

**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 March 31, 2022

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

State or Other Jurisdiction of
Incorporation or Organization

**One Briarlake Plaza
2000 W. Sam Houston Parkway S., Suite 2000
Houston, Texas**

Address of Principal Executive Offices

64-0844345

I.R.S. Employer Identification No.

77042

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 61,689,752 shares of common stock outstanding as of April 29, 2022.

For certain industry specific terms used in this Form 10-Q, please see “Glossary of Certain Terms” in our 2021 Annual Report on Form 10-K

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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)

	March 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$4,150	\$9,882
Accounts receivable, net	347,593	232,436
Fair value of derivatives	—	22,381
Other current assets	33,249	30,745
Total current assets	384,992	295,444
Oil and natural gas properties, full cost accounting method:		
Evaluated properties, net	3,426,156	3,352,821
Unevaluated properties	1,847,790	1,812,827
Total oil and natural gas properties, net	5,273,946	5,165,648
Other property and equipment, net	28,985	28,128
Deferred financing costs	16,543	18,125
Other assets, net	41,054	40,158
Total assets	\$5,745,520	\$5,547,503
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$516,440	\$569,991
Fair value of derivatives	392,928	185,977
Other current liabilities	163,936	116,523
Total current liabilities	1,073,304	872,491
Long-term debt	2,623,282	2,694,115
Asset retirement obligations	55,160	54,458
Fair value of derivatives	34,434	11,409
Other long-term liabilities	44,750	49,262
Total liabilities	3,830,930	3,681,735
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value, 78,750,000 shares authorized; 61,493,753 and 61,370,684 shares outstanding, respectively	615	614
Capital in excess of par value	4,021,442	4,012,358
Accumulated deficit	(2,107,467)	(2,147,204)
Total stockholders' equity	1,914,590	1,865,768
Total liabilities and stockholders' equity	\$5,745,520	\$5,547,503

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 March 31,	
	2022	2021
Operating Revenues:		
Oil	\$553,249	\$267,045
Natural gas	43,976	24,220
Natural gas liquids	67,618	29,357
Sales of purchased oil and gas	112,375	39,259
Total operating revenues	<u>777,218</u>	<u>359,881</u>
Operating Expenses:		
Lease operating	67,328	40,453
Production and ad valorem taxes	37,678	18,439
Gathering, transportation and processing	20,775	17,981
Cost of purchased oil and gas	111,271	40,917
Depreciation, depletion and amortization	102,979	70,987
General and administrative	17,121	16,799
Merger, integration and transaction	769	—
Total operating expenses	<u>357,921</u>	<u>205,576</u>
Income From Operations	<u>419,297</u>	<u>154,305</u>
Other (Income) Expenses:		
Interest expense, net of capitalized amounts	21,558	24,416
Loss on derivative contracts	358,300	214,523
Other income	(782)	(3,306)
Total other expense	<u>379,076</u>	<u>235,633</u>
Income (Loss) Before Income Taxes	40,221	(81,328)
Income tax benefit (expense)	(484)	921
Net Income (Loss)	<u>\$39,737</u>	<u>(\$80,407)</u>
Net Income (Loss) Per Common Share:		
Basic	\$0.65	(\$1.89)
Diluted	\$0.64	(\$1.89)
Weighted Average Common Shares Outstanding:		
Basic	61,487	42,590
Diluted	62,065	42,590

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, 2021	61,371	\$614	\$4,012,358	(\$2,147,204)	\$1,865,768
Net income	—	—	—	39,737	39,737
Restricted stock	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	(\$2,107,467)	\$1,914,590
	Common Stock		Capital in Excess of Par	Accumulated Deficit	Total Stockholders' Equity
	Shares	\$			
Balance at December 31, 2020	39,759	\$398	\$3,222,959	(\$2,512,355)	\$711,002
Net loss	—	—	—	(80,407)	(80,407)
Restricted stock	13	—	2,609	—	2,609
Warrant exercises	6,385	64	134,754	—	134,818
Balance at March 31, 2021	46,157	\$462	\$3,360,322	(\$2,592,762)	\$768,022

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

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

	Three Months Ended March 31,	
	2022	2021
Cash flows from operating activities:		
Net income (loss)	\$39,737	(\$80,407)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	102,979	70,987
Amortization of non-cash debt related items, net	1,716	2,256
Loss on derivative contracts	358,300	214,523
Cash paid for commodity derivative settlements, net	(101,525)	(42,162)
Non-cash expense related to share-based awards	4,166	7,608
Other, net	2,894	1,217
Changes in current assets and liabilities:		
Accounts receivable	(116,322)	(45,683)
Other current assets	(4,180)	(2,856)
Accounts payable and accrued liabilities	(12,987)	12,182
Cash received for settlements of contingent consideration arrangements, net	6,492	—
Net cash provided by operating activities	281,270	137,665
Cash flows from investing activities:		
Capital expenditures	(201,478)	(101,341)
Acquisition of oil and gas properties	(9,409)	(768)
Proceeds from sales of assets	4,484	—
Cash paid for settlement of contingent consideration arrangement	(19,171)	—
Other, net	3,635	3,595
Net cash used in investing activities	(221,939)	(98,514)
Cash flows from financing activities:		
Borrowings on Credit Facility	673,000	303,000
Payments on Credit Facility	(746,000)	(338,000)
Cash received for settlement of contingent consideration arrangement	8,512	—
Other, net	(575)	(37)
Net cash used in financing activities	(65,063)	(35,037)
Net change in cash and cash equivalents	(5,732)	4,114
Balance, beginning of period	9,882	20,236
Balance, end of period	\$4,150	\$24,350

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

Index to the Notes to the Consolidated Financial Statements

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Note 1 - Description of Business and Basis of Presentation

Description of Business

Callon Petroleum Company is an independent oil and natural gas company focused on the acquisition, exploration and development of high-quality assets in the leading oil plays of South and 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.

The Company's activities are primarily focused on horizontal development in the Midland and Delaware Basins, both of which are part of the larger Permian Basin in West Texas, as well as the Eagle Ford in South Texas. The Company's primary operations in the Permian reflect a high-return, oil-weighted drilling inventory with multiple prospective horizontal development intervals and are complemented by a well-established and repeatable cash flow-generating business in the Eagle Ford.

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 Annual Report on Form 10-K for the year ended December 31, 2021 ("2021 Annual Report") and are supplemented by the notes included in this Quarterly Report on Form 10-Q. The financial statements and related notes included in this report should be read in conjunction with the Company's 2021 Annual Report.

Recently Adopted Accounting Standards

Debt. In August 2020, the FASB issued ASU No. 2020-06, Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging - Contracts in Entity's Own Equity (Subtopic 815-40) ("ASU 2020-06"). ASU 2020-06 was issued to reduce the complexity associated with accounting for certain financial instruments with characteristics of liabilities and equity. The guidance is to be applied using either a modified retrospective or a fully retrospective method. ASU 2020-06 is effective for fiscal years beginning after December 15, 2021, with early adoption permitted. The Company adopted ASU 2020-06 on January 1, 2022. The adoption of ASU 2020-06 did not have a material impact to the Company's consolidated financial statements or disclosures.

Recently Issued Accounting Standards

In March 2020, the FASB issued ASU No. 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting ("ASU 2020-04") followed by ASU No. 2021-01, Reference Rate Reform (Topic 848): Scope ("ASU 2021-01"), issued in January 2021 to provide clarifying guidance regarding the scope of Topic 848. ASU 2020-04 was issued to provide optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. Generally, the guidance is to be applied as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. ASU 2020-04 and ASU 2021-01 are effective for all entities through December 31, 2022. In April 2022, the FASB proposed to defer the effective date from December 31, 2022 to December 31, 2024, however a final ruling has not been issued. As of March 31, 2022, the Company has not elected to use the optional guidance and continues to evaluate the options provided by ASU 2020-04 and ASU 2021-01. Please refer to "Note 6 -

Borrowings” for discussion of the use of the adjusted LIBO rate in connection with borrowings under the Company’s senior secured revolving credit facility.

Subsequent Events

The Company evaluates subsequent events through the date the financial statements are issued. See “Note 15 - Subsequent Events” for further discussion.

Note 2 - 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 in the consolidated statements of operations. See “Note 3 - Revenue Recognition” of the Notes to Consolidated Financial Statements in the 2021 Annual Report for more information regarding the types of contracts under which oil, natural gas, and NGL production revenue is generated.

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 March 31, 2022 and December 31, 2021 of \$262.4 million and \$171.8 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 3 - Acquisitions and Divestitures

2021 Acquisitions and Divestitures

Primexx Acquisition

On October 1, 2021, the Company closed on the acquisition of certain producing oil and gas properties, undeveloped acreage and associated infrastructure assets in the Delaware Basin from Primexx Resource Development, LLC (“Primexx”) and BPP Acquisition, LLC (“BPP”) for an adjusted purchase price of approximately \$444.8 million in cash, inclusive of the deposit paid at signing, 8.84 million shares of the Company’s common stock and approximately \$25.2 million paid upon final closing for total consideration of \$880.8 million (the “Primexx Acquisition”), subject to potential adjustments for applicable indemnification claims as discussed below. The Company funded the cash portion of the total consideration with borrowings under its Credit Facility, as defined below. Of the 8.84 million shares of the Company’s common stock issued upon closing, 2.6 million shares were held in escrow pursuant to the purchase and sale agreements with Primexx and BPP (collectively, the “Primexx PSAs”). Pursuant to the Primexx PSAs, 50% of the shares held in escrow were released six months after the closing date, which was on April 1, 2022, and the remaining shares will be released twelve months after the closing date, which will be on October 1, 2022, in each case subject to holdback for the satisfaction of any applicable indemnification claims that may be made under the Primexx PSAs.

Also, pursuant to the Primexx PSAs, certain interest owners exercised their option to sell their interest in the properties included in the Primexx Acquisition to the Company for consideration structured similarly to the Primexx Acquisition, for an incremental purchase price totaling approximately \$33.1 million, net of customary purchase price adjustments, of which \$10.7 million closed during the first quarter of 2022.

The Primexx Acquisition was accounted for as a business combination; therefore, the purchase price was allocated to the assets acquired and the liabilities assumed based on their estimated acquisition date fair values with information available at that time. A combination of a discounted cash flow model and market data was used by a third-party specialist in determining the fair value of the oil and gas properties. Significant inputs into the calculation included future commodity prices, estimated volumes of oil and gas reserves, expectations for timing and amount of future development and operating costs, future plugging and abandonment costs and a

risk adjusted discount rate. Certain data necessary to complete the purchase price allocation is not yet available. The Company expects to complete the purchase price allocation during the 12-month period following the acquisition date.

