



# Operational Update And 2012 Capital Budget

February 16, 2012

# Forward-Looking Statements



This presentation contains projections and other forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These projections and statements reflect the Company's current views with respect to future events and financial performance as of this date. No assurances can be given, however, that these events will occur or that these projections will be achieved and actual results could differ materially from those projected as a result of certain factors. For a summary of events that may affect the accuracy of these projections and forward-looking statements, see "Risk Factors" in our Form 10-K filed with the Securities and Exchange Commission.

Cautionary Note to Investors: As of January 1, 2010, the SEC changed its rules to permit oil and gas companies, in their filings with the SEC, to disclose not only proved reserves, but also probable reserves and possible reserves. Proved oil and gas reserves are those quantities of oil and gas, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be economically producible—from a given date forward, from known reservoirs, and under existing economic conditions, operating methods, and government regulations—prior to the time at which contracts providing the right to operate expire. Probable reserves include those additional reserves that a company believes are as likely as not to be recovered and possible reserves include those additional reserves that are less certain to be recovered than probable reserves.

We use certain terms in this presentation, such as "reserve potential" and "EUR" that the SEC's guidelines strictly prohibit us from including in filings with the SEC. Investors are urged to consider closely the disclosure in our Form 10-K, available from us by contacting Investor Relations, Callon Petroleum Company, 200 N. Canal Street, Natchez, MS 39120.

You can also obtain our Form 10-K from the SEC by calling 1-800-SEC-0330 or by downloading it from the SEC's web site <http://www.sec.gov/>.



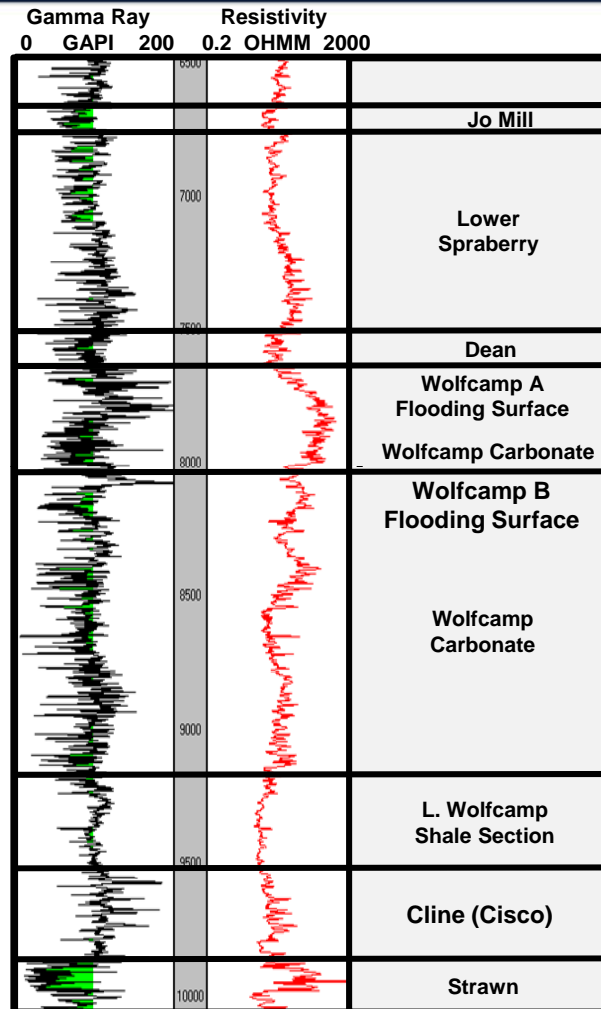
- Callon first entered the Permian Basin in 2009
- Part of strategic growth plan to diversify by reinvesting cash flow generated from high-margin, offshore assets into lower-risk onshore plays
- Built technical and operational team and assumed operatorship of properties
- Developed relationships in the region and secured services for an ongoing Wolfberry drilling campaign
- ***Foundation established for increased Permian scale and scope...***

# Permian Horizontal Drilling Program



## Horizontal Evolution

- Leverage existing assets
  - Legacy Midland Basin acreage
  - Extensive technical work
  - Operations and drilling expertise
- Continue to build new acreage
  - New 14,470 net acre position
  - Multiple target zones
- Driver of production growth
  - Higher production rates
  - Improved capital efficiency
- Disciplined strategy
  - 100% operated programs
  - “Fast-follower” in Wolfcamp B
  - Apply lessons to emerging plays
  - Redirect capital to horizontal wells



