CALLON
PETROLEUM

Embracing change. Delivering results.

About Callon

Callon Petroleum 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 the Permian Basin in West Texas and Eagle Ford Shale in South Texas. Our mission is to build trust, create value, and drive sustainable growth for our investors, our employees, and the communities in which we operate.

2020 Highlights

>$120 MM

ADJUSTED FREE CASH FLOW GENERATION[1]

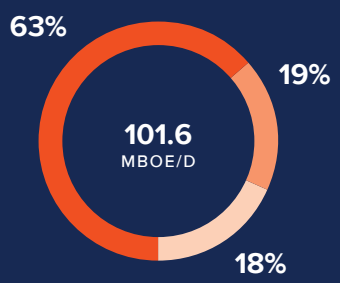
$19/BOE

FULL-YEAR ADJUSTED EBITDA[1]

>$300 MM

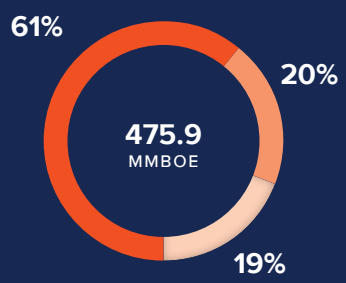
REDUCTION IN ABSOLUTE DEBT FROM MONETIZATIONS AND DEBT EXCHANGE

2020 Production



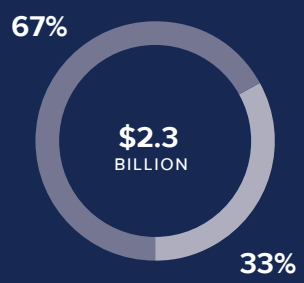
- OIL MBBL/D
- NGL MBBL/D
- GAS MBOE/D

2020 Reserves



- OIL MMBBLS
- NGL MMBBLS
- GAS MMBOE

2020 PV-10[2]



- PDP BN
- PUD BN

[1]Total adjusted free cash flow from 2Q – 4Q 2020. Adjusted free cash flow is defined as Adjusted EBITDA minus the sum of operational capital, capitalized interest, capitalized G&A, and net interest expense. Both Adjusted free cash flow and Adjusted EBITDA are non-GAAP financial measures; please refer to appendix for reconciliation of Non-GAAP financial measures.

[2]Please see reconciliation of PV-10, a Non-GAAP financial measure, on page 10 of the Company's 2020 Form 10-K.

To Our Shareholders

For the oil and gas industry, 2020 will be marked by the extraordinary volatility in commodity prices created by the OPEC price war that was further exacerbated by the COVID-19 pandemic, as well as the institution of remote working in an industry known for collaborative teamwork across multiple entities. Our response to the unprecedented challenge was swift and decisive.

First, we implemented measures to protect the health and safety of our employees and their families. Second, we established a business continuity program to keep our operations running smoothly while transitioning our office-based teams to a completely remote work environment. Finally, we began implementing changes to our operations, revising our development plans, and sought ways to preserve liquidity and reduce costs to mitigate potential impacts from the collapsing commodity environment.

While the dramatic decline in oil prices led to significant reduction in industry-wide activity, our rapid reduction in drilling and completion activity resulted in a more flexible operational plan that created opportunities for optimizing our balance sheet. Leveraging the optionality presented by our diverse portfolio of larger, longer cycle projects and shorter cycle, immediate cash flow generating projects, we were able to restructure capital outlays, creating opportunities to offset the production decline associated with activity deferrals. While adjusting for this new commodity outlook, our teams remained engaged in seeking environmentally beneficial and operationally efficient cost reduction options. Because of our thoughtful approach, we were able to achieve a number of initiatives that had a positive effect on both our margins and our surrounding communities:

