CALLON PETROLEUM CO
Form 424B5
March 10, 2015
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Filed pursuant to Rule 424(b)(5)
Registration No. 333-202038

Prospectus Supplement

(To Prospectus dated February 11, 2015)

9,000,000 shares

Callon Petroleum Company

Common stock

We are selling 9,000,000 shares of common stock.

Our common stock is listed on the New York Stock Exchange (the NYSE) under the symbol CPE. On March 6, 2015, the last reported sale price of our common stock as reported on the NYSE was $7.30 per share.

Investing in our common stock involves a high degree of risk. See Risk Factors beginning on page S-9 of this prospectus supplement and page 2 of the accompanying prospectus and the documents incorporated by reference herein and therein.

The underwriter has agreed to purchase the shares from us at a price of $6.36 per share, which will result in $57.2 million of proceeds to us before expenses. The underwriter may offer the shares of common stock from time to time for sale in one or more transactions on the NYSE, in the over-the-counter market, through negotiated transactions or otherwise at market prices at the time of sale, at prices related to prevailing market prices or at negotiated prices. The underwriter may also exercise its option to purchase up to an additional 1,350,000 shares from us at the price per share set forth above, for 30 days after the date of this prospectus supplement.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities, or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The shares will be ready for delivery on or about March 13, 2015.

Sole Book-Running Manager

J.P. Morgan

The date of this prospectus supplement is March 9, 2015.

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Prospectus supplement

Prospectus

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About this prospectus supplement

Neither we nor the underwriter has authorized anyone to provide any information or to make any representations other than those contained or incorporated by reference in this prospectus supplement, the accompanying prospectus dated February 11, 2015 or any free writing prospectus we have prepared. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus supplement and the accompanying prospectus constitute an offer to sell only the shares of common stock offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. You should assume that the information we have included in this prospectus supplement or the accompanying prospectus is accurate only as of the date of this prospectus supplement or the accompanying prospectus and that any information we have incorporated by reference is accurate only as of the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since these dates.

This prospectus supplement, the accompanying prospectus and any free writing prospectus that we have prepared contain the terms of this offering. This prospectus supplement may add, update or change information contained or incorporated by reference in the accompanying prospectus. In addition, the information incorporated by reference in the accompanying prospectus may have added, updated or changed information in the accompanying prospectus. If information in this prospectus supplement is inconsistent with any information in the accompanying prospectus (or any information incorporated therein by reference), this prospectus supplement will apply and will supersede such information in the accompanying prospectus.

It is important for you to read and consider all information contained in this prospectus supplement, the accompanying prospectus and the documents we have incorporated by reference before making your investment decision. You should also read and consider the additional information under the caption Where You Can Find More Information in the accompanying prospectus.

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Cautionary note regarding forward-looking statements

This prospectus supplement, the underlying prospectus and the documents incorporated by reference in this prospectus supplement include forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. In some cases, you can identify forward-looking statements by terms such as anticipate, project, intend, estimate, expect, believe, predict, budget, projection, goal, plan, forecast, target or s intended to identify forward-looking statements.

All statements, other than statements of historical facts, included in this prospectus supplement, the underlying prospectus and the documents incorporated by reference in this prospectus supplement that address activities, events or developments that we expect or anticipate will or may occur in the future are forward-looking statements, including such things as:

- our oil and gas reserve quantities, and the discounted present value of these reserves;
- the amount and nature of our capital expenditures;
- our future drilling and development plans and our potential drilling locations;
- the timing and amount of future production and operating costs;
- business strategies and plans of management; and
- prospect development and property acquisitions.

Some of the risks, which could affect our future results and could cause results to differ materially from those expressed in our forward-looking statements, include:

- general economic conditions including the availability of credit and access to existing lines of credit;
- the volatility of oil and natural gas prices;
- the uncertainty of estimates of oil and natural gas reserves;
- the impact of competition;
- the availability and cost of seismic, drilling and other equipment;

operating hazards inherent in the exploration for and production of oil and natural gas;

difficulties encountered during the exploration for and production of oil and natural gas;

difficulties encountered in delivering oil and natural gas to commercial markets;

changes in customer demand and producers supply;

the uncertainty of our ability to attract capital and obtain financing on favorable terms;

compliance with, or the effect of changes in, the extensive governmental regulations regarding the oil and natural gas business including those related to climate change and greenhouse gases;

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- actions of operators of our oil and gas properties;
- weather conditions; and
- the risk factors discussed under the heading   Risk factors   in this prospectus supplement, the underlying prospectus and those discussed in the documents we have incorporated by reference.