The following table sets forth the Company's preliminary allocation of the total estimated consideration of \$914.0 million to the assets acquired and liabilities assumed as of the acquisition date.

	Preliminary Purchase Price Allocation
	(In thousands)
Assets:	
Other current assets	\$10,250
Evaluated oil and natural gas properties	686,393
Unevaluated properties	278,602
Total assets acquired	<u>\$975,245</u>
Liabilities:	
Suspense payable	\$16,447
Other current liabilities	33,482
Asset retirement obligation	1,898
Other long-term liabilities	9,425
Total liabilities assumed	<u>\$61,252</u>
Total consideration	<u><u>\$913,993</u></u>

Approximately \$138.1 million of revenues and \$28.8 million of direct operating expenses attributed to the Primexx Acquisition are included in the Company's consolidated statements of operations for the three months ended March 31, 2022.

Pro Forma Operating Results (Unaudited). The following unaudited pro forma combined condensed financial data for the year ended December 31, 2021 was derived from the historical financial statements of the Company giving effect to the Primexx Acquisition, as if it had occurred on January 1, 2020. The below information reflects pro forma adjustments for the issuance of the Company's common stock and the borrowings under the Credit Facility as total consideration, as well as pro forma adjustments based on available information and certain assumptions that the Company believes provide a reasonable basis for reflecting the significant pro forma effects directly attributable to the Primexx Acquisition.

The pro forma consolidated statements of operations data has been included for comparative purposes only and is not necessarily indicative of the results that might have occurred had the Primexx Acquisition taken place on January 1, 2020 and is not intended to be a projection of future results.

	For the Year Ended December 31, 2021
	(In thousands)
Revenues	\$2,294,893
Income from operations	1,151,493
Net income	482,690
Basic earnings per common share	\$8.37
Diluted earnings per common share	\$8.13

Non-Core Asset Divestitures

During 2021, we completed divestitures of certain non-core assets in the Delaware Basin, Midland Basin, and Eagle Ford Shale as well as the divestiture of certain non-core water infrastructure for total net proceeds of \$181.8 million, subject to post-closing adjustments. The aggregate net proceeds for each of the 2021 divestitures were recognized as a reduction of evaluated oil and gas properties with no gain or loss recognized as the divestitures did not significantly alter the relationship between capitalized costs and estimated proved reserves. For additional discussion, see "Note 4 - Acquisitions and Divestitures" of the Notes to Consolidated Financial Statements in the 2021 Annual Report.

Note 4 - Property and Equipment, Net

As of March 31, 2022 and December 31, 2021, total property and equipment, net consisted of the following:

	March 31, 2022	December 31, 2021
Oil and natural gas properties, full cost accounting method	(In thousands)	
Evaluated properties	\$9,412,921	\$9,238,823
Accumulated depreciation, depletion, amortization and impairments	(5,986,765)	(5,886,002)
Evaluated properties, net	3,426,156	3,352,821
Unevaluated properties		
Unevaluated leasehold and seismic costs	1,567,076	1,557,453
Capitalized interest	280,714	255,374
Total unevaluated properties	1,847,790	1,812,827
Total oil and natural gas properties, net	\$5,273,946	\$5,165,648
Other property and equipment	\$59,428	\$58,367
Accumulated depreciation	(30,443)	(30,239)
Other property and equipment, net	\$28,985	\$28,128

The Company capitalized internal costs of employee compensation and benefits, including share-based compensation, directly associated with acquisition, exploration and development activities totaling \$11.6 million and \$11.2 million for the three months ended March 31, 2022 and 2021, respectively.

The Company capitalized interest costs to unproved properties totaling \$25.5 million and \$24.0 million for the three months ended March 31, 2022 and 2021, respectively.

Note 5 - 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 and unexercised warrants outstanding during the periods presented, as calculated using the treasury stock method, unless their effect is anti-dilutive. For the three months ended March 31, 2021, 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 March 31,	
	2022	2021
	(In thousands, except per share amounts)	
Net Income (Loss)	\$39,737	(\$80,407)
Basic weighted average common shares outstanding	61,487	42,590
Dilutive impact of restricted stock units	578	—
Diluted weighted average common shares outstanding	62,065	42,590
Net Income (Loss) Per Common Share		
Basic	\$0.65	(\$1.89)
Diluted	\$0.64	(\$1.89)
Restricted stock units ⁽¹⁾	3	702
Warrants ⁽¹⁾	327	5,826

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

Note 6 - Borrowings

The Company's borrowings consisted of the following:

	March 31, 2022	December 31, 2021
	(In thousands)	
6.125% Senior Notes due 2024	\$460,241	\$460,241
Senior Secured Revolving Credit Facility due 2024	712,000	785,000
9.00% Second Lien Senior Secured Notes due 2025	319,659	319,659
8.25% Senior Notes due 2025	187,238	187,238
6.375% Senior Notes due 2026	320,783	320,783
8.00% Senior Notes due 2028	650,000	650,000
Total principal outstanding	2,649,921	2,722,921
Unamortized premium on 6.125% Senior Notes	2,157	2,373
Unamortized discount on 9.00% Second Lien Senior Secured Notes	(13,591)	(14,852)
Unamortized premium on 8.25% Senior Notes	2,287	2,477
Unamortized deferred financing costs for Second Lien Notes	(2,663)	(2,910)
Unamortized deferred financing costs for Senior Notes	(14,829)	(15,894)
Total carrying value of borrowings ⁽¹⁾	\$2,623,282	\$2,694,115

(1) Excludes unamortized deferred financing costs related to the Company's senior secured revolving credit facility of \$ 16.5 million and \$ 18.1 million as of March 31, 2022 and December 31, 2021, 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 March 31, 2022, had a maximum credit amount of \$5.0 billion, a borrowing base and elected commitment amount of \$1.6 billion, with borrowings outstanding of \$712.0 million at a weighted-average interest rate of 2.74%, and letters of credit outstanding of \$23.0 million. The credit agreement governing the Credit Facility provides for interest-only payments until December 20, 2024 when the credit agreement matures and any outstanding borrowings are due. The Credit Facility is subject to specified springing maturity dates if more than \$100.0 million principal amount of the 9.00% Second Lien Senior Secured Notes due 2025 (the "Second Lien Notes") and 6.125% Senior Notes are outstanding. The Credit Facility is secured by first preferred mortgages covering the Company's major producing properties.

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 2, 2022, as part of the Company's spring 2022 redetermination, the borrowing base and elected commitment amount of \$1.6 billion were reaffirmed.

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 1.00% to 2.00%, where the base rate is defined as the greatest of the prime rate, the federal funds rate plus 0.50% and the adjusted LIBO rate plus 1.00%, or (ii) an adjusted LIBO rate for a Eurodollar loan plus a margin between 2.00% to 3.00%. 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, net of capitalized amounts" in the consolidated statements of operations.

Covenants

The Company's credit agreement governing the Credit Facility, the 6.125% Senior Notes, the 8.25% Senior Notes, the 6.375% Senior Notes and the 8.00% Senior Notes (collectively, the "Senior Unsecured Notes") and the Second Lien 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 governing the Credit Facility) of no more than 4.00 to 1.00 and (2) a Current Ratio (as defined in the credit agreement governing the Credit Facility) of not less than 1.00 to 1.00. The Company was in compliance with these covenants at March 31, 2022.

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 7 - 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, and put and call options 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 (“ISDA 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.

As of March 31, 2022, the Company has outstanding commodity derivative instruments with ten counterparties to minimize its credit exposure to any individual counterparty. All of the counterparties to the Company’s commodity derivative instruments are also lenders under the Company’s credit agreement. 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 agreement, 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 8 - Fair Value Measurements” for further discussion.

Contingent Consideration Arrangements

The Company met certain oil pricing thresholds for 2021 associated with certain contingent consideration arrangements described in “Note 8 - Derivative Instruments and Hedging Activities” of the Notes to Consolidated Financial Statements in its 2021 Annual Report. Cash received or paid for settlements of contingent consideration arrangements are classified as cash flows from financing activities or cash flows from investing activities, respectively, up to the divestiture or acquisition date fair value, respectively, with any excess classified as cash flows from operating activities. As a result, the Company received \$ 20.8 million, of which \$8.5 million is presented in cash flows from financing activities with the remaining \$12.3 million presented in cash flows from operating activities, and paid \$25.0 million, of which \$19.2 million is presented in cash flows from investing activities with the remaining \$5.8 million presented in cash flows from operating activities, in the first quarter of 2022. Both of these contingent consideration arrangements expired at the end of 2021.

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 “(Gain) loss on derivative contracts” in the consolidated statements of operations. Settlements are also recorded 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 March 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	\$10,939	(\$10,939)	\$—
Other assets, net	\$15,773	(\$15,773)	\$—
Derivative Liabilities			
Fair value of derivatives - current ⁽¹⁾	(\$403,867)	\$10,939	(\$392,928)
Fair value of derivatives - non-current	(\$50,207)	\$15,773	(\$34,434)

(1) Includes approximately \$0.9 million of deferred premiums, which will be paid as the applicable contracts settle.

	As of December 31, 2021		
	Presented without Effects of Netting	Effects of Netting	As Presented with Effects of Netting
	(In thousands)		
Assets			
Commodity derivative instruments	\$25,469	(\$23,921)	\$1,548
Contingent consideration arrangements	20,833	—	20,833
Fair value of derivatives - current	\$46,302	(\$23,921)	\$22,381
Commodity derivative instruments	\$1,119	(\$869)	\$250
Contingent consideration arrangements	—	—	—
Other assets, net	\$1,119	(\$869)	\$250
Liabilities			
Commodity derivative instruments ⁽¹⁾	(\$184,898)	\$23,921	(\$160,977)
Contingent consideration arrangements	(25,000)	—	(25,000)
Fair value of derivatives - current	(\$209,898)	\$23,921	(\$185,977)
Commodity derivative instruments	(\$12,278)	\$869	(\$11,409)
Contingent consideration arrangements	—	—	—
Fair value of derivatives - non-current	(\$12,278)	\$869	(\$11,409)

(1) Includes approximately \$2.9 million of deferred premiums, which will be paid as the applicable contracts settle.

