

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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 1, 2023

CALLON
P E T R O L E U M
Callon Petroleum Company
(Exact name of registrant as specified in its charter)

DE
(State or Other Jurisdiction of Incorporation)

001-14039
(Commission File Number)

64-0844345
(I.R.S. Employer Identification Number)

One Briarlake Plaza
2000 W. Sam Houston Parkway S., Suite 2000
Houston, TX 77042
(Address of Principal Executive Offices, and Zip Code)

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

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communication pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communication pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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	NYSE

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company

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

Item 2.02. Results of Operations and Financial Condition

The following information, including the press releases and certain financial and operational supplemental information attached as exhibits, is being furnished pursuant to Item 2.02 "Results of Operations and Financial Condition," not filed, for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). This information shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

On November 1, 2023, Callon Petroleum Company issued the press release, attached as Exhibit 99.1, and certain financial and operational supplemental information, attached as Exhibit 99.2, regarding the Company's third quarter 2023 financial and operating results and outlook.

Item 7.01. Regulation FD

The information set forth under Item 2.02 is incorporated herein by reference.

Item 9.01. Financial Statements and Exhibits

(d) Exhibits

<u>Exhibit Number</u>	<u>Title of Document</u>
99.1	Press release dated November 1, 2023 - Q3 2023 Earnings
99.2	Supplemental financial information

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 hereunto duly authorized.

Callon Petroleum Company
(Registrant)

November 1, 2023

/s/ Kevin Haggard
Kevin Haggard
Senior Vice President and Chief Financial Officer

Callon Petroleum Company Reports Third Quarter 2023 Results

Reduced long-term debt to \$1.9 billion

Reiterated full-year 2023 capital expenditure outlook of \$960 – \$980 million

Recent efficiency gains are expected to reduce 2024 drilling, completion, and facilities costs by more than 15% per well

HOUSTON, November 1, 2023 /PRNewswire/ - Callon Petroleum Company (NYSE: CPE) (“Callon” or the “Company”) today reported third quarter 2023 financial and operating results. A conference call is planned for 8 a.m. CT, Thursday, November 2; participation details can be found in this release. Slides accompanying today’s release are available at www.callon.com/investors.

Third Quarter Highlights:

- Generated \$266.8 million of net cash provided by operating activities
- Adjusted free cash flow of \$48.3 million, marking 14 consecutive quarters of adjusted free cash flow generation
- Total production was in line with expectations and averaged 101.7 MBoe/d (79% liquids), while oil production averaged 58.0 MBbls/d
- Capital expenditures of \$251 million were at the low end of guidance
- Repurchased \$15 million in common stock during the quarter
- Closed Eagle Ford sale and Percussion acquisition, recently commencing production from a five-well project on the Percussion acreage
- Completed land transactions to increase working interest and allow for capital efficient longer laterals

“The third quarter marked an important milestone for Callon as we completed a reorganization of our operations group into a business unit design to improve focus on capital efficiency and capital allocation,” said Joe Gatto, President and Chief Executive Officer. “We have delivered tangible benefits from this move in a short period of time, especially in terms of structural drilling efficiency gains from well design changes. We now expect to complete approximately 50,000 more lateral feet and commence drilling an incremental five wells relative to our mid-year forecast. This additional activity will benefit 2024 production, all while staying within our existing budget. These gains position us well heading into 2024 and set the stage for incremental structural efficiency gains as the year progresses. We expect these improvements will reduce our 2024 average total well costs, including facilities, by over 15%. Our focus into next year remains unchanged -- generate free cash flow, reduce debt, lower costs and return cash to our owners under our share repurchase program.”

Financial Results

Callon reported third quarter 2023 net income of \$119.5 million, or \$1.75 per share, (all share amounts are stated on a diluted basis), and adjusted EBITDAX of \$342.2 million. Adjusted income was \$123.9 million, or \$1.82 per share. The Company generated \$266.8 million of net cash provided by operating activities in the third quarter. Total operational capital expenditures for the quarter were \$251 million.

Operational Results

Third quarter total production was in line with guidance and averaged 101.7 MBoe/d (57% oil and 79% liquids). Oil production for the period was lower than expectations and averaged 58.0 MBbls/d. Oil volumes during the period were negatively impacted by weather-related power and midstream disruptions in August and September and a lower-than-expected oil mix from recent completions in the Delaware West area. Approximately half of the third quarter 2023 turned-in-lines (15 of 33) were in the Delaware West.

Average realized commodity prices during the third quarter were \$82.18 per Bbl for oil (100% of NYMEX WTI), \$22.40 per Bbl for natural gas liquids, and \$2.14 per MMBtu for natural gas (80% of NYMEX HH). The total average realized price for the period was \$54.50 per Boe on an unhedged basis.

2023 Outlook

Callon today revised its outlook for fourth quarter and full-year 2023 production and reiterated guidance for full-year 2023 capital expenditures.

For the fourth quarter, the Company expects that its total and oil production will average 100 – 103 MBoe/d (~79% liquids) and 56 – 59 MBbls/d (previous guidance was 104 – 108 MBoe/d and 63 – 65 MBbls/d, respectively). Full year 2023 total and oil production is now expected to average 102 – 104 MBoe/d and 59 – 61 MBbls/d (previous guidance was 103 – 106 MBoe/d and 62 – 64 MBbls/d, respectively).

Adjustments to the production outlook reflect the increased natural gas and NGL content from Delaware West and the ongoing optimization of Callon's artificial lift programs. In the third quarter, the Company accelerated a change in its Delaware Basin artificial lift program, previously planned to start in 2024, that will incorporate an increased proportion of gas lift to reduce production downtime, lower workover expense, and enhance longer-term resource recovery.

Guidance for capital expenditures for full-year 2023 is unchanged at \$960 – \$980 million, despite an increase in previously forecast drilled lateral feet and completion activity into year-end. The Company is currently running five drilling rigs, four in the Delaware Basin and one in the Midland Basin, as well as one completion crew.