### Hz Wolfcamp B Play

Callon  
EOG  
El Paso  
Approach  
Pioneer  
Devon

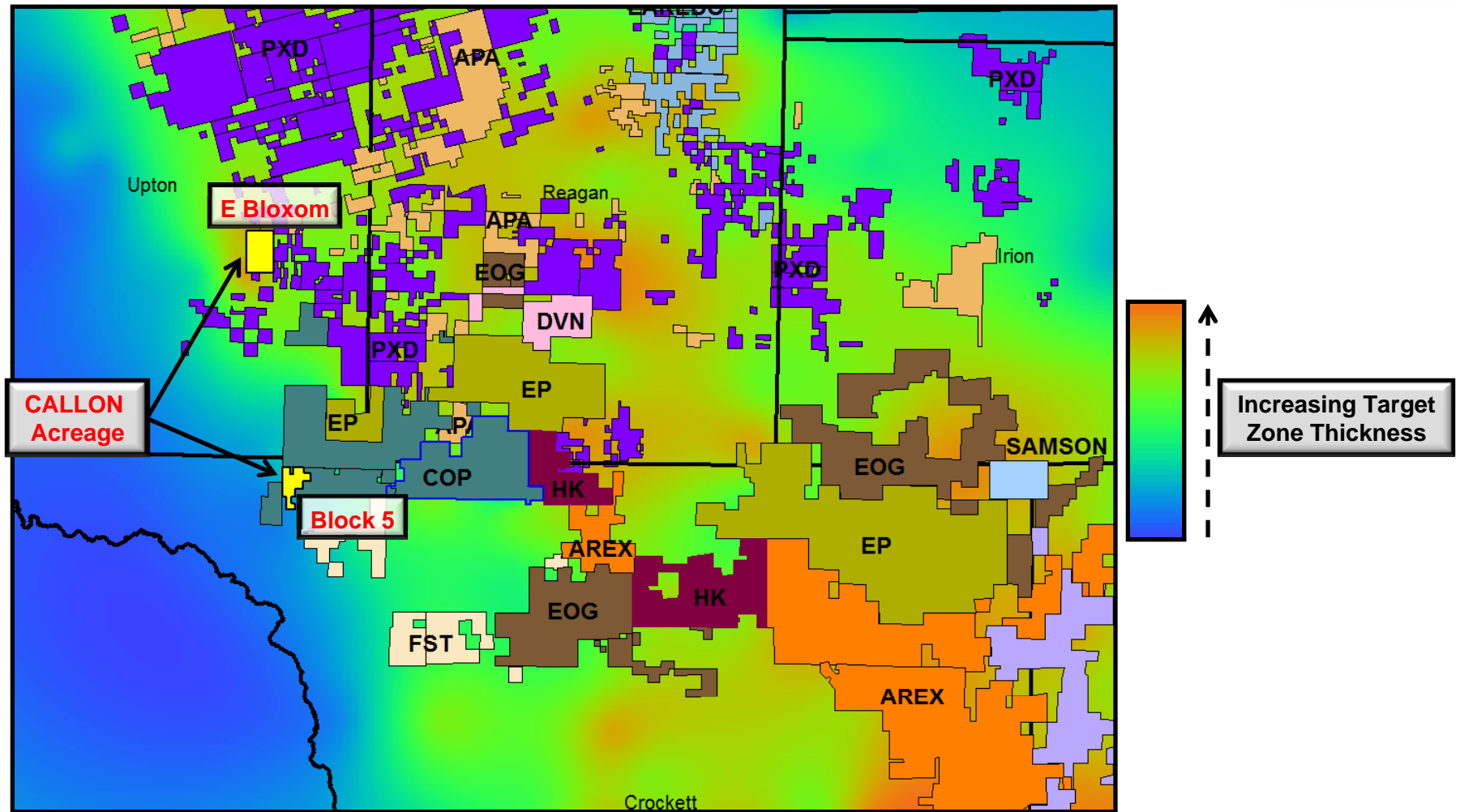
### Hz Cline Play

Callon  
Laredo  
Apache  
Concho  
Range

## Balanced Horizontal Program Focusing On Two Primary Plays

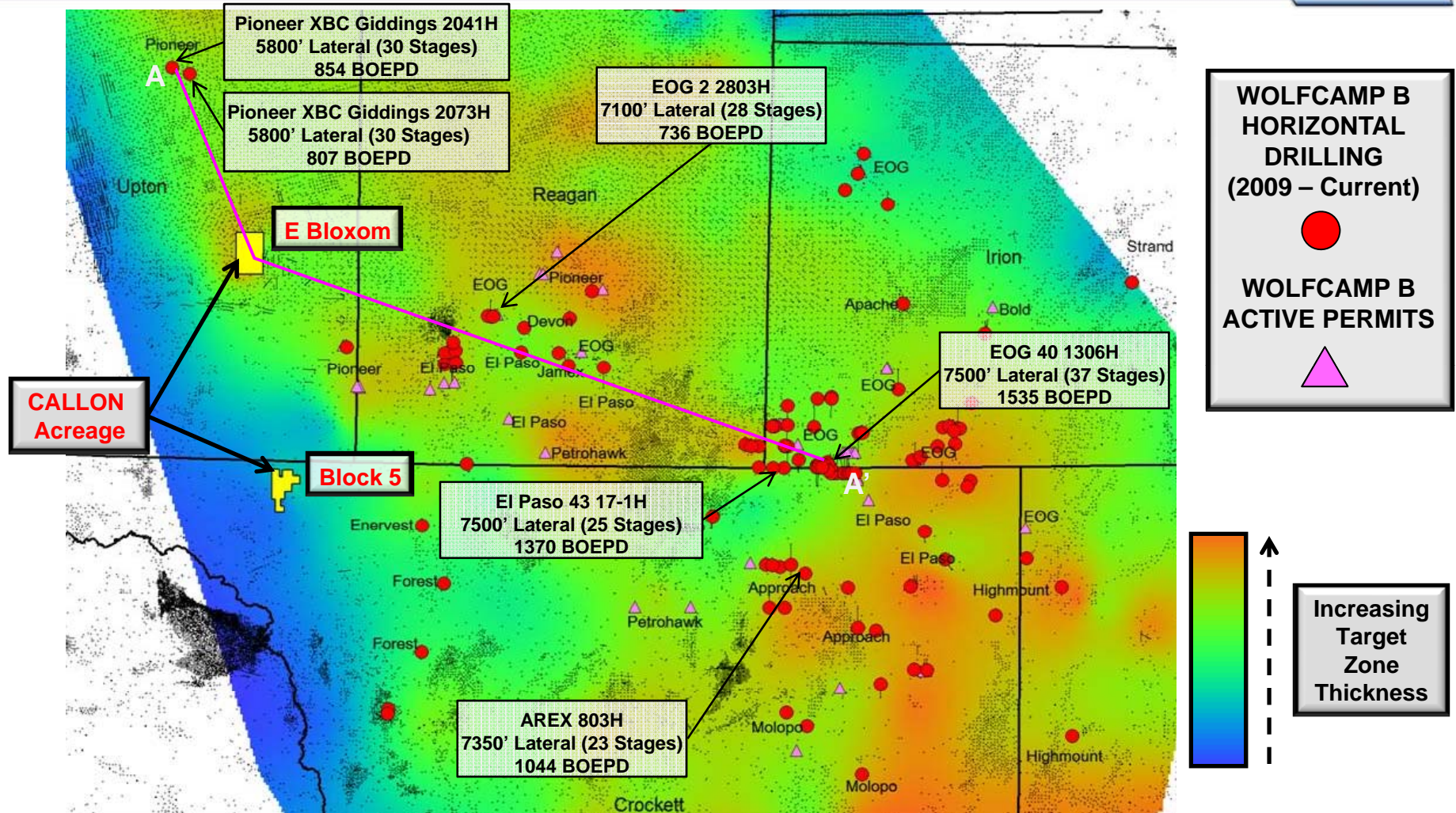
