# Form **8937**

(December 2017)
Department of the Treasury
Internal Revenue Service

# Report of Organizational Actions Affecting Basis of Securities

► See separate instructions.

OMB No. 1545-0123

Part   Re	porting	lssuer									
1 Issuer's nam				2 Issuer's employer identification number (EIN)							
CALLON PET	'ROLEUM	COMPANY				64-0833345					
		ditional information	4 Telephor	ne No. of contact		5 Email address of contact					
SCOTT SICI	NSKI		281-589	-5219		SSICINSKI@CALLON.COM					
		P.O. box if mail is not	delivered to	street address) of contac	ct	7 City, town, or post office, state, and ZIP cod	de of contact				
2000 W SAN	HOUSTO	ON PKWY ST ST	F 2000			HOUSTON, TX 77042					
8 Date of action		on liwi bi bi		sification and description	l n	1100510N, 1A 77042					
11/13/2020			- 1			ITH ISSANCE OF WARRANTS					
10 CUSIP numi		11 Serial number(	(s)	12 Ticker symbol		13 Account number(s)					
		N/A	(c) 12 Hoker symbol			N/A					
13123X102				CPE							
Part II Or	ganizatio	onal Action Attac	ch additiona	statements if needed	d. See bac	k of form for additional questions.					
14 Describe ti	he organiza	tional action and, if a	applicable, the	e date of the action or th	e date agair	nst which shareholders' ownership is meas	ured for				
the action	SEE A	ATTACHED			<b>.</b>	ŗ					
15 Describe the share or as	ne quantitat s a percenta	ive effect of the orga age of old basis ► <u>S</u>	anizational act	ti <b>on on the basis of the s</b> HED	security in th	e hands of a U.S. taxpayer as an adjustme	nt per				
16 Describe the valuation d	ne calculation ates ► SEI	on of the change in b	asis and the	data that supports the ca	alculation, s	uch as the market values of securities and	the				
- N											
	4										

Pac	ie	2
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Pai	t II	Org	ganizational Action (continued)		
17			licable Internal Revenue Code section(s) and subsection(s) upon which the tax tre	eatment is based >	SEE ATTACHED
				-	
					-
	7				
18	Car	anv res	sulting loss be recognized?▶ SEE ATTACHED		
		,			
_					
19	Pro	vide an	y other information necessary to implement the adjustment, such as the reportab	le tax year ► SEE	ATTACHED
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			,		
				8	
_	Т	Under p	enalties of perjury, I declare that I have examined this return, including accompanying sche	dules and statements,	and to the best of my knowledge and
		belief, it	is true, correct, and complete. Declaration of preparer (other than officer) is based on all info	rmation of which prepa	rer has any knowledge.
Sig	ın				
He	re	Signatur	re > () () ()	Date ► 12/28/	2020
				56.52374	
			ur name ► GREG CONAWAY	Title► VP AND	
Pa	id	P	Print/Type preparer's name Preparer's signature Bus a OC:	Date	Check if PTIN
	epa	rer B	REI OLIVER	12/28/2020	self-employed P00860569
Us	e O	nly F	im's name ► PRICEWATERHOUSECOOPERS LLP	my 77002	Firm's EIN ▶ 13-4008324 Phone no. 713-356-4000
		F	im's address ▶1000 LOUISIANA ST., SUITE 5800 HOUSTON,	TX 77002	
Ser	d Fo	rm 8937	(including accompanying statements) to: Department of the Treasury, Internal Re	evenue Service, Ogo	IEII, UT 04201-0004

## **Callon Petroleum Company**

# **Attachment to Internal Revenue Service Form 8937**

The information contained herein is being provided pursuant to the requirements of Section 6045B of the Internal Revenue Code of 1986, as amended (the "Code"). The information in this document does not constitute tax advice, should not be construed to take into account any shareholder's specific circumstances, and is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Code. Holders should consult their own tax advisors regarding the particular tax consequences of the Exchange (as defined below) to them, including the applicability and effect of all U.S. federal, state and local and foreign tax laws.