Shareholder Returns

During the third quarter, Callon repurchased 386,719 shares of common stock at a weighted average purchase price of \$38.72 per common share for a total cost of approximately \$15 million. As of September 30, 2023, the remaining authorized repurchase amount under the Share Repurchase Program was \$285 million. Callon intends to use 40% of the fourth quarter adjusted free cash flow to repurchase shares.

Capital Structure

Callon remains focused on using a majority of its adjusted free cash flow to reduce total debt. As of September 30, 2023, Callon has approximately \$1.1 billion of liquidity and \$1.9 billion of long-term debt, including a drawn balance on the revolving credit facility of \$396 million.

Earnings Call Information

The Company plans to host a conference call on Thursday, November 2, 2023, to discuss its third quarter 2023 financial and operating results and outlook.

Please join Callon Petroleum Company via the Internet for a webcast of the conference call:

Time/Date: 8 a.m. CT / 9 a.m. ET, Thursday, November 2, 2023
Webcast: Select "News & Events" under the "Investors" section of the Company's website: www.callon.com.

An archive of the conference call webcast will be available at www.callon.com under the "Investors" section of the website.

About Callon Petroleum

Callon Petroleum Company is an independent oil and natural gas company focused on the acquisition, exploration and sustainable development of high-quality assets in the Permian Basin in West Texas.

Contact

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Cautionary Statement Regarding Forward Looking Information

This news release contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements include all statements regarding the Company's expectations and plans with respect to its share repurchase program; wells anticipated to be drilled and placed on production; future levels of development activity and associated production, capital expenditures and cash flow expectations and expected uses thereof; the Company's production and expenditure guidance; estimated reserve quantities and the present value thereof; future debt levels and leverage; the Company's initiatives to control costs and improve capital and structural drilling efficiency; and the implementation of the Company's business plans and strategy, as well as statements including the words "believe," "expect," "plans," "may," "will," "should," "could," and words of similar meaning. These statements reflect the Company's current views with respect to future events and financial performance based on management's experience and perception of historical trends, current conditions, anticipated future developments and other factors believed to be appropriate. No assurances can be given, however, that these events will occur or that these projections will be achieved, and actual results could differ materially from those projected as a result of certain factors. Any forward-looking statement speaks only as of the date on 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. Some of the factors which could affect our future results and could cause results to differ materially from those expressed in our forward-looking statements include the volatility of oil and natural gas prices; changes in the supply of and demand

for oil and natural gas, including as a result of actions by, or disputes among members of OPEC and other oil and natural gas producing countries with respect to production levels or other matters related to the price of oil; general economic conditions, including the availability of credit, inflation or rising interest rates; our ability to drill and complete wells; operational, regulatory and environment risks; the cost and availability of equipment and labor; our ability to finance our development activities at expected costs or at expected times or at all; rising interest rates and inflation; our inability to realize the benefits of recent transactions; currently unknown risks and liabilities relating to the newly acquired assets and operations; adverse actions by third parties involved with the transactions; risks that are not yet known or material to us; and other risks more fully discussed in our filings with the U.S. Securities and Exchange Commission (the "SEC"), including our most recent Annual Report on Form 10-K and subsequent Quarterly Reports on Form 10-Q, available on our website or the SEC's website at www.sec.gov. Any forward-looking statement speaks only as of the date on 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.

Non-GAAP Financial Measures

This news release refers to non-GAAP financial measures such as "adjusted free cash flow," "adjusted EBITDAX," "adjusted income," and "adjusted income per diluted share." These measures, detailed below, are provided in addition to, and not as an alternative for, and should be read in conjunction with, the information contained in our financial statements prepared in accordance with GAAP (including the notes), included in our filings with the SEC and posted on our website.

- Adjusted free cash flow is a supplemental non-GAAP measure that is defined by the Company as net cash provided by operating activities before net change in working capital, changes in accrued hedge settlements, merger, integration and transaction expense, and other income and expense, less capital expenditures before increase (decrease) in accrued capital expenditures. We believe adjusted free cash flow provides useful information to investors because it is a comparable metric against other companies in the industry and is a widely accepted financial indicator of an oil and natural gas company's ability to generate cash for the use of internally funding their capital development program and to service or incur debt. Adjusted free cash flow is not a measure of a company's financial performance under GAAP and should not be considered as an alternative to net cash provided by operating activities, or as a measure of liquidity.
- Callon calculates adjusted EBITDAX as net income (loss) before interest expense, income tax expense (benefit), depreciation, depletion and amortization, (gains) losses on derivative instruments excluding net settled derivative instruments, (gain) loss on sale of oil and gas properties, impairment of oil and gas properties, non-cash share-based compensation expense, exploration expense, merger, integration and transaction expense, (gain) loss on extinguishment of debt, and certain other expenses. Adjusted EBITDAX is not a measure of financial performance under GAAP. Accordingly, it should not be considered as a substitute for net income (loss), operating income (loss), cash flow provided by operating activities or other income or cash flow data prepared in accordance with GAAP. However, the Company believes that adjusted EBITDAX provides useful information to investors because it provides additional information with respect to our performance or ability to meet our future debt service, capital expenditures and working capital requirements. Because adjusted EBITDAX excludes some, but not all, items that affect net income (loss) and may vary among companies, the adjusted EBITDAX presented above may not be comparable to similarly titled measures of other companies.
- Adjusted income and adjusted income per diluted share are supplemental non-GAAP measures that Callon believes are useful to investors because they provide readers with a meaningful measure of our profitability before recording certain items whose timing or amount cannot be reasonably determined. These measures exclude the net of tax effects of these items and non-cash valuation adjustments, which are detailed in the reconciliation provided. Adjusted income and adjusted income per diluted share are not measures of financial performance under GAAP. Accordingly, neither should be considered as a substitute for net income (loss), operating income (loss), or other income data prepared in accordance with GAAP. However, the Company believes that adjusted income and adjusted income per diluted share provide additional information with respect to our performance. Because adjusted income and adjusted income per diluted share exclude some, but not all, items that affect net income (loss) and may vary among companies, the adjusted income and adjusted income per diluted share presented above may not be comparable to similarly titled measures of other companies.
- Adjusted diluted weighted average common shares outstanding is a non-GAAP financial measure which includes the effect of potentially dilutive instruments that, under certain circumstances described below, are excluded from diluted weighted average common shares outstanding, the most directly comparable GAAP financial measure. When a net loss exists, all potentially dilutive instruments are anti-dilutive to the net loss per common share and therefore excluded from the computation of diluted weighted average common shares outstanding. The effect of potentially dilutive instruments are included in the computation of adjusted diluted weighted average common shares outstanding for purposes of computing adjusted income per diluted share.