- Increasingly De-Risked Wolfcamp B In Southern Midland Basin
- Northern Midland Basin Acreage (14,470 Net Acres) With Cline Potential

# Callon Wolfcamp B Prospective Acreage



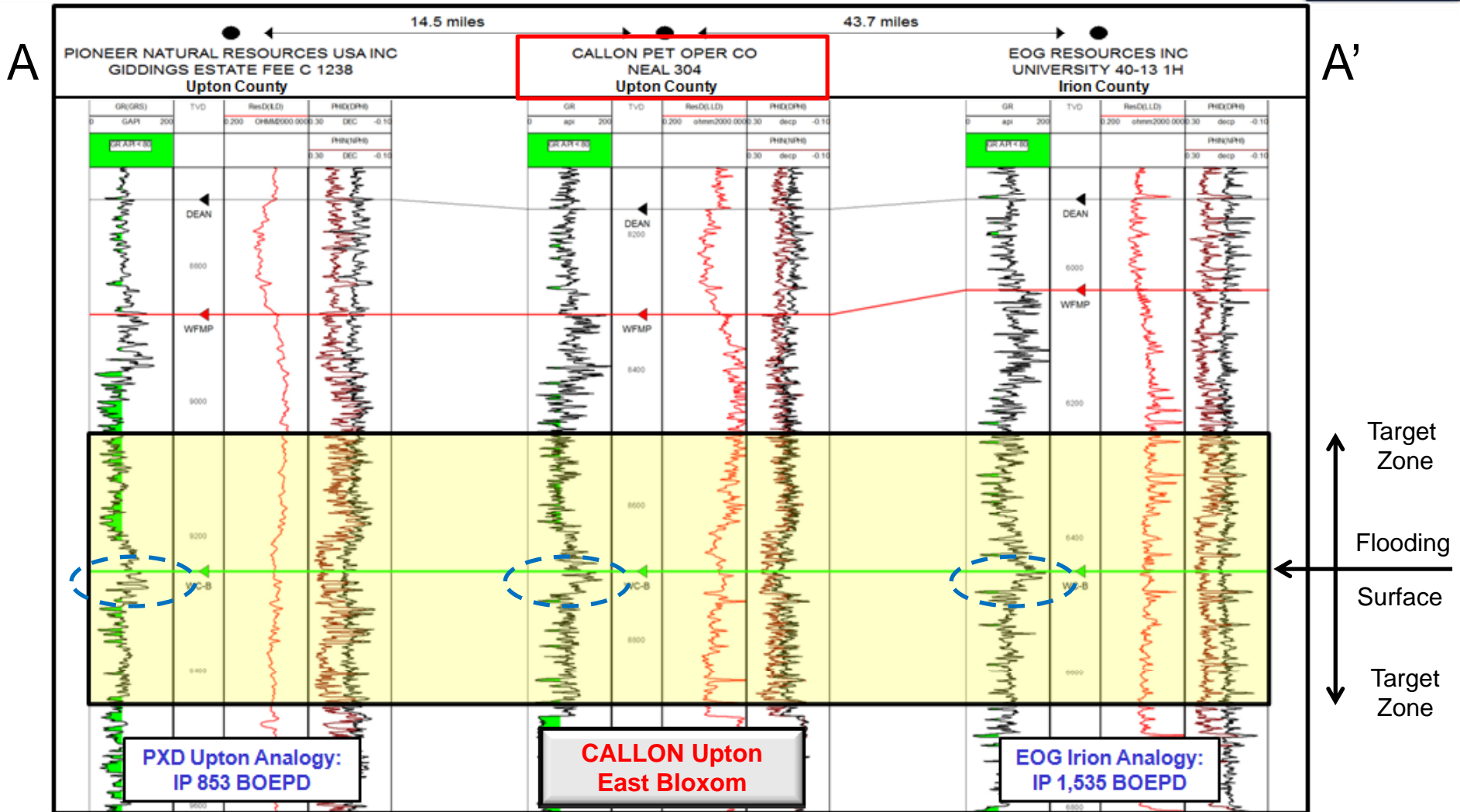
Existing Acreage Well-Positioned As Wolfcamp B Activity Progresses North And West

