Callon Petroleum Company Announces First Quarter 2023 Results

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Reported net income of \$220.6 million, or \$3.57 per diluted share
Reported adjusted income of \$119.9 million, or \$1.94 per diluted share
1Q23 production in line with guidance with capital expenditures below guidance
Increased drilling and completions efficiencies through simultaneous operations on larger projects
Debt moves lower for the eleventh consecutive quarter

HOUSTON, May 3, 2023 - <u>Callon Petroleum Company</u> (NYSE: CPE) ("Callon" or the "Company") today reported first of financial and operating results. A conference call to discuss the results is planned for 8 a.m. CDT, Thursday, May 4. Sli accompanying today's release are available at www.callon.com/investors.

First Quarter 2023 Highlights

- Net income of \$220.6 million, or \$3.57 per diluted share (all share amounts are stated on a diluted basis), adjusted
 of \$326.3 million, and adjusted income of \$119.9 million or \$1.94 per diluted share
- Net cash provided by operating activities was \$247.9 million and adjusted free cash flow was \$7.2 million
- Total production averaged 100 MBoe/d (60% oil), in-line with guidance
- Capital expenditures were below expectations at \$270.1 million
- Reduced total debt by \$37.7 million, the eleventh consecutive quarter of debt reduction
- Increased completion stages pumped per day by more than 15% vs. the first half of 2022

"We posted solid financial and operating results for the first quarter and remain on track to achieve our full year objective. Joe Gatto, President and Chief Executive Officer. "Execution of larger scale projects in the first half of the year will drive growth and cash flow through the remainder of the year. These projects also benefit from improved cycle times general solid drilling and completion efficiencies and a consistent, high-level of well performance. We remain committed to achieve the reduction targets and implementing a shareholder return program later this year."

Financial Results

For the first quarter of 2023, Callon converted its accounting method from full cost to successful efforts which resulted is changes to the financial statements. On the income statement, the impacts were primarily the elimination of capitalized G&A and the addition of exploration expense. On the balance sheet, the most significant changes were an increase to properties and stockholders' equity driven by lower historical impairments under successful efforts as compared to full or result, DD&A has increased under successful efforts due to a higher depletable base.

Callon reported first quarter 2023 net income of \$220.6 million, or \$3.57 per share, and adjusted EBITDAX of \$326.3 m Adjusted income was \$119.9 million, or \$1.94 per diluted share.

The Company generated \$247.9 million of net cash provided from operating activities in the first quarter. Total operatio expenditures for the quarter were \$270.1 million. Callon expects its adjusted free cash flow to increase through the rem 2023 which will continue to be allocated solely to debt reduction until the key \$2.0 billion milestone is reached.

On May 1, 2023 Callon completed the spring redetermination for its senior secured revolving credit facility ("Credit Facility to borrowing base was reaffirmed at \$2 billion with an elected commitment of \$1.5 billion. During the quarter, debt under the Facility was reduced by \$37.7 million for a quarter-end balance of \$465.3 million.

Operational Results

First quarter production averaged 100 MBoe/d (60% oil and 80% liquids), in line with guidance. During the quarter, 29 valued in-line. Of note was a 13-well project producing at various stages of flowback over quarter end after being turned ahead of expectations due to improved completion times.

Average realized commodity prices during the quarter were \$75.65 per Bbl for oil (99% of NYMEX WTI), \$24.18 per Bb gas liquids, and \$2.22 per MMBtu for natural gas (80% of NYMEX HH). This quarter's oil price realization was negative by tightening Gulf Coast and international oil price basis differentials to WTI pricing. Total average realized price for the \$53.07 per Boe on an unhedged basis.

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Lease operating expense, which includes workover expense, for the quarter was \$75.1 million or \$8.36 per Boe compared to \$74.1 million or \$7.58 per Boe in the fourth quarter of 2022. The sequential per unit increase was primarily related to increases in certain operating expenses such as fuel, power, and equipment rental, as well as the distribution of fixed costs spread over lower production volumes.

Capital Investments

Callon incurred \$270.1 million in operational capital expenditures on an accrual basis. Capital spending was 8% below of the Company's first quarter guidance primarily due to lower facility spending and fewer workovers.

Second Quarter Activity Outlook and Guidance

Callon entered the second quarter running seven drilling rigs, four in the Delaware Basin, two in the Midland Basin, and Eagle Ford. The Company intends to maintain this drilling pace through mid-year. Callon is currently utilizing two comp

For the second quarter, the Company expects to produce 105 - 108 MBoe/d which includes oil volumes of 63 - 65 MBb wells turned to sales are expected to be 33 - 38 gross wells (31 - 36 net). Operational capital expenditures are expecte - \$300 million on an accrual basis. Second quarter guidance are available in the accompanying presentation.

