CALLON PETROLEUM CO
Form 424B5
May 24, 2018
Table of Contents

Filed pursuant to Rule 424(b)(5)
Registration No. 333-210612

This preliminary prospectus supplement relates to an effective registration statement under the Securities Act of 1933, as amended, but is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not offers to sell these securities, nor are they soliciting offers to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated May 24, 2018

Preliminary prospectus supplement (to prospectus, dated April 5, 2016)

22,000,000 shares

Callon Petroleum Company

Common stock

We are offering 22,000,000 shares of our common stock.

Our common stock is listed on The New York Stock Exchange (the NYSE) under the symbol CPE . On May 23, 2018, the last reported sale price of our common stock as reported on the NYSE was $13.14 per share.

	Per share	Total
Public offering price	$	$
Underwriting discounts and commissions(1)	$	$
Proceeds to us (before expenses)	$	$

(1) We have agreed to reimburse the underwriters for certain expenses incurred in this offering. See Underwriting.

The underwriters may also exercise their over-allotment option to purchase up to an additional 3,300,000 shares of common stock from us at the public offering price per share set forth above, less underwriting discounts and commissions, within 30 days of the date of this prospectus supplement.

Investing in our common stock involves a high degree of risk. See Risk factors beginning on page S-8 of this prospectus supplement and page 2 of the accompanying prospectus and the documents incorporated by reference herein and therein before investing in our common stock.

Neither the Securities and Exchange Commission (the SEC) 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 underwriters expect to deliver the shares of common stock in book-entry form only, through to facilities of The Depositary Trust Company, against payment in immediately available funds on or about , 2018.

Joint book-running managers

J.P. Morgan **Morgan Stanley**

Prospectus supplement dated , 2018

Table of Contents

Table of contents

Table of Contents

About this prospectus supplement

Neither we nor any 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 April 5, 2016 or any free writing prospectus we have prepared, including the documents incorporated by reference herein and therein. 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 those 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.

Table of Contents

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 (the Securities Act), and Section 21E of the Securities Exchange Act of 1934, as amended (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 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 ability to execute our 2018 capital plan;
- our future drilling and development plans and our potential drilling locations;
- the timing and amount of future production and operating costs;
- commodity price risk management activities and the impact on our average realized prices;
- business strategies and plans of management;
- our ability to close the Pending Acquisition described herein, the anticipated timing and terms of the Pending Acquisition, our ability to realize the anticipated benefits of our completed acquisitions and the Pending Acquisition, and our ability to manage the risks of the Pending Acquisition;
- our ability to efficiently integrate recently completed acquisitions;
- prospect development and property acquisitions; and
- the expected impact of the Tax Cuts and Jobs Act of 2017.

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, both globally and locally;

the uncertainty of estimates of oil and natural gas reserves;

impairments;

the impact of competition;

the availability and cost of seismic, drilling and other equipment, water, water disposal wells, and personnel;

Table of Contents

- 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;
- the impact of government regulation, including regulation of hydraulic fracturing and water disposal wells;
- litigation relating to hydraulic fracturing, the climate and over-the-counter derivatives;
- any increase in severance or similar taxes;
- the financial impact of accounting regulations and critical accounting policies;
- the comparative cost of alternative fuels;
- credit risk relating to the risk of loss as a result of non-performance by our counterparties;
- cyberattacks on the Company or on systems and infrastructure used by the oil and gas industry;
- 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 herein and therein.

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 note. This cautionary note 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.

Table of Contents

Prospectus supplement 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.

Our company

Callon Petroleum Company is an independent oil and natural gas company established in 1950. We are focused on the acquisition, development, exploration and exploitation of unconventional, onshore, oil and natural gas reserves in the Permian Basin in West Texas. We have historically been focused on the Midland Basin and entered the Delaware Basin through an acquisition completed in February 2017. Our drilling activity to date has been predominantly focused on the horizontal development of several prospective intervals, including multiple levels of the Wolfcamp formation and the Lower Spraberry shales. We have assembled a multi-year inventory of potential horizontal well locations and intend to add to this inventory through delineation drilling of emerging zones on our existing acreage, and acquisition of additional locations through working interest acquisitions, acreage purchases, joint ventures and asset swaps.

As a result of our horizontal development efforts and contributions from acquisitions, our net daily production for calendar year 2017 as compared to calendar year 2016 grew approximately 50% to 22,940 Boe/d (approximately 78% oil). At March 31, 2018, we had 553 gross (443.2 net) working interest oil wells, three gross (0.1 net) royalty interest oil wells and no natural gas wells. For the three months ended March 31, 2018, we drilled 16 gross (13.2 net) horizontal wells and completed eight gross (4.4 net) horizontal wells and had 12 gross (10.8 net) horizontal wells awaiting completion. Our net daily production for the three months ended March 31, 2018 grew approximately 30% to 26,567 Boe/d (approximately 77% oil) as compared to the same period of 2017. Our net proved reserves as of December 31, 2017 were 137.0 million Boe based on assumed benchmark prices of $51.34 per barrel of oil and $2.98 per Mcf of natural gas.

Recent developments

Pending acquisition

On May 23, 2018, we entered into an agreement with Cimarex Energy Co., and certain of its subsidiaries (collectively, the Seller), to acquire certain producing oil and gas properties and undeveloped acreage in the Delaware Basin, primarily located in Ward County, Texas, for an aggregate purchase price of $570 million in cash, subject to customary closing conditions (the Pending Acquisition).

