UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2023

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from ____________ to ____________

Commission File Number 001-14039

Callon Petroleum Company

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**64-0844345**
State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.
One Briarlake Plaza **2000 W. Sam Houston Parkway S., Suite 2000** **Houston, Texas**	**77042**
Address of Principal Executive Offices	Zip Code

(281) 589-5200
Registrant's Telephone Number, Including Area Code

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value	CPE	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act:

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The Registrant had 68,157,440 shares of common stock outstanding as of July 28, 2023.

For certain industry specific terms used in this Quarterly Report on Form 10-Q (this "Form 10-Q"), please see "Glossary of Certain Terms" in our Annual Report on Form 10-K for the year ended December 31, 2022 ("2022 Annual Report").

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Part I. Financial Information
Item 1. Financial Statements

Callon Petroleum Company
Consolidated Balance Sheets
(In thousands, except par and share amounts)
(Unaudited)

	June 30, 2023	December 31, 2022*
ASSETS		
Current assets:		
Cash and cash equivalents	$3,650	$3,395
Accounts receivable, net	164,708	237,128
Fair value of derivatives	14,960	21,332
Assets held for sale	606,614	—
Other current assets	37,975	35,783
Total current assets	827,907	297,638
Oil and natural gas properties, successful efforts accounting method:		
Proved properties, net	4,216,641	4,851,529
Unproved properties	1,203,168	1,225,768
Total oil and natural gas properties, net	5,419,809	6,077,297
Other property and equipment, net	26,596	26,152
Deferred income taxes	198,534	—
Deferred financing costs	15,447	18,822
Other assets, net	77,265	68,560
Total assets	**$6,565,558**	**$6,488,469**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$507,471	$536,233
Fair value of derivatives	1,506	16,197
Liabilities associated with assets held for sale	71,114	—
Other current liabilities	100,701	150,384
Total current liabilities	680,792	702,814
Long-term debt	2,268,116	2,241,295
Asset retirement obligations	36,235	53,892
Fair value of derivatives	1,941	13,415
Other long-term liabilities	35,802	51,272
Total liabilities	**3,022,886**	**3,062,688**
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.01 par value, 130,000,000 shares authorized; 61,888,356 and 61,621,518 shares outstanding, respectively	619	616
Capital in excess of par value	4,026,340	4,022,194
Accumulated deficit	(484,287)	(597,029)
Total stockholders' equity	**3,542,672**	**3,425,781**
Total liabilities and stockholders' equity	**$6,565,558**	**$6,488,469**

* Financial information for the prior period has been recast to reflect retrospective application of the successful efforts method of accounting. See "Note 2 - Summary of Significant Accounting Policies" for additional information.

The accompanying notes are an integral part of these consolidated financial statements.

Callon Petroleum Company
Consolidated Statements of Operations
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	**2022***	**2023**	**2022***
Operating Revenues:				
Oil	$421,775	$619,812	$831,331	$1,173,061
Natural gas	14,423	64,913	38,009	108,889
Natural gas liquids	40,629	75,530	83,999	143,148
Sales of purchased oil and gas	85,456	153,365	168,990	265,740
Total operating revenues	562,283	913,620	1,122,329	1,690,838
Operating Expenses:				
Lease operating	76,788	72,940	151,890	140,268
Production and ad valorem taxes	24,706	44,873	57,427	82,551
Gathering, transportation and processing	27,338	23,267	53,315	44,042
Exploration	1,882	2,410	4,114	4,295
Cost of purchased oil and gas	88,768	155,397	174,829	266,668
Depreciation, depletion and amortization	127,348	115,956	253,313	229,599
Impairment of oil and gas properties	406,898	—	406,898	—
General and administrative	29,768	20,175	57,566	47,232
Merger, integration and transaction	1,543	—	1,543	769
Total operating expenses	785,039	435,018	1,160,895	815,424
Income (Loss) From Operations	**(222,756)**	**478,602**	**(38,566)**	**875,414**
Other (Income) Expenses:				
Interest expense	47,239	46,995	93,545	94,091
(Gain) loss on derivative contracts	(5,941)	81,648	(31,586)	439,948
Loss on extinguishment of debt	—	42,417	—	42,417
Other (income) expense	54	1,051	(6,360)	269
Total other (income) expense	41,352	172,111	55,599	576,725
Income (Loss) Before Income Taxes	**(264,108)**	**306,491**	**(94,165)**	**298,689**
Income tax benefit (expense)	156,212	(3,240)	206,907	(3,153)
Net Income (Loss)	**($107,896)**	**$303,251**	**$112,742**	**$295,536**
Net Income (Loss) Per Common Share:				
Basic	($1.74)	$4.92	$1.83	$4.80
Diluted	($1.74)	$4.90	$1.82	$4.77
Weighted Average Common Shares Outstanding:				
Basic	61,856	61,679	61,741	61,583
Diluted	61,856	61,909	61,939	61,956

* Financial information for the prior period has been recast to reflect retrospective application of the successful efforts method of accounting. See “Note 2 - Summary of Significant Accounting Policies” for additional information.

The accompanying notes are an integral part of these consolidated financial statements.

Callon Petroleum Company
Consolidated Statements of Stockholders' Equity
(In thousands)
(Unaudited)

	Common Stock		Capital in Excess of Par	Accumulated Deficit	Total Stockholders' Equity
	Shares	$			
Balance at December 31, 2022*	**61,622**	**$616**	**$4,022,194**	**($597,029)**	**$3,425,781**
Net income	—	—	—	220,638	220,638
Restricted stock units	3	—	3,339	—	3,339
Balance at March 31, 2023	**61,625**	**$616**	**$4,025,533**	**($376,391)**	**$3,649,758**
Net loss	—	—	—	(107,896)	(107,896)
Restricted stock units	263	3	807	—	810
Balance at June 30, 2023	**61,888**	**$619**	**$4,026,340**	**($484,287)**	**$3,542,672**

	Common Stock		Capital in Excess of Par	Accumulated Deficit	Total Stockholders' Equity
	Shares	$			
Previously reported at December 31, 2021	**61,371**	**$614**	**$4,012,358**	**($2,147,204)**	**$1,865,768**
Effect of change in accounting principle	—	—	—	530,732	530,732
Balance at December 31, 2021 as recast*	**61,371**	**614**	**4,012,358**	**(1,616,472)**	**2,396,500**
Net loss	—	—	—	(7,715)	(7,715)
Restricted stock units	6	—	2,790	—	2,790
Common stock issued for Primexx Acquisition	117	1	6,294	—	6,295
Balance at March 31, 2022*	**61,494**	**$615**	**$4,021,442**	**($1,624,187)**	**$2,397,870**
Net income	—	—	—	303,251	303,251
Restricted stock units	244	2	(1,901)	—	(1,899)
Common stock issued for Primexx Acquisition	(22)	—	(1,363)	—	(1,363)
Balance at June 30, 2022*	**61,716**	**$617**	**$4,018,178**	**($1,320,936)**	**$2,697,859**

* Financial information for prior periods has been recast to reflect retrospective application of the successful efforts method of accounting. See "Note 2 - Summary of Significant Accounting Policies" for additional information.

The accompanying notes are an integral part of these consolidated financial statements.

Callon Petroleum Company
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Six Months Ended June 30,	
Cash flows from operating activities:	**2023**	**2022***
Net income	$112,742	$295,536
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	253,313	229,599
Impairment of oil and gas properties	406,898	—
Amortization of non-cash debt related items, net	5,245	7,121
Deferred income tax benefit	(204,841)	—
(Gain) loss on derivative contracts	(31,586)	439,948
Cash received (paid) for commodity derivative settlements, net	12,246	(287,922)
Loss on extinguishment of debt	—	42,417
Non-cash expense related to share-based awards	5,569	2,686
Other, net	592	5,200
Changes in current assets and liabilities:		
Accounts receivable	42,571	(123,902)
Other current assets	(6,604)	(7,497)
Accounts payable and accrued liabilities	(68,710)	(19,280)
Net cash provided by operating activities	**527,435**	**583,906**
Cash flows from investing activities:		
Capital expenditures	(498,597)	(344,881)
Acquisition of oil and gas properties	(14,450)	(15,314)
Deposit for acquisition of oil and gas properties	(36,000)	—
Proceeds from sales of assets	2,113	4,590
Cash paid for settlement of contingent consideration arrangement	—	(19,171)
Other, net	(1,638)	8,709
Net cash used in investing activities	**(548,572)**	**(366,067)**
Cash flows from financing activities:		
Borrowings on credit facility	1,524,500	1,724,000
Payments on credit facility	(1,499,500)	(1,730,000)
Issuance of 7.5% Senior Notes due 2030	—	600,000
Redemption of 6.125% Senior Notes due 2024	—	(467,287)
Redemption of 9.0% Second Lien Senior Secured Notes due 2025	—	(339,507)
Payment of deferred financing costs	(50)	(10,542)
Other, net	(3,558)	1,715
Net cash provided by (used in) financing activities	**21,392**	**(221,621)**
Net change in cash and cash equivalents	255	(3,782)
Balance, beginning of period	3,395	9,882
Balance, end of period	**$3,650**	**$6,100**

* Financial information for the prior period has been recast to reflect retrospective application of the successful efforts method of accounting. See “Note 2 - Summary of Significant Accounting Policies” for additional information.

The accompanying notes are an integral part of these consolidated financial statements.

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Note 1 — Description of Business

Callon Petroleum Company is an independent oil and natural gas company focused on the acquisition, exploration and sustainable development of high-quality assets in the Permian Basin in West Texas. As used herein, the "Company," "Callon," "we," "us," and "our" refer to Callon Petroleum Company and its predecessors and subsidiaries unless the context requires otherwise.

Note 2 — Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited interim consolidated financial statements include the accounts of the Company after elimination of intercompany transactions and balances. These financial statements have been prepared pursuant to the rules and regulations of the SEC and therefore do not include all disclosures required for financial statements prepared in conformity with GAAP. In the opinion of management, these financial statements reflect all normal, recurring adjustments and accruals considered necessary to present fairly, in all material respects, the Company's interim financial position, results of operations and cash flows. However, the results of operations for the periods presented are not necessarily indicative of the results of operations that may be expected for the full year. Certain reclassifications have been made to prior period amounts to conform to the current period presentation. Such reclassifications did not have a material impact on prior period financial statements.

Significant Accounting Policies

The Company's significant accounting policies are described in "Note 2 — Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements in its 2022 Annual Report and are supplemented by the notes included in this Form 10-Q. The financial statements and related notes included in this Form 10-Q should be read in conjunction with the Company's 2022 Annual Report.

Recast Financial Information for Change in Accounting Principle

In the first quarter of 2023, the Company voluntarily changed its method of accounting for its oil and gas exploration and development activities from the full cost method to the successful efforts method of accounting. Accordingly, the financial information for prior periods has been recast to reflect retrospective application of the successful efforts method, as prescribed by the FASB Accounting Standards Codification ("ASC") 932 "Extractive Activities — Oil and Gas." Although the full cost method of accounting continues to be an accepted alternative, the successful efforts method of accounting is the generally preferred method of the SEC and, because it is more widely used in the industry, the Company expects the change to improve the comparability of its financial statements to its peers. The Company also believes the successful efforts method provides a more representational depiction of assets and operating results and provides for its investments in oil and natural gas properties to be assessed for impairment in accordance with ASC Topic 360 "Property Plant and Equipment," rather than valuations based on prices and costs prescribed under the full cost method as of the balance sheet date. As required by ASC 250 "Accounting Changes and Error Corrections", the Company has presented the accumulated effect of the change in accounting principle as a change in the beginning balance of retained earnings (accumulated deficit) of the earliest period presented in the consolidated financial statements. For detailed information regarding the effects of the change to the successful efforts method, see "Note 3 — Change in Accounting Principle."

Oil and Natural Gas Properties

Proved oil and natural gas properties. The Company follows the successful efforts method of accounting for its oil and gas properties. Under this method, drilling and completion costs, including lease and well equipment, intangible development costs, and operational support facilities in the field, associated with development wells are capitalized to proved oil and gas properties and are depleted on an asset group basis (properties aggregated based on geographical and geological characteristics) using the units-of-production method based on estimated proved developed oil and gas reserves. The calculation of depletion expense takes into consideration estimated asset retirement costs, net of estimated salvage values.

Proved oil and gas properties are assessed for impairment on an asset group basis whenever events and circumstances indicate that there could be a possible decline in the recoverability of the net book value of such property. The Company estimates the expected future net cash flows of its proved oil and gas properties and compares these undiscounted cash flows to the net book value of the proved oil and gas properties to determine if the net book value is recoverable. If the net book value exceeds the estimated undiscounted future net cash flows, the Company will recognize an impairment to reduce the net book value of the proved oil and gas properties to fair value. The factors used to determine fair value include, but are not limited to, estimates of reserves, future commodity prices, future production estimates, estimated future development costs and operating costs, and discount rates, which are based on a weighted average cost of capital. There were no impairments of proved oil and gas properties for the three or six months ended June 30, 2022. See "Note 5 — Acquisitions and Divestitures" for details of the impairment recorded in the second quarter of 2023 associated with the assets held for sale classification resulting from the agreement to sell all of the Company's interests of Callon (Eagle Ford) LLC to Ridgemar Energy Operating, LLC.

The partial sale of a proved property within an existing asset group is accounted for as a normal retirement and no net gain or loss on divestiture is recognized as long as the treatment does not significantly alter the units-of-production depletion rate. The sale of a partial interest in an individual proved property is accounted for as a recovery of cost. A net gain or loss on divestiture is recognized in the consolidated statements of operations for all other sales of proved properties.

Unproved oil and natural gas properties. Unproved oil and gas properties consist of costs incurred in obtaining a mineral interest or a right in a property such as a lease, in addition to broker fees, recording fees and other similar costs. Leasehold costs are classified as unproved until proved reserves are discovered on or otherwise attributed to the property, at which time the related unproved oil and gas property costs are reclassified to proved oil and gas properties and depleted on an asset group basis using the units-of-production method based on estimated total proved oil and gas reserves.

The Company evaluates significant unproved oil and gas property costs for impairment based on remaining lease term, drilling results, reservoir performance, seismic interpretation or changes in future plans to develop acreage. Unproved oil and gas properties that are not individually significant are aggregated by asset group, and the portion of such costs estimated to be nonproductive prior to lease expiration is amortized over the average holding period. The estimate of what could be nonproductive is based on the Company's historical experience or other information, including current drilling plans and existing geological data. Impairment and amortization of unproved oil and gas properties are recognized as "Impairment of oil and gas properties" in the consolidated statements of operations.

Exploratory. Exploratory costs, including personnel and other internal costs, geological and geophysical expenses and delay rentals for oil and gas leases, are expensed as incurred. Exploratory well costs are initially capitalized pending the determination of whether proved reserves have been discovered. If proved reserves are discovered, exploratory well costs are capitalized as proved oil and gas properties. If proved reserves are not found, exploratory well costs are expensed as dry holes. The application of the successful efforts method of accounting requires management's judgment to determine the proper designation of wells as either development or exploratory, which will ultimately determine the proper accounting treatment of costs of dry holes.

Capitalized interest. The Company capitalizes interest on expenditures made in connection with exploration and development projects that meet certain thresholds and are not subject to current amortization. For projects that meet these thresholds, interest is capitalized only for the period that activities are in process to bring the projects to their intended use. Capitalized interest cannot exceed interest expense for the period capitalized. During both the three and six months ended June 30, 2023 and 2022, the Company did not have any projects that met the thresholds, therefore, had no capitalized interest.