The components of “Loss on derivative contracts” are as follows for the respective periods:

	Three Months Ended March 31,	
	2022	2021
	(In thousands)	
Loss on oil derivatives	\$325,348	\$149,561
Loss on natural gas derivatives	28,181	2,697
Loss on NGL derivatives	4,771	1,138
Loss on contingent consideration arrangements	—	5,737
Loss on September 2020 Warrants liability ⁽¹⁾	—	55,390
Loss on derivative contracts	\$358,300	\$214,523

(1) Further details of the Company’s September 2020 Warrants and the loss on the associated September 2020 Warrants liability are described in “Note 7 - Borrowings”, “Note 8 - Derivative Instruments and Hedging Activities” and “Note 9 - Fair Value Measurements” of the Notes to Consolidated Financial Statements in its 2021 Annual Report.

The components of “Cash 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 March 31,	
	2022	2021
(In thousands)		
Cash flows from operating activities		
Cash paid on oil derivatives	(\$95,353)	(\$39,947)
Cash paid on natural gas derivatives	(4,644)	(1,369)
Cash paid on NGL derivatives	(1,528)	(846)
Cash paid for commodity derivative settlements, net	(\$101,525)	(\$42,162)
Cash received for settlements of contingent consideration arrangements, net	\$6,492	\$—
Cash flows from investing activities		
Cash paid for settlement of contingent consideration arrangement	(\$19,171)	\$—
Cash flows from financing activities		
Cash received for settlement of contingent consideration arrangement	\$8,512	\$—

Derivative Positions

Listed in the tables below are the outstanding oil, natural gas and NGL derivative contracts as of March 31, 2022:

	For the Remainder 2022	For the Full Year 2023
Oil Contracts (WTI)		
Swap Contracts		
Total volume (Bbls)	3,676,000 ⁽¹⁾	905,000
Weighted average price per Bbl	\$62.77 ⁽¹⁾	\$71.20
Collar Contracts		
Total volume (Bbls)	4,712,500	2,096,500
Weighted average price per Bbl		
Ceiling (short call)	\$68.77	\$80.25
Floor (long put)	\$57.83	\$69.48
Short Call Swaption Contracts ⁽²⁾		
Total volume (Bbls)	—	1,825,000
Weighted average price per Bbl	\$—	\$72.00
Oil Contracts (Midland Basis Differential)		
Swap Contracts		
Total volume (Bbls)	1,787,500	—
Weighted average price per Bbl	\$0.50	\$—
Oil Contracts (Argus Houston MEH)		
Collar Contracts		
Total volume (Bbls)	227,500	—
Weighted average price per Bbl		
Ceiling (short call)	\$63.15	\$—
Floor (long put)	\$51.25	\$—

(1) In March 2022, the Company entered into certain offsetting WTI swaps for the second quarter of 2022 to reduce its exposure to rising oil prices. Those offsetting swaps resulted in a recognized loss of approximately \$39.3 million which will be settled in the second quarter of 2022 as the applicable contracts settle.

(2) The 2023 short call swaption contracts have exercise expiration dates of December 30, 2022.

Natural Gas Contracts (Henry Hub)	For the Remainder	For the Full Year
	2022	2023
Swap Contracts		
Total volume (MMBtu)	10,700,000	—
Weighted average price per MMBtu	\$3.62	\$—
Collar Contracts		
Total volume (MMBtu)	6,110,000	2,700,000
Weighted average price per MMBtu		
Ceiling (short call)	\$4.51	\$5.56
Floor (long put)	\$3.68	\$4.58
Natural Gas Contracts (Waha Basis Differential)		
Swap Contracts		
Total volume (MMBtu)	1,220,000	6,080,000
Weighted average price per MMBtu	(\$0.75)	(\$0.75)

Note 8 - 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 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 Company's Second Lien Notes and Senior Unsecured Notes with the fair values measured using quoted secondary market trading prices which are designated as Level 2 within the valuation hierarchy. See "Note 6 - Borrowings" for further discussion.

	March 31, 2022		December 31, 2021	
	Principal Amount	Fair Value	Principal Amount	Fair Value
	(In thousands)			
6.125% Senior Notes	\$460,241	\$456,789	\$460,241	\$455,639
9.00% Second Lien Notes	319,659	339,638	319,659	343,633
8.25% Senior Notes	187,238	189,110	187,238	184,429
6.375% Senior Notes	320,783	317,575	320,783	309,556
8.00% Senior Notes	650,000	684,125	650,000	663,000
Total	\$1,937,921	\$1,987,237	\$1,937,921	\$1,956,257

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 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 7 - 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 March 31, 2022 and December 31, 2021:

	March 31, 2022		
	Level 1	Level 2	Level 3
	(In thousands)		
Commodity derivative assets	\$—	\$—	\$—
Commodity derivative liabilities ⁽¹⁾	—	(427,362)	—
	December 31, 2021		
	Level 1	Level 2	Level 3
	(In thousands)		
Assets			
Commodity derivative instruments	\$—	\$1,798	\$—
Contingent consideration arrangements	—	20,833	—
Liabilities			
Commodity derivative instruments ⁽²⁾	—	(172,386)	—
Contingent consideration arrangements	—	(25,000)	—
Total net assets (liabilities)	\$—	(\$174,755)	\$—

(1) Includes approximately \$0.9 million of deferred premiums, which will be paid as the applicable contracts settle.

(2) Includes approximately \$2.9 million of deferred premiums, which will be paid as the applicable contracts settle.

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

Acquisitions. The fair value of assets acquired and liabilities assumed are measured as of the acquisition date by a third-party valuation specialist using a combination of income and market approaches, which are not observable in the market and are therefore designated as Level 3 inputs. Significant inputs include expected discounted future cash flows from estimated reserve quantities, estimates for timing and costs to produce and develop reserves, oil and natural gas forward prices, and a risk-adjusted discount rate. See "Note 3 - Acquisitions and Divestitures" for additional discussion.

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 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 9 - Income Taxes

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

For both the three months ended March 31, 2022 and 2021, the Company's effective income tax rate was approximately 1%. The primary differences between the effective tax rates for the three months ended March 31, 2022 and 2021 and the statutory rate resulted from the valuation allowance recorded against the Company's net deferred tax assets beginning in the second quarter of 2020 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. A significant item of objective negative evidence considered was the cumulative historical three-year pre-tax loss and a net deferred tax asset position at March 31, 2022, driven primarily by the impairments of evaluated oil and gas properties recognized beginning in the second quarter of 2020 and continuing through the fourth quarter of 2020. This limits the ability to consider other subjective evidence such as the Company's potential for future growth. Since the second quarter of 2020, based on the evaluation of the evidence available, the Company concluded that it is more likely than not that the net deferred tax assets will not be realized. As a result, the Company has recorded a valuation allowance, reducing the net deferred tax assets as of March 31, 2022 to zero. As long as the Company continues to conclude that the valuation

allowance against its net deferred tax assets is necessary, the Company does not expect to have no significant deferred income tax expense or benefit.

The Company will continue to evaluate whether the valuation allowance is needed in future reporting periods. The valuation allowance will remain until the Company can conclude that the net deferred tax assets are more likely than not to be realized. Future events or new evidence which may lead the Company to conclude that it is more likely than not its net deferred tax assets will be realized include, but are not limited to, cumulative historical pre-tax earnings, improvements in crude oil prices, and taxable events that could result from one or more transactions. The valuation allowance does not preclude the Company from utilizing the tax attributes if it recognizes taxable income. As long as the Company continues to conclude that the valuation allowance against its net deferred tax assets is necessary, the Company will have no significant deferred income tax expense or benefit.

Note 10 - 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 three months ended March 31, 2022:

	Three Months Ended March 31, 2022	
	RSU Equity Awards (In thousands)	Weighted Average Grant- Date Fair Value Per Share
Unvested at beginning of the period	968	\$34.04
Granted	328	\$60.63
Vested	(10)	\$53.38
Forfeited	(11)	\$33.36
Unvested at end of the period	1,275	\$40.73

Grant activity for the three months ended March 31, 2022 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 \$60.63.

The aggregate fair value of RSU Equity Awards that vested during the three months ended March 31, 2022 was \$0.5 million. As of March 31, 2022, unrecognized compensation costs related to unvested RSU Equity Awards were \$37.3 million and will be recognized over a weighted average period of 2.5 years.

Cash-Settled Awards

No restricted stock units that may be settled in cash ("Cash-Settled RSU Awards") or cash-settled stock appreciation rights ("Cash SARs") were granted to employees during the three months ended March 31, 2022 and 2021. The following table summarizes the Company's liabilities for cash-settled awards and the classification in the consolidated balance sheets for the periods indicated:

	March 31, 2022	December 31, 2021
	(In thousands)	
Cash SARs	\$10,324	\$7,884
Cash-Settled RSU Awards	4,563	1,382
Other current liabilities	14,887	9,266
Cash-Settled RSU Awards	1,972	6,366
Other long-term liabilities	1,972	6,366
Total Cash-Settled RSU Awards	\$16,859	\$15,632

Share-Based Compensation Expense (Benefit), Net

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

	Three Months Ended March 31,	
	2022	2021
	(In thousands)	
RSU Equity Awards	\$3,366	\$2,608
Cash-Settled RSU Awards	237	4,442
Cash SARs	2,440	4,866
	6,043	11,916
Less: amounts capitalized to oil and gas properties	(1,877)	(4,308)
Total share-based compensation expense (benefit), net	\$4,166	\$7,608

See “Note 10 - Share-Based Compensation” of the Notes to Consolidated Financial Statements in the 2021 Annual Report for details of the Company’s equity-based incentive plans.

Note 11 - Stockholders’ Equity

Warrant Exercises

During the three months ended March 31, 2021, certain holders of the September 2020 Warrants and the November 2020 Warrants provided notice and exercised all of their outstanding warrants. As a result of the exercises, the Company issued a total of 6.4 million shares of its common stock in exchange for 8.4 million outstanding warrants determined on a net share settlement basis. See “Note 7 - Borrowings” of the Notes to Consolidated Financial Statements in the Company’s 2021 Annual Report for additional details regarding the September 2020 Warrants and the November 2020 Warrants.