- Generated over $120 million of adjusted free cash flow[1] ("FCF") during the last three quarters of the year, resulting in a positive FCF position for the full year
- Posted annual adjusted EBITDA[2] of over $700 million despite a drop of more than 40% in average realized prices compared to the prior year
- Issued $300 million in new second lien notes, providing a meaningful increase in liquidity
- Exchanged $389 million of our existing senior notes for second lien notes, reducing our long-term debt outstanding by $172 million
- Completed an overriding royalty interest sale and non-operated property divestiture for combined net proceeds of approximately $170 million, which were used to reduce outstanding borrowings
- Reduced our lease operating expenses by more than $30 million (>10%) compared to our 2019 pro forma[3] levels through effective implementation of our field operating best practices
- Reduced our total cash general and administrative expenses by more than 60% from 2019 pro forma[3] levels
- Completed the expansion of our Delaware recycling facilities, allowing for handling of up to 60,000 barrels per day of produced water volume
- Reduced our flaring volumes by 40%
- Achieved our best year on record for safety, with a total recordable incident rate[4] (TRIR) of just 0.54
- Completed our first six-well pad in the Delaware that sourced more than 95% of fracture stimulation volumes (nearly 100 million gallons) from recycled produced water
- Expanded our electrical substation network, allowing for the removal of over 40 diesel generators, thereby improving reliability and reducing our carbon emissions by approximately 34 metric tons
- Lowered our spill rate[5] by 66% as compared to our 2019 figures
- Lowered our average drilling and completion cost per lateral foot by approximately 35%

[1]Total free cash flow from 2Q-4Q 2020. Adjusted free cash flow defined as Adjusted EBITDA minus the sum of operational capital, capitalized interest, capitalized G&A, and interest expense. Adjusted FCF and Adjusted EBITDA are non-GAAP financial measures; please refer to reconciliation of Non-GAAP financial measures.

[2]Please see appendix for reconciliation of Non-GAAP financial measures.

[3]All references to 2019 pro forma figures assume full-year Callon and Carrizo combined financial.

[4]Defined as incidents per 200,000 man hours, inclusive of contractor performance.

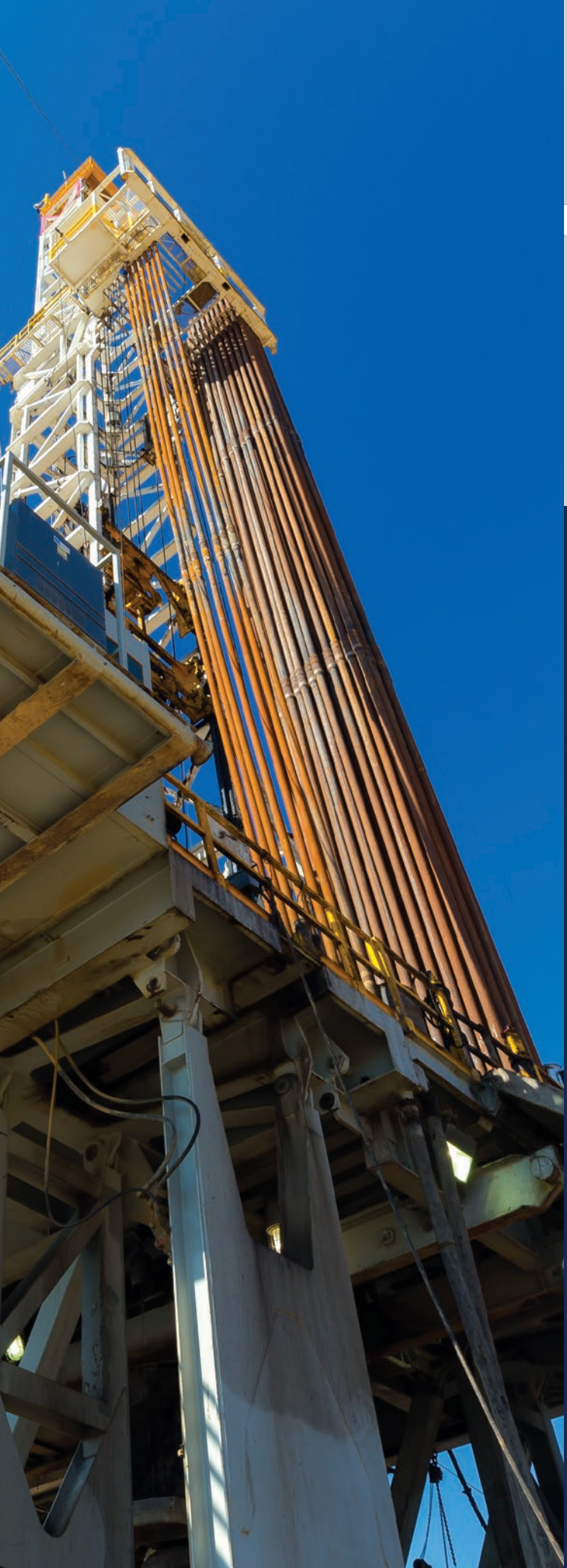
[5]Defined as the volume of oil or water spilled divided by total volume of oil or water produced.