Assets Held for Sale

From time to time, the Company may market certain oil and gas properties for sale. At the end of each reporting period, the Company evaluates if these assets should be classified as held for sale. The held for sale criteria includes whether management commits to a plan to sell, the asset is available for immediate sale, an active program to locate a buyer exists, the sale of the asset is probable and expected to be completed within a year, the asset is actively being marketed for sale and that it is unlikely that significant changes to the plan will be made. If each of the criteria are met, then the assets and associated liabilities are classified as held for sale. As of June 30, 2023, the assets and liabilities held for sale are in connection with the agreement to sell all of the Company's interests of Callon (Eagle Ford) LLC to Ridgemar Energy Operating, LLC. This transaction closed on July 3, 2023. See "Note 5 — Acquisitions and Divestitures" for additional details.

Subsequent Events

The Company evaluates subsequent events through the date the financial statements are issued. See "Note 17 — Subsequent Events" for further discussion.

Note 3 — Change in Accounting Principle

In the first quarter of 2023, the Company voluntarily changed its method of accounting for oil and natural gas exploration and development activities from the full cost method to the successful efforts method. Accordingly, financial information for prior periods has been recast to reflect retrospective application of the successful efforts method. In general, under successful efforts, exploration costs such as exploratory dry holes, exploratory geophysical and geological costs, delay rentals, unproved leasehold impairments and exploration overhead are expensed as incurred as opposed to being capitalized under the full cost method of accounting. The successful efforts method also provides for the assessment of potential proved oil and gas property impairments by comparing the net book value of proved oil and gas properties to associated estimated undiscounted future net cash flows. If the net book value exceeds the estimated undiscounted future net cash flows, an impairment is recorded to reduce the net book value to fair value. Under the full cost method of accounting, an impairment would be required if the net book value of oil and natural gas properties exceeds a full cost ceiling using an unweighted arithmetic average of commodity prices in effect on the first day of each of the previous 12 months. In addition, gains or losses, if applicable, are recognized more frequently on the divestitures of oil and gas properties under the successful efforts method, as opposed to an adjustment to the net book value of the oil and gas properties under the full cost method.

The “Assets held for sale” and “Impairment of oil and gas properties” line items presented in the tables below are in connection with the agreement to sell all of the Company’s interests of Callon (Eagle Ford) LLC to Ridgemar Energy Operating, LLC. See “Note 5 — Acquisitions and Divestitures” for additional details.

The following tables present the effects of the change to the successful efforts method in the consolidated balance sheets:

	As of June 30, 2023		
	Under Full Cost	**Changes**	**Under Successful Efforts**
		(In thousands)	
Current assets:			
Assets held for sale	$—	$606,614	$606,614
Oil and natural gas properties:			
Proved properties	10,949,991	(2,442,302)	8,507,689
Accumulated depreciation, depletion, amortization and impairments	(6,597,479)	2,306,431	(4,291,048)
Unproved properties	1,784,428	(581,260)	1,203,168
Total oil and gas properties, net	6,136,940	(717,131)	5,419,809
Deferred income taxes	157,629	40,905	198,534
Total assets	**$6,666,704**	**($101,146)**	**$6,565,558**
Stockholders’ equity:			
Accumulated deficit	(383,141)	(101,146)	(484,287)
Total stockholders' equity	**3,643,818**	**(101,146)**	**3,542,672**
Total liabilities and stockholders' equity	**$6,666,704**	**($101,146)**	**$6,565,558**

	As of December 31, 2022		
	Under Full Cost	**Changes**	**Under Successful Efforts**
		(In thousands)	
Oil and natural gas properties:			
Proved properties	$10,367,478	($1,099,343)	$9,268,135
Accumulated depreciation, depletion, amortization and impairments	(6,343,875)	1,927,269	(4,416,606)
Unproved properties	1,711,306	(485,538)	1,225,768
Total oil and gas properties, net	5,734,909	342,388	6,077,297
Total assets	**$6,146,081**	**$342,388**	**$6,488,469**
Deferred income taxes (1)	4,279	2,029	6,308
Stockholders’ equity:			
Accumulated deficit	(937,388)	340,359	(597,029)
Total stockholders' equity	**3,085,422**	**340,359**	**3,425,781**
Total liabilities and stockholders' equity	**$6,146,081**	**$342,388**	**$6,488,469**

(1) Included in “Other long-term liabilities” in the consolidated balance sheets.

The following tables present the effects of the change to the successful efforts method in the consolidated statements of operations:

	Three Months Ended June 30, 2023		
	Under Full Cost	Changes	Under Successful Efforts
	(In thousands, except per share data)		
Operating Expenses:			
Exploration	$—	$1,882	$1,882
Depreciation, depletion and amortization	135,135	(7,787)	127,348
Impairment of oil and gas properties	—	406,898	406,898
General and administrative	17,149	12,619	29,768
Income (Loss) From Operations	**190,856**	**(413,612)**	**(222,756)**
Other Expenses:			
Interest expense	19,520	27,719	47,239
Income (Loss) Before Income Taxes	**177,223**	**(441,331)**	**(264,108)**
Income tax benefit	88,653	67,559	156,212
Net Income (Loss)	**$265,876**	**($373,772)**	**($107,896)**
Net Income (Loss) Per Common Share:			
Basic	$4.30		($1.74)
Diluted	$4.30		($1.74)

	Three Months Ended June 30, 2022		
	Under Full Cost	Changes	Under Successful Efforts
	(In thousands, except per share data)		
Operating Expenses:			
Exploration	$—	$2,410	$2,410
Depreciation, depletion and amortization	109,409	6,547	115,956
General and administrative	10,909	9,266	20,175
Income From Operations	**496,825**	**(18,223)**	**478,602**
Other Expenses:			
Interest expense	20,691	26,304	46,995
Income Before Income Taxes	**351,018**	**(44,527)**	**306,491**
Income tax expense	(3,009)	(231)	(3,240)
Net Income	**$348,009**	**($44,758)**	**$303,251**
Net Income Per Common Share:			
Basic	$5.64		$4.92
Diluted	$5.62		$4.90

	Six Months Ended June 30, 2023		
	Under Full Cost	Changes	Under Successful Efforts
	(In thousands, except per share data)		
Operating Expenses:			
Exploration	$—	$4,114	$4,114
Depreciation, depletion and amortization	258,035	(4,722)	253,313
Impairment of oil and gas properties	—	406,898	406,898
General and administrative	34,290	23,276	57,566
Income (Loss) From Operations	**391,001**	**(429,567)**	**(38,566)**
Other Expenses:			
Interest expense	38,673	54,872	93,545
Income (Loss) Before Income Taxes	**390,273**	**(484,438)**	**(94,165)**
Income tax benefit	163,973	42,934	206,907
Net Income	**$554,246**	**($441,504)**	**$112,742**
Net Income Per Common Share:			
Basic	$8.98		$1.83
Diluted	$8.95		$1.82

	Six Months Ended June 30, 2022		
	Under Full Cost	Changes	Under Successful Efforts
	(In thousands, except per share data)		
Operating Expenses:			
Exploration	$—	$4,295	$4,295
Depreciation, depletion and amortization	212,388	17,211	229,599
General and administrative	28,030	19,202	47,232
Income From Operations	**916,122**	**(40,708)**	**875,414**
Other Expenses:			
Interest expense	42,249	51,842	94,091
Income Before Income Taxes	**391,239**	**(92,550)**	**298,689**
Income tax expense	(3,493)	340	(3,153)
Net Income	**$387,746**	**($92,210)**	**$295,536**
Net Income Per Common Share:			
Basic	$6.30		$4.80
Diluted	$6.26		$4.77

The following tables present the effects of the change to the successful efforts method in the consolidated statements of cash flows:

	Six Months Ended June 30, 2023		
	Under Full Cost	Changes	Under Successful Efforts
		(In thousands)	
Cash flows from operating activities:			
Net income	$554,246	($441,504)	$112,742
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	258,035	(4,722)	253,313
Impairment of oil and gas properties	—	406,898	406,898
Amortization of non-cash debt related items, net	2,168	3,077	5,245
Deferred income tax benefit	(161,907)	(42,934)	(204,841)
Non-cash expense related to share-based awards	2,124	3,445	5,569
Net cash provided by operating activities	**603,175**	**(75,740)**	**527,435**
Cash flows from investing activities:			
Capital expenditures	(570,223)	71,626	(498,597)
Acquisition of oil and gas properties	(18,564)	4,114	(14,450)
Net cash used in investing activities	**(624,312)**	**75,740**	**(548,572)**
Net change in cash and cash equivalents	255	—	255
Balance, beginning of period	3,395	—	3,395
Balance, end of period	**$3,650**	**$—**	**$3,650**

	Six Months Ended June 30, 2022		
	Under Full Cost	Changes	Under Successful Efforts
		(In thousands)	
Cash flows from operating activities:			
Net income	$387,746	($92,210)	$295,536
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation, depletion and amortization	212,388	17,211	229,599
Amortization of non-cash debt related items, net	3,201	3,920	7,121
Non-cash expense related to share-based awards	956	1,730	2,686
Changes in current assets and liabilities:			
Accounts payable and accrued liabilities	(18,940)	(340)	(19,280)
Net cash provided by operating activities	**653,595**	**(69,689)**	**583,906**
Cash flows from investing activities:			
Capital expenditures	(413,939)	69,058	(344,881)
Acquisition of oil and gas properties	(15,945)	631	(15,314)
Net cash used in investing activities	**(435,756)**	**69,689**	**(366,067)**
Net change in cash and cash equivalents	(3,782)	—	(3,782)
Balance, beginning of period	9,882	—	9,882
Balance, end of period	**$6,100**	**$—**	**$6,100**

The following tables present the effects of the change to the successful efforts method in the consolidated statements of stockholders’ equity:

	As of June 30, 2023		
	Under Full Cost	Changes	Under Successful Efforts
		(In thousands)	
Accumulated deficit	($383,141)	($101,146)	($484,287)
Total stockholders’ equity	$3,643,818	($101,146)	$3,542,672

	As of December 31, 2022		
	Under Full Cost	Changes	Under Successful Efforts
		(In thousands)	
Accumulated deficit	($937,388)	$340,359	($597,029)
Total stockholders' equity	$3,085,422	$340,359	$3,425,781

Note 4 — Revenue Recognition

Revenue from Contracts with Customers

The Company recognizes oil, natural gas, and NGL production revenue at the point in time when control of the product transfers to the purchaser, which differs depending on the applicable contractual terms. Transfer of control also drives the presentation of gathering, transportation and processing expenses in the consolidated statements of operations. See "Note 3 — Revenue Recognition" of the Notes to Consolidated Financial Statements in the 2022 Annual Report for more information regarding the types of contracts under which oil, natural gas, and NGL production revenue is generated.

Oil and Gas Purchase and Sale Arrangements

The Company proactively evaluates development plans and looks to enter into pipeline transportation contracts to mitigate market exposures and help ensure certainty of flow for its oil and gas production, in some cases multiple years in advance of development. Additionally, as the Company looks to optimize its operations and reduce exposures, in certain instances, the Company purchases oil and gas from third parties which is utilized to fulfill portions of its pipeline commitments. Sales of purchased oil and gas represent revenues the Company receives from sales of commodities purchased from a third party. The Company recognizes these revenues and the purchase of the third-party commodities, as well as any costs associated with the purchase, on a gross basis, as the Company acts as a principal in these transactions by assuming control of the purchased commodity before it is transferred to the customer.

Accounts Receivable from Revenues from Contracts with Customers

Net accounts receivable include amounts billed and currently due from revenues from contracts with customers of our oil and natural gas production, which had a balance at June 30, 2023 and December 31, 2022 of $101.8 million and $174.1 million, respectively, and are presented in "Accounts receivable, net" in the consolidated balance sheets.

Prior Period Performance Obligations

The Company records revenue in the month production is delivered to the purchaser. However, settlement statements for sales may not be received for 30 to 90 days after the date production is delivered, and as a result, the Company is required to estimate the amount of production delivered to the purchaser and the price that will be received for the sale of the product. The Company records the differences between estimates and the actual amounts received for product sales in the month that payment is received from the purchaser. The Company has existing internal controls for its revenue estimation process and related accruals, and any identified differences between its revenue estimates and actual revenue received historically have not been significant.

Note 5 — Acquisitions and Divestitures

Eagle Ford Divestiture

On May 3, 2023, the Company entered into an agreement with Ridgemar Energy Operating, LLC ("Ridgemar") for the sale of all its oil and gas properties in the Eagle Ford for consideration of $655.0 million in cash, subject to customary purchase price adjustments, as well as contingent consideration where the Company could receive up to $45.0 million if the WTI price of oil exceeds certain thresholds in 2024 (the "Eagle Ford Divestiture"). Upon signing, Ridgemar paid approximately $49.1 million as a deposit into a third-party escrow account. The transaction is structured as the acquisition by Ridgemar of 100% of the limited liability company interests of the Company's wholly owned subsidiary, Callon (Eagle Ford) LLC.

On July 3, 2023, the Company closed the Eagle Ford Divestiture for cash consideration of approximately $551.0 million, inclusive of the deposit paid at signing, subject to customary post-closing purchase price adjustments.

As of June 30, 2023, the assets held for sale and the liabilities associated with assets held for sale in the consolidated balance sheets are in connection with the Eagle Ford Divestiture. In May 2023, the Company ceased depreciation on the assets associated with the Eagle Ford Divestiture. As a result of the classification of assets held for sale, an impairment of $406.9 million was recorded against the properties associated with the Eagle Ford Divestiture as the fair value less cost to sell was less than the carrying amount of the net assets. The assets held for sale as of June 30, 2023 were $606.6 million, comprised of approximately $575.1 million of total oil and natural gas properties, net and $31.5 million of other assets. The liabilities associated with assets held for sale as of June 30, 2023 were $71.1 million, comprised of approximately $24.0 million of asset retirement obligations and $47.1 million of other liabilities.

Percussion Acquisition

On May 3, 2023, the Company entered into an agreement (the "Percussion Agreement") with Percussion Petroleum Management II, LLC ("Percussion") for the purchase of its oil and gas properties in the Delaware Basin (the "Percussion Acquisition") for consideration of $475.0 million, which consisted of $255.0 million in cash, inclusive of the repayment of Percussion's indebtedness of approximately $220.0 million, and $210.0 million of shares of the Company's common stock, subject to customary purchase price adjustments. Additionally, the Company would assume Percussion Target's (as defined below) existing hedges and transportation contract liabilities, and could have to pay up to $62.5 million of contingent consideration if the WTI price of oil exceeds certain thresholds in 2023, 2024, and 2025. Upon signing, the Company paid $36.0 million as a deposit into a third-party escrow account. The transaction is structured as the acquisition by Callon Petroleum Operating Company of 100% of the limited liability company interests of Percussion's wholly owned subsidiary, Percussion Petroleum Operating II, LLC ("Percussion Target").

On July 3, 2023, the Company closed the Percussion Acquisition for consideration of approximately $458.6 million, which consisted of $248.6 million in cash, inclusive of the repayment of Percussion Target's indebtedness of approximately $220.0 million as well as the deposit paid at signing, and approximately 6.3 million shares of the Company's common stock, subject to customary post-closing purchase price adjustments. The Company funded the cash portion of the total consideration with proceeds from the Eagle Ford Divestiture. Immediately after the closing, Percussion Target was renamed Callon Permian II, LLC.

The Percussion Acquisition will be accounted for as a business combination. The Company has not completed its initial allocation of the purchase price to the assets acquired and liabilities assumed based on their estimated acquisition date fair values. The Company will disclose the preliminary allocation of the purchase price as well as other related business combination disclosures in its Quarterly Report on Form 10-Q for the three months ended September 30, 2023.

