more with regards to how you view the Anadarko Permian properties competing relative to the legacy Oxy Permian properties? And to the degree that you were to ramp back post 2020 to deliver a 5% growth rate, would that ramp-up occur more from Anadarko side versus the Oxy side?

Vicki Hollub

I think our Southeast New Mexico area still remains, I believe, the top and the best that we have. And I believe the legacy Anadarko acreage is going to be very close in line, not even a second, maybe a 1B in terms of the priority. The acreage is really, really good. Subsurface is excellent. So I would say that our Texas Barilla Draw area would be probably second. And so behind 1A in Southeast New Mexico, 1B in legacy Anadarko acreage.

Brian Singer

Great. And then to follow-up on the earlier question with regards to WES, I think in the past, Oxy said that the process to improve performance operationally could be done by early 2020. Is that still the case? Or what do you see -- and what do you see as the scope of the improvement and how you would measure success? And then one additional one on that thread is I think you commented on the potential for deconsolidation, but retention of economic interest. Does that mean that you would divest a portion, but not all of your interest in seed control? Sorry, I know there were a lot of questions in there.

Vicki Hollub

I would say I'll address the operations one and throw it to Oscar for the structural one. But from an operations standpoint, what has been, I think, a huge change is the collaboration between the field upstream operations and the facilities guys and the WES team. I think that what they did early on is they decided to have a team approach, how we're doing business today, how Wes is doing their business, how we're interacting and where -- how we connect with them, and to look at ways to [indiscernible] and improve efficiencies.

They've already outlined some specific things that they're addressing. One of the deals was that we were a bit surprised by the downtime that WES had, and it's just kind of unacceptable to us to have that level of downtime.

And so combining the current management team's perspective with their designee, working with the Oxy side of it, these teams now have come up with ways to specifically address the downtime and get the downtime much lower. And that's -- those are inexpensive barrels of just making sure that your uptime is the best that it can be. That's the quickest and easiest way to get barrels, and I think we'll start seeing -- we have to change some infrastructure first to make that happen. So I think you'll start to see that happening in Q1 of 2020. And Oscar?

Oscar Brown

Sure. It's Oscar. So on the deconsolidation front, one of the key things is the business -- WES has matured greatly over the years. And then everything that Vicki is talking about to improve operations and, most importantly, set up this company to really be aggressive in its ability to win third-party business, I think all those things are aligned with a company that can stand on its own, and being an independent company, and ultimately, a convenience for us is the deconsolidation on the accounting front. So all those things align.

In terms of the specifics on how much control Oxy would need to give up and is there a related need to sell down some interest -- economic interest in the company, we're still working that with our auditors. But the key is that the company can -- is getting the company to a place that has its own employees that can stand-alone its own officers, great operations, it's a complement to our businesses. And then again, the real growth upside, the next stage for WES, beyond what we can do and we'll continue to do with Oxy to support WES is the third-party business, which is one of the great opportunities there. So again, more to come on that, but that's where we stand today.

Operator

Our next question comes from Michael Hall with Heikkinen Energy Advisors.

Michael Hall

I just wanted to, I guess, review a little bit on the capital efficiency or intensity disclosures you provided on the Permian Resources business. I'm just curious how you think about the ability to maintain that level of capital intensity, the 2020 level, as you think about kind of reentering more of a normalized or growth-type scenario in 2021. Is that a kind of a sustainable level? Or is that being kind of dragged down by the slowdown in 2020?

Vicki Hollub

Well, that was one of the things that we took into account, is that -- and when we decided to lower our capital, how it would impact 2021 was a factor that we thought about and considered. And so we do have a plan to on-board rigs, should we go back up in 2021. We would make that decision at a point where it would give our teams the time to make that happen. Because every time you shut down a rig and you release crews, you have the issue of bringing those crews back, getting them back to the efficiency level that they were when they shut down. Obviously, you recognize that, and that's what your question is centered around.