# Midland Basin Wolfcamp B Horizontal Activity



- Horizontal Drilling Program Starting In 2Q2012 At E Bloxom
- New Generation Rig Secured Under Two-Year Contract

# East Bloxom Wolfcamp B

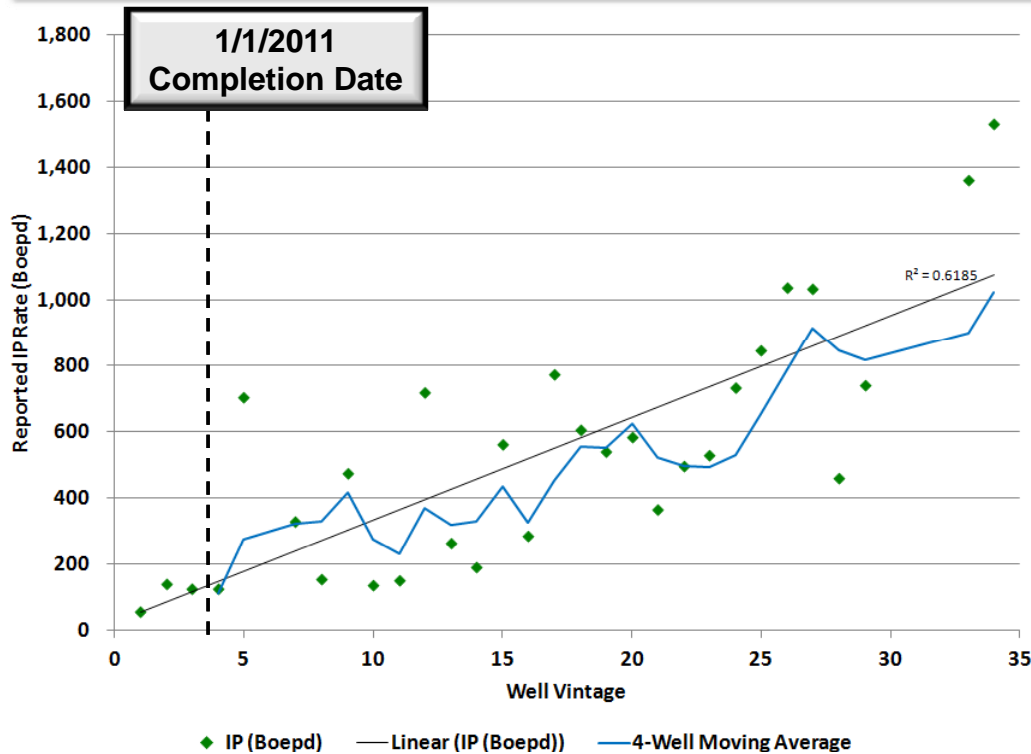


- Log Properties Analogous To Offsetting Horizontal Producing Wells
- Several Precedents To Determine Optimal Lateral Placement