All forward-looking statements, expressed or implied, included in this prospectus supplement, the underlying prospectus and the documents we incorporate by reference are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue.

Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this prospectus supplement.

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Summary

This summary provides a brief overview of information contained elsewhere in or incorporated by reference into this prospectus supplement and the accompanying prospectus. Because it is abbreviated, this summary does not contain all of the information that you should consider before investing in our common stock. You should carefully read this entire prospectus supplement, the accompanying prospectus, and any free writing prospectus distributed by us before making an investment decision, including the information presented under the headings Risk factors and Cautionary note regarding forward-looking statements in this prospectus supplement and the financial statements and other information incorporated by reference into this prospectus supplement and the accompanying prospectus.

In this prospectus supplement, unless the context otherwise requires, the terms we, us, our, and the company refer to Callon Petroleum Company and its consolidated subsidiaries.

Overview

Callon Petroleum Company has been engaged in the exploration, development, acquisition and production of oil and natural gas properties since 1950. In 2013, we completed our onshore strategic repositioning that began in 2009, shifting our operations from the offshore waters in the Gulf of Mexico to the onshore Permian Basin in West Texas. Our asset base is concentrated exclusively in the Midland Basin, a sub-basin located within the broader Permian Basin, characterized by high drilling success rates, high oil content, multiple vertical and horizontal productive intervals and extensive production history.

Our net daily production for calendar year 2014 was 5,648 BOE/d (approximately 82% oil), representing an approximately 155% increase over comparable net daily Permian production in 2013. The increase is primarily attributed to our increased focus on horizontal development initiated in 2012. We currently operate two horizontal drilling rigs focused on four prospective zones for development.

As of December 31, 2014, we had estimated net proved reserves of 25.7 MMBbls and 42.5 Bcf, or 32.8 MMBOE, all of which were located in the Midland Basin. Additionally, 78% of our proved reserves were crude oil and 55% were proved developed at year-end 2014 on a BOE basis.

Our Permian Basin Properties

Our operations are primarily focused on the horizontal development of multiple zones in the Southern and Central portions of the Midland Basin. As of December 31, 2014, we held 18,065 net acres in these two areas and identified a total of over 1,000 gross potential drilling locations targeting prospective intervals that have been drilled successfully by us or other operators. We held an additional 9,301 net exploratory acres in the Northern Midland Basin as of December 31, 2014 for which we have no current plans for development. Average net production from the Company s Permian Basin properties increased 155% to 5,648 BOE/d in 2014 from 2,227 BOE/d in 2013.

Southern Midland Basin

The Southern Midland Basin is presently our largest operating area in terms of production and includes producing properties in Upton, Reagan and Crockett Counties in Texas covering 10,790 net surface acres as of December 31, 2014. We commenced horizontal drilling efforts at our East Bloxom field in 2012 and have expanded our efforts to two additional fields (Garrison Draw and Taylor Draw) in the Southern Midland Basin

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using pad development. Our horizontal wells are currently producing from three zones of the Wolfcamp shale (Upper Wolfcamp B, Lower Wolfcamp B and Wolfcamp A). We plan to continue focusing on these intervals in 2015 and also plan to place our first Lower Spraberry well on production in the first quarter of 2015.

At December 31, 2014, we had 59 gross (54 net) vertical and 39 gross (36 net) horizontal producing wells in this area. Fourth quarter 2014 net production was 4,519 BOE/d with 90% of such production attributable to horizontal wells.