Note 6 — Property and Equipment, Net

As of June 30, 2023 and December 31, 2022, total property and equipment, net consisted of the following:

	June 30, 2023	December 31, 2022*
Oil and natural gas properties, successful efforts accounting method	**(In thousands)**	
Proved properties	$8,507,689	$9,268,135
Accumulated depreciation, depletion, amortization and impairments	(4,291,048)	(4,416,606)
Proved properties, net	4,216,641	4,851,529
Unproved properties	1,203,168	1,225,768
Total oil and natural gas properties, net	**$5,419,809**	**$6,077,297**
Other property and equipment	$40,104	$40,530
Accumulated depreciation	(13,508)	(14,378)
Other property and equipment, net	**$26,596**	**$26,152**

* Financial information for the prior period has been recast to reflect retrospective application of the successful efforts method of accounting. See "Note 2 - Summary of Significant Accounting Policies" for additional information.

Note 7 — Earnings Per Share

Basic earnings (loss) per share is computed by dividing net income (loss) by the weighted average number of shares outstanding for the periods presented. The calculation of diluted earnings per share includes the potential dilutive impact of non-vested restricted stock units outstanding during the periods presented, as calculated using the treasury stock method, unless their effect is anti-dilutive. For the three months ended June 30, 2023, the Company reported a net loss. As a result, the calculation of diluted weighted average common shares outstanding excluded all potentially dilutive common shares outstanding.

The following table sets forth the computation of basic and diluted earnings per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022*	2023	2022*
	(In thousands, except per share amounts)			
Net Income (Loss)	**($107,896)**	**$303,251**	**$112,742**	**$295,536**
Basic weighted average common shares outstanding	61,856	61,679	61,741	61,583
Dilutive impact of restricted stock units	—	230	198	373
Diluted weighted average common shares outstanding	**61,856**	**61,909**	**61,939**	**61,956**
Net Income (Loss) Per Common Share				
Basic	($1.74)	$4.92	$1.83	$4.80
Diluted	($1.74)	$4.90	$1.82	$4.77
Restricted stock units (1)	807	26	91	12
Warrants (1)	481	345	481	336

* Financial information for the prior period has been recast to reflect retrospective application of the successful efforts method of accounting. See "Note 2 - Summary of Significant Accounting Policies" for additional information.

(1) Shares excluded from the diluted earnings per share calculation because their effect would be anti-dilutive.

Note 8 — Borrowings

The Company's borrowings consisted of the following:

	June 30, 2023	December 31, 2022
	(In thousands)	
8.25% Senior Notes due 2025 (1)	$187,238	$187,238
6.375% Senior Notes due 2026	320,783	320,783
Senior Secured Revolving Credit Facility due 2027	528,000	503,000
8.0% Senior Notes due 2028	650,000	650,000
7.5% Senior Notes due 2030	600,000	600,000
Total principal outstanding	**2,286,021**	**2,261,021**
Unamortized premium on 8.25% Senior Notes	1,333	1,715
Unamortized deferred financing costs for Senior Notes	(19,238)	(21,441)
Total carrying value of borrowings (2)	**$2,268,116**	**$2,241,295**

(1) The Company redeemed all of the outstanding 8.25% Senior Notes due 2025 on August 2, 2023.

(2) Excludes unamortized deferred financing costs related to the Company's senior secured revolving credit facility of $15.4 million and $18.8 million as of June 30, 2023 and December 31, 2022, respectively, which are classified in "Deferred financing costs" in the consolidated balance sheets.

Senior Secured Revolving Credit Facility

The Company has a senior secured revolving credit facility with a syndicate of lenders (the "Credit Facility") that, as of June 30, 2023, had a maximum credit amount of $5.0 billion, a borrowing base of $2.0 billion and an elected commitment amount of $1.5 billion, with borrowings outstanding of $528.0 million at a weighted-average interest rate of 7.26%, and letters of credit outstanding of $16.4 million. The credit agreement governing the Credit Facility (the "Credit Agreement") provides for interest-only payments until October 19, 2027 when the Credit Agreement matures and any outstanding borrowings are due.

Borrowings outstanding under the Credit Agreement bear interest at the Company's option at either (i) a base rate for a base rate loan plus a margin between 0.75% to 1.75%, where the base rate is defined as the greatest of the prime rate, the federal funds rate plus 0.50%, and the SOFR plus 0.1% ("Adjusted SOFR") for a one month period plus 1.00%, or (ii) an Adjusted SOFR plus a margin between 1.75% to 2.75%. The Company also incurs commitment fees at rates ranging between 0.375% to 0.500% on the unused portion of lender commitments, which are included in "Interest expense" in the consolidated statements of operations.

The borrowing base under the Credit Agreement is subject to regular redeterminations in the spring and fall of each year, as well as special redeterminations described in the Credit Agreement, which in each case may reduce the amount of the borrowing base. On May 1, 2023, as part of the Company's spring 2023 redetermination, the borrowing base of $2.0 billion and elected commitment amount of $1.5 billion were reaffirmed.

Covenants

The Company's Credit Facility and the indentures governing the 8.25% Senior Notes due 2025, the 6.375% Senior Notes due 2026, the 8.0% Senior Notes due 2028, and the 7.5% Senior Notes due 2030 (collectively, the "Senior Notes") limit the Company and certain of its subsidiaries with respect to the amount of additional indebtedness, liens, dividends and other payments to shareholders, repurchases or redemptions of the Company's common stock, redemptions of senior notes, investments, acquisitions, mergers, asset dispositions, transactions with affiliates, hedging transactions and other matters, along with maintenance of certain financial ratios.

Under the Credit Agreement, the Company must maintain the following financial covenants determined as of the last day of the quarter: (1) a Leverage Ratio (as defined in the Credit Agreement) of no more than 3.50 to 1.00 and (2) a Current Ratio (as defined in the Credit Agreement) of not less than 1.00 to 1.00. The Company was in compliance with these covenants at June 30, 2023.

The Credit Agreement and indentures are subject to customary events of default. If an event of default occurs and is continuing, the holders or lenders may elect to accelerate amounts due (except in the case of a bankruptcy event of default, in which case such amounts will automatically become due and payable).

Note 9 — Derivative Instruments and Hedging Activities

Objectives and Strategies for Using Derivative Instruments

The Company is exposed to fluctuations in oil, natural gas and NGL prices received for its production. Consequently, the Company believes it is prudent to manage the variability in cash flows on a portion of its oil, natural gas and NGL production. The Company utilizes a mix of collars, swaps, put and call options, and basis differential swaps to manage fluctuations in cash flows resulting from changes in commodity prices. The Company does not use these instruments for speculative or trading purposes.

Counterparty Risk and Offsetting

The Company typically has numerous commodity derivative instruments outstanding with a counterparty that were executed at various dates, for various contract types, commodities and time periods. This often results in both commodity derivative asset and liability positions with that counterparty. The Company nets its commodity derivative instrument fair values executed with the same counterparty to a single asset or liability pursuant to International Swap Dealers Association Master Agreements, which provide for net settlement over the term of the contract and in the event of default or termination of the contract. In general, if a party to a derivative transaction incurs an event of default, as defined in the applicable agreement, the other party will have the right to demand the posting of collateral, demand a cash payment transfer or terminate the arrangement.

The Company strives to minimize its credit exposure to any individual counterparty and, as such, the Company has outstanding commodity derivative instruments with nine counterparties as of June 30, 2023. All of the counterparties to the Company's commodity derivative instruments are also lenders under the Company's Credit Facility. Therefore, each of the Company's counterparties allow the Company to satisfy any need for margin obligations associated with commodity derivative instruments where the Company is in a net liability position with the collateral securing the Credit Facility, thus eliminating the need for independent collateral posting.

Because each of the Company's counterparties has an investment grade credit rating, the Company believes it does not have significant credit risk and accordingly does not currently require its counterparties to post collateral to support the net asset positions of its commodity derivative instruments. Although the Company does not currently anticipate nonperformance from its counterparties, it continually monitors the credit ratings of each counterparty.

While the Company monitors counterparty creditworthiness on an ongoing basis, it cannot predict sudden changes in counterparties' creditworthiness. In addition, even if such changes are not sudden, the Company may be limited in its ability to mitigate an increase in counterparty credit risk. Should one of these counterparties not perform, the Company may not realize the benefit of some of its derivative instruments under lower commodity prices while continuing to be obligated under higher commodity price contracts subject to any right of offset under the agreements. Counterparty credit risk is considered when determining the fair value of a derivative instrument. See "Note 10 — Fair Value Measurements" for further discussion.

Financial Statement Presentation and Settlements

The Company records its derivative instruments at fair value in the consolidated balance sheets and records changes in fair value, as well as settlements during the period, as "(Gain) loss on derivative contracts" in the consolidated statements of operations. The Company presents the fair value of derivative contracts on a net basis in the consolidated balance sheets as they are subject to master netting arrangements. The following presents the impact of this presentation to the Company's recognized assets and liabilities for the periods indicated:

	As of June 30, 2023		
	Presented without Effects of Netting	**Effects of Netting**	**As Presented with Effects of Netting**
		(In thousands)	
Derivative Assets			
Fair value of derivatives - current	$20,387	($5,427)	$14,960
Other assets, net	$—	$—	$—
Derivative Liabilities			
Fair value of derivatives - current	($6,933)	$5,427	($1,506)
Fair value of derivatives - non-current	($1,941)	$—	($1,941)

	As of December 31, 2022		
	Presented without Effects of Netting	**Effects of Netting**	**As Presented with Effects of Netting**
		(In thousands)	
Derivative Assets			
Fair value of derivatives - current	$51,984	($30,652)	$21,332
Other assets, net	$1,343	($889)	$454
Derivative Liabilities			
Fair value of derivatives - current	($46,849)	$30,652	($16,197)
Fair value of derivatives - non-current	($14,304)	$889	($13,415)

The components of "(Gain) loss on derivative contracts" are as follows for the respective periods:

	Three Months Ended June 30,		**Six Months Ended June 30,**	
	2023	**2022**	**2023**	**2022**
		(In thousands)		
(Gain) loss on oil derivatives	($12,937)	$75,910	($36,281)	$401,258
Loss on natural gas derivatives	6,996	5,738	4,695	33,919
Loss on NGL derivatives	—	—	—	4,771
(Gain) loss on derivative contracts	**($5,941)**	**$81,648**	**($31,586)**	**$439,948**

The components of "Cash received (paid) for commodity derivative settlements, net" and "Cash received (paid) for settlements of contingent consideration arrangements, net" are as follows for the respective periods:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
	(In thousands)			
Cash flows from operating activities				
Cash received (paid) on oil derivatives	$1,268	($162,334)	($6,130)	($257,687)
Cash received (paid) on natural gas derivatives	11,757	(21,808)	18,376	(26,452)
Cash paid on NGL derivatives	—	(2,255)	—	(3,783)
Cash received (paid) for commodity derivative settlements, net	$13,025	($186,397)	$12,246	($287,922)
Cash received for settlements of contingent consideration arrangements, net (1)	$—	$—	$—	$6,492
Cash flows from investing activities				
Cash paid for settlement of contingent consideration arrangement (1)	$—	$—	$—	($19,171)
Cash flows from financing activities				
Cash received for settlement of contingent consideration arrangement (1)	$—	$—	$—	$8,512

(1) See "Note 8 — Derivative Instruments and Hedging Activities" of the Notes to Consolidated Financial Statements in our 2022 Annual Report for discussion of the Company's contingent consideration arrangements.

Derivative Positions

Listed in the tables below are the outstanding oil and natural gas derivative contracts as of June 30, 2023:

Oil Contracts (WTI)	For the Remainder 2023	For the Full Year 2024
Swap Contracts		
Total volume (Bbls)	460,000	—
Weighted average price per Bbl	$82.10	$—
Collar Contracts		
Total volume (Bbls)	920,000	—
Weighted average price per Bbl		
Ceiling (short call)	$90.00	$—
Floor (long put)	$70.00	$—
Put Contracts		
Total volume (Bbls)	736,000	—
Weighted average price per Bbl	$70.00	$—

Natural Gas Contracts (Henry Hub)	For the Remainder 2023	For the Full Year 2024
Swap Contracts		
Total volume (MMBtu)	2,460,000	—
Weighted average price per MMBtu	$3.00	$—
Collar Contracts		
Total volume (MMBtu)	3,217,643	1,820,000
Weighted average price per MMBtu		
Ceiling (short call)	$5.58	$6.00
Floor (long put)	$3.43	$3.00
Natural Gas Contracts (Waha Basis Differential)		
Swap Contracts		
Total volume (MMBtu)	4,300,000	3,660,000
Weighted average price per MMBtu	($1.09)	($1.05)
Natural Gas Contracts (HSC Basis Differential)		
Swap Contracts		
Total volume (MMBtu)	5,520,000	14,640,000
Weighted average price per MMBtu	($0.29)	($0.42)

Note 10 — Fair Value Measurements

Accounting guidelines for measuring fair value establish a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy categorizes assets and liabilities measured at fair value into one of three different levels depending on the observability of the inputs employed in the measurement. The three levels are defined as follows:

Level 1 – Observable inputs such as quoted prices in active markets at the measurement date for identical, unrestricted assets or liabilities.

Level 2 – Other inputs that are observable directly or indirectly, such as quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 – Unobservable inputs for which there is little or no market data and for which the Company makes its own assumptions about how market participants would price the assets and liabilities.

Fair Value of Financial Instruments

Cash, Cash Equivalents, and Restricted Investments. The carrying amounts for these instruments approximate fair value due to the short-term nature or maturity of the instruments.

Debt. The carrying amount of borrowings outstanding under the Credit Facility approximates fair value as the borrowings bear interest at variable rates and are reflective of market rates. The following table presents the principal amounts of the Senior Notes with the fair values measured using quoted secondary market trading prices which are designated as Level 2 within the valuation hierarchy.

	June 30, 2023		December 31, 2022	
	Principal Amount	Fair Value	Principal Amount	Fair Value
	(In thousands)			
8.25% Senior Notes	$187,238	$186,952	$187,238	$186,719
6.375% Senior Notes	320,783	312,054	320,783	301,732
8.0% Senior Notes	650,000	643,000	650,000	616,935
7.5% Senior Notes	600,000	566,424	600,000	550,812
Total	**$1,758,021**	**$1,708,430**	**$1,758,021**	**$1,656,198**

Assets and Liabilities Measured at Fair Value on a Recurring Basis

Certain assets and liabilities are reported at fair value on a recurring basis in the consolidated balance sheets. The following methods and assumptions were used to estimate fair value:

Commodity Derivative Instruments. The fair value of commodity derivative instruments is derived using a third-party income approach valuation model that utilizes market-corroborated inputs that are observable over the term of the commodity derivative contract. The Company's fair value calculations also incorporate an estimate of the counterparties' default risk for commodity derivative assets and an estimate of the Company's default risk for commodity derivative liabilities. As the inputs in the model are substantially observable over the term of the commodity derivative contract and as there is a wide availability of quoted market prices for similar commodity derivative contracts, the Company designates its commodity derivative instruments as Level 2 within the fair value hierarchy. See "Note 9 — Derivative Instruments and Hedging Activities" for further discussion.