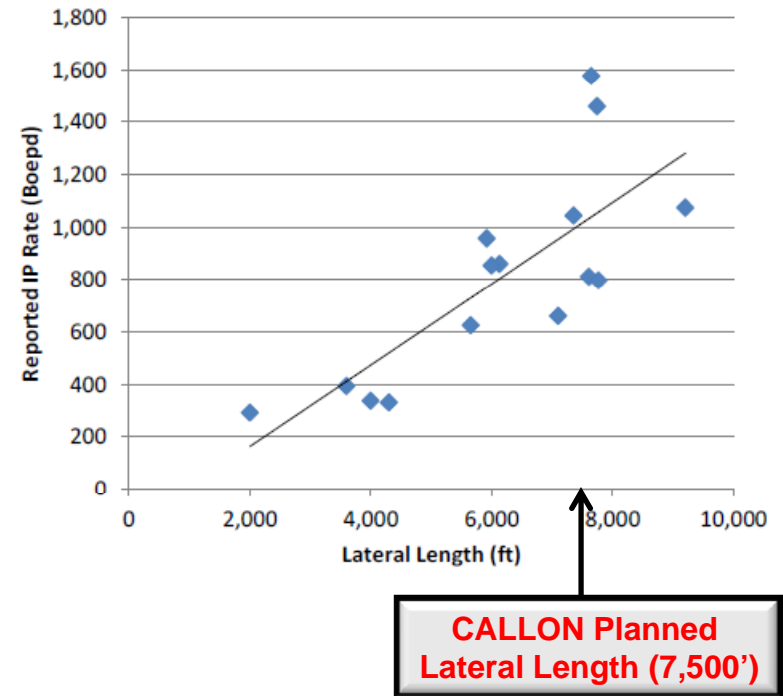
# Wolfcamp B (Midland) Evolution



## IP Rates (EOG/AREX/EP)\*



## IP vs Lateral Length (Howard Weil)



**Horizontal Wolfcamp B Results Benefiting From Accumulation Of Completion Data Over Time And Increased Lateral Lengths**

Source: Company filings, Texas RRC, Howard Weil Incorporated research (January 19, 2012)

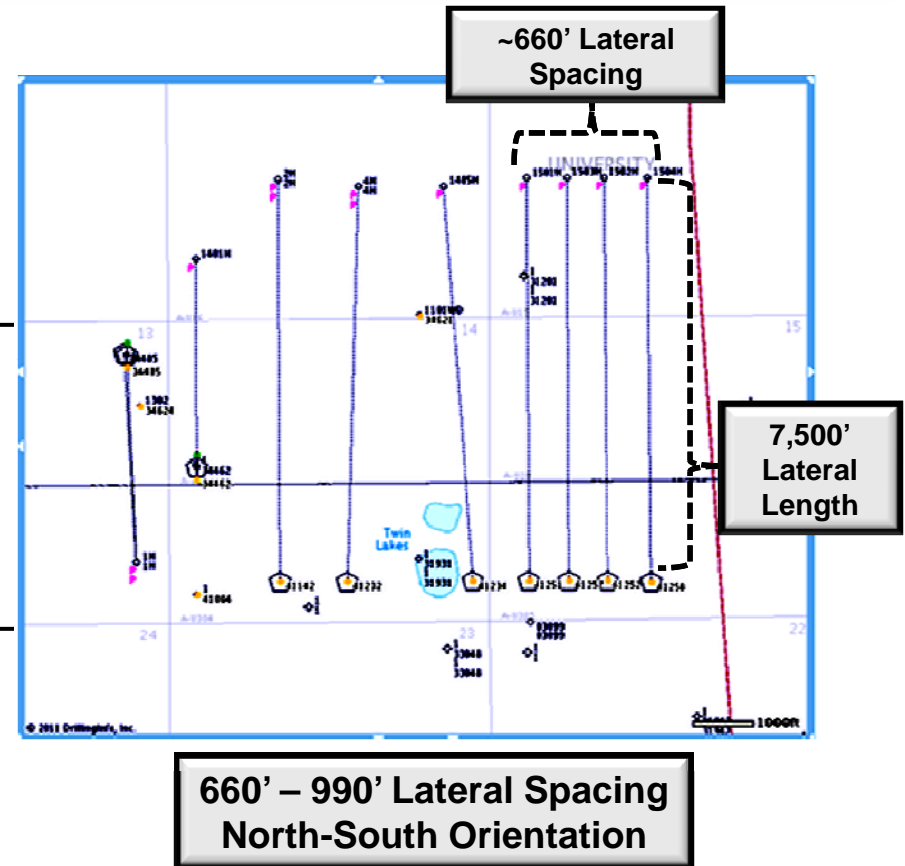
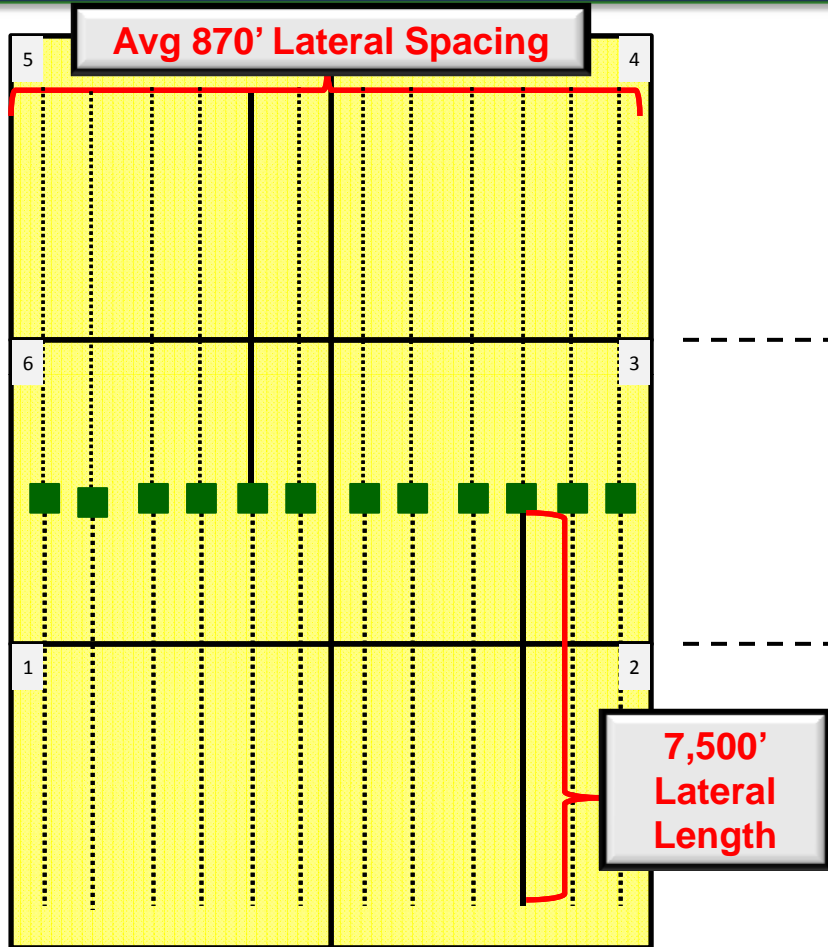
\* Through November 15, 2011