We have a more robust process around doing that because it's always irritated us that even though we know it happens, that it always happens. And so we try to -- we're trying to figure out now and have some people that are involved in trying to make that -- the reboot and the start-up, again, of a rig that's been idled to make that more efficient. And so as we go toward 2021 and see how that's looking, we'll take the steps to try to get the -- that rig, whatever rigs that we bring on, up and running and without too much loss of efficiency initially. Did you have anything to add on that, Ken -- Jeff?

Jeff Alvarez

Yes. So to add, Michael, I mean to your point, and Vicki commented in our script, we do expect 2021 plus the capital intensity to be in the low 20s. So as synergies flow through and all that, we expect that to be in that level as we go forward. And if you spend time -- I know going through with our Permian resources leadership, they've got very, very definitive goals to drive it down from there. So I do think that is our new normal.

Michael Hall

That's helpful. And then I guess, continuing on this thread. What's the base decline on the Permian Resources business, I guess, exiting 2019 pro forma, the combined businesses? And then how that looks coming out of 2020 as you look at it in these capital intensity figures?

Jeff Alvarez

Yes. So without doing decline curve analysis on how it applies at cap intensity, I'll give you a couple of quick numbers. So the base decline exit-to-exit for Permian Resources is in the mid- to high 30s. So say, about 37%. But as you know, that's an exit-to-exit number. And when we do the capital intensity calculation, we use the real decline, which is exponential. So it's not straight. It's kind of concave. So just for easy math, if you think about the wedge we're adding in Permian Resources next year, there's about 105,000 barrels a day. So if you take the 2.2 billion, 105,000, that's what gets you to the $21 million capital intensity number. Is that answer what you're looking for, Michael?

Michael Hall

Yes. And I guess I was also trying to understand like how that changes as you exit 2020 into 2021. It seems that, that would be a tailwind to the...

Jeff Alvarez

Actually, it improved.

Michael Hall

Yes, that's kind of what I was getting at. I'm just trying to understand how...

Jeff Alvarez

Yes. So that's the point. As the base gets bigger and that you have less of those new high-decline barrels coming on, that base decline actually improves as you head into 2020.

Operator

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

Vicki Hollub

Yes, there's another couple of things we'd like to address before we go. But first, I wanted to pass it to Ken to -- there've been some questions offline about Gulf of Mexico. I'd like for him to share some mental on that.

Kenneth Dillon

Good morning. Thanks, Vicki. So far, we're really excited about both the people and the assets. The subsurface characterization opportunities, we believe, can lead to being able to extend the plateau with modest cost over a long period. Our latest K2 well come in with really good logs, and it'll be on stream in Q1. Next year, we plan to spend $100 million on near-field exploration and also drill development wells from platforms.

Artificial lift synergies are something we didn't build into our thoughts, and it's something we're working on together as a team here, and we see that as real potential upside to come. We see Ghana [ph] as a long-term steady cash flow business that has great significance, and everything we've seen so far supports that.

Vicki Hollub

Okay. Then lastly, I'd like to say that in closing, that we are really positioning Oxy for long-term success. The acquisition of Anadarko has positioned us to more effectively address what I think are the 3 most critical issues facing our industry today. Those are climate change, geopolitical volatility and the regulatory environment in the U.S. So with the position that we have now, building on the fact that we're the largest handler of CO_2 for enhanced oil recovery in the world, we intend to utilize now our position as the largest acreage holder in the United States, and with a vast amount of that being shale play to execute CO_2 enhanced oil recovery in the shale. That will fit perfectly into our Low Carbon Ventures strategy and enables us to continue to grow and get the most out of the shale than anyone else over time. And we think these -- that these assets sit perfectly, and they're perfectly compatible with the conventional assets that we'll be developing in Oman and the UAE over time. So I think I'm really excited about our portfolio. We have an opportunity to continue to go into the future with the portfolio, the structure, the people and the sustainability to withstand oil price cycles while also maintaining a social license to operate globally in a low-carbon world. So thank you all for your questions and for joining our call. Have a good day.

Operator

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