The following tables present the Company's assets and liabilities measured at fair value on a recurring basis as of June 30, 2023 and December 31, 2022:

	June 30, 2023		
	Level 1	**Level 2**	**Level 3**
		(In thousands)	
Commodity derivative assets	$—	$14,960	$—
Commodity derivative liabilities	$—	($3,447)	$—

	December 31, 2022		
	Level 1	**Level 2**	**Level 3**
		(In thousands)	
Commodity derivative assets	$—	$21,786	$—
Commodity derivative liabilities	$—	($29,612)	$—

There were no transfers between any of the fair value levels during any period presented.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Asset Retirement Obligations. The Company measures the fair value of asset retirement obligations as of the date a well begins drilling or when production equipment and facilities are installed using a discounted cash flow model based on inputs that are not observable in the market and that, therefore, are designated as Level 3 within the valuation hierarchy. Significant inputs to the fair value measurement of asset retirement obligations include estimates of the costs of plugging and abandoning oil and gas wells, removing production equipment and facilities, restoring the surface of the land as well as estimates of the economic lives of the oil and gas wells and future inflation rates.

Note 11 — Income Taxes

The Company provides for income taxes at the statutory rate of 21%. Reported income tax expense differs from the amount of income tax expense that would result from applying domestic federal statutory tax rates to pretax income. These differences primarily relate to non-deductible executive compensation expenses, restricted stock unit windfalls, changes in valuation allowances, and state income taxes.

For the three and six months ended June 30, 2023, the Company recognized income tax benefit of $156.2 million and $206.9 million, respectively, as a result of the release of the valuation allowance recorded against the Company's net deferred tax assets as discussed further below. For both the three and six months ended June 30, 2022, the Company recognized income tax expense of $3.2 million as a result of the full valuation allowance that was in place and the effect of state income taxes.

Deferred Tax Asset Valuation Allowance

Management monitors company-specific, oil and natural gas industry and worldwide economic factors and assesses the likelihood that the Company's net deferred tax assets will be utilized prior to their expiration. As previously disclosed in the Company's 2022 Annual Report, beginning in the second quarter of 2020 and through the fourth quarter of 2022, the Company maintained a valuation allowance against its net deferred tax assets. Considering all available evidence (both positive and negative), the Company concluded that it was more likely than not that the deferred tax assets would be realized and released the valuation allowance in the first quarter of 2023. This release resulted in a deferred income tax benefit of $152.9 million and $204.8 million for the three and six months ended June 30, 2023, respectively.

Note 12 — Share-Based Compensation

RSU Equity Awards

The following table summarizes activity for restricted stock units that may be settled in common stock (“RSU Equity Awards”) for the six months ended June 30, 2023:

	Six Months Ended June 30, 2023	
	RSU Equity Awards (In thousands)	Weighted Average Grant Date Fair Value
Unvested, beginning of the period	**800**	**$44.79**
Granted	502	$34.21
Vested	(367)	$39.87
Forfeited	(93)	$44.24
Unvested, end of the period	**842**	**$40.68**

Grant activity for the six months ended June 30, 2023 primarily consisted of RSU Equity Awards granted to executives and employees as part of the annual grant of long-term equity incentive awards with a weighted-average grant date fair value of $34.21.

The aggregate fair value of RSU Equity Awards that vested during the six months ended June 30, 2023 was $12.3 million. As of June 30, 2023, unrecognized compensation costs related to unvested RSU Equity Awards were $29.3 million and will be recognized over a weighted average period of 2.1 years.

Cash-Settled Awards

As of June 30, 2023 and December 31, 2022, the Company had a total liability of $3.3 million and $6.5 million, respectively, which, as of December 31, 2022, consisted of restricted stock unit awards that may be settled in cash (“Cash-Settled RSU Awards”) and stock appreciation rights to be settled in cash (“Cash SARs” and, collectively with the Cash-Settled RSU Awards, the “Cash-Settled Awards”). As of June 30, 2023, there were no Cash-Settled RSU Awards outstanding.

Share-Based Compensation Expense (Benefit), Net

Share-based compensation expense associated with the RSU Equity Awards and the Cash-Settled Awards is included in “General and administrative” in the consolidated statements of operations. The following table presents share-based compensation expense (benefit), net for the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022*	2023	2022*
	(In thousands)			
RSU Equity Awards	$4,081	$4,323	$7,707	$7,689
Cash-Settled Awards	(393)	(7,680)	(2,138)	(5,003)
Total share-based compensation expense (benefit), net	**$3,688**	**($3,357)**	**$5,569**	**$2,686**

* Financial information for the prior period has been recast to reflect retrospective application of the successful efforts method of accounting. See “Note 2 - Summary of Significant Accounting Policies” for additional information.

See “Note 10 — Share-Based Compensation” of the Notes to Consolidated Financial Statements in the 2022 Annual Report for details of the Company’s equity-based incentive plans.

Note 13 - Stockholders’ Equity

On May 2, 2023, the board of directors (the “Board”) of the Company approved a share repurchase program (the “Share Repurchase Program”), pursuant to which the Company is authorized to repurchase up to $300.0 million of its outstanding common stock through the second quarter of 2025, contingent upon the consummation of the Eagle Ford Divestiture and the Percussion Acquisition, both of which closed on July 3, 2023. Repurchases under the Share Repurchase Program may be made, from time to time, in amounts and at prices the Company deems appropriate and will be subject to a variety of factors, including the market price of the Company’s common stock, general market and economic conditions and applicable legal requirements. The Share Repurchase Program may be suspended, modified or discontinued by the Board at any time without prior notice.

Note 14 — Accounts Receivable, Net

	June 30, 2023	December 31, 2022
	(In thousands)	
Oil and natural gas receivables	$101,849	$174,107
Joint interest receivables	23,856	16,778
Other receivables	40,171	48,277
Total	165,876	239,162
Allowance for credit losses	(1,168)	(2,034)
Total accounts receivable, net	**$164,708**	**$237,128**

Note 15 — Accounts Payable and Accrued Liabilities

	June 30, 2023	December 31, 2022
	(In thousands)	
Accounts payable	$177,430	$191,133
Revenues and royalties payable	194,346	244,408
Accrued capital expenditures	93,203	58,395
Accrued interest	42,492	42,297
Total accounts payable and accrued liabilities	**$507,471**	**$536,233**

Note 16 — Supplemental Cash Flow

	Six Months Ended June 30,	
	2023	2022*
	(In thousands)	
Supplemental cash flow information:		
Interest paid	$88,097	$105,985
Income taxes paid [(1)]	4,477	—
Non-cash investing and financing activities:		
Change in accrued capital expenditures	$54,377	$56,213
Change in asset retirement costs	1,848	2,237

* Financial information for the prior period has been recast to reflect retrospective application of the successful efforts method of accounting. See "Note 2 - Summary of Significant Accounting Policies" for additional information.

(1) The Company did not pay or receive a refund for any federal income tax for the six months ended June 30, 2022. For the six months ended June 30, 2023 and 2022, the Company had net payments of $2.3 million and $0.2 million, respectively, for state income taxes.

Note 17 — Subsequent Events

Acquisition and Divestiture

On July 3, 2023, the Company closed the Percussion Acquisition and the Eagle Ford Divestiture. See "Note 5 — Acquisitions and Divestitures" for additional details.

As part of the Percussion Acquisition, the Company assumed all of Percussion Target's oil, natural gas, and NGL hedge contracts, which are presented in the following tables:

Oil Contracts (WTI)	For the Remainder 2023	For the Full Year 2024
Collar Contracts (Three-Way Collars)		
Total volume (Bbls)	1,034,556	3,963,023
Weighted average price per Bbl		
Ceiling (short call)	$70.20	$78.86
Floor (long put)	$55.00	$58.16
Floor (short put)	$45.00	$48.16
Collar Contracts (Two-Way Collars)		
Total volume (Bbls)	309,054	—
Weighted average price per Bbl		
Ceiling (short call)	$72.40	$—
Floor (long put)	$60.00	$—
CMA Roll Swap Contracts		
Total volume (Bbls)	1,512,363	—
Weighted average price per Bbl	$0.30	$—

Natural Gas Contracts (Henry Hub)	For the Remainder 2023	For the Full Year 2024
Collar Contracts		
Total volume (MMBtu)	555,755	6,778,555
Weighted average price per MMBtu		
Ceiling (short call)	$3.69	$3.33
Floor (long put)	$2.86	$3.00
Natural Gas Contracts (Waha Basis Differential)		
Swap Contracts		
Total volume (MMBtu)	1,840,000	3,660,000
Weighted average price per MMBtu	($1.94)	($1.07)

NGL Contracts (Mont Belvieu Natural Gasoline)	For the Remainder 2023	For the Full Year 2024
Swap Contracts		
Total volume (Bbls)	83,510	—
Weighted average price per Bbl	$56.31	$—
NGL Contracts (Mont Belvieu Propane)		
Swap Contracts		
Total volume (Bbls)	71,831	—
Weighted average price per Bbl	$31.37	$—
NGL Contracts (Mont Belvieu Purity Ethane)		
Swap Contracts		
Total volume (Bbls)	70,428	—
Weighted average price per Bbl	$9.66	$—
NGL Contracts (Mont Belvieu Normal Butane)		
Swap Contracts		
Total volume (Bbls)	64,606	72,105
Weighted average price per Bbl	$35.60	$33.18
NGL Contracts (Mont Belvieu Isobutane)		
Swap Contracts		
Total volume (Bbls)	21,141	23,462
Weighted average price per Bbl	$35.47	$33.18

Redemption of 8.25% Senior Notes

On July 3, 2023, the Company delivered a redemption notice with respect to all $187.2 million of its outstanding 8.25% Senior Notes due 2025 (the “2025 Notes”). The Company redeemed the 2025 Notes on August 2, 2023 using borrowings under the Company’s Credit Facility.

Special Note Regarding Forward-Looking Statements

This Form 10-Q includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements in this Form 10-Q by words such as “anticipate,” “project,” “intend,” “estimate,” “expect,” “believe,” “predict,” “budget,” “projection,” “goal,” “plan,” “forecast,” “target” or similar expressions.

All statements, other than statements of historical facts, included in this Form 10-Q that address activities, events or developments that we expect or anticipate will or may occur in the future are forward-looking statements. Without limiting the generality of the foregoing, forward-looking statements may include statements regarding the following (to the extent not historical):

- our oil and natural gas reserve quantities and the discounted present value of these reserves;
- the amount and nature of our capital expenditures;
- our future drilling and development plans and our potential drilling locations;
- the timing and amount of future capital and operating costs;
- production decline rates from our wells being greater than expected;
- commodity price risk management activities and the impact on our average realized prices;
- business strategies and plans of management;
- our ability to efficiently integrate recent acquisitions; and
- prospect development and property acquisitions.

We caution you that the forward-looking statements contained in this Form 10-Q are subject to all of the risks and uncertainties, many of which are beyond our control, incident to the exploration for and development, production and sale of oil and natural gas. We disclose these and other important factors that could cause our actual results to differ materially from our expectations under “Risk Factors” in Part I, Item 1A of our 2022 Annual Report. These factors include:

- the volatility of oil, natural gas and NGL prices or a prolonged period of low oil, natural gas or NGL prices;
- general economic conditions, including the availability of credit, access to existing lines of credit, inflation and rising interest rates;
- changes in the supply of and demand for oil and natural gas, including as a result of actions by, or disputes among, members of OPEC and other oil and natural gas producing countries, such as Russia, with respect to production levels or other matters related to the price of oil;
- the uncertainty of estimates of oil and natural gas reserves;
- impairments;
- the impact of competition;
- the availability and cost of drilling rigs, pressure pumping equipment and crews, other equipment, supplies, water, personnel and oil field services;
- our dependency on third-party service providers;
- restrictions on our ability to obtain, recycle and dispose of water;
- operating hazards inherent in the exploration for and production of oil and natural gas;
- difficulties encountered during the exploration for and production of oil and natural gas;
- physical risks arising from climate change;
- the potential impact of future drilling on production from existing wells;
- difficulties encountered in delivering oil and natural gas to commercial markets and the availability and capacity of gas processing facilities and pipelines and other transportation operations owned and operated by third parties;
- the uncertainty of our ability to attract capital and obtain financing on favorable terms;
- our ability to keep pace with technological developments in our industry;
- compliance with, or the effect of changes in, the extensive governmental regulations regarding the oil and natural gas business including those related to climate change and greenhouse gases;
- the impact of government regulation, including regulation of hydraulic fracturing and water disposal wells;
- climate-related transition risks, including evolving climate change legislation, fuel conservation measures, technological advances and negative shift in market perception towards the oil and natural gas industry, which could result in increased operating expenses and capital costs, financial risks and potential reduction in demand for oil and natural gas;
- any increase in severance or similar taxes;
- the financial impact of accounting regulations and critical accounting policies;
- the comparative cost of alternative fuels;
- credit risk relating to the risk of loss as a result of non-performance by our counterparties;
- cyberattacks on the Company or on systems and infrastructure used by the oil and natural gas industry;
- weather conditions; and
- risks associated with acquisitions, including the Percussion Acquisition.

Should one or more of these risks or uncertainties occur, or should underlying assumptions prove incorrect, our actual results and plans could differ materially from those expressed in any forward-looking statements. Additional risks or uncertainties that are not currently known to us, that we currently deem to be immaterial, or that could apply to any company could also materially adversely affect our business, financial condition, or future results. Any forward-looking statement speaks only as of the date of which such statement is made and the Company undertakes no obligation to correct or update any forward-looking statement, whether as a result of new information, future events or otherwise, except as required by applicable law.

In addition, we caution that reserve engineering is a process of estimating oil and natural gas accumulated underground and cannot be measured exactly. Accuracy of reserve estimates depend on a number of factors including data available at the point in time, engineering interpretation of the data, and assumptions used by the reserve engineers as it relates to price and cost estimates and recoverability. New results of drilling, testing, and production history may result in revisions of previous estimates and, if significant, would impact future development plans. As such, reserve estimates may differ from actual results of oil and natural gas quantities ultimately recovered.

Except as required by applicable law, all forward-looking statements attributable to us are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following management's discussion and analysis describes the principal factors affecting our results of operations, liquidity, capital resources and contractual cash obligations. This discussion should be read in conjunction with our consolidated financial statements and accompanying notes included under Part I, Item I, "Financial Statements" of this Form 10-Q, as well as our consolidated financial statements, accompanying notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our 2022 Annual Report.

Financial information for all prior periods has been recast to reflect the retrospective application of the successful efforts method of accounting, as discussed under "Note 2 — Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements in this Form 10-Q.

General

We are an independent oil and natural gas company focused on the acquisition, exploration and sustainable development of high-quality assets in the Permian Basin in West Texas. Our operating culture is centered on responsible development of hydrocarbon resources, safety and the environment, which we believe strengthens our operational performance. Our drilling activity is predominantly focused on the horizontal development of several prospective intervals in the Permian, including multiple layers of the Wolfcamp and Bone Springs formations and the Spraberry shale. We have assembled a decade-plus inventory of potential horizontal well locations and intend to add to this inventory through delineation drilling of emerging zones on our existing acreage and through the acquisition of additional locations through working interest acquisitions, leasing programs, acreage purchases, joint ventures and asset swaps.

Recent Developments and Overview

Share Repurchase Program

On May 2, 2023, the Board approved the Share Repurchase Program to repurchase up to $300.0 million of our outstanding common stock through the second quarter of 2025, contingent upon the consummation of the Eagle Ford Divestiture and the Percussion Acquisition, both of which closed on July 3, 2023.

Acquisition and Divestiture

On July 3, 2023, we closed the Percussion Acquisition for total consideration of approximately $458.6 million and the Eagle Ford Divestiture for cash consideration of approximately $551.0 million, both subject to customary post-closing purchase price adjustments. See "Note 5 — Acquisitions and Divestitures" for additional details.