Note 12 - Accounts Receivable, Net

	March 31, 2022	December 31, 2021
	(In thousands)	
Oil and natural gas receivables	\$262,389	\$171,837
Joint interest receivables	21,044	13,751
Other receivables	66,388	49,053
Total	349,821	234,641
Allowance for credit losses	(2,228)	(2,205)
Total accounts receivable, net	\$347,593	\$232,436

Note 13 - Accounts Payable and Accrued Liabilities

	March 31, 2022	December 31, 2021
	(In thousands)	
Accounts payable	\$134,690	\$151,836
Revenues and royalties payable	277,368	294,143
Accrued capital expenditures	56,388	64,412
Accrued interest	47,994	59,600
Total accounts payable and accrued liabilities	\$516,440	\$569,991

Note 14 - Supplemental Cash Flow

	Three Months Ended March 31,	
	2022	2021
	(In thousands)	
Supplemental cash flow information:		
Interest paid, net of capitalized amounts	\$25,144	\$12,983
Income taxes paid	—	—
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$7,382	\$8,065
Investing cash flows from operating leases	6,189	6,005
Non-cash investing and financing activities:		
Change in accrued capital expenditures	(\$8,897)	\$18,903
Change in asset retirement costs	289	1,151
ROU assets obtained in exchange for lease liabilities:		
Operating leases	\$8,505	\$6,476

Note 15 - Subsequent Events***Credit Agreement Reaffirmation***

On May 2, 2022, as part of the Company's spring 2022 redetermination, the borrowing base and elected commitment amount of \$1.6 billion were reaffirmed.

Special Note Regarding Forward Looking Statements

This report 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 report that address activities, events or developments that we expect or anticipate will or may occur in the future are forward-looking statements, including such things as:

- 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 2021 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 and access to existing lines of credit;
- changes in the supply of and demand for oil and natural gas, including as a result of the COVID-19 pandemic and various governmental actions taken to mitigate its impact or 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 seismic, drilling, completions and other equipment, waste and water disposal infrastructure, and personnel;
- 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;
- the potential impact of future drilling on production from existing wells;
- difficulties encountered in delivering oil and natural gas to commercial markets;
- the uncertainty of our ability to attract capital and obtain financing on favorable terms;
- 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;
- 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.

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 the accompanying unaudited consolidated financial statements and our 2021 Annual Report, which include additional information about our business practices, significant accounting policies, risk factors, and the transactions that underlie our financial results.

General

We are an independent oil and natural gas company focused on the acquisition, exploration and development of high-quality assets in the leading oil plays of South and West Texas. Our activities are primarily focused on horizontal development in the Midland and Delaware Basins, both of which are part of the larger Permian Basin in West Texas, as well as the Eagle Ford in South 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 levels of the Wolfcamp formation and the Lower Spraberry shales, and the Eagle Ford. We have assembled a multi-year 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 acquisition of additional locations through working interest acquisitions, leasing programs, acreage purchases, joint ventures and asset swaps.

First Quarter 2022 Highlights

- Total production for the three months ended March 31, 2022 was 102.7 MBoe/d, a decrease of 9% from the three months ended December 31, 2021, primarily due to normal production decline partially offset by new wells placed on production during the first quarter of 2022. Total production for the three months ended March 31, 2022 increased 27% from the three months ended March 31, 2021, primarily due to new wells acquired in the Primexx Acquisition as well as new wells placed on production, partially offset by normal production decline as well as non-core asset divestitures which occurred primarily in the fourth quarter of 2021.
- Operated drilling and completion activity for the three months ended March 31, 2022 along with our drilled but uncompleted and producing wells as of March 31, 2022 are summarized in the table below.

Region	Three Months Ended March 31, 2022				As of March 31, 2022			
	Drilled		Completed		Drilled But Uncompleted		Producing	
	Gross	Net	Gross	Net	Gross	Net	Gross	Net
Permian	22	19.2	16	14.3	27	23.4	588	533.0
Eagle Ford	9	7.2	—	—	15	13.0	756	671.3
Total	31	26.4	16	14.3	42	36.4	1,344	1,204.3

- Operational capital expenditures, exclusive of leasehold and seismic, for the first quarter of 2022 were \$157.4 million, of which approximately 90% were in the Permian with the remaining balance in the Eagle Ford. See “—Liquidity and Capital Resources—2022 Capital Budget and Funding Strategy” for additional details.
- As of March 31, 2022, borrowings outstanding under our Credit Facility was \$712.0 million compared to \$785.0 million as of December 31, 2021.
- Recorded net income for the three months ended March 31, 2022 of \$39.7 million, or \$0.64 per diluted share, compared to net loss for the three months ended March 31, 2021 of \$80.4 million, or \$1.89 per diluted share. The variance between the respective periods was driven primarily by an increase in operating revenues in the first quarter of 2022 driven by an approximate 64% increase in the total average realized sales price and an increase of 27% in production volumes compared to the first quarter of 2021. This increase was partially offset by an increase in the loss on derivative contracts to approximately \$358.3 million during the first quarter of 2022 compared to approximately \$214.5 million during the first quarter of 2021, as well as an increase in operating expenses. See “—Results of Operations” below for further details.

Results of Operations

The following table sets forth certain operating information with respect to the Company's oil and natural gas operations for the periods indicated:

	Three Months Ended				Three Months Ended			
	March 31, 2022	December 31, 2021	Change	% Change	March 31, 2022	March 31, 2021	Change	% Change
Total production								
Oil (MBbls)								
Permian	4,469	4,727	(258)	(5 %)	4,469	3,088	1,381	45 %
Eagle Ford	1,377	1,839	(462)	(25 %)	1,377	1,593	(216)	(14 %)
Total oil	5,846	6,566	(720)	(11 %)	5,846	4,681	1,165	25 %
Natural gas (MMcf)								
Permian	8,590	9,183	(593)	(6 %)	8,590	6,208	2,382	38 %
Eagle Ford	1,525	2,090	(565)	(27 %)	1,525	1,627	(102)	(6 %)
Total natural gas	10,115	11,273	(1,158)	(10 %)	10,115	7,835	2,280	29 %
NGLs (MBbls)								
Permian	1,455	1,549	(94)	(6 %)	1,455	1,075	380	35 %
Eagle Ford	252	344	(92)	(27 %)	252	224	28	13 %
Total NGLs	1,707	1,893	(186)	(10 %)	1,707	1,299	408	31 %
Total production (MBoe)								
Permian	7,356	7,806	(450)	(6 %)	7,356	5,198	2,158	42 %
Eagle Ford	1,883	2,532	(649)	(26 %)	1,883	2,088	(205)	(10 %)
Total barrels of oil equivalent	9,239	10,338	(1,099)	(11 %)	9,239	7,286	1,953	27 %
Total daily production (Boe/d)	102,655	112,365	(9,710)	(9 %)	102,655	80,957	21,698	27 %
Oil as % of total daily production	63 %	64 %			63 %	64 %		
Benchmark prices ⁽¹⁾								
WTI (per Bbl)	\$94.38	\$77.17	\$17.21	22 %	\$94.38	\$57.80	\$36.58	63 %
Henry Hub (per Mcf)	4.57	4.84	(0.27)	(6 %)	4.57	2.72	1.85	68 %
Average realized sales price (excluding impact of derivative settlements)								
Oil (per Bbl)								
Permian	\$94.52	\$76.86	\$17.66	23 %	\$94.52	\$56.66	\$37.86	67 %
Eagle Ford	95.02	77.84	17.18	22 %	95.02	57.80	37.22	64 %
Total oil	94.64	77.13	17.51	23 %	94.64	57.05	37.59	66 %
Natural gas (per Mcf)								
Permian	4.20	4.81	(0.61)	(13 %)	4.20	3.11	1.09	35 %
Eagle Ford	5.18	6.00	(0.82)	(14 %)	5.18	3.03	2.15	71 %
Total natural gas	4.35	5.03	(0.68)	(14 %)	4.35	3.09	1.26	41 %
NGL (per Bbl)								
Permian	40.25	37.50	2.75	7 %	40.25	22.68	17.57	77 %
Eagle Ford	35.93	34.00	1.93	6 %	35.93	22.24	13.69	62 %
Total NGLs	39.61	36.86	2.75	7 %	39.61	22.60	17.01	75 %
Total average realized sales price (per Boe)								
Permian	70.29	59.64	10.65	18 %	70.29	42.06	28.23	67 %
Eagle Ford	78.50	66.10	12.40	19 %	78.50	48.85	29.65	61 %
Total average realized sales price	\$71.97	\$61.22	\$10.75	18 %	\$71.97	\$44.01	\$27.96	64 %

	Three Months Ended				Three Months Ended			
	March 31, 2022	December 31, 2021	\$ Change	% Change	March 31, 2022	March 31, 2021	\$ Change	% Change
Revenues (in thousands)								
Oil								
Permian	\$422,404	\$363,306	\$59,098	16 %	\$422,404	\$174,967	\$247,437	141 %
Eagle Ford	130,845	143,139	(12,294)	(9 %)	130,845	92,078	38,767	42 %
Total oil	553,249	506,445	46,804	9 %	553,249	267,045	286,204	107 %
Natural gas								
Permian	36,069	44,133	(8,064)	(18 %)	36,069	19,290	16,779	87 %
Eagle Ford	7,907	12,541	(4,634)	(37 %)	7,907	4,930	2,977	60 %
Total natural gas	43,976	56,674	(12,698)	(22 %)	43,976	24,220	19,756	82 %
NGLs								
Permian	58,563	58,085	478	1 %	58,563	24,376	34,187	140 %
Eagle Ford	9,055	11,697	(2,642)	(23 %)	9,055	4,981	4,074	82 %
Total NGLs	67,618	69,782	(2,164)	(3 %)	67,618	29,357	38,261	130 %
Total revenues								
Permian	517,036	465,524	51,512	11 %	517,036	218,633	298,403	136 %
Eagle Ford	147,807	167,377	(19,570)	(12 %)	147,807	101,989	45,818	45 %
Total revenues	\$664,843	\$632,901	\$31,942	5 %	\$664,843	\$320,622	\$344,221	107 %
Additional per Boe data								
Lease operating expense								
Permian	\$6.85	\$7.22	(\$0.37)	(5 %)	\$6.85	\$4.31	\$2.54	59 %
Eagle Ford	8.99	6.77	2.22	33 %	8.99	8.65	0.34	4 %
Total lease operating expense	\$7.29	\$7.11	\$0.18	3 %	\$7.29	\$5.55	\$1.74	31 %
Production and ad valorem taxes								
Permian	\$3.89	\$3.15	\$0.74	23 %	\$3.89	\$2.32	\$1.57	68 %
Eagle Ford	4.82	3.60	1.22	34 %	4.82	3.07	1.75	57 %
Total production and ad valorem taxes	\$4.08	\$3.26	\$0.82	25 %	\$4.08	\$2.53	\$1.55	61 %
Gathering, transportation and processing								
Permian	\$2.33	\$2.26	\$0.07	3 %	\$2.33	\$2.54	(\$0.21)	(8 %)
Eagle Ford	1.92	1.76	0.16	9 %	1.92	2.29	(0.37)	(16 %)
Total gathering, transportation and processing	\$2.25	\$2.14	\$0.11	5 %	\$2.25	\$2.47	(\$0.22)	(9 %)

(1) Reflects calendar average daily spot market prices.