Adjusted Income and Adjusted EBITDAX. The following tables reconcile the Company's adjusted income and adjusted EBITDAX to net income (loss):

	Three Months Ended		
	September 30, 2023	June 30, 2023	September 30, 2022
	(In thousands except per share data)		
Net income (loss)	\$119,484	(\$107,896)	\$502,039
(Gain) loss on derivative contracts	55,804	(5,941)	(134,850)
Gain (loss) on commodity derivative settlements, net	(9,196)	13,663	(105,006)
Non-cash expense related to share-based awards	3,955	3,688	1,741
Impairment of oil and gas properties	—	406,898	—
Gain on sale of oil and gas properties	(20,570)	—	—
Merger, integration and transaction	4,925	1,543	—
Other expense	3,220	54	2,861
Gain on extinguishment of debt	(1,238)	—	—
Tax effect on adjustments above ^(a)	(7,749)	(88,180)	49,403
Change in valuation allowance	(24,690)	(100,749)	(102,755)
Adjusted income	\$123,945	\$123,080	\$213,433
Net income (loss) per diluted share	\$1.75	(\$1.74)	\$8.11
Adjusted income per diluted share	\$1.82	\$1.99	\$3.45
Basic weighted average common shares outstanding	67,931	61,856	61,703
Diluted weighted average common shares outstanding (GAAP)	68,083	61,856	61,870
Effect of potentially dilutive instruments	—	55	—
Adjusted diluted weighted average common shares outstanding	68,083	61,911	61,870

(a) Calculated using the federal statutory rate of 21%.

	Three Months Ended		
	September 30, 2023	June 30, 2023	September 30, 2022
	(In thousands)		
Net income (loss)	\$119,484	(\$107,896)	\$502,039
(Gain) loss on derivative contracts	55,804	(5,941)	(134,850)
Gain (loss) on commodity derivative settlements, net	(9,196)	13,663	(105,006)
Non-cash expense related to share-based awards	3,955	3,688	1,741
Impairment of oil and gas properties	—	406,898	—
Gain on sale of oil and gas properties	(20,570)	—	—
Merger, integration and transaction	4,925	1,543	—
Other expense	3,220	54	2,861
Income tax (benefit) expense	509	(156,212)	3,383
Interest expense	43,149	47,239	46,929
Depreciation, depletion and amortization	138,598	127,348	129,895
Exploration	3,588	1,882	2,942
Gain on extinguishment of debt	(1,238)	—	—
Adjusted EBITDAX	\$342,228	\$332,266	\$449,934

Adjusted Free Cash Flow. The following table reconciles the Company's adjusted free cash flow to net cash provided by operating activities:

	Three Months Ended		
	September 30, 2023	June 30, 2023	September 30, 2022
	(In thousands)		
Net cash provided by operating activities	\$266,828	\$279,522	\$437,780
Changes in working capital and other	26,344	11,188	(69,388)
Changes in accrued hedge settlements	(10,224)	638	40,590
Merger, integration and transaction	4,925	1,543	—
Cash flow from operations before net change in working capital	<u>287,873</u>	<u>292,891</u>	<u>408,982</u>
Capital expenditures	252,407	293,697	303,268
Increase (decrease) in accrued capital expenditures	(12,872)	(13,083)	(42,247)
Capital expenditures before accruals	<u>239,535</u>	<u>280,614</u>	<u>261,021</u>
Adjusted free cash flow	<u>\$48,338</u>	<u>\$12,277</u>	<u>\$147,961</u>

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

	September 30, 2023	December 31, 2022*
ASSETS		
Current assets:		
Cash and cash equivalents	\$3,456	\$3,395
Accounts receivable, net	262,394	237,128
Fair value of derivatives	1,196	21,332
Other current assets	29,665	35,783
Total current assets	296,711	297,638
Oil and natural gas properties, successful efforts accounting method:		
Proved properties, net	4,815,776	4,851,529
Unproved properties	1,287,019	1,225,768
Total oil and natural gas properties, net	6,102,795	6,077,297
Other property and equipment, net	26,398	26,152
Deferred income taxes	199,734	—
Deferred financing costs	14,235	18,822
Fair value of derivatives	21,742	454
Other assets, net	66,908	68,106
Total assets	\$6,728,523	\$6,488,469
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$585,529	\$536,233
Fair value of derivatives	61,189	16,197
Other current liabilities	103,077	150,384
Total current liabilities	749,795	702,814
Long-term debt	1,948,619	2,241,295
Asset retirement obligations	41,290	53,892
Fair value of derivatives	44,807	13,415
Other long-term liabilities	82,954	51,272
Total liabilities	2,867,465	3,062,688
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value, 130,000,000 shares authorized; 67,770,721 and 61,621,518 shares outstanding, respectively	678	616
Capital in excess of par value	4,225,183	4,022,194
Accumulated deficit	(364,803)	(597,029)
Total stockholders' equity	3,861,058	3,425,781
Total liabilities and stockholders' equity	\$6,728,523	\$6,488,469