Central Midland Basin

Our Central Midland Basin operations included 7,275 net surface acres as of December 31, 2014 with producing properties in Midland, Ector, Andrews and Martin Counties in Texas. The Central Midland Basin has historically been the focus of our high-graded vertical drilling program, targeting multiple zones down to the Woodford shale. We shifted our focus to horizontal development in this area with our initial Wolfcamp B wells placed on production in the first quarter of 2014 in our Carpe Diem field. We continued with program development of both the Wolfcamp B and Lower Spraberry zones in this field over the course of 2014 and into 2015 and are currently expanding our horizontal development to the Pecan Acres field. Importantly, we recently completed our last vertical well in the area and have no plans or obligations to drill any future vertical wells within our Permian Basin property base.

In addition to this organic drilling activity, in October 2014 we acquired 6,230 gross (3,862 net) acres located in Midland, Ector, Andrews and Martin Counties, which are in close proximity to our existing Carpe Diem and Pecan Acres fields. Since the closing of the acquisition, we have placed two Wolfcamp B and one Lower Spraberry wells on production.

Our Business Strategies

Our goal is to enhance stockholder value through the execution of the following strategies:

Drive production and maximize resource recovery and reserve growth through horizontal development of our resource base. We believe our horizontal development efforts provide improved returns relative to vertical development of our resource base. Our initial vertical development programs allowed us to amass a database related to the subsurface geology and rock characteristics over the last several years. This information, combined with our review of industry activity and best practices, provided the foundation for us to initiate the horizontal development of our resource base in 2012 and further increase horizontal activity in recent quarters. As of December 31, 2014, we had 49 gross producing horizontal wells, all of which we operate. During the fourth quarter of 2014, approximately 70% of our total Permian production was sourced from horizontal wells. We expect to grow the contribution of horizontal production volumes, both from our existing properties and from properties acquired in recent acquisitions, as we continue to execute a resource development program almost exclusively focused on horizontal development.

Expand our drilling portfolio through evaluation of existing acreage. Our horizontal development drilling efforts to date have been primarily focused on the Upper and Lower Wolfcamp B zones. We have focused on these development zones to reduce drilling risk as we continue to grow our asset base in the Permian Basin, though we have continued to expand our development focus on a measured basis. Most recently, we drilled three Lower Spraberry wells in the Southern and Central Midland Basin in the second half of 2014, complementing three Wolfcamp A wells placed on production in the Southern Midland Basin since the third quarter of 2013. We believe incremental opportunities exist to selectively target other prospective zones across various positions of our acreage, including the Clearfork, Jo Mill, Middle Spraberry, Wolfcamp C and Cline formations (in order of relative depth). In addition, we will continue to monitor the efficiency of our horizontal wells related to reservoir drainage over time, and will pursue downspacing initiatives within target zones if we believe overall returns would be enhanced.

Pursue selective acquisitions in the Permian Basin. During 2014, we continued to demonstrate our ability to acquire and trade acreage in the Midland Basin. Most significantly, in October 2014, we acquired 6,230 gross (3,862 net) acres located in Midland and Andrews Counties, which are in close proximity to our existing Carpe Diem and Pecan Acres fields, for approximately $210 million. Due to its close proximity to our existing fields, we believe this acquired acreage can be efficiently integrated into our ongoing horizontal development activity. The acquisition added 194 gross (121.6 net) potential horizontal drilling locations targeting the currently producing Wolcamp B, Lower Spraberry and Middle Spraberry zones, and additional potential horizontal drilling locations targeting four other prospective zones that are producing in offsetting fields. We also expanded our asset base in existing core development fields by acquiring 1,527 net acres for approximately $8.2 million through a bolt-on strategy whereby we identify and pursue smaller blocks of offsetting acreage that are potentially inefficient for the current owner to develop, but have value to us based on its location relative to our acreage. These smaller scale acquisitions generally provide acreage at costs significantly below the value assigned to larger blocks of acreage. While remaining mindful about our liquidity, we will continue to pursue leasehold acquisitions in the Permian Basin, and primarily in the Midland Basin, that have horizontal resource potential that can be further augmented by bolt-on acreage acquisitions and acreage trades over time.

Maintain financial liquidity and capacity to capitalize on growth opportunities. We believe that our asset base provides the opportunity to deploy a significant amount of capital for horizontal development in the coming years. We have focused on positioning ourselves to supplement our cash flow from operations with an improved cost of debt capital. In conjunction with our acquisition completed in the fourth quarter of 2014, we raised approximately $430 million in gross proceeds through a combination of common equity and long-term debt securities to support the acquisition and our ongoing development efforts in the Midland Basin.