Revenues

The following table reconciles the changes in oil, natural gas, NGLs, and total revenue for the period presented by reflecting the effect of changes in volume and in the underlying commodity prices:

	Oil	Natural Gas	NGLs	Total
	(In thousands)			
Revenues for the three months ended December 31, 2021 ⁽¹⁾	\$506,445	\$56,674	\$69,782	\$632,901
Volume increase (decrease)	(55,535)	(5,822)	(6,857)	(68,214)
Price increase (decrease)	102,339	(6,876)	4,693	100,156
Net increase (decrease)	46,804	(12,698)	(2,164)	31,942
Revenues for the three months ended March 31, 2022 ⁽¹⁾	\$553,249	\$43,976	\$67,618	\$664,843
Percent of total revenues	83 %	7 %	10 %	

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

	Oil	Natural Gas	NGLs	Total
	(In thousands)			
Revenues for the three months ended March 31, 2021 ⁽¹⁾	\$267,045	\$24,220	\$29,357	\$320,622
Volume increase	66,462	7,048	9,221	82,731
Price increase	219,742	12,708	29,040	261,490
Net increase	286,204	19,756	38,261	344,221
Revenues for the three months ended March 31, 2022 ⁽¹⁾	\$553,249	\$43,976	\$67,618	\$664,843
Percent of total revenues	83 %	7 %	10 %	

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

Revenues for the three months ended March 31, 2022 of \$664.8 million increased \$31.9 million, or 5%, compared to revenues of \$632.9 million for the three months ended December 31, 2021. The increase was primarily attributable to a 23% increase in the average realized sales price for oil which rose to \$94.64 per Bbl from \$77.13 per Bbl. The increase in average realized price for oil was partially offset by a 9% decrease in production, as discussed above, as well as a 14% decrease in the average realized price for natural gas.

Revenues for the three months ended March 31, 2022 of \$664.8 million increased \$344.2 million, or 107%, compared to revenues of \$320.6 million for the same period of 2021. The increase was primarily attributable to a 66% increase in the average realized sales price of oil which rose to \$94.64 per Bbl from \$57.05 per Bbl as well as a 27% increase in production as discussed above.

Operating Expenses

	Three Months Ended							
	March 31, 2022	Per	December 31, 2021	Per	Total Change		Boe Change	
		Boe		Boe	\$	%	\$	%
(In thousands, except per Boe and % amounts)								
Lease operating	\$67,328	\$7.29	\$73,522	\$7.11	(\$6,194)	(8 %)	\$0.18	3 %
Production and ad valorem taxes	37,678	4.08	33,693	3.26	3,985	12 %	0.82	25 %
Gathering, transportation and processing	20,775	2.25	22,083	2.14	(1,308)	(6 %)	0.11	5 %
Depreciation, depletion and amortization	102,979	11.15	112,551	10.89	(9,572)	(9 %)	0.26	2 %
General and administrative	17,121	1.85	13,116	1.27	4,005	31 %	0.58	46 %
Merger, integration and transaction	769	0.08	11,271	1.09	(10,502)	(93 %)	(1.01)	(93 %)

	Three Months Ended							
	March 31, 2022	Per	March 31, 2021	Per	Total Change		Boe Change	
		Boe		Boe	\$	%	\$	%
(In thousands, except per Boe and % amounts)								
Lease operating	\$67,328	\$7.29	\$40,453	\$5.55	\$26,875	66 %	\$1.74	31 %
Production and ad valorem taxes	37,678	4.08	18,439	2.53	19,239	104 %	1.55	61 %
Gathering, transportation and processing	20,775	2.25	17,981	2.47	2,794	16 %	(0.22)	(9 %)
Depreciation, depletion and amortization	102,979	11.15	70,987	9.74	31,992	45 %	1.41	14 %
General and administrative	17,121	1.85	16,799	2.31	322	2 %	(0.46)	(20 %)
Merger, integration and transaction	769	0.08	—	—	769	— %	0.08	— %

Lease Operating Expenses. Lease operating expenses for the three months ended March 31, 2022 decreased to \$67.3 million compared to \$73.5 million for the three months ended December 31, 2021, primarily due to a 9% decrease in production, as discussed above, as well as changing service providers and improving the efficiency of operations, partially offset by an increase in workover expenses as well as an increase in certain operating expenses such as repairs and maintenance. Lease operating expense per Boe for the three months ended March 31, 2022 increased to \$7.29 compared to \$7.11 for the three months ended December 31, 2021, primarily due to higher workover costs and the distribution of fixed costs spread over lower production volumes.

Lease operating expenses for the three months ended March 31, 2022 increased to \$67.3 million compared to \$40.5 million for the same period of 2021, primarily due to the increase in production from wells acquired in the Primexx Acquisition as well as increases in certain operating expenses such as repairs and maintenance. Lease operating expense per Boe for the three months ended March 31, 2022 increased to \$7.29 compared to \$5.55 for the same period of 2021, primarily due to the increase in certain operating expenses as discussed above as well as the increase in certain operating expenses associated with the Primexx Acquisition.

Production and Ad Valorem Taxes. For the three months ended March 31, 2022, production and ad valorem taxes increased 12% to \$37.7 million compared to \$33.7 million for the three months ended December 31, 2021, which is primarily related to a 5% increase in total revenues which increased production taxes, as well as an increase in ad valorem taxes due to higher expected property tax valuations for the first quarter of 2022 as a result of higher commodity prices during 2021 compared to 2020. Production and ad valorem taxes as a percentage of total revenues increased to 5.7% for the first quarter of 2022 as compared to 5.3% of total revenues for the three months ended December 31, 2021, primarily due to an increase in ad valorem taxes during the first quarter of 2022 as discussed above.

For the three months ended March 31, 2022, production and ad valorem taxes increased 104% to \$37.7 million compared to \$18.4 million for the same period of 2021, which is primarily related to a 107% increase in total revenues which increased production taxes, as well as an increase in ad valorem taxes as discussed in the paragraph above. Production and ad valorem taxes as a percentage of total revenues decreased to 5.7% for the three months ended March 31, 2022, as compared to 5.8% of total revenues for the same period of 2021, as the 107% increase in total revenues was greater than the increase in ad valorem taxes, which does not increase proportionately with revenues.

Gathering, Transportation and Processing Expenses. For the three months ended March 31, 2022, gathering, transportation and processing expenses decreased 6% to \$20.8 million compared to \$22.1 million for the three months ended December 31, 2021, which is primarily related to the 9% decrease in production volumes between the two periods.

For the three months ended March 31, 2022, gathering, transportation and processing expenses increased 16% to \$20.8 million compared to \$18.0 million for the same period of 2021, which was primarily related to the 27% increase in production volumes between the two periods.

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

	Three Months Ended				Three Months Ended			
	March 31, 2022		December 31, 2021		March 31, 2022		March 31, 2021	
	Amount	Per Boe	Amount	Per Boe	Amount	Per Boe	Amount	Per Boe
	(In thousands, except per Boe)							
DD&A of evaluated oil and gas properties	\$100,763	\$10.91	\$110,169	\$10.66	\$100,763	\$10.91	\$68,705	\$9.43
Depreciation of other property and equipment	476	0.05	473	0.05	476	0.05	516	0.07
Amortization of other assets	780	0.08	980	0.09	780	0.08	839	0.11
Accretion of asset retirement obligations	960	0.11	929	0.09	960	0.11	927	0.13
DD&A	\$102,979	\$11.15	\$112,551	\$10.89	\$102,979	\$11.15	\$70,987	\$9.74

For the three months ended March 31, 2022, DD&A decreased to \$103.0 million from \$112.6 million for the three months ended December 31, 2021 primarily attributable to a production decrease of 9%.

For the three months ended March 31, 2022, DD&A increased to \$103.0 million from \$71.0 million for the same period in 2021 primarily attributable to a production increase of 27% as well as the addition of properties acquired in the Primexx Acquisition.

General and Administrative, Net of Amounts Capitalized (“G&A”). G&A for the three months ended March 31, 2022 increased to \$17.1 million compared to \$13.1 million for the three months ended December 31, 2021, primarily due to an increase in the fair value of Cash SARs as a result of the increase in our stock price between the two periods.

G&A for the three months ended March 31, 2022 increased to \$17.1 million compared to \$16.8 million for the same period in 2021 primarily due to an increase in compensation costs as we increased headcount during 2021, partially offset by a reduction in expense associated with the Cash-Settled RSU Awards and Cash SARs as a result of a smaller increase in the fair value associated with these awards during the first quarter of 2022 as compared to the same period in 2021.

Other Income and Expenses

Interest Expense, Net of Capitalized Amounts. The following table sets forth the components of our interest expense, net of capitalized amounts for the periods indicated:

	Three Months Ended			Three Months Ended		
	March 31, 2022	December 31, 2021	Change	March 31, 2022	March 31, 2021	Change
	(In thousands)					
Interest expense on Senior Unsecured Notes	\$29,022	\$29,022	\$—	\$29,022	\$24,502	\$4,520
Interest expense on Second Lien Notes	7,192	8,916	(1,724)	7,192	11,625	(4,433)
Interest expense on Credit Facility	7,110	8,613	(1,503)	7,110	7,817	(707)
Amortization of debt issuance costs, premiums and discounts	3,750	4,235	(485)	3,750	4,478	(728)
Other interest expense	22	32	(10)	22	32	(10)
Capitalized interest	(25,538)	(25,592)	54	(25,538)	(24,038)	(1,500)
Interest expense, net of capitalized amounts	\$21,558	\$25,226	(\$3,668)	\$21,558	\$24,416	(\$2,858)

Interest expense, net of capitalized amounts, incurred during the three months ended March 31, 2022 decreased \$3.7 million to \$21.6 million compared to \$25.2 million for the three months ended December 31, 2021. The decrease is primarily due to the reduction in interest expense associated with the Second Lien Notes as a result of our exchange of \$197.0 million of our outstanding Second Lien Notes for a notional amount of approximately \$223.1 million of our common stock in November 2021, as well as lower borrowings on the Credit Facility compared to the three months ended December 31, 2021.

