

CALLON PETROLEUM CO  
Form 10-Q  
May 03, 2018  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For The Quarterly Period Ended March 31, 2018

OR

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number 001-14039

Callon Petroleum  
Company  
(Exact Name of  
Registrant as Specified in  
Its Charter)

Delaware 64-0844345  
(State or Other Jurisdiction of (IRS Employer  
Incorporation or Organization) Identification No.)

200 North Canal Street 39120  
Natchez, Mississippi (Zip Code)  
(Address of Principal Executive Offices)  
601-442-1601  
(Registrant's Telephone Number, Including Area Code)

Not Applicable  
(Former Name, Former Address and Former Fiscal Year, If Changed Since Last Report)

Indicate by check mark whether registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer      Accelerated filer      Non-accelerated      (Do not check if smaller reporting  
filer      company)

Edgar Filing: CALLON PETROLEUM CO - Form 10-Q

Smaller reporting  
company

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.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  
No

The Registrant had 201,958,575 shares of common stock outstanding as of April 27, 2018.

---

Table of Contents

Part I. Financial Information

Item 1. Financial Statements (Unaudited)

Consolidated Balance Sheets 4

Consolidated Statements of Operations 5

Consolidated Statements of Cash Flows 6

Notes to Consolidated Financial Statements 7

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 19

Item 3. Quantitative and Qualitative Disclosures about Market Risk 27

Item 4. Controls and Procedures 28

Part II. Other Information

Item 1. Legal Proceedings 29

Item 1A. Risk Factors 29

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 29

Item 3. Defaults Upon Senior Securities 29

Item 4. Mine Safety Disclosures 29

Item 5. Other Information 29

Item 6. Exhibits 30

2

---

Table of Contents

Glossary of Certain Terms

All defined terms under Rule 4-10(a) of Regulation S-X shall have their prescribed meanings when used in this report. As used in this document:

ARO: asset retirement obligation.

ASU: accounting standards update.

Bbl or Bbls: barrel or barrels of oil or natural gas liquids.

BOE: barrel of oil equivalent, determined by using the ratio of one Bbl of oil or NGLs to six Mcf of gas. The ratio of one barrel of oil or NGL to six Mcf of natural gas is commonly used in the industry and represents the approximate energy equivalence of oil or NGLs to natural gas, and does not represent the economic equivalency of oil and NGLs to natural gas. The sales price of a barrel of oil or NGLs is considerably higher than the sales price of six Mcf of natural gas.

BBtu: billion Btu.

BOE/d: BOE per day.

BLM: Bureau of Land Management.

Btu: a British thermal unit, which is a measure of the amount of energy required to raise the temperature of one pound of water one degree Fahrenheit.

Completion: The process of treating a drilled well followed by the installation of permanent equipment for the production of oil or natural gas or, in the case of a dry hole, the reporting of abandonment to the appropriate agency.

Cushing: An oil delivery point that serves as the benchmark oil price for West Texas Intermediate.

DOI: Department of Interior.

EPA: Environmental Protection Agency.

FASB: Financial Accounting Standards Board.

GAAP: Generally Accepted Accounting Principles in the United States.

Henry Hub: A natural gas pipeline delivery point that serves as the benchmark natural gas price underlying NYMEX natural gas futures contracts.

Horizontal drilling: A drilling technique used in certain formations where a well is drilled vertically to a certain depth and then drilled at a right angle within a specified interval.

GHG: greenhouse gases.

LIBOR: London Interbank Offered Rate.

LOE: lease operating expense.

MBbls: thousand barrels of oil.

MBOE: thousand BOE.

Mcf: thousand cubic feet of natural gas.

MMBOE: million BOE.

MMBtu: million Btu.

MMcf: million cubic feet of natural gas.

NGL or NGLs: natural gas liquids, such as ethane, propane, butanes and natural gasoline that are extracted from natural gas production streams.

NYMEX: New York Mercantile Exchange.

Oil: includes crude oil and condensate.

OPEC: Organization of Petroleum Exporting Countries.

PDPs: proved developed producing reserves.

PDNPs: proved developed non-producing reserves.

PUDs: proved undeveloped reserves.

Realized price: The cash market price less all expected quality, transportation and demand adjustments.

Royalty interest: An interest that gives an owner the right to receive a portion of the resources or revenues without having to carry any costs of development.

RSU: restricted stock units.

SEC: United States Securities and Exchange Commission.

Working interest: An operating interest that gives the owner the right to drill, produce and conduct operating activities on the property and receive a share of production and requires the owner to pay a share of the costs of drilling and production operations.

WTI: West Texas Intermediate grade crude oil, used as a pricing benchmark for sales contracts and NYMEX oil futures contracts.

With respect to information relating to our working interest in wells or acreage, “net” oil and gas wells or acreage is determined by multiplying gross wells or acreage by our working interest therein. Unless otherwise specified, all references to wells and acres are gross.

Table of Contents

## Part I. Financial Information

## Item I. Financial Statements

## Callon Petroleum Company

## Consolidated Balance Sheets

(in thousands, except par and per share data)

	March 31, 2018	December 31, 2017
	Unaudited	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 18,473	\$ 27,995
Accounts receivable	122,411	114,320
Fair value of derivatives	4,210	406
Other current assets	2,078	2,139
Total current assets	147,172	144,860
Oil and natural gas properties, full cost accounting method:		
Evaluated properties	3,598,868	3,429,570
Less accumulated depreciation, depletion, amortization and impairment	(2,119,599 )	(2,084,095 )
Net evaluated oil and natural gas properties	1,479,269	1,345,475
Unevaluated properties	1,174,385	1,168,016
Total oil and natural gas properties	2,653,654	2,513,491
Other property and equipment, net	21,173	20,361
Restricted investments	3,382	3,372
Deferred tax asset	26	52
Deferred financing costs	4,588	4,863
Acquisition deposit	—	900
Other assets, net	5,524	5,397
Total assets	\$ 2,835,519	\$ 2,693,296
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 187,267	\$ 162,878
Accrued interest	18,491	9,235
Cash-settleable restricted stock unit awards	4,081	4,621
Asset retirement obligations	2,784	1,295
Fair value of derivatives	25,912	27,744
Total current liabilities	238,535	205,773
Senior secured revolving credit facility	75,000	25,000
6.125% senior unsecured notes due 2024, net of unamortized deferred financing costs	595,374	595,196
Asset retirement obligations	7,717	4,725
Cash-settleable restricted stock unit awards	2,392	3,490
Deferred tax liability	1,950	1,457
Fair value of derivatives	2,942	1,284
Other long-term liabilities	465	405
Total liabilities	924,375	837,330
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, series A cumulative, \$0.01 par value and \$50.00 liquidation preference, 2,500,000 shares authorized; 1,458,948 shares outstanding	15	15
Common stock, \$0.01 par value, 300,000,000 shares authorized; 201,947,883 and 201,836,172 shares		