Earnings Call Information

The Company plans to host a conference call on Thursday, May 4, 2023, to discuss its first quarter 2023 financial and results and outlook for the remainder of 2023.

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

Date/Time:	Thursday, May 4, 2023, at 8:00 a.m. Central Daylight Time (9:00 a.m. Eastern Daylight Time)
Webcast:	Select "News and 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 webs

About Callon Petroleum

<u>Callon Petroleum Company</u> 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.

Contact Information

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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 21E of the Securities Exchange Act of 1934. Forward-looking statements include all statements regarding wells anticipal drilled and placed on production; future levels of development activity and associated production, capital expenditures a flow expectations and expected uses thereof; the Company's production and expenditure guidance; estimated reserve and the present value thereof; future debt levels and leverage; and the implementation of the Company's business plan strategy, as well as statements including the words "believe," "expect," "plans," "may," "will," "should," "could," and words "believe," "expect," "plans," "may," "will," "should," "could," and words "believe," "expect," "plans," "may," "will," "should," "could," and words "believe," "expect," "plans," "may," "will," "should," "could," and words "believe," "expect," "plans," "may," "will," "should," "could," and words "believe," "expect," "plans," "may," "will," "should," "could," and words "believe," "expect," "plans," "may," "will," "should," "could," and words "believe," "expect," "plans," "may," "will," "should," "could," and words "believe," "expect," "plans," "may," "will," "should," "could," and words "believe," "expect," "plans," "may," "will," "should," "could," and words "believe," "expect," "plans," "may," "will," "should," "could," and words "believe," "expect," "plans," "may," "will," "should," "could," and words "believe," "expect," "plans," "may," "will," "should," "could," and words "believe," "expect," "plans," "may," "will," "should," "could," and words "believe," "expect," "plans," "may," "will," "should," "could," and words "believe," "expect," "plans," "may," "will," "should," "could," "co

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meaning. These statements reflect the Company's current views with respect to future events and financial performance management's experience and perception of historical trends, current conditions, anticipated future developments and believed to be appropriate. No assurances can be given, however, that these events will occur or that these projections achieved, and actual results could differ materially from those projected as a result of certain factors. Any forward-looki statement speaks only as of the date on which such statement is made and the Company undertakes no obligation to d update any forward-looking statement, whether as a result of new information, future events or otherwise, except as reapplicable law. Some of the factors which could affect our future results and could cause results to differ materially from expressed in our forward-looking statements include the volatility of oil and natural gas prices; changes in the supply of demand for oil and natural gas, including as a result general economic conditions or as a result of actions by, or dispute members of OPEC and other oil and natural gas producing countries with respect to production levels or other matters the price of oil; our ability to drill and complete wells; operational, regulatory and environment risks; the cost and availal equipment and labor; our ability to finance our development activities at expected costs or at expected times or at all; ri rates and inflation; our inability to realize the benefits of recent transactions; currently unknown risks and liabilities relat newly acquired assets and operations; adverse actions by third parties involved with the transactions; risks that are not or material to us; and other risks more fully discussed in our filings with the U.S. Securities and Exchange Commission including our most recent Annual Reports on Form 10-K and subsequent Quarterly Reports on Form 10-Q, available or or the SEC's website at www.sec.gov. Any forward-looking statement speaks only as of the date on which such statem and the Company undertakes no obligation to correct or update any forward-looking statement, whether as a result of r 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," "adjincome," and "adjusted income per diluted share." These measures, detailed below, are provided in addition to, and no alternative for, and should be read in conjunction with, the information contained in our financial statements prepared in 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 provide operating activities before net change in working capital, changes in accrued hedge settlements, merger, integrat transaction expense, and other income and expense, less capital expenditures before increase (decrease) in accreace expenditures. We believe adjusted free cash flow provides useful information to investors because it is a compara against other companies in the industry and is a widely accepted financial indicator of an oil and natural gas companded to generate cash for the use of internally funding their capital development program and to service or incur debt. A cash flow is not a measure of a company's financial performance under GAAP and should not be considered as a 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), depletion and amortization, (gains) losses on derivative instruments excluding net settled derivative instruments, of oil and gas properties, non-cash share-based compensation expense, exploration expense, merger, integration transaction expense, (gain) loss on extinguishment of debt, and certain other expenses. Adjusted EBITDAX is no of financial performance under GAAP. Accordingly, it should not be considered as a substitute for net income (los income (loss), cash flow provided by operating activities or other income or cash flow data prepared in accordance GAAP. However, the Company believes that adjusted EBITDAX provides useful information to investors because additional information with respect to our performance or ability to meet our future debt service, capital expenditu working capital requirements. Because adjusted EBITDAX excludes some, but not all, items that affect net incommay vary among companies, the adjusted EBITDAX presented above may not be comparable to similarly titled mother companies.
- Adjusted income and adjusted income per diluted share are supplemental non-GAAP measures that Callon belief useful to investors because they provide readers with a meaningful measure of our profitability before recording of whose timing or amount cannot be reasonably determined. These measures exclude the net of tax effects of these non-cash valuation adjustments, which are detailed in the reconciliation provided. Adjusted income and adjusted diluted share are not measures of financial performance under GAAP. Accordingly, neither should be considered substitute for net income (loss), operating income (loss), or other income data prepared in accordance with GAAF the Company believes that adjusted income and adjusted income per diluted share provide additional information to our performance. Because adjusted income and adjusted income per diluted share exclude some, but not all, i affect net income (loss) and may vary among companies, the adjusted income and adjusted income per diluted share provide income per diluted share exclude some, but not all, i affect net income (loss) and may vary among companies, the adjusted income and adjusted income per diluted share exclude some per diluted