Maximizing value with a focus on cost control and operational efficiency.

Pivoting quickly after the rapid decline in commodity prices during the first quarter, the entire company came together and did a tremendous job to adjust operations and execute the revised capital program we outlined in April. Over the last three quarters of 2020, we pulled various levers in the field to help drive operating costs down and increase production uptime and reliability, while at the same time reducing our environmental impact and improving as a steward of our natural resources. Our in-house chemist reevaluated our field chemical program requirements, which resulted in lowering costs and improving overall productivity. Field engineers assessed our compression, gas lift, and water management programs to identify opportunities for enhanced reliability, lower costs, and reduced environmental impact. Through these field operation improvements, we achieved dual benefits as we advanced numerous environmental, social, and governance (ESG) initiatives while also lowering our lease operating expenses by roughly $30 million from 2019 pro forma spending levels. These improvements have generated over 10% sustainable savings on our run-rate lease operating costs.

As a company with extensive in-basin experience, we have a strong understanding of the subsurface and depositional environment of the plays in which we operate. This gives us a competitive advantage in identifying, planning, and refining our drilling and completion techniques to deliver further efficiency gains. This past year, even though we set lofty internal well cost savings goals, our teams surpassed our expectations. We were able to lower our average drilling and completion cost per lateral foot by approximately 35% from comparable 2019 costs. The great majority of these savings came from our operational team's ingenuity as they evaluated and optimized drilling and wellbore completion designs, to achieve savings that can be sustained even as commodity prices improve.

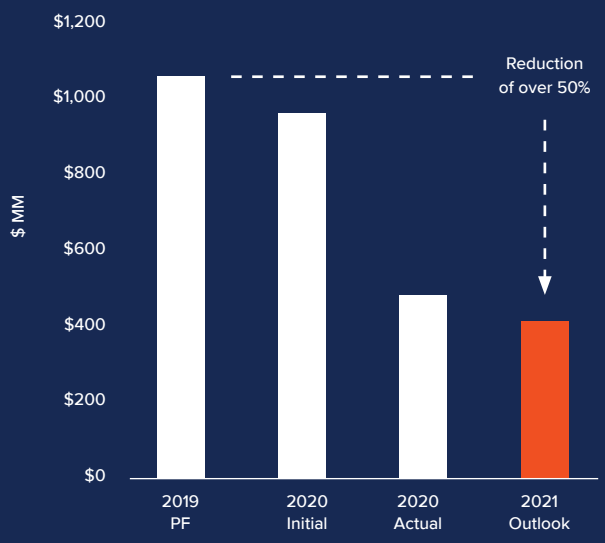
Our assets are concentrated in the premier areas of the Permian and Eagle Ford, and we believe we have one of the highest-return portfolios in the industry. With economic thresholds below $45/Bbl including centralized facilities costs, our core inventory can generate very strong economics at current commodity price levels for many years to come. This provides us with a solid opportunity set from which to generate durable cash flows over time. Moreover, we remain steadfast in our long-term value focus by employing our life-of-field development philosophy, guided by a reinvestment rate philosophy that will keep us on a path to sustainable free cash flow growth from repeatable investments in our high-quality asset base. The structural changes we have made and durable nature of our operational efficiencies from scaled development will help us maintain a position of leadership as a low-cost producer in the future.



Pushing the boundary on capital efficiency.

Our operations organization has been quick to implement best practices, incorporate subsurface learnings, and drive efficiencies in our capital program. The summation of these efforts has been a significant uplift in our capital efficiency with rapid deployment of our model across all our operating areas. During 2020, we managed to significantly reduce our well costs, in some cases by nearly 40%. While we saw some softening of costs from our vendors, most of our gains have come from improved practices and beneficial well design changes. Our 2021 budgeted well costs are leading edge, and we will continue looking for long-term, sustainable improvements to our cost structure and capital efficiency.