Redemption of 2025 Notes

On July 3, 2023, we delivered a redemption notice with respect to all $187.2 million of our outstanding 2025 Notes and redeemed the 2025 Notes on August 2, 2023 using borrowings under our Credit Facility.

Second Quarter 2023 Highlights

- Operated drilling and turned in-line activity for the three months ended June 30, 2023 along with our drilled but uncompleted and producing wells as of June 30, 2023 are summarized in the table below.

	Three Months Ended June 30, 2023				As of June 30, 2023			
	Drilled		Turned In-Line		Drilled But Uncompleted		Producing	
Region	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Permian	24	21.9	29	26.9	19	17.4	798	702.1
Eagle Ford	6	3.7	3	2.4	6	3.7	607	543.6
Total	**30**	**25.6**	**32**	**29.3**	**25**	**21.1**	**1,405**	**1,245.7**

- Operational capital expenditures, exclusive of leasehold, for the second quarter of 2023 were $285.1 million, of which approximately 90% were in the Permian.
- Recorded a net loss for the three months ended June 30, 2023 of $107.9 million, or $1.74 per diluted share, compared to net income for the three months ended June 30, 2022 of $303.3 million, or $4.90 per diluted share. The variance between the periods was primarily due to a decrease in operating revenues in the second quarter of 2023 as a result of an approximate 41% decrease in the total average realized sales price and an impairment of oil and gas properties of $406.9 million, partially offset by a gain on derivative contracts of $5.9 million during the second quarter of 2023 compared to a loss of approximately $81.6 million during the second quarter of 2022, as well as income tax benefit of $156.2 million during the second quarter of 2023 due to the release of our deferred tax asset valuation allowance in 2023. Additionally, a loss on extinguishment of debt of $42.4 million was recorded during the second quarter of 2022.

Results of Operations

Production

	Three Months Ended				Six Months Ended June 30,			
	June 30, 2023	**March 31, 2023**	**Change**	**% Change**	**2023**	**2022**	**Change**	**% Change**
Total production								
Oil (MBbls)								
Permian	4,671	4,275	396	9 %	8,946	8,759	187	2 %
Eagle Ford	1,066	1,139	(73)	(6 %)	2,205	2,676	(471)	(18 %)
Total oil	5,737	5,414	323	6 %	11,151	11,435	(284)	(2 %)
Natural gas (MMcf)								
Permian	10,409	9,288	1,121	12 %	19,697	17,465	2,232	13 %
Eagle Ford	1,292	1,336	(44)	(3 %)	2,628	2,962	(334)	(11 %)
Total natural gas	11,701	10,624	1,077	10 %	22,325	20,427	1,898	9 %
NGLs (MBbls)								
Permian	1,816	1,572	244	16 %	3,388	3,077	311	10 %
Eagle Ford	229	222	7	3 %	451	484	(33)	(7 %)
Total NGLs	2,045	1,794	251	14 %	3,839	3,561	278	8 %
Total production (MBoe)								
Permian	8,222	7,395	827	11 %	15,617	14,747	870	6 %
Eagle Ford	1,510	1,584	(74)	(5 %)	3,094	3,654	(560)	(15 %)
Total barrels of oil equivalent	**9,732**	**8,979**	**753**	**8 %**	**18,711**	**18,401**	**310**	**2 %**
Total daily production (Boe/d)	**106,948**	**99,768**	**7,180**	**7 %**	**103,377**	**101,665**	**1,712**	**2 %**
Percent of total daily production								
Oil	59 %	60 %		(2 %)	60 %	62 %		(3 %)
Natural gas	20 %	20 %		— %	20 %	19 %		5 %
NGLs	21 %	20 %		5 %	20 %	19 %		5 %

The increase in production for both the three months ended June 30, 2023 and the six months ended June 30, 2023 compared to the three months ended March 31, 2023 and the six months ended June 30, 2022, respectively, was primarily due to new wells turned in-line during 2023, partially offset by normal production decline on existing wells.

Pricing

	Three Months Ended				Six Months Ended June 30,			
	June 30, 2023	March 31, 2023	Change	% Change	2023	2022	Change	% Change
Benchmark prices [1]								
WTI (per Bbl)	$73.75	$76.11	($2.36)	(3 %)	$74.92	$101.44	($26.52)	(26 %)
Henry Hub (per Mcf)	2.32	2.77	(0.45)	(16 %)	2.55	6.04	(3.49)	(58 %)
Average realized sales price (excluding impact of derivative settlements)								
Oil (per Bbl)								
Permian	$73.45	$75.55	($2.10)	(3 %)	$74.45	$102.45	($28.00)	(27 %)
Eagle Ford	73.80	76.02	(2.22)	(3 %)	74.95	103.03	(28.08)	(27 %)
Total oil	73.52	75.65	(2.13)	(3 %)	74.55	102.59	(28.04)	(27 %)
Natural gas (per Mcf)								
Permian	1.15	2.07	(0.92)	(44 %)	1.58	5.18	(3.60)	(69 %)
Eagle Ford	1.93	3.26	(1.33)	(41 %)	2.60	6.20	(3.60)	(58 %)
Total natural gas	1.23	2.22	(0.99)	(45 %)	1.70	5.33	(3.63)	(68 %)
NGL (per Bbl)								
Permian	20.14	24.56	(4.42)	(18 %)	22.19	40.67	(18.48)	(45 %)
Eagle Ford	17.72	21.41	(3.69)	(17 %)	19.54	37.18	(17.64)	(47 %)
Total NGLs	19.87	24.18	(4.31)	(18 %)	21.88	40.20	(18.32)	(46 %)
Total average realized sales price (per Boe)								
Permian	47.63	51.50	(3.87)	(8 %)	49.46	75.48	(26.02)	(34 %)
Eagle Ford	56.44	60.42	(3.98)	(7 %)	58.47	85.40	(26.93)	(32 %)
Total average realized sales price	**$49.00**	**$53.07**	**($4.07)**	**(8 %)**	**$50.95**	**$77.45**	**($26.50)**	**(34 %)**

(1) Reflects calendar average daily spot market prices.

Revenues

	Oil	Natural Gas	NGLs	Total
	(In thousands)			
Revenues for the three months ended March 31, 2023 [1]	**$409,556**	**$23,586**	**$43,370**	**$476,512**
Volume increase	24,441	2,391	6,068	32,900
Price decrease	(12,222)	(11,554)	(8,809)	(32,585)
Net increase (decrease)	12,219	(9,163)	(2,741)	315
Revenues for the three months ended June 30, 2023 [1]	**$421,775**	**$14,423**	**$40,629**	**$476,827**
Percent of total revenues	88 %	3 %	9 %	

(1) Excludes sales of oil and gas purchased from third parties and sold to our customers.

The increase in revenues for the three months ended June 30, 2023 compared to the three months ended March 31, 2023 was primarily due to a 7% increase in production, partially offset by an 8% decrease in the average realized sales price, which decreased to $49.00 per Boe from $53.07 per Boe, as shown above.

	Oil	Natural Gas	NGLs	Total
		(In thousands)		
Revenues for the six months ended June 30, 2022[(1)]	**$1,173,061**	**$108,889**	**$143,148**	**$1,425,098**
Volume increase (decrease)	(29,134)	10,118	11,175	(7,841)
Price decrease	(312,596)	(80,998)	(70,324)	(463,918)
Net decrease	(341,730)	(70,880)	(59,149)	(471,759)
Revenues for the six months ended June 30, 2023 [(1)]	**$831,331**	**$38,009**	**$83,999**	**$953,339**
Percent of total revenues	87 %	4 %	9 %	

(1) Excludes sales of oil and gas purchased from third parties and sold to our customers.

The decrease in revenues for the six months ended June 30, 2023 compared to the same period of 2022 was primarily due to a 34% decrease in the average realized sales price, which decreased to $50.95 per Boe from $77.45 per Boe, partially offset by a 2% increase in production, as shown above.

Operating Expenses

Lease Operating Expenses

	Three Months Ended							
		Per		Per	Total Change		Boe Change	
	June 30, 2023	Boe	March 31, 2023	Boe	$	%	$	%
	(In thousands, except per Boe and % amounts)							
Permian	$61,021	$7.42	$58,215	$7.87	$2,806	5 %	($0.45)	(6 %)
Eagle Ford	15,767	10.44	16,887	10.66	(1,120)	(7 %)	(0.22)	(2 %)
Lease operating	**$76,788**	**$7.89**	**$75,102**	**$8.36**	**$1,686**	**2 %**	**($0.47)**	**(6 %)**

	Six Months Ended June 30,							
		Per		Per	Total Change		Boe Change	
	2023	Boe	2022	Boe	$	%	$	%
	(In thousands, except per Boe and % amounts)							
Permian	$119,236	$7.64	$104,575	$7.09	$14,661	14 %	$0.55	8 %
Eagle Ford	32,654	10.55	35,693	9.77	(3,039)	(9 %)	0.78	8 %
Lease operating	**$151,890**	**$8.12**	**$140,268**	**$7.62**	**$11,622**	**8 %**	**$0.50**	**7 %**

The increase in lease operating expenses for the three months ended June 30, 2023 compared to the three months ended March 31, 2023 was primarily due to increases in certain operating costs such as saltwater disposal and repairs and maintenance. The decrease in lease operating expenses per Boe for the three months ended June 30, 2023 compared to the three months ended March 31, 2023 was primarily due to the distribution of fixed costs spread over higher production volumes.

The increase in lease operating expenses, as well as the increase in lease operating expenses per Boe, for the six months ended June 30, 2023 compared to the same period of 2022 was primarily due to increases in certain operating expenses such as fuel, power and saltwater disposal and overall cost inflation.

Production and Ad Valorem Taxes

	Three Months Ended							
	June 30, 2023	Per Boe	March 31, 2023	Per Boe	Total Change $	Total Change %	Boe Change $	Boe Change %
	(In thousands, except per Boe and % amounts)							
Permian	$19,739	$2.40	$25,397	$3.43	($5,658)	(22 %)	($1.03)	(30 %)
Eagle Ford	4,967	3.29	7,324	4.62	(2,357)	(32 %)	(1.33)	(29 %)
Production and ad valorem taxes	**$24,706**	**$2.54**	**$32,721**	**$3.64**	**($8,015)**	**(24 %)**	**($1.10)**	**(30 %)**
Percent of total revenues	5.2 %		6.9 %			(1.7 %)		

	Six Months Ended June 30,							
	2023	Per Boe	2022	Per Boe	Total Change $	Total Change %	Boe Change $	Boe Change %
	(In thousands, except per Boe and % amounts)							
Permian	$45,136	$2.89	$63,051	$4.28	($17,915)	(28 %)	($1.39)	(32 %)
Eagle Ford	12,291	3.97	19,500	5.34	(7,209)	(37 %)	(1.37)	(26 %)
Production and ad valorem taxes	**$57,427**	**$3.07**	**$82,551**	**$4.49**	**($25,124)**	**(30 %)**	**($1.42)**	**(32 %)**
Percent of total revenues	6.0 %		5.8 %			0.2 %		

The decrease in production and ad valorem taxes, as well as the decrease in production and ad valorem taxes as a percentage of total revenues, for the three months ended June 30, 2023 compared to the three months ended March 31, 2023 was primarily related to a decrease in ad valorem taxes due to lower estimated property tax valuations.

The decrease in production and ad valorem taxes for the six months ended June 30, 2023 compared to the same period of 2022 was primarily related to a 33% decrease in total revenues which decreased production taxes, partially offset by an increase in ad valorem taxes due to higher expected property tax valuations as a result of higher commodity prices during 2022 compared to 2021. The increase in production and ad valorem taxes as a percentage of total revenues for the six months ended June 30, 2023 compared to the same period of 2022 was primarily due to an increase in ad valorem taxes during the six months ended June 30, 2023, as discussed above, with a decrease in total revenues during the six months ended June 30, 2023.

Gathering, Transportation and Processing Expenses

	Three Months Ended							
	June 30, 2023	Per Boe	March 31, 2023	Per Boe	Total Change $	Total Change %	Boe Change $	Boe Change %
	(In thousands, except per Boe and % amounts)							
Permian	$24,407	$2.97	$22,707	$3.07	$1,700	7 %	($0.10)	(3 %)
Eagle Ford	2,931	1.94	3,270	2.06	(339)	(10 %)	(0.12)	(6 %)
Gathering, transportation and processing	**$27,338**	**$2.81**	**$25,977**	**$2.89**	**$1,361**	**5 %**	**($0.08)**	**(3 %)**

	Six Months Ended June 30,							
	2023	Per Boe	2022	Per Boe	Total Change $	Total Change %	Boe Change $	Boe Change %
	(In thousands, except per Boe and % amounts)							
Permian	$47,114	$3.02	$37,016	$2.51	$10,098	27 %	$0.51	20 %
Eagle Ford	6,201	2.00	7,026	1.92	(825)	(12 %)	0.08	4 %
Gathering, transportation and processing	**$53,315**	**$2.85**	**$44,042**	**$2.39**	**$9,273**	**21 %**	**$0.46**	**19 %**

The increase in gathering, transportation and processing expenses for the three months ended June 30, 2023 compared to the three months ended March 31, 2023 was primarily related to the 7% increase in production volumes between the two periods.

The increase in gathering, transportation and processing expenses for the six months ended June 30, 2023 compared to the same period of 2022 was primarily related to a new gathering agreement put into place during the six months ended June 30, 2023.

Exploration Expenses

	Three Months Ended							
		Per		Per	Total Change		Boe Change	
	June 30, 2023	Boe	March 31, 2023	Boe	$	%	$	%
	(In thousands, except per Boe and % amounts)							
Exploration	$1,882	$0.19	$2,232	$0.25	($350)	(16 %)	($0.06)	(24 %)

	Six Months Ended June 30,							
		Per		Per	Total Change		Boe Change	
	2023	Boe	2022	Boe	$	%	$	%
	(In thousands, except per Boe and % amounts)							
Exploration	$4,114	$0.22	$4,295	$0.23	($181)	(4 %)	($0.01)	(4 %)

Depreciation, Depletion and Amortization ("DD&A"). The following table sets forth the components of our DD&A for the periods indicated:

	Three Months Ended				Six Months Ended June 30,			
	June 30, 2023		March 31, 2023		2023		2022	
	Amount	Per Boe	Amount	Per Boe	Amount	Per Boe	Amount	Per Boe
	(In thousands, except per Boe)							
DD&A of proved oil and gas properties	$125,394	$12.88	$123,489	$13.75	$248,883	$13.30	$225,374	$12.25
Depreciation of other property and equipment	352	0.04	390	0.04	742	0.04	908	0.05
Amortization of other assets	650	0.07	790	0.09	1,440	0.08	1,378	0.07
Accretion of asset retirement obligations	952	0.10	1,296	0.15	2,248	0.12	1,939	0.11
DD&A	**$127,348**	**$13.09**	**$125,965**	**$14.03**	**$253,313**	**$13.54**	**$229,599**	**$12.48**

The increase in DD&A for the three months ended June 30, 2023 compared to the three months ended March 31, 2023 was primarily attributable to a production increase of 7%, partially offset by the cessation of depreciation on the assets associated with the Eagle Ford Divestiture as a result of being classified as assets held for sale.

The increase in DD&A for the six months ended June 30, 2023 compared to the same period in 2022 was primarily attributable to higher proved oil and gas property balances as a result of the capital expenditures throughout 2022 and the six months ended June 30, 2023 and to a production increase of 2%, partially offset by the cessation of depreciation on the assets associated with the Eagle Ford Divestiture as a result of being classified as assets held for sale.