* Financial information for the prior period has been recast to reflect retrospective application of the successful efforts method of accounting. For additional information, refer to our Form 10-Q for the period ended September 30, 2023.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022*	2023	2022*
Operating Revenues:				
Oil	\$438,665	\$575,852	\$1,269,996	\$1,748,913
Natural gas	25,045	81,018	63,054	189,907
Natural gas liquids	46,489	67,548	130,488	210,696
Sales of purchased oil and gas	109,099	111,459	278,089	377,199
Total operating revenues	619,298	835,877	1,741,627	2,526,715
Operating Expenses:				
Lease operating	73,525	76,121	225,415	216,389
Production and ad valorem taxes	30,592	43,290	88,019	125,841
Gathering, transportation and processing	27,255	27,575	80,570	71,617
Exploration	3,588	2,942	7,702	7,237
Cost of purchased oil and gas	111,118	111,439	285,947	378,107
Depreciation, depletion and amortization	138,598	129,895	391,911	359,494
Impairment of oil and gas properties	—	—	406,898	—
Gain on sale of oil and gas properties	(20,570)	—	(20,570)	—
General and administrative	29,339	24,253	86,905	71,485
Merger, integration and transaction	4,925	—	6,468	769
Total operating expenses	398,370	415,515	1,559,265	1,230,939
Income From Operations	220,928	420,362	182,362	1,295,776
Other (Income) Expenses:				
Interest expense	43,149	46,929	136,694	141,020
(Gain) loss on derivative contracts	55,804	(134,850)	24,218	305,098
(Gain) loss on extinguishment of debt	(1,238)	—	(1,238)	42,417
Other (income) expense	3,220	2,861	(3,140)	3,130
Total other (income) expense	100,935	(85,060)	156,534	491,665
Income Before Income Taxes	119,993	505,422	25,828	804,111
Income tax benefit (expense)	(509)	(3,383)	206,398	(6,536)
Net Income	\$119,484	\$502,039	\$232,226	\$797,575
Net Income Per Common Share:				
Basic	\$1.76	\$8.14	\$3.64	\$12.94
Diluted	\$1.75	\$8.11	\$3.63	\$12.88
Weighted Average Common Shares Outstanding:				
Basic	67,931	61,703	63,827	61,624
Diluted	68,083	61,870	64,016	61,927

* Financial information for the prior period has been recast to reflect retrospective application of the successful efforts method of accounting. For additional information, refer to our Form 10-Q for the period ended September 30, 2023.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022*	2023	2022*
Cash flows from operating activities:				
Net income	\$119,484	\$502,039	\$232,226	\$797,575
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation, depletion and amortization	138,598	129,895	391,911	359,494
Impairment of oil and gas properties	—	—	406,898	—
Amortization of non-cash debt related items, net	2,734	2,559	7,979	9,680
Deferred income tax (benefit) expense	(1,200)	1,110	(206,041)	1,110
(Gain) loss on derivative contracts	55,804	(134,850)	24,218	305,098
Cash received (paid) for commodity derivative settlements, net	1,028	(145,596)	13,274	(433,518)
(Gain) loss on extinguishment of debt	(1,238)	—	(1,238)	42,417
Gain on sale of oil and gas properties	(20,570)	—	(20,570)	—
Non-cash expense related to share-based awards	3,955	1,741	9,524	4,427
Other, net	3,971	3,504	4,563	8,704
Changes in current assets and liabilities:				
Accounts receivable	(28,352)	71,479	14,219	(52,423)
Other current assets	(6,574)	(4,732)	(13,178)	(12,229)
Accounts payable and accrued liabilities	(812)	10,631	(69,522)	(8,649)
Net cash provided by operating activities	266,828	437,780	794,263	1,021,686
Cash flows from investing activities:				
Capital expenditures	(252,407)	(303,268)	(751,004)	(648,149)
Acquisition of oil and gas properties	(227,984)	(1,692)	(278,434)	(17,006)
Proceeds from sales of assets	549,333	4,723	551,446	9,313
Cash paid for settlement of contingent consideration arrangement	—	—	—	(19,171)
Other, net	(1,212)	4,788	(2,850)	13,497
Net cash provided by (used in) investing activities	67,730	(295,449)	(480,842)	(661,516)
Cash flows from financing activities:				
Borrowings on credit facility	1,105,000	811,000	2,629,500	2,535,000
Payments on credit facility	(1,237,000)	(954,000)	(2,736,500)	(2,684,000)
Issuance of 7.5% Senior Notes due 2030	—	—	—	600,000
Redemption of 8.25% Senior Notes due 2025	(187,238)	—	(187,238)	—
Redemption of 6.125% Senior Notes due 2024	—	—	—	(467,287)
Redemption of 9.0% Second Lien Senior Secured Notes due 2025	—	—	—	(339,507)
Payment of deferred financing costs	(510)	(1,081)	(560)	(11,623)
Cash paid to repurchase common stock	(14,980)	—	(14,980)	—
Other, net	(24)	—	(3,582)	1,715
Net cash used in financing activities	(334,752)	(144,081)	(313,360)	(365,702)
Net change in cash and cash equivalents	(194)	(1,750)	61	(5,532)
Balance, beginning of period	3,650	6,100	3,395	9,882
Balance, end of period	\$3,456	\$4,350	\$3,456	\$4,350

* Financial information for the prior period has been recast to reflect retrospective application of the successful efforts method of accounting. For additional information, refer to our Form 10-Q for the period ended September 30, 2023.