Interest expense, net of capitalized amounts, incurred during the three months ended March 31, 2022 decreased \$2.9 million to \$21.6 million compared to \$24.4 million for the same period of 2021. The decrease is primarily due to the reduction in interest expense associated with the Second Lien Notes exchange discussed above, lower borrowings on the Credit Facility compared to the same period of 2021 and an increase in capitalized interest, partially offset by an increase in interest expense related to the issuance of the 8.00% Senior Notes in July 2021.

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

	Three Months Ended		Three Months Ended	
	March 31, 2022	December 31, 2021	March 31, 2022	March 31, 2021
	(In thousands)			
Loss on oil derivatives	\$325,348	\$35,364	\$325,348	\$149,561
(Gain) loss on natural gas derivatives	28,181	(14,918)	28,181	2,697
(Gain) loss on NGL derivatives	4,771	(8,346)	4,771	1,138
(Gain) loss on contingent consideration arrangements	—	(1,955)	—	5,737
Loss on September 2020 Warrants liability	—	—	—	55,390
Loss on derivative contracts	\$358,300	\$10,145	\$358,300	\$214,523

See “Note 7 - Derivative Instruments and Hedging Activities” and “Note 8 - Fair Value Measurements” for additional information.

Income Tax Expense. We recorded income tax expense of \$0.5 million compared to income tax benefit of \$0.8 million for the three months ended March 31, 2022 and December 31, 2021, respectively.

We recorded income tax expense of \$0.5 million compared to income tax benefit of \$0.9 million for the three months ended March 31, 2022 and 2021, respectively.

Since the second quarter of 2020, we have concluded that it is more likely than not that the net deferred tax assets will not be realized and have recorded a full valuation allowance against our deferred tax assets. As long as we continue to conclude that the valuation allowance is necessary, we do not expect to have significant deferred income tax expense or benefit. See “Note 9 - Income Taxes” for further discussion.

Liquidity and Capital Resources

2022 Outlook. Oil prices steadily increased throughout 2021 and into the first quarter of 2022, reaching a 13-year high in March 2022. As a result of a corresponding increase in industry drilling and completion activity over that period, combined with the supply chain and labor constraints, we have begun to experience inflationary cost pressures on many different service items including labor, materials, and equipment. We expect to continue to face inflationary pressure throughout the remainder of 2022.

2022 Capital Budget and Funding Strategy. Our primary uses of capital are for the exploration and development of our oil and natural gas properties. Our 2022 capital budget has been established at \$725.0 million, with over 85% allocated towards development in the Permian with the balance towards development in the Eagle Ford. Because we are the operator of a high percentage of our properties, we can control the amount and timing of our capital expenditures. We plan to execute a moderated capital expenditure program through reduced reinvestment rates and balanced capital deployment for a more consistent cash flow generation and will be focused to further enhance our multi-zone, scaled development program to drive capital efficiency.

The following table is a summary of our capital expenditures⁽¹⁾ for the three months ended March 31, 2022:

	Three Months Ended	
	March 31, 2022	
	(In millions)	
Operational capital		\$157.4
Capitalized interest		25.5
Capitalized G&A		11.6
Total		\$194.5

(1) Capital expenditures, presented on an accrual basis, includes drilling, completions, facilities, and equipment, and excludes land, seismic, and asset retirement costs.

We believe that existing cash and cash equivalents, any positive cash flows from operations and available borrowings under our revolving 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 non-core asset dispositions. We regularly consider which resources, including 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.

Overview of Cash Flow Activities. For the three months ended March 31, 2022, cash and cash equivalents decreased \$5.7 million to \$4.2 million compared to \$9.9 million at December 31, 2021.

	Three Months Ended March 31,	
	2022	2021
	(In thousands)	
Net cash provided by operating activities	\$281,270	\$137,665
Net cash used in investing activities	(221,939)	(98,514)
Net cash used in financing activities	(65,063)	(35,037)
Net change in cash and cash equivalents	(\$5,732)	\$4,114

Operating Activities. For the three months ended March 31, 2022, net cash provided by operating activities was \$281.3 million compared to \$137.7 million for the same period in 2021. The change in net cash provided by operating activities was predominantly attributable to the following:

- An increase in revenue primarily driven by a 66% increase in realized oil price, as well as a 27% increase in production volumes, and
- An offsetting increase in the cash paid for commodity derivative settlements.

Production, realized prices, and operating expenses are discussed in Results of Operations. See “Note 7 - Derivative Instruments and Hedging Activities” and “Note 8 - 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 three months ended March 31, 2022, net cash used in investing activities was \$221.9 million compared to \$98.5 million for the same period in 2021. The increase in net cash used in investing activities was primarily attributed to the following:

- An increase in operational capex, and
- An increase in cash paid for the settlement of contingent consideration agreements as a cash payment of \$19.2 million was paid in January 2022.

Financing Activities. We finance a portion of our capital expenditures, acquisitions and working capital requirements with borrowings under the Credit Facility, term debt and equity offerings. For the three months ended March 31, 2022, net cash used in financing activities was \$65.1 million compared to \$35.0 million for the same period of 2021. This change was primarily attributable to repayment of approximately \$73.0 million on the Credit Facility during the three months ended March 31, 2022, which reflects our continued commitment and focus on deleveraging.

Credit Facility. As of March 31, 2022, our Credit Facility had a borrowing base of \$1.6 billion, with an elected commitment amount of \$1.6 billion, borrowings outstanding of \$712.0 million at a weighted average interest rate of 2.74%, and \$23.0 million in letters of credit outstanding. On May 2, 2022, as a result of the spring 2022 redetermination, the borrowing base and elected commitment amount of \$1.6 billion were reaffirmed.

Our Credit Facility contains certain covenants including restrictions on additional indebtedness, payment of cash dividends and maintenance of certain financial ratios. Under the Credit Facility, we must maintain the following financial covenants determined as of the last day of the quarter: (1) a Leverage Ratio of no more than 4.00 to 1.00 and (2) a Current Ratio of not less than 1.00 to 1.00. We were in compliance with these covenants at March 31, 2022.

The Credit Facility also places restrictions on us and certain of our subsidiaries with respect to additional indebtedness, liens, dividends and other payments to shareholders, repurchases or redemptions of our common stock, redemptions of senior notes, investments, acquisitions, mergers, asset dispositions, transactions with affiliates, hedging transactions and other matters.

See “Note 6 – Borrowings” for additional information related to the Credit Facility.

Material Cash Requirements. As of March 31, 2022, 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 2021 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 2021 Annual Report for additional details.

Since December 31, 2021, there have been no material changes from what was disclosed in our 2021 Annual Report other than the changes to the borrowings under our Credit Facility as well as an amended frac service contract through the remainder of 2022 for approximately \$30.0 million.

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 2021 Annual Report. Except as set forth below, there have been no material changes to our critical accounting estimates since December 31, 2021, which are disclosed in “Part II, Item 7A. Management’s Discussion and Analysis of Financial Condition and Results of Operations” of our 2021 Annual Report

Oil and Natural Gas Properties

The table below presents various pricing scenarios to demonstrate the sensitivity of our March 31, 2022 cost center ceiling to changes in 12-month average benchmark crude oil and natural gas prices underlying the 12-Month Average Realized Prices. The sensitivity analysis is as of March 31, 2022 and, accordingly, does not consider drilling and completion activity, acquisitions or dispositions of oil and gas properties, production, changes in crude oil and natural gas prices, and changes in development and operating costs occurring subsequent to March 31, 2022 that may require revisions to estimates of proved reserves. See also “Part I, Item 1A. Risk Factors—If oil and natural gas prices remain depressed for extended periods of time, we may be required to make significant downward adjustments to the carrying value of our oil and natural gas properties” in our 2021 Annual Report.

	12-Month Average Realized Prices		Excess (deficit) of cost center ceiling over net book value, less related deferred income taxes	Increase (decrease) of cost center ceiling over net book value, less related deferred income taxes
	Crude Oil (\$/Bbl)	Natural Gas (\$/Mcf)	(In millions)	(In millions)
Full Cost Pool Scenarios				
March 31, 2022 Actual	\$74.41	\$4.02	\$3,749	
Crude Oil and Natural Gas Price Sensitivity				
Crude Oil and Natural Gas +10%	\$81.94	\$4.43	\$4,724	\$975
Crude Oil and Natural Gas -10%	\$66.89	\$3.61	\$2,774	(\$975)
Crude Oil Price Sensitivity				
Crude Oil +10%	\$81.94	\$4.02	\$4,643	\$894
Crude Oil -10%	\$66.89	\$4.02	\$2,855	(\$894)
Natural Gas Price Sensitivity				
Natural Gas +10%	\$74.41	\$4.43	\$3,829	\$80
Natural Gas -10%	\$74.41	\$3.61	\$3,669	(\$80)

Recently Adopted and Recently Issued Accounting Standards

See “Note 1 - Description of Business and Basis of Presentation” 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, 2021, which are disclosed in “Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk” of our 2021 Annual Report on Form 10-K.

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 March 31, 2022, excluding deferred premium obligations, 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 March 31, 2022:

	Three Months Ended March 31, 2022		
	Oil	Natural Gas	Total
	(In thousands)		
Fair value liability as of March 31, 2022 ⁽¹⁾	(\$339,160)	(\$23,881)	(\$363,041)
Impact of a 10% increase in forward commodity prices	(\$451,638)	(\$32,264)	(\$483,902)
Impact of a 10% decrease in forward commodity prices	(\$229,700)	(\$15,607)	(\$245,307)

(1) Spot prices for oil and natural gas were \$99.66 and \$5.64, respectively, as of March 31, 2022.

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 March 31, 2022, we had \$712.0 million outstanding under the Credit Facility with a weighted average interest rate of 2.74%. 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 \$7.1 million, based on the balance outstanding as of March 31, 2022. See “Note 6 - 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 the Chief Executive Officer and Chief Financial Officer, 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 March 31, 2022.