Our Competitive Strengths

We believe that the following competitive strengths will help us successfully execute our business strategies:

Established resource base and acreage position in the Permian Basin. Our production is exclusively from the Permian Basin in West Texas, an area that has supported production since the 1940s. The basin has well-established infrastructure from historical operations, and we believe the Basin also benefits from a relatively stable regulatory environment that has been established over time. We have assembled a position of approximately 18,065 net surface acres in the Southern and Central Midland Basin that are prospective for multiple oil-bearing intervals that have been produced by us and other industry participants. As of December 31, 2014, our estimated net proved reserves were comprised of approximately 78% oil and 22% natural gas, which include NGLs in the production stream.

Multi-year drilling inventory. Our current acreage position in the Permian Basin provides visible growth potential from a horizontal drilling inventory of approximately 525 locations, or 20 years under our current two-rig horizontal drilling program, based solely on four currently producing zones, which include the Lower Spraberry, the Wolfcamp A and the Upper and Lower Wolfcamp B. This drilling inventory increases to over 1,000 drilling locations, with the addition of drilling locations from other prospective zones, which include the Clearfork, Middle Spraberry, Jo Mill, Wolfcamp C and the Cline (or Wolfcamp D). Our identified well locations

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across our Southern and Central Midland Basin acreage are based upon the results of horizontal wells drilled by us and other offsetting operators, and our analysis of core data and historical vertical well performance.

Experienced team operating in the Permian Basin. We have assembled a management team experienced in acquisitions, exploration, development and production in the Midland Basin. Reflective of this experience, we have realized improvements in our drilling and capital efficiency since launching our horizontal drilling program in 2012 and drilling more than 50 horizontal wells with lengths varying from approximately 5,000 feet to 10,000 feet. We continue to evaluate our completion techniques, and downspacing initiatives that we believe have the potential to improve resource recovery and contribute to enhanced returns on capital. In addition, we regularly evaluate our operating results against those of other operators in the area in an effort to benchmark our performance against the best performing operators and evaluate and adopt best practices.

High degree of operational control. We operate nearly all of our Permian Basin acreage and have limited continuous drilling requirements across our acreage. For example, only 10% of our planned development drilling activity in 2015 is required to satisfy acreage commitments, with decreasing obligations in future years. This acreage status, combined with our control as an operator across the majority of our properties, provides us the opportunity to modify our operational plans to respond to changes in operational and commodity price environments. In addition, we have the ability to change our drilling schedule as needed to manage the assimilation of newly acquired acreage that may have drilling commitments.

Operating culture focused on safety and the environment. We have a Health, Safety and Environmental (HSE) department dedicated to our operations in the Permian Basin. This group is responsible for developing and implementing work processes to mitigate safety and environmental risks associated with our work activities. With emphasis on planning, training and communication, and empowering both our employees and third party service providers with Stop Work Authority, we continue to improve operational performance. We have enhanced Management of Change, routine inspections and compliance action tracking methods with the implementation of a HSE management system software program. This department also coordinates closely with our operational team to ensure effective communication with appropriate regulatory bodies as well as landowners. We believe that our proactive efforts in this area have made a positive impact on our operations and culture.

Corporate Information

Our principal executive offices are located at 200 North Canal Street, Natchez, Mississippi 39120. Our telephone number is (601) 442-1601, and our website is www.callon.com. Information contained on or accessible through our website is not incorporated by reference into or otherwise a part of this prospectus supplement or the accompanying prospectus.