SOURCE Callon Petroleum Company

**Callon Petroleum Company Third Quarter 2023
Supplemental Tables**

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

	September 30, 2023	December 31, 2022*
ASSETS		
Current assets:		
Cash and cash equivalents	\$3,456	\$3,395
Accounts receivable, net	262,394	237,128
Fair value of derivatives	1,196	21,332
Other current assets	29,665	35,783
Total current assets	296,711	297,638
Oil and natural gas properties, successful efforts accounting method:		
Proved properties, net	4,815,776	4,851,529
Unproved properties	1,287,019	1,225,768
Total oil and natural gas properties, net	6,102,795	6,077,297
Other property and equipment, net	26,398	26,152
Deferred income taxes	199,734	—
Deferred financing costs	14,235	18,822
Fair value of derivatives	21,742	454
Other assets, net	66,908	68,106
Total assets	\$6,728,523	\$6,488,469
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$585,529	\$536,233
Fair value of derivatives	61,189	16,197
Other current liabilities	103,077	150,384
Total current liabilities	749,795	702,814
Long-term debt	1,948,619	2,241,295
Asset retirement obligations	41,290	53,892
Fair value of derivatives	44,807	13,415
Other long-term liabilities	82,954	51,272
Total liabilities	2,867,465	3,062,688
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value, 130,000,000 shares authorized; 67,770,721 and 61,621,518 shares outstanding, respectively	678	616
Capital in excess of par value	4,225,183	4,022,194
Accumulated deficit	(364,803)	(597,029)
Total stockholders' equity	3,861,058	3,425,781
Total liabilities and stockholders' equity	\$6,728,523	\$6,488,469

* Financial information for the prior period has been recast to reflect retrospective application of the successful efforts method of accounting. For additional information, refer to our Form 10-Q for the period ended September 30, 2023.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022*	2023	2022*
Operating Revenues:				
Oil	\$438,665	\$575,852	\$1,269,996	\$1,748,913
Natural gas	25,045	81,018	63,054	189,907
Natural gas liquids	46,489	67,548	130,488	210,696
Sales of purchased oil and gas	109,099	111,459	278,089	377,199
Total operating revenues	619,298	835,877	1,741,627	2,526,715
Operating Expenses:				
Lease operating	73,525	76,121	225,415	216,389
Production and ad valorem taxes	30,592	43,290	88,019	125,841
Gathering, transportation and processing	27,255	27,575	80,570	71,617
Exploration	3,588	2,942	7,702	7,237
Cost of purchased oil and gas	111,118	111,439	285,947	378,107
Depreciation, depletion and amortization	138,598	129,895	391,911	359,494
Impairment of oil and gas properties	—	—	406,898	—
Gain on sale of oil and gas properties	(20,570)	—	(20,570)	—
General and administrative	29,339	24,253	86,905	71,485
Merger, integration and transaction	4,925	—	6,468	769
Total operating expenses	398,370	415,515	1,559,265	1,230,939
Income From Operations	220,928	420,362	182,362	1,295,776
Other (Income) Expenses:				
Interest expense	43,149	46,929	136,694	141,020
(Gain) loss on derivative contracts	55,804	(134,850)	24,218	305,098
(Gain) loss on extinguishment of debt	(1,238)	—	(1,238)	42,417
Other (income) expense	3,220	2,861	(3,140)	3,130
Total other (income) expense	100,935	(85,060)	156,534	491,665
Income Before Income Taxes	119,993	505,422	25,828	804,111
Income tax benefit (expense)	(509)	(3,383)	206,398	(6,536)
Net Income	\$119,484	\$502,039	\$232,226	\$797,575
Net Income Per Common Share:				
Basic	\$1.76	\$8.14	\$3.64	\$12.94
Diluted	\$1.75	\$8.11	\$3.63	\$12.88
Weighted Average Common Shares Outstanding:				
Basic	67,931	61,703	63,827	61,624
Diluted	68,083	61,870	64,016	61,927

* Financial information for the prior period has been recast to reflect retrospective application of the successful efforts method of accounting. For additional information, refer to our Form 10-Q for the period ended September 30, 2023.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022*	2023	2022*
Cash flows from operating activities:				
Net income	\$119,484	\$502,039	\$232,226	\$797,575
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation, depletion and amortization	138,598	129,895	391,911	359,494
Impairment of oil and gas properties	—	—	406,898	—
Amortization of non-cash debt related items, net	2,734	2,559	7,979	9,680
Deferred income tax (benefit) expense	(1,200)	1,110	(206,041)	1,110
(Gain) loss on derivative contracts	55,804	(134,850)	24,218	305,098
Cash received (paid) for commodity derivative settlements, net	1,028	(145,596)	13,274	(433,518)
(Gain) loss on extinguishment of debt	(1,238)	—	(1,238)	42,417
Gain on sale of oil and gas properties	(20,570)	—	(20,570)	—
Non-cash expense related to share-based awards	3,955	1,741	9,524	4,427
Other, net	3,971	3,504	4,563	8,704
Changes in current assets and liabilities:				
Accounts receivable	(28,352)	71,479	14,219	(52,423)
Other current assets	(6,574)	(4,732)	(13,178)	(12,229)
Accounts payable and accrued liabilities	(812)	10,631	(69,522)	(8,649)
Net cash provided by operating activities	266,828	437,780	794,263	1,021,686
Cash flows from investing activities:				
Capital expenditures	(252,407)	(303,268)	(751,004)	(648,149)
Acquisition of oil and gas properties	(227,984)	(1,692)	(278,434)	(17,006)
Proceeds from sales of assets	549,333	4,723	551,446	9,313
Cash paid for settlement of contingent consideration arrangement	—	—	—	(19,171)
Other, net	(1,212)	4,788	(2,850)	13,497
Net cash provided by (used in) investing activities	67,730	(295,449)	(480,842)	(661,516)
Cash flows from financing activities:				
Borrowings on credit facility	1,105,000	811,000	2,629,500	2,535,000
Payments on credit facility	(1,237,000)	(954,000)	(2,736,500)	(2,684,000)
Issuance of 7.5% Senior Notes due 2030	—	—	—	600,000
Redemption of 8.25% Senior Notes due 2025	(187,238)	—	(187,238)	—
Redemption of 6.125% Senior Notes due 2024	—	—	—	(467,287)
Redemption of 9.0% Second Lien Senior Secured Notes due 2025	—	—	—	(339,507)
Payment of deferred financing costs	(510)	(1,081)	(560)	(11,623)
Cash paid to repurchase common stock	(14,980)	—	(14,980)	—
Other, net	(24)	—	(3,582)	1,715
Net cash used in financing activities	(334,752)	(144,081)	(313,360)	(365,702)
Net change in cash and cash equivalents	(194)	(1,750)	61	(5,532)
Balance, beginning of period	3,650	6,100	3,395	9,882
Balance, end of period	\$3,456	\$4,350	\$3,456	\$4,350

* Financial information for the prior period has been recast to reflect retrospective application of the successful efforts method of accounting. For additional information, refer to our Form 10-Q for the period ended September 30, 2023.