Operational Capital Evolution

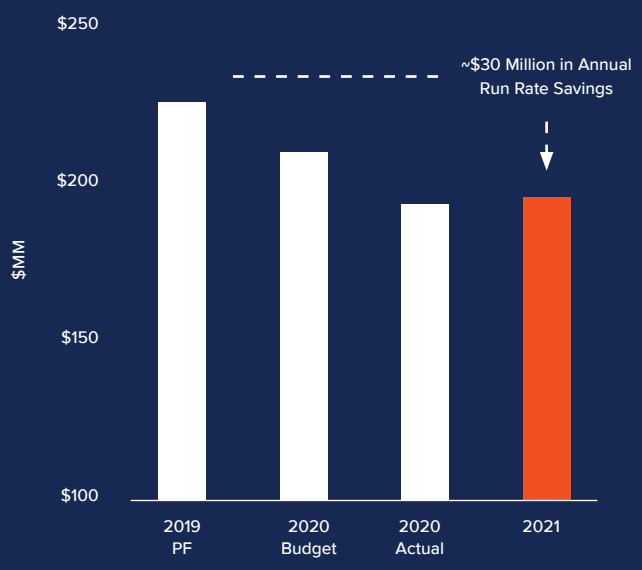


Maximizing value by being leaner and working smarter.

Our team worked hard to identify opportunities for improvement across the expanded asset base in 2020, which helped drive down operational costs. By focusing on proactive maintenance, we were able to reduce the number of required workovers and repairs. We also optimized our chemical treatment, gas lift, compression, and water management programs, which all contributed to lower operating costs.

From a corporate level, we were well positioned for the downturn after taking a deliberate approach to right-sizing our organization following our acquisition of Carrizo in December 2019. We take great pride in having the right team in place to meet the challenges of creating and delivering long-term value for our shareholders. We can now thrive in a much lower commodity price environment than we did a couple of years ago as two separate organizations.

Improving Lease Operating Expenses



Positioned to generate organic free cash flow and long-term, competitive returns.

While having high-quality assets and a strong team are requirements for the creation of long-term shareholder value, an appropriate financial strategy is equally important. Despite the various headwinds, our newly integrated team executed flawlessly on a revamped set of operational and financial initiatives that resulted in meaningful improvement to our liquidity and balance sheet as the year progressed. Our relentless focus on cost savings and capital efficiency improvements ultimately delivered over $120 million of adjusted free cash flow since March 2020, helping us to close out the year with a positive free cash flow position for the calendar year. In addition, during the second half of 2020, we completed a series of capital markets transactions and asset dispositions that helped to reduce our net debt by $350 million. Our strategic decisions and the associated execution of those plans this past year enabled us to deliver on our promises to investors, including meaningful free cash flow generation and improved financial strength.

Our medium-term development plans are squarely focused on consistent, organic free cash flow generation and absolute debt reduction. Given our leading operating margins and low-cost resource base, the magnitude and pace of improvements in financial strength from organic cash flows are highly differentiated in the sector. Our 2021 capital budget, inclusive of capitalized expenses, implies a reinvestment rate of approximately 75% of discretionary cash flow at $50 per barrel WTI price and a free cash flow breakeven price of approximately $40 per barrel. We will continue to manage our future capital reinvestment rate[1] within a targeted range of 65% to 75% under a range of pricing environments, which is expected to generate free cash flow in a range of $500 to $800 million over the next three years, assuming WTI oil prices of $50 to $60 per barrel. In addition, we are targeting asset monetizations of approximately $125 to $225 million in 2021 to further our debt reduction goals.

The oil and gas industry has weathered many downturns and volatile surprises over its long history, but the companies that have thrived were the low-cost leaders with a strong portfolio of assets that could create durable returns. Callon has positioned itself from a development and asset ownership position to meet these requirements. As we further reduce our debt levels and continue employing a thoughtful and sustainable development philosophy, we believe investors will recognize the repeatable and profitable nature of our business model. Our improving capital structure and focus on free cash flow generation should place us in a position to continue broadening the available strategic options for future value creation for investors.

[1]Callon defines "reinvestment rate" as (Accrued Operational Capital Expenditures) / (Adjusted Discretionary Cash Flow - Capitalized Expenses).

Corporate sustainability is critical to our ability to compete in the market.

We continue to make positive strides as the market has focused more intensely on the sustainability practices of public companies. We have undertaken numerous initiatives to reduce our environmental impact and improve as a steward of our natural resources. Equally important is the idea of reinforcing cultural values that drive our continuous improvement on ESG initiatives, not just in the areas of environmental impact, but also our human capital and strategic processes.