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The offering

Issuer	Callon Petroleum Company
Common stock offered by us	9,000,000 shares
Common stock outstanding immediately after this offering	64,581,941 shares (65,931,941 if the underwriter exercises the over-allotment option in full)
Over-allotment option	We have granted the underwriter a 30-day option to purchase up to an aggregate of 1,350,000 additional shares of our common stock to cover any over-allotments.
Use of proceeds	The net proceeds from this offering will be approximately \$57.1 million after deducting underwriting discounts and commissions and estimated offering expenses, or approximately \$65.7 million if the underwriter exercises the over-allotment option in full. We intend to use the net proceeds of this offering to repay amounts outstanding under our credit facility, with any remainder being used for general corporate purposes, which may include funding of our capital program and future acquisitions.
Dividend policy	We have not declared or paid any cash or other dividends on our common stock, and we do not expect to declare or pay any cash or other dividends in the foreseeable future. See Dividend Policy.
Risk factors	You should carefully read and consider the information beginning on page S-9 of this prospectus supplement and page 2 of the accompanying prospectus set forth under the headings Risk factors and all other information set forth in this prospectus supplement, the accompanying prospectus, and the documents incorporated herein and therein by reference before deciding to invest in our common stock.
Conflicts of interest	We will use a portion of the net proceeds of this offering to repay indebtedness owed by us to an affiliate of the underwriter that is a lender under our credit facility. See Use of Proceeds. As such repayment may constitute more than 5% of the net proceeds, this offering will be made in compliance with the applicable provisions of Rule 5121 of the Financial Industry Regulatory Authority, Inc. The appointment of a qualified independent underwriter is not required in connection with this offering as a bona fide public market, as defined in Rule 5121, exists for our common stock. See Underwriting; Conflicts of Interest Conflicts of Interest; Other Relationships.
NYSE symbol	CPE

The number of shares to be outstanding after this offering is based on 55,581,941 shares of our common stock outstanding as of March 6, 2015 and excludes 1,507,932 shares that may be issued pursuant to outstanding awards under our equity compensation plans. Unless otherwise indicated, the information in this prospectus supplement assumes that the underwriter will not exercise its over-allotment option.

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Risk factors

An investment in our common stock involves risks. Prior to making a decision about investing in our common stock, you should carefully consider the risk factors and discussed under the heading Risk Factors in the accompanying underlying prospectus and in our Annual Report on Form 10-K for the year ended December 31, 2014, which is incorporated herein by reference. The risks and uncertainties we have described are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our operations. If any of these risks actually occurs, our business, results of operations and financial condition could suffer, and you could lose your investment in us.

Risks related to our business

Depressed oil and natural gas prices may adversely affect our results of operations and financial condition.

Our success is highly dependent on prices for oil and natural gas, which are extremely volatile, and the oil and natural gas markets are cyclical. Approximately 80% of our anticipated 2015 production, on a BOE basis, is oil. Starting in the second half of 2014, the NYMEX price for a barrel of oil has fallen sharply, from a price of $105.37 on June 30, 2014 to $49.76 on February 27, 2015. In addition, NYMEX prices for natural gas have been low compared with historical prices. Extended periods of low prices for oil or natural gas will have a material adverse effect on us. The prices of oil and natural gas depend on factors we cannot control such as weather, economic conditions, and levels of production, actions by OPEC and other countries and government actions. Prices of oil and natural gas will affect the following aspects of our business:

- our revenues, cash flows and earnings;
- the amount of oil and natural gas that we are economically able to produce;
- our ability to attract capital to finance our operations and the cost of the capital;
- the amount we are allowed to borrow under our credit facilities;
- the profit or loss we incur in exploring for and developing our reserves; and
- the value of our oil and natural gas properties.

Any substantial and extended decline in the price of oil or natural gas could have an adverse effect on our borrowing capacity, our ability to obtain additional capital, and our revenues, profitability and cash flows.

If oil and natural gas prices remain depressed for extended periods of time, we may be required to take additional write-downs of the carrying value of our oil and natural gas properties.

We may be required to write-down the carrying value of our oil and natural gas properties when oil and natural gas prices are low. Under the full cost method, which we use to account for our oil and natural gas properties, the net capitalized costs of our oil and natural gas properties may not exceed the present value, discounted at 10%, of future net cash flows from estimated net proved reserves, using the preceding 12-months average oil and natural gas prices based on closing prices on the first day of each month, plus the lower of cost or fair market value of our unevaluated properties. If net capitalized costs of our oil and natural gas properties exceed this limit, we must charge the amount of the excess to earnings. This type of charge will not affect our cash flows, but will reduce the book value of our stockholders equity. Because the oil price we are required to use to estimate our future net cash flows is the average price over the 12 months prior to the date of determination of future net cash flows, the full effect of falling prices may not be reflected in our estimated net cash flows for several quarters. We review the carrying value of our properties quarterly and once incurred, a write-down of oil and natural gas properties is not reversible at a later date, even if prices increase.