See "Note 5 — Acquisitions and Divestitures" for additional details regarding the Eagle Ford Divestiture.

General and Administrative ("G&A")

	Three Months Ended							
		Per		Per	Total Change		Boe Change	
	June 30, 2023	Boe	March 31, 2023	Boe	$	%	$	%
	(In thousands, except per Boe and % amounts)							
General and administrative	$29,768	$3.06	$27,798	$3.10	$1,970	7 %	($0.04)	(1 %)

	Six Months Ended June 30,							
		Per		Per	Total Change		Boe Change	
	2023	Boe	2022	Boe	$	%	$	%
	(In thousands, except per Boe and % amounts)							
General and administrative	$57,566	$3.08	$47,232	$2.57	$10,334	22 %	$0.51	20 %

The increase in G&A for the three months ended June 30, 2023 compared to the three months ended March 31, 2023 was primarily due to an increase in stock compensation expense.

The increase in G&A for the six months ended June 30, 2023 compared to the same period in 2022 was primarily due to an increase in employee-related costs as well as an increase in stock compensation expense between the two periods.

Impairment of Proved Oil and Gas Properties. We recognized an impairment of proved oil and gas properties for the three and six months ended June 30, 2023 of $406.9 million as the fair value less cost to sell was less than the carrying amount of the net assets associated with the Eagle Ford Divestiture that were classified as assets held for sale. We did not recognize an impairment of proved oil and gas properties for the three or six months ended June 30, 2022.

Other Income and Expenses

Interest Expense. The following table sets forth the components of our interest expense for the periods indicated:

	Three Months Ended			Six Months Ended June 30,		
	June 30, 2023	**March 31, 2023**	**Change**	**2023**	**2022**	**Change**
			(In thousands)			
Interest expense on Senior Notes	$33,224	$33,224	$—	$66,448	$58,246	$8,202
Interest expense on second lien notes	—	—	—	—	13,825	(13,825)
Interest expense on Credit Facility	11,397	10,447	950	21,844	14,864	6,980
Amortization of debt issuance costs, premiums and discounts	2,615	2,631	(16)	5,246	7,121	(1,875)
Other interest expense	3	4	(1)	7	35	(28)
Interest expense	**$47,239**	**$46,306**	**$933**	**$93,545**	**$94,091**	**($546)**

Interest expense for the three months ended June 30, 2023 was $47.2 million, slightly higher than the three months ended March 31, 2023 as a result of increases in interest rates associated with our outstanding borrowings under the Credit Facility.

Interest expense for the six months ended June 30, 2023 was $93.5 million, slightly lower than the six months ended June 30, 2022 as a result of the redemption of our 9.0% second lien notes in June 2022, partially offset by an increase in interest expense due to the issuance of our 7.5% Senior Notes in June 2022 as well as increases in interest rates associated with our outstanding borrowings under the Credit Facility.

(Gain) Loss on Derivative Contracts. The net (gain) loss on derivative contracts for the periods indicated includes the following:

	Three Months Ended		Six Months Ended June 30,	
	June 30, 2023	**March 31, 2023**	**2023**	**2022**
		(In thousands)		
(Gain) loss on oil derivatives	($12,937)	($23,344)	($36,281)	$401,258
(Gain) loss on natural gas derivatives	6,996	(2,301)	4,695	33,919
Loss on NGL derivatives	—	—	—	4,771
(Gain) loss on derivative contracts	**($5,941)**	**($25,645)**	**($31,586)**	**$439,948**

See “Note 9 — Derivative Instruments and Hedging Activities” and “Note 10 — Fair Value Measurements” for additional information.

Income Tax Expense. We recorded income tax benefit of $156.2 million and $206.9 million for the three and six months ended June 30, 2023, respectively, compared to income tax expense of $3.2 million for both the three and six months ended June 30, 2022. The income tax benefit for the three and six months ended June 30, 2023 is a result of releasing the valuation allowance that was in place against our net deferred tax assets. See “Note 11 — Income Taxes” for further discussion.

Liquidity and Capital Resources

Outlook. Oil prices continue to remain volatile as the daily NYMEX benchmark price for oil ranged between approximately $67 and $83 per barrel during the second quarter of 2023. While we saw a similar range during the first quarter of 2023, the average price for the second quarter of 2023 decreased approximately 3% as compared to the first quarter of 2023 and remained significantly below the average for 2022. Additionally, during the second quarter of 2023, the daily NYMEX benchmark price for natural gas dropped to $2.32 per mcf, a 16% decrease as compared to the first quarter of 2023 and over a 65% decrease from the average for 2022. We expect to continue to see volatility in oil prices, as well as natural gas and NGL prices.

2023 Capital Budget and Funding Strategy. Our primary uses of capital are for the exploration and development of our oil and natural gas properties, where our 2023 planned capital expenditures are $960.0 million to $980.0 million. Because we are the operator of a high percentage of our properties, we can control the well design and the development pace associated with our capital expenditures. We plan our capital expenditure program to achieve disciplined reinvestment rates to drive capital efficiency through an enhanced multi-zone, scaled development program.

We believe that existing cash and cash equivalents, cash flows from operations and available borrowings under our Credit Facility will be sufficient to support working capital, capital expenditures and other cash requirements for at least the next 12 months and, based on our current expectations, for the foreseeable future thereafter. Our future capital requirements, both near-term and long-term, will depend on many factors, including, but not limited to, commodity prices, market conditions, our available liquidity and financing, acquisitions and divestitures of oil and gas properties, the availability of drilling rigs and completion crews, the cost of completion services, success of drilling programs, land and industry partner issues, weather delays, the acquisition of leases with drilling commitments, and other factors.

Historically, our primary sources of capital have been cash flows from operations, borrowings under our credit facility, proceeds from the issuance of debt securities and public equity offerings, and asset dispositions. We regularly consider which resources, including cash flows from operations and debt and equity financings, are available to meet our future financial obligations, planned capital expenditures and liquidity requirements. In addition, we may consider divesting certain properties or assets that are not part of our core business or are no longer deemed essential to our future growth or enter into joint venture agreements, provided we are able to divest such assets or enter into joint venture agreements on terms that are acceptable to us.

Depending upon our actual and anticipated sources and uses of liquidity, prevailing market conditions and other factors, we may, from time to time, seek to retire or repurchase our outstanding debt or equity securities through cash purchases in the open market or through privately negotiated transactions or otherwise. The amounts involved in any such transactions, individually or in aggregate, may be material. See "Note 13 — Stockholders' Equity" for information regarding our Share Repurchase Program.

Overview of Cash Flow Activities. Cash and cash equivalents was \$3.7 million and \$3.4 million as of June 30, 2023 and December 31, 2022, respectively.

	Six Months Ended June 30,	
	2023	**2022**
	(In thousands)	
Net cash provided by operating activities	\$527,435	\$583,906
Net cash used in investing activities	(548,572)	(366,067)
Net cash provided by (used in) financing activities	21,392	(221,621)
Net change in cash and cash equivalents	**\$255**	**(\$3,782)**

Operating Activities. For the six months ended June 30, 2023, net cash provided by operating activities was \$527.4 million compared to \$583.9 million for the same period in 2022. The change in net cash provided by operating activities was predominantly attributable to the following:

- A decrease in revenue primarily driven by a 34% decrease in total average realized sales price, partially offset by a 2% increase in production volumes, largely offset by
- A decrease in the cash paid for commodity derivative settlements, and
- An increase in cash inflows of \$117.9 million related to timing of working capital payments and receipts.

Production, realized prices, and operating expenses are discussed in Results of Operations. See "Note 9 — Derivative Instruments and Hedging Activities" and "Note 10 — Fair Value Measurements" for a reconciliation of the components of our derivative contracts and disclosures related to derivative instruments including their composition and valuation.

Investing Activities. For the six months ended June 30, 2023, net cash used in investing activities was \$548.6 million compared to \$366.1 million for the same period in 2022. The increase in net cash used in investing activities was primarily attributable to an increase in operational capital expenditures and a deposit paid for the Percussion Acquisition, partially offset by a decrease in cash paid for the settlement of contingent consideration agreements.

Financing Activities. We finance a portion of our capital expenditures, acquisitions and working capital requirements with borrowings under our Credit Facility, term debt and equity offerings. For the six months ended June 30, 2023, net cash provided by financing activities was \$21.4 million compared to net cash used in financing activities of \$221.6 million for the same period of 2022. The change was primarily attributable to the redemptions of the 6.125% Senior Notes and Second Lien Notes, partially offset by the issuance of the 7.50% Senior Notes during the six months ended June 30, 2022.

Credit Facility. As of June 30, 2023, our Credit Facility had a maximum credit amount of \$5.0 billion, a borrowing base of \$2.0 billion and an elected commitment amount of \$1.5 billion, with borrowings outstanding of \$528.0 million at a weighted average interest rate of 7.26%, and \$16.4 million in letters of credit outstanding. See "Note 8 — Borrowings" for additional information related to the Credit Facility.

Material Cash Requirements. As of June 30, 2023, we have financial obligations associated with our outstanding long-term debt, including interest payments and principal repayments. See "Note 7 — Borrowings" of the Notes to Consolidated Financial Statements in our 2022 Annual Report for further discussion of the contractual commitments under our debt agreements, including the timing of principal repayments. Additionally, we have operational obligations associated with long-term, non-cancelable leases, drilling rig contracts, frac service contracts, gathering, processing and transportation service agreements and estimates of future asset retirement obligations. See "Note 14 — Asset Retirement Obligations" and "Note 17 — Commitments and Contingencies" of the Notes to Consolidated Financial Statements in our 2022 Annual Report for additional details.

On May 3, 2023, we entered into the Percussion Agreement, pursuant to which we agreed to acquire Percussion's oil and gas properties in the Delaware Basin for consideration of $475.0 million, which consisted of $255.0 million in cash, inclusive of the repayment of Percussion's indebtedness of approximately $220.0 million, and $210.0 million of shares of our common stock, subject to customary purchase price adjustments. Additionally, we would assume Percussion Target's existing hedges and transportation contract liabilities, and could have to pay up to $62.5 million of contingent consideration if the WTI price of oil exceeds certain thresholds in 2023, 2024, and 2025. On July 3, 2023, we completed the Percussion Acquisition for a purchase price of approximately $248.6 million in cash (inclusive of the repayment of Percussion Target's indebtedness of approximately $220.0 million) and approximately 6.3 million shares of our common stock, subject to post-closing adjustments. We funded the cash portion of the purchase price with a portion of the proceeds from the Eagle Ford Divestiture. We received approximately $551.0 million in cash upon consummation of the Eagle Ford Divestiture on July 3, 2023.

Since December 31, 2022, except as disclosed above, there have been no material changes from what was disclosed in our 2022 Annual Report other than changes to the borrowings under our Credit Facility. See "Note 8 — Borrowings" for additional information.

Critical Accounting Estimates

The preparation of financial statements in conformity with GAAP requires management to make judgments affecting estimates and assumptions for reported amounts of assets, liabilities, revenues and expenses during the periods reported. Certain of such estimates and assumptions are inherently unpredictable and will differ from actual results. Our policies and use of estimates are described in "Note 2 — Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements in our 2022 Annual Report. Except as discussed below and in "Note 2 — Summary of Significant Accounting Policies," of the Notes to Consolidated Financial Statements in this Form 10-Q, there have been no material changes to our critical accounting estimates since December 31, 2022, which are disclosed in "Part II, Item 7A. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2022 Annual Report.

Recast Financial Information for Change in Accounting Principle

In the first quarter of 2023, we voluntarily changed our method of accounting for our oil and gas exploration and development activities from the full cost method to the successful efforts method of accounting. Accordingly, the financial information for prior periods has been recast to reflect retrospective application of the successful efforts method, as prescribed by the FASB ASC 932 "Extractive Activities — Oil and Gas." See "Note 2 — Summary of Significant Accounting Policies" and "Note 3 — Change in Accounting Principle" for additional discussion.

Impairment of Oil and Natural Gas Properties

We assess our proved oil and gas properties for impairment on an asset group basis whenever events and circumstances indicate that there could be a possible decline in the recoverability of the net book value of such property. We estimate the expected future net cash flows of our proved oil and gas properties and compare these undiscounted cash flows to the net book value of the proved oil and gas properties to determine if the net book value is recoverable. If the net book value exceeds the estimated undiscounted future net cash flows, we will recognize an impairment to reduce the net book value of the proved oil and gas properties to fair value. The factors used to determine fair value include, but are not limited to, estimates of reserves, future commodity prices, future production estimates, estimated future development costs and operating costs, and discount rates, which are based on a weighted average cost of capital. Fair value estimates are based on projected financial information which we believe to be reasonably likely to occur, as of the date that the impairment is measured. There were no impairments of proved oil and gas properties for the three or six months ended June 30, 2022. See "Note 5 — Acquisitions and Divestitures" for details of the impairment of $406.9 million recorded in the second quarter of 2023 associated with the assets held for sale classification resulting from the agreement to sell all of our interests of Callon (Eagle Ford) LLC to Ridgemar Energy Operating, LLC.

We evaluate significant unproved oil and gas property costs for impairment based on remaining lease term, drilling results, reservoir performance, seismic interpretation or changes in future plans to develop acreage. Unproved oil and gas properties that are not individually significant are aggregated by asset group, and the portion of such costs estimated to be nonproductive prior to lease expiration is amortized over the average holding period. The estimate of what could be nonproductive is based on our historical experience or other information, including current drilling plans and existing geological data.

Income Taxes

Management monitors company-specific, oil and natural gas industry and worldwide economic factors and assesses the likelihood that our net deferred tax assets will be utilized prior to their expiration. As previously disclosed in our 2022 Annual Report, beginning in the second quarter of 2020 and through the fourth quarter of 2022, we maintained a valuation allowance against our net deferred tax assets. Considering all available evidence (both positive and negative), we concluded that it is more likely than not that the deferred tax assets would be realized and released the valuation allowance in the first quarter of 2023. This release resulted in a deferred income tax benefit of $152.9 million and $204.8 million for the three and six months ended June 30, 2023, respectively. As a result of the release of the valuation allowance, we will have no federal deferred income tax expense for the remainder of 2023.

Recently Adopted and Recently Issued Accounting Standards

See "Note 2 — Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements in our 2022 Annual Report for discussion.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We are exposed to a variety of market risks including commodity price risk, interest rate risk and counterparty and customer credit risk. We mitigate these risks through a program of risk management including the use of commodity derivative instruments.

Except as set forth below, there have been no material changes to the sources and effects of our market risk since December 31, 2022, which are disclosed in "Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk" of our 2022 Annual Report.

Commodity Price Risk

Our revenues are derived from the sale of our oil, natural gas and NGL production. The prices for oil, natural gas and NGLs remain volatile and sometimes experience large fluctuations as a result of relatively small changes in supply, government actions, economic conditions, and weather conditions. We enter into commodity derivative instruments to manage oil, natural gas and NGL price risk, related both to NYMEX benchmark prices and regional basis differentials.

The following table sets forth the fair values of our commodity derivative instruments as of June 30, 2023 as well as the impact on the fair values assuming a 10% increase and decrease in the underlying forward oil and gas price curves as of June 30, 2023:

	Three Months Ended June 30, 2023		
	Oil	**Natural Gas**	**Total**
		(In thousands)	
Fair value asset (liability) as of June 30, 2023 [1]	$11,488	($5,363)	$6,125
Impact of a 10% increase in forward commodity prices	$3,996	($5,886)	($1,890)
Impact of a 10% decrease in forward commodity prices	$21,695	($4,789)	$16,906

(1) Spot prices for oil and natural gas were $70.69 and $2.80, respectively, as of June 30, 2023.