During the past year, while many others pulled back to protect their financial position, we maintained — and in some areas, grew — our commitment to ESG. Our operations team continued to refine field practices that reduced our environmental impact with measurable success. In 2020, we reduced flaring volumes by 40% and greenhouse gas (GHG) emissions by over 20% year-over-year. Similarly, spill volumes have been reduced by over 60%, and our produced water recycling program continues to grow. In the Delaware Basin, we completed the expansion of our recycling facilities allowing for handling of up to 60,000 barrels per day of produced water volume. Our use of recycled water volumes for completions reached a new peak when we employed over 95% recycled produced water volumes on a six-well pad in the Delaware, saving nearly 100 million gallons of local water resources. We will continue growing our recycling program and implementing industry-leading practices to further reduce our carbon emissions.

Safety has always been a core value, and the safety of our employees and their families remains at the forefront of our business decisions. When it became clear that the U.S. would not be able to avoid the pandemic's reach, we quickly pivoted to a company-wide remote workforce while still operating a full program before tempering our activity levels. We implemented new safe-work policies both in the office and in the field. Despite the ongoing pandemic, our company marked a new record low for total recordable incidents for the second consecutive year, which exemplifies our safety culture. Our practices are designed not only to protect and foster a culture of safety with our employees, but with our various service providers and suppliers as well.

At Callon, we believe that corporate responsibility starts with governance, which starts with our Board of Directors. Consistent with our focus on integrating sustainable practices into all aspects of our business, in 2020, we restructured our board to assign specific responsibilities for ESG oversight to the Nominating and Environmental, Social & Governance Committee. In addition, our executive compensation practices continue to evolve to better align with the investor priorities for the energy sector. Full details of our governance programs and updated executive compensation metrics can be found in our recently published proxy.

Continued focus on social responsibility for sustainable growth.

During 2020, we pushed forward on several sustainability initiatives despite the challenges of working remotely. For the full year, we realized a 10% improvement in our safety rates, making it another record safety year. Our focus on environmental responsibility also allowed us to achieve a 66% reduction in our spill rate, a 40% reduction in our flared volumes, and a reduction of more than 20% in our greenhouse gas emissions—a monumental achievement considering our production declined only 6%. In addition, we continued testing the use of larger amounts of recycled produced water in our completions with great success. Our last three projects of 2020 utilized nearly 100% recycled produced water.

10%

TRIR Improvement

↓66%

Spill Rate Reduction

↓40%

Reduction in Flared Volumes

↑10%

Recycled Produced Water Usage

>20%

Reduction in GHG Emissions

Gratitude

Throughout the year, we saw our employees bring forth ideas and seize opportunities that contributed to our many operational and financial accomplishments as a company. Equally as important, they spent time finding ways to serve and help their communities as we faced incredible challenges as a nation. Our team stepped up and made contributions in the form of health supplies and protective equipment to local hospitals. Our children, friends, and neighbors created thank you cards for first responders and provided much-needed meals for overworked frontline workers.

Within the company, employees volunteered to test remote working systems and various integration initiatives to ensure a smooth post-merger systems integration. Engineers found improvements to processes and designs which saw positive benefits to the surrounding communities and environments. These actions demonstrate the Callon culture that underpins our company's core values. The willingness of each person to step up when needed and offer a lending hand to fellow team and community members is what makes our organization a special place to work. It is just one of the reasons we've been named a best place to work by the *Houston Chronicle* for four years in a row.

Our industry, as well as our stakeholders, continues to evolve. I am extremely proud of all our employees for remaining focused on our mission and exhibiting the flexibility needed to adapt to the ever-changing rhythm of our industry. It is through their hard work, dedication, and resilience that we are well-positioned for success. And while so much has changed over the past year, one thing remains the same. The path forward for Callon — and the industry as a whole — will continue to be defined by our ability to address the challenges present in a dynamic and challenging economic environment. Our ability to identify evolving market conditions and remain agile will continue to be a differentiating factor. We must continue to be as efficient, thoughtful, and focused on making the most of every dollar. The accomplishments we made this past year have helped expand the various avenues that will help us achieve our goals. Our continued focus on protecting shareholder value and methodically executing on steps that enhance our cash flow and reduce our debt is what will set us apart from our peers.

JOSEPH C. GATTO JR.
President & Chief Executive Officer

Corporate Data

STOCKHOLDER INFORMATION

Callon Website

The Company website can be found at www.callon.com. It contains news releases, corporate governance materials, the annual report, recent investor presentations, stock quotes, and a link to SEC filings.

Common Stock Dividend Policy

It is anticipated that all available funds will be reinvested in the Company's business activities. Therefore, the Company has no current plans to pay dividends on its common stock.

Market for Common Stock

Effective April 22, 1998, the Company's Common Stock began trading on the New York Stock Exchange under the symbol "CPE."