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Risks related to our common stock

Because we have no plans to pay any dividends for the foreseeable future, investors must look solely to stock appreciation for a return on their investment in us.

We have never declared or paid cash dividends on our common stock. We currently intend to retain future earnings and other cash resources, if any, for the operation and development of our business and do not anticipate paying any cash dividends on our common stock in the foreseeable future. Payment of any future dividends will be at the discretion of our board of directors after taking into account many factors, including our financial condition, operating results, current and anticipated cash needs and plans for expansion. In addition, our current credit facility prohibits and our second lien term facility restricts us from paying cash dividends on our common stock. Any future dividends may also be restricted by any debt financing arrangements that we may enter into from time to time. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment. Investors seeking cash dividends should not purchase our common stock.

Our certificate of incorporation and bylaws contain provisions that could discourage an acquisition or change of control of us.

Our certificate of incorporation authorizes our board of directors to issue preferred stock without shareholder approval. If our board of directors elects to issue preferred stock, it could be more difficult for a third party to acquire control of us. In addition, provisions of the certificate of incorporation and bylaws, such as limitations on shareholder proposals at meetings of shareholders and restrictions on the ability of our shareholders to call special meetings, could also make it more difficult for a third party to acquire control of us. Our certificate of incorporation provides that our board of directors is divided into three classes, each elected for staggered three-year terms. Thus, control of the board of directors cannot be changed in one year; rather, at least two annual meetings must be held before a majority of the members of the board of directors could be changed.

These provisions of our certificate of incorporation and bylaws may delay, defer or prevent a tender offer or takeover attempt that a shareholder might consider in his or her best interest, including attempts that might result in a premium over the market price for the common stock.

Future issuances of our common shares may adversely affect the price of our common shares.

The future issuance of a substantial number of common shares into the public market, or the perception that such issuance could occur, could adversely affect the prevailing market price of our common shares. A decline in the price of our common shares could make it more difficult to raise funds through future offerings of our common shares or securities convertible into common shares.

We will have a limited number of additional authorized shares available for issuance after the completion of this offering. To increase the number of authorized shares available for issuance requires shareholder approval, which there is no assurance that we will obtain.

Our ability to raise capital through the issuance of additional shares of common stock or other securities convertible into common stock is restricted by the number of authorized shares available for issuance. We are required to reserve portions of our authorized common stock due to our outstanding series A Preferred Stock and employee stock options. After the completion of this offering, we will have a limited number of additional authorized shares available for issuance. To raise additional equity, we may need to increase the number of authorized shares available for issuance, which requires stockholder approval. There can be no assurance that we will obtain the necessary stockholder approval to raise the number of authorized shares available for issuance. As a result, our inability to raise additional equity could negatively affect our liquidity and results of operation.

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Use of proceeds

The net proceeds from this offering will be approximately $57.1 million, after deducting the underwriting commissions and estimated offering expenses payable by us (or approximately $65.7 million if the underwriter s option to purchase additional shares is exercised in full). We intend to use the net proceeds of this offering to repay amounts outstanding under our credit facility, with any remainder being used for general corporate purposes, which may include funding of our capital program and future acquisitions.

As of December 31, 2014, our credit facility, which matures on September 11, 2019, had $35 million of borrowings outstanding and a weighted average interest rate of 1.91% per annum. As of December 31, 2014, we also had outstanding $300 million under our secured second lien term loan that matures on October 8, 2021 and an interest rate of 8.5% per annum.

An affiliate of the underwriter is acting, and will continue to act, as a lender under our credit facility and, in such capacity, may receive net proceeds from this offering used to repay borrowings outstanding thereunder. See Underwriting; Conflicts of Interest.

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Capitalization

The following table sets forth our cash and cash equivalents and capitalization as of December 31, 2014 on an actual basis and on an as adjusted basis to give effect to this offering and the application of the estimated net proceeds as described in the Use of proceeds as if this offering had occurred on December 31, 2014.