Interest Rate Risk

We are subject to market risk exposure related to changes in interest rates on our indebtedness under our Credit Facility. As of June 30, 2023, we had $528.0 million outstanding under the Credit Facility with a weighted average interest rate of 7.26%. An increase or decrease of 1.00% in the interest rate would have a corresponding increase or decrease in our annual interest expense of approximately $5.3 million, based on the balance outstanding as of June 30, 2023. See "Note 8 — Borrowings" for more information on our Credit Facility.

Item 4. Controls and Procedures

Disclosure Controls and Procedures. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Our management, with the participation of our principal executive and principal financial officers, performed an evaluation of the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on this evaluation, our principal executive and principal financial officers have concluded that the Company's disclosure controls and procedures were effective as of June 30, 2023.

Changes in Internal Control Over Financial Reporting. There were no changes in our internal controls over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the second quarter of 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information

Item 1. Legal Proceedings

We are a party in various legal proceedings and claims, which arise in the ordinary course of our business. While the outcome of these events cannot be predicted with certainty, we believe that the ultimate resolution of any such actions will not have a material effect on our financial position or results of operations.

As previously reported in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2022, in January 2022, we received a Notice of Violation from the United States Environmental Protection Agency (the "EPA") related to the Clean Air Act. To resolve the alleged violations, on June 9, 2023, we agreed to a Consent Agreement and Final Order (“CAFO”) with the EPA, which became effective June 20, 2023. The CAFO assessed a civil penalty in the amount of approximately $1.3 million and requires us to perform certain actions over the course of the next year, including facility reviews, additional monitoring, and the submission of a final letter report in June 2024. We have begun implementing the requirements of the CAFO. We believe that the settlement was in the best interests of the Company and its shareholders to avoid the uncertainty, risk, expense, and distraction of protracted litigation.

Item 1A. Risk Factors

There have been no material changes to the risk factors set forth under the heading “Part I, Item 1A. Risk Factors” included in our 2022 Annual Report. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or future results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Pursuant to the Percussion Agreement, on May 3, 2023, the Company agreed to issue $210.0 million in shares of the Company’s common stock (determined by reference to a price per share designated pursuant to the terms of the Percussion Agreement), subject to customary purchase price adjustments, as a portion of the total consideration for the Percussion Acquisition. On July 3, 2023, the Company completed the Percussion Acquisition and issued approximately 6.3 million shares of its common stock to Percussion as partial consideration for the Percussion Acquisition, subject to customary post-closing purchase price adjustments. The shares were issued in reliance upon the exemption from the registration requirements of the Securities Act provided by Section 4(a)(2) of the Securities Act as sales by an issuer not involving any public offering. The issuance of such shares did not involve a public offering for purposes of Section 4(a)(2) because of, among other things, its being made only to the seller in the Percussion Acquisition, such person’s status as an accredited investor and the manner of the issuance, including that the Company did not engage in general solicitation or advertising with regard to the issuance of such shares.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The following exhibits are filed as part of this Form 10-Q.

Exhibit Number		Description	Incorporated by reference (File No. 001-14039, unless otherwise indicated)		
			Form	Exhibit	Filing Date
2.1	(c)	Membership Interest Purchase Agreement by and among Percussion Petroleum Management II, LLC, Percussion Petroleum Operating II, LLC, Callon Petroleum Operating Company and Callon Petroleum Company dated May 3, 2023.	8-K	10.1	5/8/2023
2.2	(c)	Membership Interest Purchase Agreement by and among Callon Petroleum Operating Company, Callon (Eagle Ford) LLC and Ridgemar Energy Operating, LLC dated May 3, 2023.	8-K	10.2	5/8/2023
3.1		Certificate of Incorporation of the Company, as amended through May 12, 2016	10-Q	3.1	11/3/2016
3.2		Certificate of Amendment to the Certificate of Incorporation of Callon, effective December 20, 2019	8-K	3.1	12/20/2019
3.3		Certificate of Amendment to the Certificate of Incorporation of Callon, effective August 7, 2020	8-K	3.1	8/7/2020
3.4		Certificate of Amendment to the Certificate of Incorporation of Callon, effective May 14, 2021	8-K	3.1	5/14/2021
3.5		Certificate of Amendment to the Certificate of Incorporation of Callon, effective May 25, 2022	8-K	3.1	5/25/2022
3.6		Amended and Restated Bylaws of the Company	10-K	3.2	2/27/2019
4.1		Registration Rights Agreement by and between Callon Petroleum Company and Percussion Petroleum Management II, LLC, dated July 3, 2023	8-K	4.1	7/7/2023
4.2	(a)	Second Supplemental Indenture of 6.375% Senior Notes Due 2026, dated July 3, 2023, among Callon Petroleum Company, Callon Permian II, LLC and U.S. Bank Trust Company, National Association, as Trustee			
4.3	(a)	First Supplemental Indenture of 8.00% Senior Notes Due 2028, dated July 3, 2023, among Callon Petroleum Company, Callon Permian II, LLC and U.S. Bank Trust Company, National Association, as Trustee			
4.4	(a)	First Supplemental Indenture of 7.500% Senior Notes Due 2030, dated July 3, 2023, among Callon Petroleum Company, Callon Permian II, LLC and U.S. Bank Trust Company, National Association, as Trustee			
10.1	(a)(b)	Form of Callon Petroleum Company Market Stock Unit Award Agreement, adopted on April 26, 2023, under the 2020 Omnibus Incentive Plan			
31.1	(a)	Certification of Chief Executive Officer pursuant to Rule 13(a)-14(a)			
31.2	(a)	Certification of Chief Financial Officer pursuant to Rule 13(a)-14(a)			
32.1	(b)	Section 1350 Certifications of Chief Executive and Financial Officers pursuant to Rule 13(a)-14(b)			
101.INS	(a)	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.			
101.SCH	(a)	Inline XBRL Taxonomy Extension Schema Document			
101.CAL	(a)	Inline XBRL Taxonomy Extension Calculation Linkbase Document.			
101.DEF	(a)	Inline XBRL Taxonomy Extension Definition Linkbase Document.			
101.LAB	(a)	Inline XBRL Taxonomy Extension Label Linkbase Document.			
101.PRE	(a)	Inline XBRL Taxonomy Extension Presentation Linkbase Document.			
104	(a)	Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.			

(a) Filed herewith.

(b) Furnished herewith. Pursuant to SEC Release No. 33-8212, this certification will be treated as “accompanying” this report and not “filed” as part of such report for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of Section 18 of the Exchange Act, and this certification will not be deemed to be incorporated by reference into any filing under the Securities Act, except to the extent that the registrant specifically incorporates it by reference.

(c) Certain schedules and similar attachments have been omitted pursuant to Item 601(a)(5) of Regulation S-K. Callon agrees to furnish a supplemental copy of any omitted schedule or attachment to the SEC upon request.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Callon Petroleum Company

Signature	Title	Date
/s/ Joseph C. Gatto, Jr. Joseph C. Gatto, Jr.	President and Chief Executive Officer	August 2, 2023
/s/ Kevin Haggard Kevin Haggard	Senior Vice President and Chief Financial Officer	August 2, 2023

Exhibit 4.2

SECOND SUPPLEMENTAL INDENTURE

SECOND SUPPLEMENTAL INDENTURE (this “***Second Supplemental Indenture***”), dated as of July 3, 2023, among Callon Permian II, LLC, a Delaware limited liability company and subsidiary of Callon Petroleum Company, a Delaware corporation (the “***Company***,” and such subsidiary, the “***Guaranteeing Subsidiary***”), the Company and U.S. Bank Trust Company, National Association, as trustee under the Indenture referred to below (the “***Trustee***”).

W I T N E S S E T H

WHEREAS, the Company has heretofore executed and delivered to the Trustee an indenture (the “***Base Indenture***”), dated as of June 7, 2018, as supplemented by the first supplemental indenture, dated as of December 20, 2019 (the “***First Supplemental Indenture***” and, together with the Base Indenture, the “***Indenture***”), providing for the issuance of 6.375% Senior Notes due 2026 (the “***Notes***”);

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiary shall unconditionally Guarantee all of the Company’s Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the “***Note Guarantee***”); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Second Supplemental Indenture.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guaranteeing Subsidiary and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. AGREEMENT TO GUARANTEE. The Guaranteeing Subsidiary hereby agrees to provide an unconditional Guarantee on the terms and subject to the conditions set forth in the Note Guarantee and in the Indenture including but not limited to Article 10 thereof.

3. NO RECOURSE AGAINST OTHERS. No director, officer, employee, incorporator or stockholder or other owner of any Capital Stock of the Company or any Guarantor, as such, will have any liability for any obligations of the Company or the Guarantors under the Notes, the Indenture or the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

4. NEW YORK LAW TO GOVERN. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SECOND SUPPLEMENTAL INDENTURE.

5. COUNTERPARTS. The parties may sign any number of copies of this Second Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

7. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Second Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiary and the Company.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have caused this Second Supplemental Indenture to be duly executed and attested, all as of the date first above written.

CALLON PERMIAN II, LLC

By: /s/ Joseph C. Gatto, Jr.
Name: Joseph C. Gatto, Jr.
Title: President and Chief Executive Officer

CALLON PETROLEUM COMPANY

By: /s/ Joseph C. Gatto, Jr.
Name: Joseph C. Gatto, Jr.
Title: President and Chief Executive Officer

U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION
As Trustee

By: /s/ Michael K. Herberger
Name: Michael K. Herberger
Authorized Signatory

Exhibit 4.3

FIRST SUPPLEMENTAL INDENTURE

FIRST SUPPLEMENTAL INDENTURE (this "***Supplemental Indenture***"), dated as of July 4, 2023, among Callon Permian II, LLC, a Delaware limited liability company and subsidiary of Callon Petroleum Company, a Delaware corporation (the "***Company***," and such subsidiary, the "***Guaranteeing Subsidiary***"), the Company and U.S. Bank Trust Company, National Association, as trustee under the Indenture referred to below (the "***Trustee***").

W I T N E S S E T H

WHEREAS, the Company has heretofore executed and delivered to the Trustee an indenture (the "***Indenture***"), dated as of July 6, 2021 providing for the issuance of 8.00% Senior Notes due 2028 (the "***Notes***");

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiary shall unconditionally Guarantee all of the Company's Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the "***Note Guarantee***"); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guaranteeing Subsidiary and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. AGREEMENT TO GUARANTEE. The Guaranteeing Subsidiary hereby agrees to provide an unconditional Guarantee on the terms and subject to the conditions set forth in the Note Guarantee and in the Indenture including but not limited to Article 10 thereof.

3. NO RECOURSE AGAINST OTHERS. No director, officer, employee, incorporator or stockholder or other owner of any Capital Stock of the Company or any Guarantor, as such, will have any liability for any obligations of the Company or the Guarantors under the Notes, the Indenture or the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

4. NEW YORK LAW TO GOVERN. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE.

5. COUNTERPARTS. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

7. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiary and the Company.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

CALLON PERMIAN II, LLC

By: /s/ Joseph C. Gatto, Jr.
Name: Joseph C. Gatto, Jr.
Title: President and Chief Executive Officer

CALLON PETROLEUM COMPANY

By: /s/ Joseph C. Gatto, Jr.
Name: Joseph C. Gatto, Jr.
Title: President and Chief Executive Officer

U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION
As Trustee

By: /s/ Michael K. Herberger
Name: Michael K. Herberger
Authorized Signatory

FIRST SUPPLEMENTAL INDENTURE

FIRST SUPPLEMENTAL INDENTURE (this "***Supplemental Indenture***"), dated as of July 3, 2023, among Callon Permian II, LLC, a Delaware limited liability company and subsidiary of Callon Petroleum Company, a Delaware corporation (the "***Company***," and such subsidiary, the "***Guaranteeing Subsidiary***"), the Company and U.S. Bank Trust Company, National Association, as trustee under the Indenture referred to below (the "***Trustee***").

W I T N E S S E T H

WHEREAS, the Company has heretofore executed and delivered to the Trustee an indenture (the "***Indenture***"), dated as of June 24, 2022 providing for the issuance of 7.500% Senior Notes due 2030 (the "***Notes***");

WHEREAS, the Indenture provides that under certain circumstances the Guaranteeing Subsidiary shall execute and deliver to the Trustee a supplemental indenture pursuant to which the Guaranteeing Subsidiary shall unconditionally Guarantee all of the Company's Obligations under the Notes and the Indenture on the terms and conditions set forth herein (the "***Note Guarantee***"); and

WHEREAS, pursuant to Section 9.01 of the Indenture, the Trustee is authorized to execute and deliver this Supplemental Indenture.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which is hereby acknowledged, the Guaranteeing Subsidiary and the Trustee mutually covenant and agree for the equal and ratable benefit of the Holders as follows:

1. CAPITALIZED TERMS. Capitalized terms used herein without definition shall have the meanings assigned to them in the Indenture.

2. AGREEMENT TO GUARANTEE. The Guaranteeing Subsidiary hereby agrees to provide an unconditional Guarantee on the terms and subject to the conditions set forth in the Note Guarantee and in the Indenture including but not limited to Article 10 thereof.

3. NO RECOURSE AGAINST OTHERS. No director, officer, employee, incorporator or stockholder or other owner of any Capital Stock of the Company or any Guarantor, as such, will have any liability for any obligations of the Company or the Guarantors under the Notes, the Indenture or the Note Guarantees or for any claim based on, in respect of, or by reason of, such obligations or their creation. Each Holder of Notes by accepting a Note waives and releases all such liability. The waiver and release are part of the consideration for issuance of the Notes.

4. NEW YORK LAW TO GOVERN. THE LAW OF THE STATE OF NEW YORK SHALL GOVERN AND BE USED TO CONSTRUE THIS SUPPLEMENTAL INDENTURE.

5. COUNTERPARTS. The parties may sign any number of copies of this Supplemental Indenture. Each signed copy shall be an original, but all of them together represent the same agreement.

6. EFFECT OF HEADINGS. The Section headings herein are for convenience only and shall not affect the construction hereof.

7. THE TRUSTEE. The Trustee shall not be responsible in any manner whatsoever for or in respect of the validity or sufficiency of this Supplemental Indenture or for or in respect of the recitals contained herein, all of which recitals are made solely by the Guaranteeing Subsidiary and the Company.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Indenture to be duly executed and attested, all as of the date first above written.

CALLON PERMIAN II, LLC

By: /s/ Joseph C. Gatto, Jr.
Name: Joseph C. Gatto, Jr.
Title: President and Chief Executive Officer

CALLON PETROLEUM COMPANY

By: /s/ Joseph C. Gatto, Jr.
Name: Joseph C. Gatto, Jr.
Title: President and Chief Executive Officer

U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION
As Trustee

By: /s/ Michael K. Herberger
Name: Michael K. Herberger
Authorized Signatory

[*Signature Page to First Supplemental Indenture*]

MARKET STOCK UNIT AWARD AGREEMENT

CALLON PETROLEUM COMPANY
2020 OMNIBUS INCENTIVE PLAN

THIS AGREEMENT ("**Agreement**") is effective as of ___________________, by and between Callon Petroleum Company, a Delaware corporation (the "**Company**"), and ___________________ (the "**Grantee**").

The Company has adopted the Callon Petroleum Company 2020 Omnibus Incentive Plan (the "**Plan**"), which by this reference is made a part hereof, for the benefit of eligible employees, directors and independent contractors of the Company and its Subsidiaries. Capitalized terms used and not otherwise defined herein shall have the meaning ascribed thereto in the Plan.