# East Bloxom Horizontal Development



## E Bloxom (6 Contiguous Sections)

## Industry Lateral Spacing\*



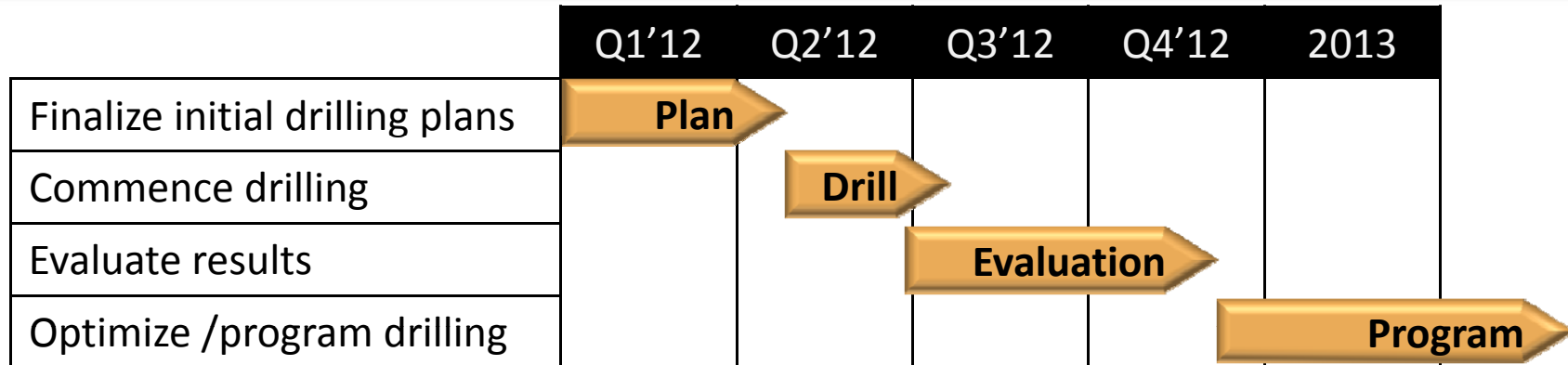
Callon's Acreage Can Accommodate Laterals Up To 7,500' (30 Fracture Stimulation Stages) For 24 Potential Locations (160-Acre Spacing Assumption)

\* Source: Drilling Info, Inc.