CEO Section 303A.12(A) Certification

In accordance with requirements mandated by the New York Stock Exchange under Section 303A.12(a) of the Listed Company Manual, each public company is required to disclose in its Annual Report to Shareholders that its CEO certification was filed and to state any qualifications to such certification. On behalf of Joseph C. Gatto, Jr., the company filed the required certification on February 25, 2021 without qualification.

Transfer Agent and Registrar

AST Financial
6201 15th Avenue
Brooklyn, New York 11219
(718) 921-8200

Independent Registered Public Accounting Firm

Grant Thornton LLP
Houston, Texas

Administrative Agent Bank

JPMorgan Chase Bank, N.A.
New York, New York

Headquarters

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2000 W. Sam Houston Parkway South
Suite 2000
Houston, TX 77042

Mailing Address

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Suite 2000
Houston, TX 77042

Permian Operations Office

Callon Petroleum Company
6 Desta Drive, 4th Floor
Midland, TX 79705

Eagle Ford Operations Office

Callon Petroleum Company
262 County Line Road
Dilley, TX 78017

Form 10-K

The Company's Annual Report on Form 10-K, as audited by Grant Thornton, excluding exhibits, has been incorporated into this Annual Report.

OFFICERS OF THE COMPANY

Joseph C. Gatto, Jr.
President and Chief Executive Officer

James P. Ulm, II
Senior Vice President and Chief Financial Officer

Dr. Jeffrey S. Balmer
Senior Vice President and
Chief Operating Officer

Michol L. Ecklund
Senior Vice President, General Counsel
and Corporate Secretary

Liam D. Kelly
Vice President of Corporate Development

Jamin B. McNeil
Vice President – Production

J. Michael Hastings
Vice President – Marketing

Gregory F. Conaway
Vice President and Chief Accounting Officer

Rex A. Bigler
Vice President – Asset Development

BOARD OF DIRECTORS

Richard L. Flury, Chairman of the Board
Former Chief Executive,
Gas, Power and Renewables
British Petroleum plc (retired)
Director, McDermott International

Frances Aldrich Sevilla-Sacasa
Former Chief Executive Officer,
Banco Itau International
Former Director, Carrizo Oil & Gas, Inc.
Director, Camden Property Trust

Matthew R. Bob
President, Eagle Oil & Gas Company
Director, Southcross Energy

Major General (Ret.) Barbara Faulkenberry
Former Major General,
Vice Commander U.S. Air Force
Director, USA Truck

Michael L. Finch
Former Chief Financial Officer
and Director, Stone Energy
Member of Advisory Board, C.H.
Fenstermaker & Associates
Former Director, Petroquest Energy

S.P. "Chip" Johnson, IV
Former Chief Executive Officer,
Carrizo Oil & Gas
Director, Southwestern Energy

Larry D. McVay
Former Chief Operating Officer,
TNK-BP Holdings British Petroleum plc
Joint Venture (retired)
Director, Linde plc

Anthony J. Nocchiero
Former Sr. Vice President
and Chief Financial Officer,
CF Industries, Inc. (retired)

James M. Trimble
Former Interim Chief Executive Officer
and President, and Director,
Stone Energy Corporation
Director, Talos Energy, LLC

Steven A. Webster
Managing Partner, AEC Partners,
formerly Avista Capital
Former Director and Chairman,
Carrizo Oil & Gas, Inc.
Director, Camden Property Trust
Director, Oceaneering International, Inc.

Joseph C. Gatto, Jr.
President and Chief Executive Officer

2020 Annual Report

This Annual Report and the statements contained in it are submitted for the general information of the shareholders of Callon Petroleum Company. The information is not presented in connection with the sale or the solicitation of any offer to buy any securities, nor is it intended to be a representation by the Company of the value of its securities. If you have questions regarding this Annual Report or the Company, or would like additional copies of this report, please contact our Investor Relations Department at 2000 W. Sam Houston Parkway South, Suite 2000, Houston, TX 77042. Phone: (281) 589-5200, Email: ir@callon.com

Investors, Security Analysts And Media Relations

Shareholders, brokers, securities analysts, portfolio managers, or financial news media seeking information about the company may email us at ir@callon.com or call Mark Brewer, Investor Relations @ 281-589-5200. Written inquiries may be sent to 2000 W. Sam Houston Parkway South, Suite 2000, Houston, TX 77042.

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