The table below should be read in conjunction with, and is qualified in its entirety by reference to Use of proceeds in this prospectus supplement and Management s Discussion and Analysis of Financial Condition and Results of Operations, included in our Annual Report on Form 10-K for the year ended December 31, 2014 incorporated by reference herein.

	As of December 31, 2014	
	Actual	**As Adjusted**
	(in thousands)	
Cash and cash equivalents	$ 968	$ 23,058
Long-term debt, less current portion:		
Senior secured revolving credit facility	35,000	
Secured second lien term loan	300,000	300,000
Total long-term debt	$ 335,000	$ 300,000
Stockholders equity		
Common stock	$ 552	$ 642
Series A preferred stock	16	16
Capital in excess of par value	526,162	583,162
Accumulated deficit	(92,995)	(92,995)
Total stockholders equity	$ 433,735	$ 490,825
Total capitalization	$ 768,735	$ 790,825

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Price range of common stock

Our common stock is listed and traded on the NYSE under the symbol CPE. The following table sets forth the range of high and low sales prices of our common stock for the periods presented:

	Common Stock	
	High	Low
Year ended December 31, 2015		
First quarter (through March 6, 2015)	$ 7.84	$ 4.66
Year ending December 31, 2014		
Fourth quarter	$ 8.99	$ 4.09
Third quarter	12.09	8.46
Second quarter	11.75	8.15
First quarter	9.00	6.13
Year ending December 31, 2013		
Fourth quarter	$ 7.60	$ 5.18
Third quarter	5.49	3.40
Second quarter	4.00	3.19
First quarter	5.82	3.62
Year ending December 31, 2012		
Fourth quarter	$ 6.36	$ 4.05
Third quarter	6.55	4.11

The closing price of our common stock on the NYSE on March 6, 2015 was $7.30 per share. On March 6, 2015, we had 55,581,941 issued and outstanding shares of common stock, which were held by 2,995 holders of record. Holders of record do not include owners for whom common stock may be held in street name or whose common stock is restricted.

Dividend policy

We have never declared or paid any cash dividends on our common stock. We currently intend to retain all available funds and any future earnings for use in the operation and expansion of our business and do not anticipate declaring or paying any cash dividends on our common stock in the foreseeable future. Any future determination as to the declaration and payment of dividends will be at the discretion of our board of directors and will depend on then-existing conditions, including our financial condition, results of operations, contractual restrictions, capital requirements, business prospects and other factors that our board of directors considers relevant. In addition, the terms of our revolving credit facility restrict the payment of dividends to the holders of our common stock and any other equity holders.

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Underwriting; conflicts of interest

J.P. Morgan Securities LLC is acting as the sole book-runner and underwriter of the offering. Subject to the terms and conditions set forth in an underwriting agreement between us and the underwriter, we have agreed to sell to the underwriter, and the underwriter has agreed to purchase from us 9,000,000 shares of common stock.

Subject to the terms and conditions set forth in the underwriting agreement, the underwriter has agreed to purchase all of the shares sold under the underwriting agreement if any of these shares are purchased.

We have agreed to indemnify the underwriter against certain liabilities, including liabilities under the Securities Act, or to contribute to payments the underwriter may be required to make in respect of those liabilities.

The underwriter is offering the shares, subject to prior sale, when, as and if issued to and accepted by them, subject to approval of legal matters by their counsel, including the validity of the shares, and other conditions contained in the underwriting agreement, such as the receipt by the underwriter of officer s certificates and legal opinions. The underwriter reserves the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

Commissions and Discounts

The underwriter is purchasing the shares of common stock from us at $6.36 per share (representing approximately $57.2 million aggregate proceeds to us, before we deduct our out-of-pocket expenses of approximately $150,000, or approximately $65.8 million if the underwriter s option to purchase additional shares described below is exercised in full). The underwriter may offer the shares of common stock from time to time for sale in one or more transactions on the New York Stock Exchange, in the over-the-counter market, through negotiated transactions or otherwise at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices. In connection with the sale of the shares of common stock offered hereby, the underwriter may be deemed to have received compensation in the form of underwriting discounts. The underwriter may effect such transactions by selling shares of common stock to or through dealers, and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriter and / or purchasers of shares of common stock for whom they may act as agents or to whom they may sell as principal.