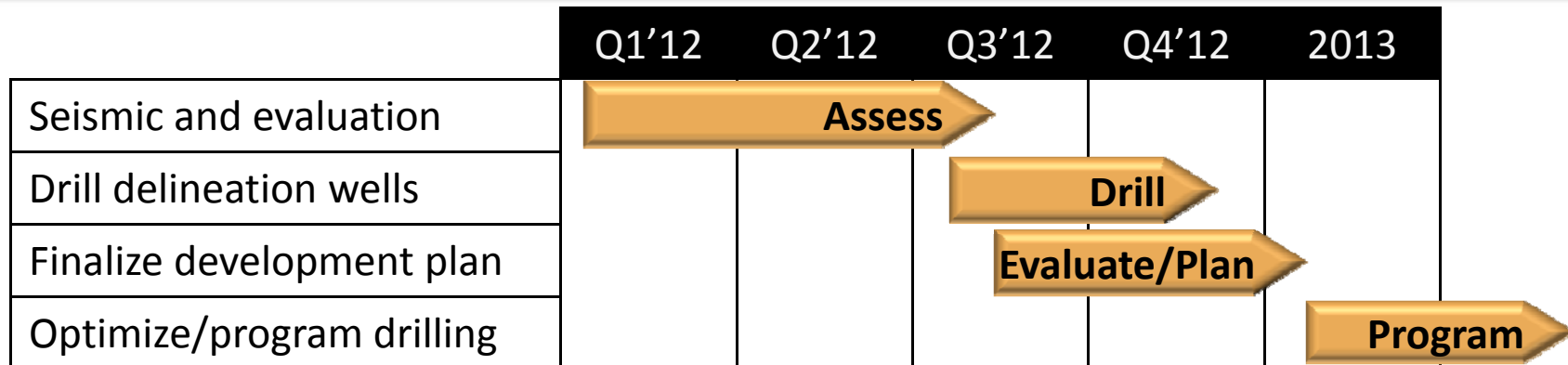
# Horizontal Permian Activity Timeline



## East Bloxom



## New Permian Acreage



**Disciplined Approach for Efficient and Profitable Horizontal Permian Development Program**

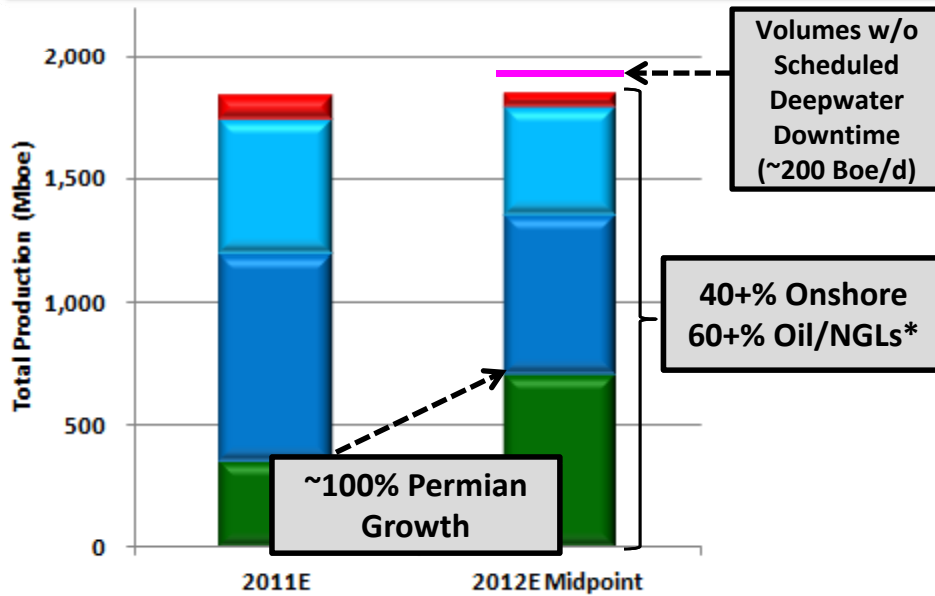
# Operational Update



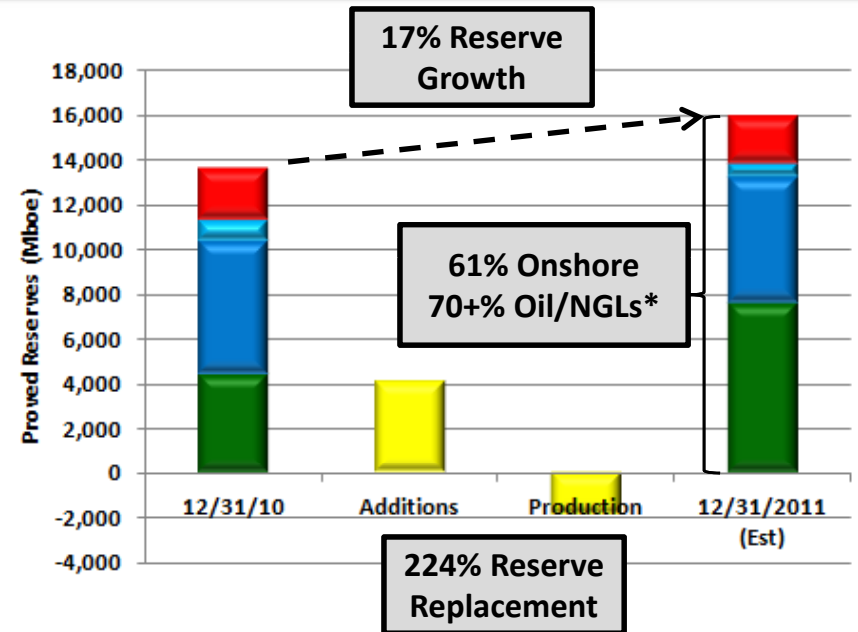
Area	Operational Update	Planned 2012 Activity
Permian Basin (Midland)	<ul style="list-style-type: none"> <li>• Ongoing two-rig vertical program</li> <li>• Two Pecan Acres wells stimulated</li> <li>• Fourth Pecan Acres well drilling</li> <li>• Secured one horizontal drilling rig</li> <li>• Acquired 14,470 net acres</li> </ul>	<ul style="list-style-type: none"> <li>• Take delivery of horizontal rig in April</li> <li>• Stimulating 3<sup>rd</sup> /4<sup>th</sup> Pecan Acres wells in 1Q</li> <li>• Begin horizontal drilling at E Bloxom</li> <li>• Evaluation/drilling on new acreage</li> <li>• Additional acreage acquisition efforts</li> <li>• High-grading of vertical program (1 rig)</li> </ul>
Gulf of Mexico	<ul style="list-style-type: none"> <li>• Medusa A-6 production stabilized</li> <li>• EC 257 offline for gas pipeline repair</li> </ul>	<ul style="list-style-type: none"> <li>• Habanero #2 sidetrack in 4Q</li> <li>• Scheduled Medusa/Habanero maintenance</li> </ul>
Haynesville	<ul style="list-style-type: none"> <li>• Downtime due to well interference</li> </ul>	<ul style="list-style-type: none"> <li>• Workover to bring well back online in 1Q</li> <li>• No additional drilling plans</li> </ul>