## Form 8937, Part II, Line 14

On November 13, 2020 ("Issue Date"), Callon Petroleum Company (the "Company") exchanged approximately \$389 million, in the aggregate, of principal of the Company's existing unsecured senior notes ("Existing Notes") for approximately \$217 million aggregate principal of new 9.00% Second Lien Notes issued by Callon at a weighted average exchange ratio of approximately \$557 per \$1,000 of principal exchanged ("New Notes"). Participants in the exchange will also receive a total of approximately 1.76 million warrants ("Warrants") with a strike price of \$5.560 (collectively, the "Exchange"). The New Notes have a maturity date of April 1, 2025. The Existing Notes had maturity terms of approximately 8 years.

The Existing Notes and the New Notes and Warrants exchanged are made up four different Notes which are summarized in the chart below.

Existing	Interest	Existing Notes		Exchange	Principal				Pro-Rata #		
Note	Rate		Principal	Ratio		Exchanged		Principal	Warrants		
2023	6.250%	\$	650,000,000	65%	\$	107,280,000	\$	69,732,000	483,704		
2024	6.125%	\$	600,000,000	58%	\$	139,759,000	\$	80,361,425	630,145		
2025	8.250%	\$	250,000,000	48%	\$	62,762,000	\$	30,125,760	282,981		
	0.2007	7		46%	\$	79,217,000	\$	36,439,820	357,173		
2020	0.07070	2000		56%	\$	389,018,000	\$	216,659,005	1,754,003		
	Note 2023	Note Rate  2023 6.250% 2024 6.125% 2025 8.250%	Note Rate  2023 6.250% \$ 2024 6.125% \$ 2025 8.250% \$ 2026 6.375% \$	Note         Rate         Principal           2023         6.250%         \$ 650,000,000           2024         6.125%         \$ 600,000,000           2025         8.250%         \$ 250,000,000	Note         Rate         Principal         Ratio           2023         6.250%         \$ 650,000,000         65%           2024         6.125%         \$ 600,000,000         58%           2025         8.250%         \$ 250,000,000         48%           2026         6.375%         \$ 400,000,000         46%	Note         Rate         Principal         Ratio           2023         6.250%         \$ 650,000,000         65%         \$           2024         6.125%         \$ 600,000,000         58%         \$           2025         8.250%         \$ 250,000,000         48%         \$           2026         6.375%         \$ 400,000,000         46%         \$	Note         Rate         Principal         Ratio         Exchanged           2023         6.250%         \$ 650,000,000         65%         \$ 107,280,000           2024         6.125%         \$ 600,000,000         58%         \$ 139,759,000           2025         8.250%         \$ 250,000,000         48%         \$ 62,762,000           2026         6.375%         \$ 400,000,000         46%         \$ 79,217,000	Note         Rate         Principal         Ratio         Exchanged           2023         6.250%         \$ 650,000,000         65%         \$ 107,280,000         \$           2024         6.125%         \$ 600,000,000         58%         \$ 139,759,000         \$           2025         8.250%         \$ 250,000,000         48%         \$ 62,762,000         \$           2026         6.375%         \$ 400,000,000         46%         \$ 79,217,000         \$	Note         Rate         Principal         Ratio         Exchanged         Principal           2023         6.250%         \$ 650,000,000         65%         \$ 107,280,000         \$ 69,732,000           2024         6.125%         \$ 600,000,000         58%         \$ 139,759,000         \$ 80,361,425           2025         8.250%         \$ 250,000,000         48%         \$ 62,762,000         \$ 30,125,760           2026         6.375%         \$ 400,000,000         46%         \$ 79,217,000         \$ 36,439,820		

#### Form 8937, Part II, Line 15

The Company has determined that, although the issue is not free from doubt, the Exchange may be treated as a significant modification for U.S. federal income tax purposes under Treas. Reg. §1.1001-3 to holders participating in the Exchange. In such case, the basis in the New Notes and Warrants will equal the adjusted issue price in the New Notes and fair market value of the Warrants at the time of the Exchange.