Pursuant to the Plan, the Committee, which has generally been assigned responsibility for administering the Plan, has determined that it would be in the interest of the Company and its stockholders to grant the market stock units provided herein in order to provide the Grantee with additional remuneration for services rendered, to encourage the Grantee to remain in the employ of the Company or its Subsidiaries and to increase the Grantee's personal interest in the continued success and progress of the Company.

The Company and the Grantee therefore agree as follows:

1. **Grant of Market Stock Units**. Pursuant to the Plan and subject further to the terms and conditions herein, the Company and the Grantee enter into this Agreement pursuant to which the Grantee is hereby awarded an opportunity to earn a number of market-based restricted stock units at a target level of ___________________ (the "**Target Award**"). Each market-based restricted stock unit represents the right to receive one share of Common Stock, par value $0.01 per share (the "**Market Stock Units**"), subject to achievement of the vesting conditions set forth herein. The range of Market Stock Units which may be earned by the Grantee is ___________________% to ___________________% of the Target Award.

2. **Vesting of Market Stock Units**. Subject to the provisions of <u>Section 4</u>, the Market Stock Units shall vest, if at all, subject to satisfaction of <u>both</u> (x) time vesting requirement in <u>Section 2(a)</u> below and (y) the performance vesting condition in <u>Section 2(b)</u> below.

(a) *Time Vesting Requirement*. Subject to the provisions of <u>Section 4</u>, the Market Stock Units shall time vest only if the Grantee remains in continuous employment with the Company or any Subsidiary through the end of the Performance Period (the "**Time Vesting Requirement**"). For purposes of this Agreement, references to employment with the Company include employment with any successor to the Company as well as employment with any Subsidiary.

(b) *Performance Vesting Requirement*. Subject to the provisions of <u>Section 4</u>, the Market Stock Units shall performance vest based upon the Company's achievement of the performance metrics during the period beginning on ___________________ and ending on ___________________ (the "**Performance Period**"), as set forth in <u>Exhibit A</u> (the "**Performance Vesting Requirement**" and, together with the Time Vesting Requirement, the "**Vesting Requirements**" and any Market Stock Units that have satisfied the Vesting Requirements shall be referred to herein as "**Vested**").

3. **Settlement of Market Stock Units**. Subject to <u>Section 7</u>, each Market Stock Unit that becomes Vested shall be settled in a share of Common Stock that shall be delivered within forty-five (45) calendar days following the date on which any such Market Stock Unit becomes Vested.

4. **Termination of Employment; Forfeiture; Change in Control**. Except as set forth in this Section 4, upon the Grantee's termination of employment for any reason, any Market Stock Units that are not Vested as of the date of such termination of employment will be forfeited for no consideration.

(a) *Death and Disability*. Upon termination of the Grantee's employment with the Company as a result of the death or Disability of the Grantee, the Market Stock Units shall immediately vest assuming (x) the Market Stock Units shall be deemed to have satisfied the Time Vesting Requirement as of the date of such termination and (y) achievement of the Performance Vesting Requirement will be determined in accordance with Exhibit A, provided that, such calculation shall be made as if the last day of the Performance Period is the date of such termination. Any Market Stock Units that are not deemed Vested after giving effect to the immediately preceding sentence shall be forfeited for no consideration.

(b) *Change in Control*. Upon the consummation of a Change in Control, any Market Stock Units that are not Vested shall be converted into restricted stock units (the "**Converted RSUs**") (with the number of Converted RSUs to be determined based on the Performance Vesting Requirement in accordance with Exhibit A, provided that such calculation shall be made as if the last day of the Performance Period is the date of the Change in Control) that are subject to the Time Vesting Requirement that applied to the Market Stock Units. In the event of the Grantee's termination of employment by the Company for any reason other than Cause or by the Executive for Good Reason within the two-year period immediately following the effective date of a Change in Control, the Converted RSUs shall immediately vest in full as of such termination of employment.

(c) *Definitions*. For purposes of this Agreement, the following terms shall have the meanings set forth below.

(i) "**Cause**" is defined as: (i) the conviction of the Grantee by a court of competent jurisdiction as to which no further appeal can be taken of a crime involving moral turpitude or a felony or entering the plea of nolo contendere to such crime by the Grantee; (ii) the commission by the Grantee of a material act of fraud upon the Company, any Subsidiary or Affiliate; (iii) the material misappropriation by the Grantee of any funds or other property of the Company, any Subsidiary or Affiliate; (iv) the knowing engagement by the Grantee without the written approval of the Board, in any material activity which directly competes with the business of the Company, any Subsidiary or Affiliate, or which would directly result in material injury to the business or reputation of the Company or any Subsidiary or Affiliate; (v)(1) a material breach by the Grantee during the Grantee's employment with the Company of any of the restrictive covenants set out in the Grantee's employment agreement with the Company, if applicable, or (2) the willful and material nonperformance of the Grantee's duties to the Company or any Subsidiary or Affiliate (other than by reason of the Grantee's illness or incapacity), and, for purposes of this clause (v), no act or failure to act on the Grantee's part shall be deemed "willful" unless it is done or omitted by the Grantee not in good faith and without the Grantee's reasonable belief that such action or omission was in the best interest of the Company, (vi) any breach of the Grantee's fiduciary duties to the Company, including, without limitation, the duties of care, loyalty and obedience to the law; and (vii) the intentional failure of the Grantee to comply with the Company's Code of Business Conduct and Ethics, or to otherwise discharge the Grantee's duties in good faith and in a manner that the Grantee reasonably believes to be in the best interests of the Company, and with the care an ordinarily prudent person in a like position would exercise under similar circumstances.

(ii) "**Disability**" shall mean the physical or mental inability of the Grantee to carry out the normal and usual duties of the Grantee's position on a full-time basis for an entire period of six (6) continuous months together with the reasonable likelihood, as determined by the Committee, that the Grantee, upon the advice of a qualified physician, will be unable to carry out the normal and usual duties of the Grantee's position.

(iii) "**Good Reason**" shall have the meaning ascribed to such term in the Callon Executive Change in Control Severance Plan.

5. **Clawback Policy**. The Grantee hereby acknowledges and agrees that all rights with respect to the Market Stock Units are subject to the Company's Clawback Policy, as may be in effect from time to time. The Grantee further acknowledges and agrees that the Market Stock Units and any shares of Common Stock received with respect to the Market Stock Units are subject to recoupment pursuant to the terms of the Company Clawback Policy.

6. **No Ownership Rights Prior to Issuance of Shares of Common Stock; Dividend Equivalents**. Neither the Grantee nor any other person shall become the beneficial owner of the shares of Common Stock underlying the Market Stock Units, nor have any rights of a shareholder (including, without limitation, dividend and voting rights) with respect to any such shares of Common Stock, unless and until and after such shares of Common Stock have been delivered to the Grantee as described in Section 3. Notwithstanding the foregoing, prior to the vesting of the Market Stock Units, Dividend Equivalents shall be accrued, without interest, for the benefit of the Grantee. Dividend Equivalents shall be subject to the same vesting schedule as the underlying Market Stock Units, shall be payable with respect to the same number of Market Stock Units as are determined to be Vested pursuant to this Agreement and shall be payable in cash at the same time as any Market Stock Units are settled pursuant to Section 3.

7. **Mandatory Withholding of Taxes.** The Grantee acknowledges and agrees that the Company shall deduct from the shares of Common Stock otherwise deliverable a number of shares of Common Stock (valued at their Fair Market Value) on the applicable date that is equal to the amount of all federal, state and local taxes required to be withheld by the Company. In the event the Company, in its sole discretion, determines that the Grantee's tax obligations will not be satisfied under the method otherwise expressly described above and the Grantee does not provide payment to the Company in the form of shares of Common Stock (valued at their Fair Market Value) sufficient to satisfy any withholding obligations, then the Grantee, subject to compliance with the Company's insider trading policies, authorizes the Company or the Company's Stock Plan Administrator, currently Fidelity, to (i) sell a number of shares of Common Stock issued or outstanding pursuant to the Award, which number of shares of Common Stock the Company determines has at least the Fair Market Value sufficient to meet the tax withholding obligations, plus additional shares of Common Stock to account for rounding and market fluctuations and (ii) pay such tax withholding to the Company. The Grantee may elect to have the Company withhold or purchase, as applicable, from shares of Common Stock or cash that would otherwise payable or deliverable an amount of cash and/or number of shares of Common Stock (valued at their Fair Market Value) equal to the product of the maximum federal marginal rate that could be applicable to the Grantee and the Fair Market Value of the shares of Common Stock or cash otherwise payable or deliverable, as applicable.

8. **Restrictions Imposed by Law**. Without limiting the generality of Section 16 of the Plan, the Grantee agrees that the Company will not be obligated to deliver any shares of Common Stock if counsel to the Company determines that such delivery would violate any applicable law or any rule or regulation of any governmental authority or any rule or regulation of, or agreement of the Company with, any securities exchange or association upon which the Common Stock is listed or quoted. The Company shall in no event be obligated to take any affirmative action in order to cause the issuance or delivery of shares of Common Stock to comply with any such law, rule, regulation or agreement.

9. **Notice**. Unless the Company notifies the Grantee in writing of a different procedure, any notice or other communication to the Company with respect to this Agreement shall be in writing and shall be delivered personally or sent by first class mail, postage prepaid to the following address:

Callon Petroleum Company
2000 W. Sam Houston Parkway South, Suite 2000
Houston, Texas 77042
Attention: Human Resources

with a copy to:

Callon Petroleum Company
2000 W. Sam Houston Parkway South, Suite 2000
Houston, Texas 77042
Attention: Law Department

Any notice or other communication to the Grantee with respect to this Agreement shall be in writing and shall be delivered personally, and (i) shall be sent by first class mail, postage prepaid, to the Grantee's address as listed in the records of the Company, or (ii) shall be sent to the Grantee's e-mail address specified in the Company's records or e-mail address provided by the Grantee to the Company's Stock Plan Administrator.

10. **Grantee Employment**. Nothing contained in this Agreement, and no action of the Company or the Committee with respect hereto, shall confer or be construed to confer on the Grantee any right to continue in the employ of the Company or interfere in any way with the right of the Company to terminate the Grantee's employment at any time, with or without cause; subject, however, to the provisions of the Grantee's employment agreement, if applicable.

11. **Governing Law**. This Agreement shall be governed by, and construed in accordance with, the internal laws of the State of Delaware. Any suit, action or other legal proceeding arising out of this Agreement shall be brought in the United States District Court for the Southern District of Texas, Houston Division, or, if such court does not have jurisdiction or will not accept jurisdiction, in any court of general jurisdiction in Harris County, Texas. Each of the Grantee and the Company consents to the jurisdiction of any such court in any such suit, action, or proceeding and waives any objection that it may have to the laying of venue of any such suit, action, or proceeding in any such court.

12. **Construction**. References in this Agreement to "this Agreement" and the words "herein," "hereof," "hereunder" and similar terms include all exhibits and schedules appended hereto, including the Plan. This Agreement is entered into, and the Award evidenced hereby is granted, pursuant to the Plan and shall be governed by and construed in accordance with the Plan and the administrative interpretations adopted by the Committee thereunder. All decisions of the Committee upon questions regarding the Plan or this Agreement shall be conclusive. Unless otherwise expressly stated herein, in the event of any inconsistency between the terms of the Plan and this Agreement, the terms of the Plan shall control. The headings of the sections of this Agreement have been included for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms or provisions hereof.

13. **Code Section 409A**. Market Stock Units under this Agreement are designed to be exempt from or comply with Section 409A of the Code and the related Treasury Regulations thereunder and the provisions of this Agreement will be administered, interpreted and construed accordingly (or disregarded to the extent such provision cannot be so administered, interpreted, or construed). If the Grantee is identified by the Company as a "specified employee" within the meaning of Code Section 409A(a)(2)(B)(i) on the date on which the Grantee has a "separation from service" (other than due to death) within the meaning of Treasury Regulation § 1.409A-1(h), any amount payable or settled under this Agreement on account of a separation from service that is deferred compensation subject to Section 409A of the Code shall be paid or settled on the earliest of (1) the first business day following the expiration of six months from the Grantee's separation from service, (2) the date of the Grantee's death, or (3) such earlier date as complies with the requirements of Section 409A of the Code.

14. **Excise Taxes**. Notwithstanding anything to the contrary in this Agreement, if the Grantee is a "disqualified individual" (as defined in Code Section 280G(c)), and the payments and benefits provided for under this Agreement, together with any other payments and benefits which the Grantee has the right to receive from the Company or any of its affiliates or any party to a transaction with the Company or any of its affiliates, would constitute a "parachute payment" (as defined in Code Section 280G(b)(2)), then the payments and benefits provided for under this Agreement shall be either (a) reduced (but not below zero) so that the present value of such total amounts and benefits received by the Grantee from the Company and its affiliates will be one dollar ($1.00) less than three times the Grantee's "base amount" (as defined in Code Section 280G(b)(3)) and so that no portion of such amounts and benefits received by the Grantee shall be subject to the excise tax imposed by Code Section 4999 or (b) paid in full, whichever produces the better net after-tax position to the Grantee (taking into account any applicable excise tax under Code Section 4999 and any other applicable taxes). The reduction of payments and benefits hereunder, if applicable, shall be made by reducing payments or benefits to be paid hereunder in the order in which such payment or benefit would be paid or provided (beginning with such payment or benefit that would be made last in time and continuing, to the extent necessary, through to such payment or benefit that would be made first in time). The determination as to whether any such reduction in the amount of the payments and benefits provided hereunder is necessary shall be made by a nationally recognized accounting firm selected by the Company. If a reduced payment or benefit is made or provided, and through error or otherwise, that payment or benefit, when aggregated with other payments and benefits from the Company (or its affiliates) used in determining if a parachute payment exists, exceeds one dollar ($1.00) less than three times the Grantee's base amount, then the Grantee shall immediately repay such excess to the Company upon notification that an overpayment has been made.

15. **Grantee Acceptance**. The Grantee shall accept the terms and conditions of this Agreement through the online acceptance procedures set forth by the Company's Stock Plan Administrator. By electronically accepting this Agreement the Grantee acknowledges receipt of a copy of the Plan and hereby accepts this Award subject to all the terms and provisions hereof and thereof.

Exhibit A

Calculation of Performance Vesting for the Market Stock Units

[ ]

Exhibit 31.1

CERTIFICATIONS

I, Joseph C. Gatto, Jr., certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Callon Petroleum Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2023

/s/ Joseph C. Gatto, Jr.
Joseph C. Gatto, Jr.
President and Chief Executive Officer
(Principal executive officer)

Exhibit 31.2

CERTIFICATIONS

I, Kevin Haggard, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Callon Petroleum Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2023

/s/ Kevin Haggard
Kevin Haggard
Senior Vice President and Chief Financial Officer
(Principal financial officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350

In connection with the Quarterly Report on Form 10-Q of Callon Petroleum Company for the quarterly period ended June 30, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, in the capacities and on the dates indicated below, each hereby certify pursuant to 18 U.S.C. section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Report fully complies with requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date:	August 2, 2023	/s/ Joseph C. Gatto, Jr.
		Joseph C. Gatto, Jr.
		(Principal executive officer)
Date:	August 2, 2023	/s/ Kevin Haggard
		Kevin Haggard
		(Principal financial officer)

The foregoing certification is being furnished as an exhibit to the Report pursuant to Item 601(b)(32) of Regulation S-K and Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code) and, accordingly, is not being filed as part of the Report for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.