## Production



## Proved Reserves



■ Permian   
 ■ Deepwater GoM   
 ■ GoM Shelf   
 ■ Haynesville

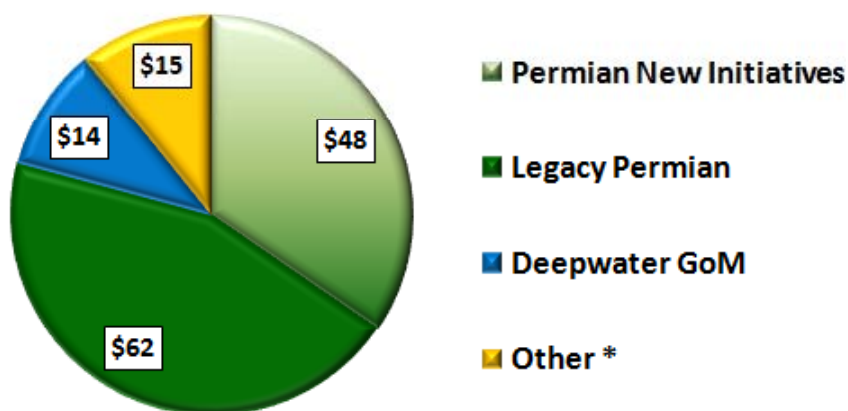
**Successfully Replacing Relatively High-Rate Offshore Production And Reserves With Onshore Permian Volumes**

\* Hydrocarbon mix based upon 2011 production composition by operating region

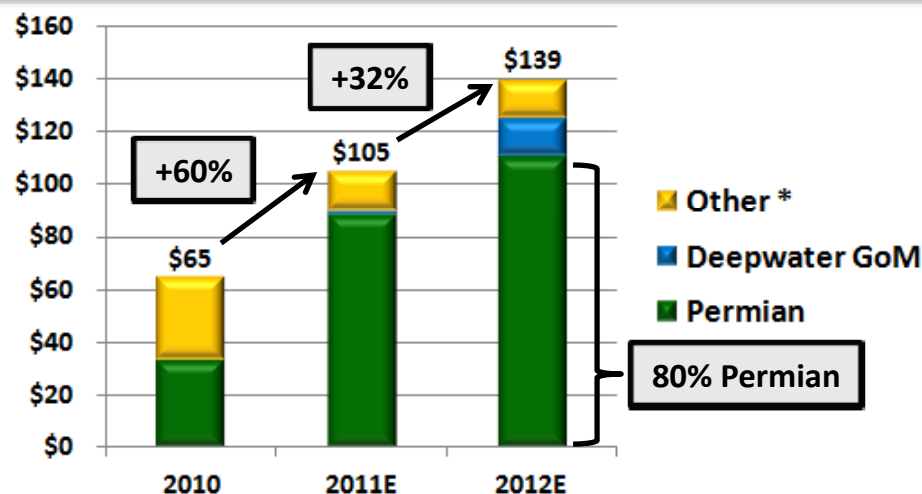
# 2012 Capital Budget: \$139MM



## Regional Breakdown (\$MM)



## Onshore Capital Deployment (\$MM)



- Permian New Initiatives
  - Closed acreage transactions
  - Additional acreage
  - 2012 evaluation and seismic
  - 3 horizontal and 1 vertical
- Legacy Permian
  - High-grading opportunities
  - 20 vertical wells
  - 4 horizontal wells
- Funding growth
  - Deploy cash balances
  - High cash margin production
  - Reallocation of capital
  - Bank facility as needed
- Flexibility
  - 85% operated drilling capex
  - Optimize development
  - Limited drilling commitments

\* Includes capitalized costs, ARO and other operations



- Successfully established critical mass in the Permian
  - Leveraged expertise and organizational footprint
  - Assembled multi-year inventory of operated drilling locations
  - Positioned to capitalize on emerging horizontal development
- Investment focused on long-term value creation
  - Portfolio of onshore opportunities created from reinvestment of offshore cash flow
  - Disciplined exploitation timeline as operator of New Permian Initiatives
  - High-grade capital expenditures to solidify sustainable growth platform
  - Balance profitable production growth with replacement of relatively higher offshore production rates
- Prudent financial strategy
  - Existing cash balances and undrawn credit facility provides flexibility
  - Discretionary capital expenditures majority of 2012 capital budget
  - Capitalization to be aligned with longer-term plans for Permian development and other potential initiatives