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

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	П			
	Three Months Ended			
	March 31, 2023	December 31, 2022	March 31, 2022	
	(In thousands e	(In thousands except per share data)		
Net income (loss)	\$220,638	\$221,868	(\$7,715)	
(Gain) loss on derivative contracts	(25,645)	25,855	358,300	
Gain (loss) on commodity derivative settlements, net	12,012	(44,380)	(133,476)	
Non-cash expense related to share-based awards	1,881	3,615	6,043	
Impairment of oil and gas properties	<u> </u> -	2,201	-	
Merger, integration, transaction and other	(6,414)	(485)	(13)	
Loss on extinguishment of debt	_	3,241	-	
Tax effect on adjustments above ^(a)	3,815	2,090	(48,479)	
Change in valuation allowance	(86,383)	(40,836)	1,551	
Adjusted income	\$119,904	\$173,169	\$176,211	
	H			
Net income per diluted share	\$3.57	\$3.59	(\$0.13)	
Adjusted income per diluted share	\$1.94	\$2.80	\$2.84	
	 	<u> </u>	<u> </u>	
Basic weighted average common shares outstanding	61,625	61,610	61,487	
Diluted weighted average common shares outstanding (GAAP)	61,874	61,844	62,065	

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

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	Three Months Ended			
	March 31, 2023	December 31, 2022	March 31, 2022	
	(In thousands)			
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Non-cash expense related to share-based awards	1,881	3,615	6,043	
Merger, integration, transaction and other	(6,414)	(485)	(13)	
Income tax (benefit) expense	(50,695)	7,286	(87)	
Interest expense	46,306	46,772	47,096	
Depreciation, depletion and amortization	125,965	134,735	113,643	
Exploration	2,232	2,466	1,885	
Impairment of oil and gas properties	-	2,201	-	
Loss on extinguishment of debt	-	3,241	-	
Adjusted EBITDAX	\$326,280	\$403,174	\$385,676	

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			
	March 31, 2023	December 31, 2022	March 31, 2022	
	(In thousands)			
Net cash provided by operating activities	\$247,913	\$333,987	\$247,821	
Changes in working capital and other	18,869	13,781	125,799	
Changes in accrued hedge settlements	12,791	15,816	(31,951)	
Merger, integration and transaction	-	-	769	
Cash flow from operations before net change in working capital	279,573	363,584	342,438	
		<u> </u>		
Capital expenditures	204,900	200,539	168,270	
Increase (decrease) in accrued capital expenditures	67,460	(1,870)	(8,897)	
Capital expenditures before accruals	272,360	198,669	159,373	
Adjusted free cash flow				

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\$7,213

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\$164,915

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\$183,065

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Callon Petroleum Company

Consolidated Balance Sheets

(In thousands, except par and share amounts)

	March 31, 2023	December 31, 2022*
ASSETS		
Current assets:		
Cash and cash equivalents	\$3,370	\$3,395
Accounts receivable, net	210,107	237,128
Fair value of derivatives	25,761	21,332
Other current assets	35,406	35,783
Total current assets	274,644	297,638
Oil and natural gas properties, successful efforts accounting method:		
Proved properties, net	4,999,527	4,851,529
Unproved properties	1,227,575	1,225,768
Total oil and natural gas properties, net	6,227,102	6,077,297
Other property and equipment, net	28,719	26,152
Deferred income taxes	45,669	
Deferred financing costs	17,152	18,822
Other assets, net	58,379	68,560
Total assets	\$6,651,665	\$6,488,469
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$550,923	\$536,233
Fair value of derivatives	570	16,197
Other current liabilities	146,195	150,384
Total current liabilities	697,688	702,814
Long-term debt	2,204,514	2,241,295
Asset retirement obligations	55,023	53,892