Operating Results

The following table presents summary information for the periods indicated:

	Three Months Ended		
	September 30, 2023	June 30, 2023	September 30, 2022
Total production			
Oil (MBbls)			
Permian	5,310	4,671	4,567
Eagle Ford	28	1,066	1,545
Total oil	<u>5,338</u>	<u>5,737</u>	<u>6,112</u>
Natural gas (MMcf)			
Permian	11,644	10,409	9,041
Eagle Ford	44	1,292	1,616
Total natural gas	<u>11,688</u>	<u>11,701</u>	<u>10,657</u>
NGLs (MBbls)			
Permian	2,069	1,816	1,702
Eagle Ford	6	229	283
Total NGLs	<u>2,075</u>	<u>2,045</u>	<u>1,985</u>
Total production (MBoe)			
Permian	9,320	8,222	7,776
Eagle Ford	41	1,510	2,097
Total barrels of oil equivalent	<u>9,361</u>	<u>9,732</u>	<u>9,873</u>
Total daily production (Boe/d)			
Permian	101,292	90,359	84,517
Eagle Ford	449	16,589	22,799
Total barrels of oil equivalent	<u>101,741</u>	<u>106,948</u>	<u>107,316</u>
Oil as % of total daily production	57 %	59 %	62 %
Average realized sales price (excluding impact of settled derivatives)			
Oil (per Bbl)			
Permian	\$82.19	\$73.45	\$94.19
Eagle Ford	79.61	73.80	94.31
Total oil	<u>\$82.18</u>	<u>\$73.52</u>	<u>\$94.22</u>
Natural gas (per Mcf)			
Permian	\$2.13	\$1.15	\$7.53
Eagle Ford	4.82	1.93	8.01
Total natural gas	<u>\$2.14</u>	<u>\$1.23</u>	<u>\$7.60</u>
NGL (per Bbl)			
Permian	\$22.25	\$20.14	\$34.12
Eagle Ford	74.33	17.72	33.49
Total NGL	<u>\$22.40</u>	<u>\$19.87</u>	<u>\$34.03</u>
Average realized sales price (per Boe)			
Permian	\$54.43	\$47.63	\$71.54
Eagle Ford	70.41	56.44	80.18
Total average realized sales price	<u>\$54.50</u>	<u>\$49.00</u>	<u>\$73.37</u>
Average realized sales price (including impact of settled derivatives)			
Oil (per Bbl)	\$80.66	\$74.16	\$81.82
Natural gas (per Mcf)	2.08	2.08	4.86
NGLs (per Bbl)	22.23	19.87	34.03
Total average realized sales price (per Boe)	<u>\$53.52</u>	<u>\$50.40</u>	<u>\$62.74</u>

	Three Months Ended		
	September 30, 2023	June 30, 2023	September 30, 2022
Revenues (in thousands)^(a)			
Oil			
Permian	\$436,436	\$343,106	\$430,145
Eagle Ford	2,229	78,669	145,707
Total oil	\$438,665	\$421,775	\$575,852
Natural gas			
Permian	\$24,833	\$11,934	\$68,075
Eagle Ford	212	2,489	12,943
Total natural gas	\$25,045	\$14,423	\$81,018
NGLs			
Permian	\$46,043	\$36,570	\$58,069
Eagle Ford	446	4,059	9,479
Total NGLs	\$46,489	\$40,629	\$67,548
Total revenues			
Permian	\$507,312	\$391,610	\$556,289
Eagle Ford	2,887	85,217	168,129
Total revenues	\$510,199	\$476,827	\$724,418
Additional per Boe data			
Sales price ^(b)			
Permian	\$54.43	\$47.63	\$71.54
Eagle Ford	70.41	56.44	80.18
Total sales price	\$54.50	\$49.00	\$73.37
Lease operating expense			
Permian	\$7.91	\$7.42	\$7.55
Eagle Ford	(3.90)	10.44	8.31
Total lease operating expense	\$7.85	\$7.89	\$7.71
Production and ad valorem taxes			
Permian	\$3.26	\$2.40	\$4.27
Eagle Ford	4.51	3.29	4.79
Total production and ad valorem taxes	\$3.27	\$2.54	\$4.38
Gathering, transportation and processing			
Permian	\$2.92	\$2.97	\$3.06
Eagle Ford	1.12	1.94	1.80
Total gathering, transportation and processing	\$2.91	\$2.81	\$2.79
Operating margin			
Permian	\$40.34	\$34.84	\$56.66
Eagle Ford	68.68	40.77	65.28
Total operating margin	\$40.47	\$35.76	\$58.49
Depletion, depreciation and amortization	\$14.81	\$13.09	\$13.16
General and administrative	\$3.13	\$3.06	\$2.46
Adjusted G&A			
Cash component ^(c)	\$2.71	\$2.68	\$2.28
Non-cash component	\$0.42	\$0.42	\$0.39

(a) Excludes sales of oil and gas purchased from third parties.

(b) Excludes the impact of settled derivatives.

(c) Excludes the change in fair value and amortization of share-based incentive awards.