Changes in Internal Control Over Financial Reporting. There were no changes in our internal control over financial reporting (as such term is defined in Rule 13a-15(f) under the Exchange Act) that occurred during the first quarter of 2022 that have materially affected, or are reasonably likely to materially affect, the Company’s 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.

In January 2022, we received a Notice of Violation from the United States Environmental Protection Agency related to the Clean Air Act. The enforcement action will likely result in monetary sanctions yet-to-be specified and corrective actions, which may increase our development costs and/or operating costs. We are unable to predict the ultimate outcome of this matter at this time, however, we believe that any penalties, mitigation costs, or corrective actions that may result from this matter will not have a material adverse effect on our consolidated financial position, results of operations, or cash flows.

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 2021 Annual Report on Form 10-K. 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

None.

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
3.1	<u>Certificate of Incorporation of the Company, as amended through May 12, 2016</u>	10-Q	3.1	11/3/2016
3.2	<u>Certificate of Amendment to the Certificate of Incorporation of Callon, effective December 20, 2019</u>	8-K	3.1	12/20/2019
3.3	<u>Certificate of Amendment to the Certificate of Incorporation of Callon, effective August 7, 2020</u>	8-K	3.1	8/7/2020
3.4	<u>Certificate of Amendment to the Certificate of Incorporation of Callon, effective May 14, 2021</u>	8-K	3.1	5/14/2021
3.5	<u>Amended and Restated Bylaws of the Company</u>	10-K	3.2	2/27/2019
10.1	(a)(c) <u>Form of Callon Petroleum Company Returns Program Cash Incentive Award Agreement, adopted on March 9, 2022 under the 2020 Omnibus Incentive Plan</u>			
10.2	(a)(c) <u>Form of Callon Petroleum Company Business Sustainability Cash Incentive Award Agreement, adopted on March 9, 2022 under the 2020 Omnibus Incentive Plan</u>			
31.1	(a) <u>Certification of Chief Executive Officer pursuant to Rule 13(a)-14(a)</u>			
31.2	(a) <u>Certification of Chief Financial Officer pursuant to Rule 13(a)-14(a)</u>			
32.1	(b) <u>Section 1350 Certifications of Chief Executive and Financial Officers pursuant to Rule 13(a)-14(b)</u>			
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) Indicates management compensatory plan, contract, or arrangement.

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.

<u>Signature</u>	Callon Petroleum Company <u>Title</u>	<u>Date</u>
<u>/s/ Joseph C. Gatto, Jr.</u> Joseph C. Gatto, Jr.	President and Chief Executive Officer	<u>May 5, 2022</u>
<u>/s/ Kevin Haggard</u> Kevin Haggard	Senior Vice President and Chief Financial Officer	<u>May 5, 2022</u>

**2022 LONG-TERM OFFICER CASH INCENTIVE AWARD AGREEMENT
RETURNS PROGRAM CASH AWARD**

**CALLON PETROLEUM COMPANY
2020 OMNIBUS INCENTIVE PLAN**

THIS AGREEMENT (“**Agreement**”) is effective as of March 9, 2022 (the “**Effective Date**”), by and between Callon Petroleum Company, a Delaware corporation (the “**Company**”), and _____ (the “**Grantee**”).

The Company has adopted the 2020 Callon Petroleum Company 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. The Committee has determined that it would be in the interest of the Company and its stockholders to grant the cash bonus award provided herein to the Grantee in order to provide Grantee with additional remuneration for services rendered, to encourage Grantee to remain in the employ of the Company or its Subsidiaries and to increase Grantee’s personal interest in the continued success and progress of the Company.

The Company and Grantee therefore agree as follows:

1. **General.** Pursuant to the Plan and subject further to the terms and conditions herein, the Company and Grantee enter into this Agreement pursuant to which the Grantee is eligible to receive a cash incentive award (the “**Long-Term Cash Incentive Award**”) for the Performance Period (as defined below), subject to the terms and conditions set forth herein. “**Performance Period**” means the period from January 1, 2022 to December 31, 2024. Each calendar year within the Performance Period shall be referred to herein as a “**Performance Year**.”

2. **Amount of Incentive Award.**

(a) *Amount of Long-Term Cash Incentive Award.* The Long-Term Cash Incentive Award shall have a target amount equal to \$[●] (the “**Target Award Amount**”). Subject to the provisions of Section 4, the amount of the Long-Term Cash Incentive Award payable upon vesting (the “**Award Payout Amount**”) shall be equal to the (i) the Target Award Amount multiplied by (ii) the ROCE Multiplier as set forth below.

(b) *ROCE Multiplier.* Unless otherwise provided in this Agreement, the ROCE Multiplier under the Agreement shall be determined from the following table based on the Company’s Average ROCE for the Performance Period. If the Average ROCE is between amounts shown, the ROCE Multiplier shall be linearly interpolated; provided however, that (i) in no event will the ROCE Multiplier be greater than 200% and (ii) the ROCE Multiplier will be 0% if the Average ROCE is not at least [xx%].

Average ROCE	ROCE Multiplier
xx%	200%
xx%	100%
xx%	50%
Less than xx%	0%

For this purpose, “**Average ROCE**” means the average of the Company’s annual Return on Capital Employed (“ROCE”) for each year of the Performance Period. “**ROCE**” shall equal the Company’s adjusted EBIT (excluding non-recurring items) for the period divided by the total of its average total assets for the period minus average current liabilities for the period. The Committee retains discretion to normalize the Average ROCE goals for the conversion to successful efforts accounting if and when the Company adopts such conversion.

(c) *Determination of Award Amount.* Within five (5) business days following the filing with the Securities Exchange Commission of the Company’s annual financial statements for the Performance Period (the “**Calculation Date**”), the Chairman of the Committee shall affirm the ROCE Multiplier for the Performance Period and the Award Payout Amount, and such determination shall be binding and final.

3. **Payment Terms.** Except as otherwise provided in Section 4, the Award Payout Amount shall be paid to the Grantee as soon as reasonably practicable (but no later than 30 days thereafter) following the Calculation Date for the Performance Period, subject to the Grantee’s continued employment with the Company through such Calculation Date. 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.

4. **Termination of Employment; Forfeiture.**

(a) *Death and Disability.* In the event the Grantee’s employment with the Company is terminated during the Performance Period as a result of the Grantee’s death or Disability (as defined below) prior to the occurrence of a Change in Control, the Grantee will receive an Award Payout Amount equal to (i) the Target Award Amount multiplied by (ii) the ROCE Multiplier determined by averaging (x) for each completed calendar year prior to the date of death or Disability, the ROCE and (y) for each calendar year in the Performance Period that is not complete as of the date of death or Disability, an assumed ROCE of 15%. For purposes of this Section 4(a), the Award Payout Amount, as calculated according to this Section 4(a), shall be paid as soon as reasonably practicable following the date of such termination of employment.

(b) *Change in Control Event.* In the event of a Change in Control, the Award Payout Amount shall equal (i) the Target Award Amount multiplied by (ii) the ROCE Multiplier determined by averaging (x) for each completed calendar year prior to the date of the Change in Control, the ROCE and (y) for each calendar year in the Performance Period that is not complete as of the date of the Change in Control, an assumed ROCE of 15%. For purposes of this Section 4(b), the Award Payout Amount, as calculated according to this Section 4(b), shall be paid following the end of the Performance Period in accordance with Section 2(c) and Section 3, subject to the Grantee’s continued employment with the Company or a Subsidiary through the end of the Performance Period.

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

(i) For purposes hereof, “**Cause**” is defined as: (A) 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; (B) the commission by the Grantee of a material act of fraud upon the Company, any Subsidiary or Affiliate; (C) the material misappropriation by the Grantee of any funds or other property of the Company, any Subsidiary or Affiliate; (D) the knowing engagement by the Grantee without the written approval of the Board of Directors of the Company, 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; (E)(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 (E), no act or failure to act on Grantee’s part shall be deemed “willful” unless it is done or omitted by the Grantee not in good faith and without his reasonable belief that such action or omission was in the best interest of the Company, (F) 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 (G) the intentional failure of the Grantee to comply with the Company’s Code of Business Conduct and Ethics, or to otherwise discharge his 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) For purposes hereof, “**Disability**” shall mean the physical or mental inability of Grantee to carry out the normal and usual duties of his 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 Grantee, upon the advice of a qualified physician, will be unable to carry out the normal and usual duties of his position.

(d) *Forfeiture.* Notwithstanding anything herein to the contrary, but subject to Section 4(a) and Section 4(b) herein and the terms of any change in control severance compensation agreement between the Grantee and the Company under which the Grantee is entitled to severance benefits and accelerated vesting of incentive awards (including the Change in Control Severance Compensation Agreement between the Company and the Grantee), upon termination of the Grantee’s employment with the Company (for any or no reason), the Long-Term Cash Incentive Award (to the extent not yet paid) shall be immediately forfeited without consideration.

5. **Clawback Policy.** The Grantee hereby acknowledges and agrees that all rights with respect to the Long-Term Cash Incentive Award 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 Long-Term Cash Incentive Award and amounts received with respect to the Long-Term Cash Incentive Award are subject to recoupment pursuant to the terms of the Company Clawback Policy.

6. **Mandatory Withholding of Taxes.** Grantee acknowledges and agrees that the Company shall deduct from the cash otherwise payable or deliverable an amount of cash that is equal to the amount of all federal, state and local taxes required to be withheld by the Company.

7. **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 Grantee's address as listed in the records of the Company on the Effective Date, unless the Company has received written notification from the Grantee of a change of address, or (ii) shall be sent to the Grantee's e-mail address specified in the Company's records.

8. **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.

9. **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.

10. **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 hereunder. All decisions of the Committee upon questions regarding this the Plan or this Agreement shall be conclusive. Unless otherwise expressly stated herein, 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.

11. **Code Section 409A.** The Long-Term Cash Incentive Award granted under this Agreement is designed to be exempt from or comply with Section 409A of the Internal Revenue Code of 1986, as amended from time to time (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.

12. **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.

13. **Grantee Acceptance.** By electronically accepting this Agreement the Grantee hereby accepts the cash bonus award provided herein subject to the terms and conditions provided herein.