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			- 11
Fair value of derivatives		6,594	13,415
Other long-term liabilities		38,088	51,272
Total liabilities		3,001,907	3,062,688
Commitments and contingencies			
Stockholders' equity:			
Common stock, \$0.01 par value, 130,000,000	0 shares authorize	d; 616	616
61,625,170 and 61,621,518 shares outstandi	ng, respectively		
Capital in excess of par value	<u> </u>	4,025,533	4,022,194
* Financial information for the prior period has	been recast to ref	lect retrospective a	application of the success
Actions unacted code of calcounting. For additional 31, 2023.	imormation, refer t		
Total stockholders' equity		3,649,758	3,425,781
Follania Britisle and Stotland ders' equity		\$6,651,665	\$6,488,469
Consolidated Statements of Operations			
(In thousands, except per share amounts)			_
			1
	Three Month	s Ended March 31	,
	2023	2022*	_
Operating Revenues:		1	
Oil	\$409,556	\$553,249]
Natural gas	23,586	43,976	_
Natural gas liquids	43,370	67,618	1
Sales of purchased oil and gas	83,534	112,375	1
Total operating revenues	560,046	777,218	-
Operating Expenses:]
Lease operating	75,102	67,328	
Production and ad valorem taxes	32,721	37,678]
Gathering, transportation and processing	25,977	20,775]
Exploration	2,232	1,885]
Cost of purchased oil and gas	86,061	111,271]
Depreciation, depletion and amortization			

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125,965

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113,643

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General and administrative

Merger, integration and transaction

Total operating expenses	375,856	380,406		
Income From Operations	184,190	396,812		
Other (Income) Expenses:				
Interest expense	46,306	47,096		
(Gain) loss on derivative contracts	(25,645)	358,300		
Other (income) expense	(6,414)	(782)		
Total other (income) expense	14,247	404,614		
Income (Loss) Before Income Taxes	169,943	(7,802)		
Income tax benefit	50,695	87		
Net Income (Loss)	\$220,638	(\$7,715)		
Net Income (Loss) Per Common Share:				
Basic	\$3.58	(\$0.13)		
Diluted	\$3.57	(\$0.13)		
Weighted Average Common Shares Outstanding *Financial information for the prior period has bee Battocts method of accounting. For additional information 31, 2023.	en recast to refle	ct retrospective app 0.6/1F,48/7\ 10-Q for t	olication of the su the period ended	uccessful I March
Diluted	61,874	61,487		
Callon Petroleum Company Consolidated Statements of Cash Flows (In thousands)				
			1	
			Three Months	Ended March 31
			2023	2022*
Cash flows from operating activities:				<u> </u>
Net income (loss)			\$220,638	(\$7,715)

27,798

27,057

769

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Depreciation, depletion and amortization	125,965	113,643
Amortization of non-cash debt related items, net	2,631	3,749
Deferred income tax benefit	(51,977)	_
(Gain) loss on derivative contracts	(25,645)	358,300
Cash paid for commodity derivative settlements, net	(779)	(101,525)
Non-cash expense related to share-based awards	1,881	6,043
Other, net	(1,184)	2,894
Changes in current assets and liabilities:		
Accounts receivable	24,019	(109,830)
Other current assets	(1,618)	(4,180)
Accounts payable and accrued liabilities	(46,018)	(13,558)
Net cash provided by operating activities	247,913	247,821
Cash flows from investing activities:		
Capital expenditures	(204,900)	(168,270)
Acquisition of oil and gas properties	(5,991)	(9,168)
Proceeds from sales of assets	2,054	4,484
Cash paid for settlement of contingent consideration arrangement	-	(19,171)
Other, net	(1,072)	3,635
Net cash used in investing activities	(209,909)	(188,490)
Cash flows from financing activities:		
Borrowings on credit facility	669,500	673,000
Payments on credit facility	(707,200)	(746,000)
Payment of deferred financing costs	(42)	<u></u>
Other, net	(287)	7,937
Net cash used in financing activities Financial information for the prior period has been recast to reflect retrespective applic	(38,029),	(65,063)
efforts method of accounting. For additional information, refer to our Form 10-Q for the Net change in cash and cash equivalents	period ended N (25)	larch (5,732)
	3,395	9,882
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