Option to Purchase Additional Shares

We have granted an option to the underwriter, exercisable for 30 days after the date of this prospectus, subject to the conditions contained in the underwriting agreement, to purchase up to 1,350,000 additional shares at the price per share set forth on the cover page of this prospectus supplement.

No Sales of Similar Securities

We, our executive officers and directors have agreed not to sell or transfer any common stock or securities convertible into, exchangeable for, exercisable for, or repayable with common stock, for 90 days after the date of this prospectus without first obtaining the written consent of the underwriter. Specifically, we and these other persons have agreed, with certain limited exceptions, not to directly or indirectly

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- offer, pledge, sell or contract to sell any common stock,
- sell any option or contract to purchase any common stock,
- purchase any option or contract to sell any common stock,
- grant any option, right or warrant for the sale of any common stock,
- otherwise dispose of or transfer, directly or indirectly, any common stock,
- request or demand that we file a registration statement related to the common stock,
- publicly disclose the intention to make any offer, sale, pledge or disposition, or
- enter into any swap or other agreement that transfers, in whole or in part, the economic consequence of ownership of any common stock whether any such swap or transaction is to be settled by delivery of shares or other securities, in cash or otherwise.

This lock-up provision applies to common stock and to securities convertible into or exchangeable or exercisable for or repayable with common stock. It also applies to common stock owned now or acquired later by the person executing the agreement or for which the person executing the agreement later acquires the power of disposition.

New York Stock Exchange

The shares are listed on the New York Stock Exchange under the symbol CPE.

Short Positions

In connection with the offering, the underwriter may purchase and sell our common stock in the open market. These transactions may include short sales and purchases on the open market to cover positions created by short sales. Short sales involve the sale by the underwriter of a greater number of shares than they are required to purchase in the offering. Covered short sales are sales made in an amount not greater than the underwriter s option to purchase additional shares described above. The underwriter may close out any covered short position by either exercising their option to purchase additional shares or purchasing shares in the open market. In determining the source of shares to close out the covered short position, the underwriter will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option granted to them. Naked short sales are sales in excess of such option. The underwriter must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriter is concerned that there may be downward pressure on the price of our common stock in the open market after pricing that could adversely affect investors who purchase in the offering.

Similar to other purchase transactions, the underwriter s purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. The underwriter may conduct these transactions on the New York Stock Exchange, in the over-the-counter market or otherwise.

Neither we nor the underwriter make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. In addition, neither we nor the underwriter make any representation that the underwriter will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

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Electronic Distribution

In connection with the offering, the underwriter may distribute prospectuses by electronic means, such as e-mail.

Conflicts of Interest; Other Relationships

An affiliate of the underwriter is a lender under our credit facility and they may receive more than 5% of the net proceeds of this offering in connection with the repayment of amounts under such credit facility. Accordingly, this offering is being made in compliance with the requirements of Rule 5121 of the Financial Industry Regulatory Authority, Inc. The appointment of a qualified independent underwriter is not required in connection with this offering as a bona fide public market, as defined in Rule 5121, exists for our common stock. In accordance with Rule 5121, the underwriter will not confirm any sales to any account over which they exercise discretionary authority without the specific written approval of the transaction from the account holder. See Use of proceeds.

Amounts repaid under our credit facility may be reborrowed by us. In addition, from time to time, the underwriter and its affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans, and may do so in the future. In the ordinary course of their various business activities, the underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investment and securities activities may involve securities and instruments issued by us. The underwriter or its affiliates may hedge their credit exposure to us consistent with their customary risk management policies. Typically, the underwriter and its affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially our common stock offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of our common stock offered hereby. The underwriter and its affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

The underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriter or its affiliates may perform various other financial advisory, investment banking and commercial banking services from time to time for us and our affiliates.

Notice to Prospective Investors in the European Economic Area

In relation to each Member State of the European Economic Area (each, a Relevant Member State), no offer of shares may be made to the public in that Relevant Member State other than:

A. to any legal entity which is a qualified investor as defined in the Prospectus Directive;

B. to fewer than 100 or, if the Relevant Member State has implemented the relevant pr