

# Callon to Acquire Core Delaware Basin Assets and Exit Eagle Ford

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Transactions solidify Company's Permian focus and accelerate achievement of debt milestone  
Company to launch \$300 million share buyback at closing

HOUSTON, May 3, 2023 - [Callon Petroleum Company](#) (NYSE: CPE) ("Callon" or the "Company") today signed two definitive agreements that streamline and focus Callon's operations, accelerate the achievement of its debt reduction target and initiate the initiation of a shareholder return program in the third quarter of 2023.

Callon has entered into a definitive agreement to acquire the membership interests of Permian-based Percussion Petroleum Operating II, LLC ("Percussion") in a cash and stock transaction valued at approximately \$475 million and potential contingent payments of up to \$62.5 million. Under the terms of the agreement, Percussion will receive \$265 million of cash and a 6.46 million shares of Callon common stock. The transaction is structured as the acquisition by Callon Petroleum Operating Company of 100% of the limited liability company interests of Percussion.

Under a separate agreement, Callon agreed to sell all its assets in the Eagle Ford Shale to Ridgemar Energy Operating LLC ("Ridgemar") for \$655 million in cash and potential contingent payments of up to \$45 million. The transaction is structured as the acquisition by Ridgemar of 100% of the limited liability company interests of Callon's wholly owned subsidiary Callon (Eagle Ford) LLC.

The transactions are subject to customary terms and conditions and are expected to simultaneously close in July 2023, with an effective date of January 1, 2023.

In conjunction with the release of its first quarter results and the announcement of these transactions, a conference call will be held for 8 a.m. CDT, May 4, 2023. Slides accompanying today's releases are available at [www.callon.com/investors](#).

## Highlights

- Solidifies Permian focus - Callon's operations will be focused on its more than 145,000 net acres in the prolific Permian Basin, executing its proven "Life of Field" Co-Development Model on an expanded Delaware Basin footprint. Callon's strategic singular focus on the Permian will enhance operational and capital efficiencies. The Company will have an inventory of more than 1,500 high-quality locations on a concentrated acreage position in the Permian Basin.
- Increases Permian oil-weighting, improves margins - The oil-weighting of Callon's production in the Permian Basin is expected to increase post-closing. Pro forma cash operating costs per Boe are estimated to drop approximately 5% in the second half of 2023 through identified G&A and LOE savings.
- Immediately accretive to key financial metrics - Acquisition attractively priced at 2.5x<sup>1</sup> next 12 months EV/ EBITDA, net of the impact of contingency payments. The deal will be immediately accretive to key financial metrics, including absolute and per share adjusted free cash flow and operating margins. In addition, the transaction is also expected to improve the conversion rate of EBITDAX to adjusted free cash flow through capital efficiencies.
- Accelerates achievement of \$2 billion total debt target - The transactions will strengthen Callon's balance sheet with debt expected to be below \$1.9 billion at closing.
- Initiates shareholder return program - Callon's Board has authorized, subject to the closing of the transactions, a \$300 million share buyback program over a two-year period.

<sup>1</sup> Based on strip prices as of April 28, 2023

"Callon is uniquely positioned to capture value from this high-quality oil asset that is complementary to our core Delaware Basin operations. The combined transactions strengthen our capital structure, improve our margins, and lengthen our top-tier Permian inventory. In addition to improving our net asset value proposition, we will achieve our near-term total debt milestone and intend to initiate a share buyback program over a two-year period."

capital return program for shareholders at closing," said Joe Gatto, President and CEO. "Our strategic Eagle Ford exit from the Delaware expansion and focuses our people, capital and operations on our premium Permian position. We greatly appreciate the Eagle Ford employees who worked safely and diligently to create value and ultimately make today's transactions possible."

The acquisition will add approximately 18,000 net acres in Ward, Winkler and Loving counties and approximately 70 high quality well locations in the 3<sup>rd</sup> Bone Spring, Wolfcamp A and Wolfcamp B with an average lateral length of nearly 10,000 feet, adding additional prospectivity in emerging zones. The acreage is largely contiguous with Callon's existing core positions in the Permian Basin and will benefit from the Company's subsurface and operational expertise in the area. Estimated average production for Percussion's assets for April 2023 is approximately 14,100 barrels of oil equivalent per day (boe/d), of which approximately 71% was oil.

Callon's Eagle Ford assets are comprised of approximately 52,000 net acres and April 2023 estimated average production is approximately 16,300 boe/d, of which 71% was oil.

#### Additional Transaction Details

Both membership interest purchase agreements included potential contingency payments.

- Callon has agreed to assume Percussion's existing contingent payment liabilities of \$12.5 million for calendar years 2024 and 2025 if WTI NYMEX oil prices average more than \$60 per barrel.
- Ridgemar has agreed to pay Callon contingent payments of \$20 million if oil prices average between \$75 and \$80 per barrel on NYMEX in 2024 and an additional \$25 million if WTI NYMEX oil prices are \$80 per barrel, or higher, in 2024.

The maximum number of Callon common stock shares used to finance this transaction is approximately 6.46 million when Callon's 20-day trailing volume weighted average price ("VWAP") at closing is \$32.50 or lower. Above a \$32.50 20-day trailing VWAP at closing, the number of shares issued to Percussion is \$210 million divided by the 20-day trailing VWAP.

At closing, Callon will also assume Percussion's existing oil and gas derivatives with a settlement value of approximately \$100 million as of May 2, 2023. On a proforma basis, Callon's oil production in the second half of 2023 will be approximately 16,300 boe/d, hedged.

#### Share Repurchase Program

Contingent upon the closing of the transactions, Callon's Board of Directors has authorized a stock repurchase program to repurchase up to \$300 million of the Company's outstanding common stock through the second quarter of 2025. The shares may be repurchased from time to time in open market transactions at prevailing market prices, in privately negotiated transactions, or by other means in accordance with federal securities laws. The actual timing, number and value of shares repurchased under the program will be determined by management at its discretion and will depend on a number of factors, including the market price of the Company's common stock, general market and economic conditions, applicable legal requirements, and compliance with the terms of the Company's outstanding indebtedness.

#### Preliminary 2023 Proforma Outlook

	Status Quo	Pro Forma
	2023	2023
Total Production (MBoe/d)	104 - 107	103 - 106
Oil Production (MBbls/d)	63 - 65	62 - 64
Lease Operating Costs (\$/Boe)	\$8.00 - \$8.50	\$7.75 - \$8.25
Capital Expenditures (\$MM)	\$1,000	\$960 - \$980
Operated TILs (wells)	115 - 130	100 - 115

Additional guidance details will be provided upon closing of the transactions.

#### Advisors

RBC Capital Markets is serving as the sole financial advisor to Callon on the acquisition of Percussion. JP Morgan Securities LLC is serving as the sole financial advisor to Callon for the Eagle Ford divestiture. Haynes and Boone, LLP and Kirkland & Ellis LLP are serving as legal advisors to Callon for the transactions.

#### Conference Call and Webcast Information

The Company plans to host a conference call at 8 a.m. CDT on May 4, 2023, to discuss these transactions and its first quarter financial and operating results. To participate in the webcast, please visit "News and Events" under the "Investors" section of the Company's website at [www.callon.com/investors](http://www.callon.com/investors).

An archive of the conference call will be available on the website under the "Investors" section of the website.

#### 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 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; 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 general economic conditions or 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; 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 Reports 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](http://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.

## About Callon Petroleum

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**Director of Investor Relations**

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**Callon Petroleum Company**

ir@callon.com

(281) 589-5200

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