Alternatively, although not free from doubt, the Existing Notes, New Notes, and Warrants may each qualify as "securities" for U.S. federal income tax purposes, and the Exchange may qualify as a recapitalization under section 368. If the Exchange is treated as a recapitalization, then a U.S. holder generally should not recognize gain or loss with respect to the Exchange, subject to certain exceptions.

If a security holder surrenders a security in an exchange pursuant to a recapitalization, the basis of each share of stock or security received in the exchange shall be the same as the basis of the share or shares of stock or security or securities (or allocable portions thereof) exchanged therefor (as adjusted under Treas. Reg. § 1.358-1). If more than one share of stock or security is received in exchange for one security, the basis of the security surrendered shall be allocated to the shares of stock or securities received in the exchange in proportion to the fair market value of the shares of stock or securities received.

This information contained herein does not constitute tax advice and should not be construed to take into account any shareholder's specific circumstances. The holders participating in the Exchange should consult their own tax advisers regarding the tax consequences of the Exchange to them.

#### Form 8937, Part II, Line 16

As discussed in Line 15 above, to the extent that the Exchange is treated as taxable exchange under section 1001, then in such case, the basis in the New Notes and Warrants will equal the adjusted issue price in the New Notes and fair market value of the Warrants at the time of the Exchange, respectively.

Further, to the extent that the Exchange is a recapitalization under section 368, then the basis of the Existing Notes surrendered shall be allocated to the Warrants and New Notes received in the exchange in proportion to the fair market value of the Warrants and New Notes received.

It should be noted that the fair market value of property is generally the price at which such property would change hands between a willing buyer and a willing seller, neither being under any compulsion to buy or to sell and both having reasonable knowledge of the facts. There may be several possible methods for determining the fair market value of the New Notes and Warrants received by the new holders in the Exchange. Each holder should consult its own tax advisor to determine an appropriate measure of fair market value, to the extent relevant to such holder. With this in mind, and subject to consultation with a tax advisor, below is data that may be considered for purposes of the calculations described above.

					FMV of New						Per Unit FV of		
Existing	<b>Existing Notes</b>		Principal		New Notes			Notes as of		Issue Price of		Warrants at	
Note		Principal		Exchanged		Principal		11/13/20	th	e New Notes		11/13/20	
2023	\$	650,000,000	\$	107,280,000	\$	69,732,000	\$	62,539,340	\$	62,793,204	\$	4.80	
2024	\$	600,000,000	\$	139,759,000	\$	80,361,425	\$	72,072,370	\$	72,364,931	\$	4.80	
2025	\$	250,000,000	\$	62,762,000	\$	30,125,760	\$	27,018,373	\$	27,128,047	\$	4.80	
2026	\$	400,000,000	\$	79,217,000	\$	36,439,820	\$	32,681,155	\$	32,813,817	\$	4.80	
	\$	1,900,000,000	\$	389,018,000	\$	216,659,005	\$	194,311,238	\$	195,100,000			

This information contained herein does not constitute tax advice and should not be construed to take into account any shareholder's specific circumstances. The holders participating in the Exchange should consult their own tax advisers regarding the tax consequences of the Exchange to them.

#### Form 8937, Part II, Line 17

Sections 354, 358, 368, 1001, and 1012 of the Code.

#### Form 8937, Part II, Line 18

The Exchange generally should not result in a recognized loss to holders to the extent the Exchange is a recapitalization. If the Exchange does not qualify as a recapitalization for U.S. federal income tax purposes, the Exchange may result in loss recognition to a holder if such holder's tax basis in the Existing Notes exceeds the issue price of the New Notes and fair market value of the Warrants.

#### Form 8937, Part II, Line 19

The reportable tax year is 2020 with respect to calendar year taxpayers.