Commodity Derivatives

	Three Months Ended September 30, 2023
Loss on oil derivatives	\$54,446
Gain on natural gas derivatives	(2,315)
Loss on NGL derivatives	2,933
Loss on commodity derivative contracts	\$55,064

	Three Months Ended September 30, 2023
Cash received on oil derivatives	\$1,680
Cash paid on natural gas derivatives	(560)
Cash paid on NGL derivatives	(92)
Cash received for commodity derivative settlements, net	\$1,028

Non-GAAP Financial Measures

Adjusted Income, Adjusted EBITDAX and Unhedged Adjusted EBITDAX The following tables present and reconcile the Company's adjusted income, adjusted EBITDAX and unhedged adjusted EBITDAX to net income (loss):

	Three Months Ended		
	September 30, 2023	June 30, 2023	September 30, 2022
	(In thousands except per share data)		
Net income (loss)	\$119,484	(\$107,896)	\$502,039
(Gain) loss on derivative contracts	55,804	(5,941)	(134,850)
Gain (loss) on commodity derivative settlements, net	(9,196)	13,663	(105,006)
Non-cash expense related to share-based awards	3,955	3,688	1,741
Impairment of oil and gas properties	—	406,898	—
Gain on sale of oil and gas properties	(20,570)	—	—
Merger, integration and transaction	4,925	1,543	—
Other expense	3,220	54	2,861
Gain on extinguishment of debt	(1,238)	—	—
Tax effect on adjustments above ^(a)	(7,749)	(88,180)	49,403
Change in valuation allowance	(24,690)	(100,749)	(102,755)
Adjusted income	\$123,945	\$123,080	\$213,433
Net income (loss) per diluted share	\$1.75	(\$1.74)	\$8.11
Adjusted income per diluted share	\$1.82	\$1.99	\$3.45
Basic weighted average common shares outstanding	67,931	61,856	61,703
Diluted weighted average common shares outstanding (GAAP)	68,083	61,856	61,870
Effect of potentially dilutive instruments	—	55	—
Adjusted diluted weighted average common shares outstanding	68,083	61,911	61,870

(a) Calculated using the federal statutory rate of 21%.

	Three Months Ended		
	September 30, 2023	June 30, 2023	September 30, 2022
	(In thousands)		
Net income (loss)	\$119,484	(\$107,896)	\$502,039
(Gain) loss on derivative contracts	55,804	(5,941)	(134,850)
Gain (loss) on commodity derivative settlements, net	(9,196)	13,663	(105,006)
Non-cash expense related to share-based awards	3,955	3,688	1,741
Impairment of oil and gas properties	—	406,898	—
Gain on sale of oil and gas properties	(20,570)	—	—
Merger, integration and transaction	4,925	1,543	—
Other expense	3,220	54	2,861
Income tax (benefit) expense	509	(156,212)	3,383
Interest expense	43,149	47,239	46,929
Depreciation, depletion and amortization	138,598	127,348	129,895
Exploration	3,588	1,882	2,942
Gain on extinguishment of debt	(1,238)	—	—
Adjusted EBITDAX	\$342,228	\$332,266	\$449,934
Add: (Gain) loss on commodity derivative settlements, net	9,196	(13,663)	105,006
Unhedged adjusted EBITDAX	\$351,424	\$318,603	\$554,940

Adjusted Free Cash Flow. The following table presents and reconciles the Company's adjusted free cash flow to net cash provided by operating activities:

	Three Months Ended		
	September 30, 2023	June 30, 2023	September 30, 2022
	(In thousands)		
Net cash provided by operating activities	\$266,828	\$279,522	\$437,780
Changes in working capital and other	26,344	11,188	(69,388)
Changes in accrued hedge settlements	(10,224)	638	40,590
Merger, integration and transaction	4,925	1,543	—
Cash flow from operations before net change in working capital	287,873	292,891	408,982
Capital expenditures	252,407	293,697	303,268
Increase (decrease) in accrued capital expenditures	(12,872)	(13,083)	(42,247)
Capital expenditures before accruals	239,535	280,614	261,021
Adjusted free cash flow	\$48,338	\$12,277	\$147,961

Adjusted G&A. The following table reconciles G&A to Adjusted G&A - cash component (in thousands):

	Three Months Ended		
	September 30, 2023	June 30, 2023	September 30, 2022
G&A	\$29,339	\$29,768	\$24,253
Change in the fair value of liability share-based awards (non-cash)	(49)	393	2,151
Adjusted G&A – total	29,290	30,161	26,404
Equity settled, share-based compensation (non-cash)	(3,906)	(4,081)	(3,892)
Adjusted G&A – cash component	\$25,384	\$26,080	\$22,512

Adjusted Total Revenue. The following table presents and reconciles adjusted total revenue to total operating revenues, which excludes revenue from sales of commodities purchased from a third-party:

	Three Months Ended		
	September 30, 2023	June 30, 2023	September 30, 2022
	(In thousands)		
Operating revenues			
Oil	\$438,665	\$421,775	\$575,852
Natural gas	25,045	14,423	81,018
NGLs	46,489	40,629	67,548
Total operating revenues	\$510,199	\$476,827	\$724,418
Impact of settled derivatives	(9,196)	13,663	(105,006)
Adjusted total revenue	\$501,003	\$490,490	\$619,412

Net Debt. The following table presents and reconciles the Company's net debt to total debt:

	September 30, 2023	June 30, 2023	March 31, 2023	December 31, 2022	September 30, 2022
	(In thousands)				
Long-term debt	\$1,948,619	\$2,268,116	\$2,204,514	\$2,241,295	\$2,373,358
Unamortized premiums, discount, and deferred loan costs, net	18,164	17,905	\$18,807	19,726	20,663
Adjusted long-term debt	\$1,966,783	\$2,286,021	\$2,223,321	\$2,261,021	\$2,394,021
Less: Cash and cash equivalents	3,456	3,650	\$3,370	3,395	4,350
Net debt	\$1,963,327	\$2,282,371	\$2,219,951	\$2,257,626	\$2,389,671

Non-GAAP Financial Measures

These supplemental tables present non-GAAP financial measures such as “adjusted free cash flow,” “adjusted EBITDAX,” “unhedged adjusted EBITDAX,” “adjusted income,” “adjusted income per diluted share,” “adjusted total revenue,” “adjusted G&A,” “adjusted G&A - cash component,” and “net debt.” These measures, detailed below, are provided in addition to, and not as an alternative for, and should be read in conjunction with, the information contained in our financial statements prepared in accordance with GAAP (including the notes), included in our filings with the U.S. Securities and Exchange Commission (the “SEC”) and posted on our website.