Grantee:

_____ [NAME]

**2022 LONG-TERM OFFICER CASH INCENTIVE AWARD AGREEMENT
BUSINESS SUSTAINABILITY CASH AWARD**

**CALLON PETROLEUM COMPANY
2020 OMNIBUS INCENTIVE PLAN**

THIS AGREEMENT (“**Agreement**”) is effective as of March 9, 2022 (the “**Effective Date**”), by and between Callon Petroleum Company, a Delaware corporation (the “**Company**”), and _____ (the “**Grantee**”).

The Company has adopted the 2020 Callon Petroleum Company 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. The Committee has determined that it would be in the interest of the Company and its stockholders to grant the cash bonus award provided herein to the Grantee in order to provide Grantee with additional remuneration for services rendered, to encourage Grantee to remain in the employ of the Company or its Subsidiaries and to increase Grantee’s personal interest in the continued success and progress of the Company.

The Company and Grantee therefore agree as follows:

1. **General.** Pursuant to the Plan and subject further to the terms and conditions herein, the Company and Grantee enter into this Agreement pursuant to which the Grantee is eligible to receive a cash incentive award (the “**Long-Term Cash Incentive Award**”) for the Performance Period (as defined below), subject to the terms and conditions set forth herein. “**Performance Period**” means the period from January 1, 2022 to December 31, 2024. Each calendar year within the Performance Period shall be referred to herein as a “**Performance Year**.”

2. **Amount of Incentive Award.**

(a) *Amount of Long-Term Cash Incentive Award.* The Long-Term Cash Incentive Award shall have a target amount equal to \$[●] (the “**Target Award Amount**”). Subject to the provisions of Section 4, the amount of the Long-Term Cash Incentive Award payable upon vesting (the “**Award Payout Amount**”) shall be equal to (i) the sum of the Annual Accrued Amounts for each of the three Performance Years in the Performance Period multiplied by (ii) the GHG Intensity Multiplier.

(b) *Annual Accrued Amount.* For each Performance Year, the Grantee shall be eligible to accrue an award amount (an “**Annual Accrued Amount**”) equal to (i) one-third of the Target Award Amount (the “**Annual Target Amount**”) multiplied by (ii) a percentage (the “**Performance Multiplier**”) based on the Company’s attainment of Adjusted Free Cash Flow targets for such Performance Year, with the Adjusted Free Cash Flow targets to be determined by the Committee no later than March 31 of each such Performance Year. For the 2022 Performance Year, the Adjusted Free Cash Flow targets shall be those set forth in Exhibit A to this Agreement. The range of Performance Multipliers which may be accrued with respect to each Performance Year is 0 to 200%. “**Adjusted Free Cash Flow**” with respect to each Performance Year, means the following: Adjusted EBITDA (excluding non-recurring items) minus the sum of operational capital (accrual basis), capitalized cash interest, capitalized cash G&A (excluding stock-based compensation), and cash interest expense.

(c) *GHG Intensity Multiplier.* Unless otherwise provided in this Agreement, the Award Payout Amount will be determined by multiplying the sum of the Annual Accrued Amounts for each of the three Performance Years in the Performance Period pursuant to Section 2(b) by the applicable GHG Intensity Multiplier for calendar year 2024 as set forth in the table below. If the GHG Intensity is between amounts shown, the GHG Intensity Multiplier shall be linearly interpolated; provided however, that (i) in no event will the GHG Intensity Multiplier be greater than 120% and (ii) the GHG Intensity Multiplier will be 80% if the GHG Intensity is greater than or equal to [xx] MtC02e/MBOE.

GHG Intensity (Calendar Year 2024)	GHG Intensity Multiplier
≥ xx MtC02e/MBOE	80%
< xx MtC02e/MBOE	120%

For this purpose, “**GHG Intensity**” means for calendar year 2024 the Company’s (i) total greenhouse gas emissions (MtC02e) as calculated in accordance with the methodology for annual regulatory reporting to the Environmental Protection Agency divided by (ii) total production. The Committee shall retain discretion to calibrate the GHG Intensity performance calculation for any changes to the regulatory reporting methodology on or after, March 2022, for significant changes to portfolio and for any other factors impacting GHG Intensity performance that are outside of management control within the 3-year Performance Period.

(d) *Determination of Award Amount.* Within five (5) business days following the filing with the Securities Exchange Commission of the Company’s annual financial statements for the final Performance Year of the Performance Period (the “**Calculation Date**”), the Chairman of the Committee shall affirm the Performance Multiplier for each of the three Performance Years in the Performance Period, the GHG Intensity Multiplier, and the Award Payout Amount, and such determination shall be binding and final.

3. **Payment Terms.** Except as otherwise provided in Section 4, the Award Payout Amount shall be paid to the Grantee as soon as reasonably practicable (but no later than 30 days thereafter) following the Calculation Date for the last Performance Year of the Performance Period, subject to the Grantee’s continued employment with the Company through such Calculation Date. 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.

4. **Termination of Employment; Forfeiture.**

(a) *Death and Disability.* In the event the Grantee’s employment with the Company is terminated as a result of the Grantee’s death or Disability (as defined below) prior to the occurrence of a Change in Control, the Grantee will receive the Long-Term Cash Incentive Award in an amount equal to the sum of (i) for each Performance Year that ended prior to the date of such termination, the Annual Accrued Amount and (ii) for each other Performance Year, the Target Amount, to be paid as soon as reasonably practicable following the date of such termination of employment. For the avoidance of doubt, the GHG Intensity Multiplier shall not apply to amounts payable under this Section 4(a).

(b) *Change in Control Event.* In the event of a Change in Control, the Award Payout Amount shall equal the sum of (i) for each Performance Year ending prior to the effective date of such Change in Control (the “**CIC Date**”), the applicable Annual Accrued Amount, (ii) for the Performance Year in which the CIC Date occurs (the “**CIC Year**”), the CIC Amount (as defined

below) and (iii) for any remaining Performance Years in the Performance Period, the Annual Target Amount. “ **CIC Amount**” means the sum of (x) for each completed calendar quarter in the CIC Year (if any) prior to the CIC Date (each, a “ **Pre-CIC Quarter**”), one-fourth (1/4) of the Annual Accrued Amount for the CIC Year as determined based on the Performance Multiplier as calculated based on the aggregate Adjusted Free Cash Flow for the Pre-CIC Quarters but with the applicable Adjusted Free Cash Flow targets for the CIC Year prorated based on the number of days of the CIC Year in the Pre-CIC Quarters, and (y) for each quarter in the CIC Year that is not a Pre-CIC Quarter, one-fourth (1/4) of the Annual Target Amount. For purposes of this Section 4(b), the Award Payout Amount, as calculated according to this Section 4(b), shall be paid following the end of the Performance Period in accordance with Section 2(d) and Section 3, subject to the Grantee’s continued employment with the Company or a Subsidiary through the end of the Performance Period. For the avoidance of doubt, the GHG Intensity Multiplier shall not apply to amounts payable under this Section 4(b).

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

(i) For purposes hereof, “**Cause**” is defined as: (A) 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; (B) the commission by the Grantee of a material act of fraud upon the Company, any Subsidiary or Affiliate; (C) the material misappropriation by the Grantee of any funds or other property of the Company, any Subsidiary or Affiliate; (D) the knowing engagement by the Grantee without the written approval of the Board of Directors of the Company, 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; (E)(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 (E), no act or failure to act on Grantee’s part shall be deemed “willful” unless it is done or omitted by the Grantee not in good faith and without his reasonable belief that such action or omission was in the best interest of the Company, (F) 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 (G) the intentional failure of the Grantee to comply with the Company’s Code of Business Conduct and Ethics, or to otherwise discharge his 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) For purposes hereof, “**Disability**” shall mean the physical or mental inability of Grantee to carry out the normal and usual duties of his 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 Grantee, upon the advice of a qualified physician, will be unable to carry out the normal and usual duties of his position.

(d) *Forfeiture.* Notwithstanding anything herein to the contrary, but subject to Section 4(a) and Section 4(b) herein and the terms of any change in control severance compensation agreement between the Grantee and the Company under which the Grantee is entitled to severance benefits and accelerated vesting of incentive awards (including the Change in Control Severance Compensation Agreement between the Company and the Grantee), upon termination of the Grantee’s employment with the Company (for any or no reason), the Long-Term Cash Incentive Award (to the extent not yet paid) shall be immediately forfeited without consideration.

5. **Clawback Policy.** The Grantee hereby acknowledges and agrees that all rights with respect to the Long-Term Cash Incentive Award 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 Long-Term Cash Incentive Award and amounts received with respect to the Long-Term Cash Incentive Award are subject to recoupment pursuant to the terms of the Company Clawback Policy.

6. **Mandatory Withholding of Taxes.** Grantee acknowledges and agrees that the Company shall deduct from the cash otherwise payable or deliverable an amount of cash that is equal to the amount of all federal, state and local taxes required to be withheld by the Company.

7. **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 Grantee's address as listed in the records of the Company on the Effective Date, unless the Company has received written notification from the Grantee of a change of address, or (ii) shall be sent to the Grantee's e-mail address specified in the Company's records.

8. **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.

9. **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.

10. **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 hereunder. All decisions of the

Committee upon questions regarding this the Plan or this Agreement shall be conclusive. Unless otherwise expressly stated herein, 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.

11. **Code Section 409A.** The Long-Term Cash Incentive Award granted under this Agreement is designed to be exempt from or comply with Section 409A of the Internal Revenue Code of 1986, as amended from time to time (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.

12. **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.

13. **Grantee Acceptance.** By electronically accepting this Agreement the Grantee hereby accepts the cash bonus award provided herein subject to the terms and conditions provided herein.

Grantee:

[NAME]

Exhibit A

2022 Performance Year Performance Multiplier

1. General. The Annual Accrued Amount for the 2022 Performance Year under the Agreement will be determined based on the Company's Adjusted Free Cash Flow for 2022 as shown in the following table. If the Adjusted Free Cash Flow is between amounts shown, the Performance Multiplier shall be linearly interpolated; provided however, that (i) in no event will the Performance Multiplier be greater than 200% and (ii) the Performance Multiplier will be 0% if the Adjusted Free Cash Flow is not at least \$xxx million.

Adjusted Free Cash Flow	Performance Multiplier
\$xxx million or greater	200%
\$xxx million	100%
\$xxx million	50%
Less than \$xxx million	0%

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: May 5, 2022

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

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: May 5, 2022

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

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 March 31, 2022, 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: May 5, 2022

/s/ Joseph C. Gatto, Jr.
Joseph C. Gatto, Jr.
(Principal executive officer)

Date: May 5, 2022

/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.