- Adjusted free cash flow is a supplemental non-GAAP measure that is defined by the Company as net cash provided by operating activities before net change in working capital, changes in accrued hedge settlements, merger, integration and transaction expense, and other income and expense less capital expenditures before increase (decrease) in accrued capital expenditures. We believe adjusted free cash flow provides useful information to investors because it is a comparable metric against other companies in the industry and is a widely accepted financial indicator of an oil and natural gas company’s ability to generate cash for the use of internally funding their capital development program and to service or incur debt. Adjusted free cash flow is not a measure of a company’s financial performance under GAAP and should not be considered as an alternative to net cash provided by operating activities, or as a measure of liquidity.
- Callon calculates adjusted EBITDAX as net income (loss) before interest expense, income tax expense (benefit), depreciation, depletion and amortization, (gains) losses on derivative instruments excluding net settled derivative instruments, (gain) loss on sale of oil and gas properties, impairment of oil and gas properties, non-cash share-based compensation expense, exploration expense, merger, integration and transaction expense, (gain) loss on extinguishment of debt, and certain other expenses. Adjusted EBITDAX is not a measure of financial performance under GAAP. Accordingly, it should not be considered as a substitute for net income (loss), operating income (loss), cash flow provided by operating activities or other income or cash flow data prepared in accordance with GAAP. However, the Company believes that adjusted EBITDAX provides useful information to investors because it provides additional information with respect to our performance or ability to meet our future debt service, capital expenditures and working capital requirements. Because adjusted EBITDAX excludes some, but not all, items that affect net income (loss) and may vary among companies, the adjusted EBITDAX presented above may not be comparable to similarly titled measures of other companies.
- Callon calculates unhedged adjusted EBITDAX as adjusted EBITDAX, as defined above, excluding the impact of net settled derivative instruments. Unhedged adjusted EBITDAX is not a measure of financial performance under GAAP. Accordingly, it should not be considered as a substitute for net income (loss), operating income (loss), cash flow provided by operating activities or other income or cash flow data prepared in accordance with GAAP. However, the Company believes that unhedged adjusted EBITDAX provides useful information to investors because it provides additional information with respect to our performance without the impact of our settled derivative instruments. Because unhedged adjusted EBITDAX excludes some, but not all, items that affect net income (loss) and may vary among companies, the unhedged adjusted EBITDAX presented above may not be comparable to similarly titled measures of other companies.
- Adjusted income and adjusted income per diluted share are supplemental non-GAAP measures that Callon believes are useful to investors because they provide readers with a meaningful measure of our profitability before recording certain items whose timing or amount cannot be reasonably determined. These measures exclude the net of tax effects of these items and non-cash valuation adjustments, which are detailed in the reconciliation provided. Adjusted income and adjusted income per diluted share are not measures of financial performance under GAAP. Accordingly, neither should be considered as a substitute for net income (loss), operating income (loss), or other income data prepared in accordance with GAAP. However, the Company believes that adjusted income and adjusted income per diluted share provide additional information with respect to our performance. Because adjusted income and adjusted income per diluted share exclude some, but not all, items that affect net income (loss) and may vary among companies, the adjusted income and adjusted income per diluted share presented above may not be comparable to similarly titled measures of other companies.
- Callon believes that the non-GAAP measure of adjusted total revenue (which is revenue including the gain or loss from the settlement of derivative contracts) is useful to investors because it provides readers with a revenue value more comparable to other companies who engage in price risk management activities through the use of commodity derivative instruments and reflects the results of derivative settlements with expected cash flow impacts within total revenues.
- Adjusted G&A is a supplemental non-GAAP financial measure that excludes non-cash incentive share-based compensation valuation adjustments and adjusted G&A - cash component further excludes equity settled, share-based compensation expenses. Callon believes that the non-GAAP measure of adjusted G&A and adjusted G&A - cash component are useful to investors because they provide for greater comparability period-over-period. In addition, adjusted G&A - cash component provides a meaningful measure of our recurring G&A expense.

- Net debt is a supplemental non-GAAP measure that is defined by the Company as total debt excluding unamortized premiums, discount, and deferred loan costs, less cash and cash equivalents. Net debt should not be considered an alternative to, or more meaningful than, total debt, the most directly comparable GAAP measure. Management uses net debt to determine the Company's outstanding debt obligations that would not be readily satisfied by its cash and cash equivalents on hand. We believe this metric is useful to analysts and investors in determining the Company's leverage position since the Company has the ability to, and may decide to, use a portion of its cash and cash equivalents to reduce debt. This metric is sometimes presented as a ratio with Adjusted EBITDAX in order to provide investors with another means of evaluating the Company's ability to service its existing debt obligations as well as any future increase in the amount of such obligations. This ratio is referred to by the Company as its leverage ratio.
- Adjusted diluted weighted average common shares outstanding is a non-GAAP financial measure which includes the effect of potentially dilutive instruments that, under certain circumstances described below, are excluded from diluted weighted average common shares outstanding, the most directly comparable GAAP financial measure. When a net loss exists, all potentially dilutive instruments are anti-dilutive to the net loss per common share and therefore excluded from the computation of diluted weighted average common shares outstanding. The effect of potentially dilutive instruments are included in the computation of adjusted diluted weighted average common shares outstanding for purposes of computing adjusted income per diluted share.