The Pending Acquisition includes:

- the addition of approximately 28,657 net surface acres to our Spur operating area in the Delaware Basin, over 90% held by production, that is directly adjacent and highly complementary to our existing position;

Table of Contents

current net production of approximately 6,831 barrels of oil equivalent per day (approximately 73% oil) for the first quarter of 2018, based on information provided by the Seller. We cannot assure you that this information is accurate and this information has not been reviewed by our independent reserve engineers;

estimated delineated base inventory of 212 net identified horizontal drilling locations targeting the Third Bone Spring, Wolfcamp A and Wolfcamp B zones, with approximately 86% to be operated by us. Over 60% of the inventory is comprised of well locations with laterals of 7,500 feet or more;

meaningful opportunities for enhanced development efficiencies from increased scale, integration of infrastructure and multi-well pad developments; and

additional potential horizontal drilling locations from emerging prospective zones in the Second Bone Spring and Wolfcamp C formations.

Audited historical financial information for the operations comprising the Pending Acquisition is not currently available. We plan to file separate financial statements and pro forma financial information, as required by SEC rules, in a Current Report on Form 8-K within the prescribed time period following consummation of the Pending Acquisition. Preliminary leasehold operating statements provided to us by the Seller indicate that the properties comprising the Pending Acquisition had revenues of between $100 $105 million for the year ended December 31, 2017 and between $29 $31 million for the three months ended March 31, 2018, while direct operating expenses were between $27 $33 million for the year ended December 31, 2017 and between $4 $6 million for the three months ended March 31, 2018. The foregoing preliminary revenue and direct operating expense estimates are based on information provided by the Seller, are unaudited, and have not been reviewed by our independent accountants, Grant Thornton LLP. We cannot assure you that these preliminary estimates are accurate.

On a pro forma basis, after giving effect to the Pending Acquisition, our aggregate Permian Basin position at December 31, 2017, would have been approximately 86,100 net surface acres, including approximately 47,483 net surface acres in the Delaware Basin.

The agreed upon effective date of the transaction is April 1, 2018. We expect the Pending Acquisition to close on or before September 10, 2018, subject to the completion of customary closing conditions. Please see our Current Report on Form 8-K filed with the SEC on May 24, 2018 incorporated herein by reference for further information on the Pending Acquisition.

We intend to finance the purchase price of the Pending Acquisition with the net proceeds from this offering, cash on hand and/or the incurrence of long-term indebtedness. See Use of proceeds. There can be no assurances that the Pending Acquisition will be consummated. This offering is not conditioned on the consummation of the Pending Acquisition or any other transaction. See Risk factors.

First amendment to our senior secured revolving credit facility

On April 5, 2018, we entered into a First Amendment (the First Amendment) to our existing senior secured revolving credit facility to, among other things: (i) extend the maturity date of the senior secured revolving credit facility by one year to May 25, 2023; (ii) increase the borrowing base from $700.0 million to $825.0 million; (iii) increase the aggregate elected commitment of the lenders thereunder from $500.0 million to $650.0 million; (iv) reduce the interest rate margins applicable to the senior secured revolving credit facility by 50 to 75 basis points depending on the leverage ratio; and (v) amend various covenants and terms to reflect current market trends. For additional information, see our Current Report on Form 8-K filed with the SEC on April 6, 2018 incorporated herein by reference.

Table of Contents

Corporate information

Our principal executive offices are located at 200 North Canal Street, Natchez, Mississippi 39120. Our telephone number at that address 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.

Table of Contents

The offering

Issuer	Callon Petroleum Company
Common stock offered by us	22,000,000 shares (or 25,300,000 shares if the underwriters exercise the over-allotment option in full)
Common stock outstanding immediately after this offering	224,195,770 shares (or 227,495,770 shares if the underwriters exercise the over-allotment option in full)
Over-allotment option	We have granted the underwriters a 30-day option to purchase up to an aggregate of 3,300,000 additional shares of our common stock to cover any over-allotments.
Use of proceeds	The net proceeds from this offering will be approximately $ million after deducting underwriting discounts and commissions and estimated offering expenses, or approximately $ million if the underwriters exercise the over-allotment option in full.
	We intend to use the net proceeds from this offering to partially fund the Pending Acquisition. If the Pending Acquisition is not consummated, we intend to use the net proceeds from this offering to fund a portion of our exploration and development activities, a potential redemption of our preferred stock, and for general corporate purposes, which may include leasehold interest and property acquisitions, repayment of indebtedness, and working capital. See Use of proceeds.
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 on our common stock in the foreseeable future. See Dividend policy.
Risk factors	You should carefully read and consider the information beginning on page S-8 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.
NYSE symbol	CPE

The number of shares to be outstanding after this offering is based on 202,195,770 shares of our common stock outstanding as of May 23, 2018 and excludes 9,761,151 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 underwriters will not exercise the over-allotment option.

Table of Contents

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 below 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, 2017 and Quarterly Report on Form 10-Q for the quarter ended March 31, 2018, which are 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 occur, our business, results of operations and financial condition could suffer, and you could lose your investment in us.

Risks related to the Pending Acquisition

Our analysis of the properties subject to the Pending Acquisition was based in part on information provided to us by the seller and the limited representations, warranties and indemnifications of the seller contained in the purchase agreement, which may prove to be incorrect, resulting in our not realizing the expected benefits of this transaction and the value of the transaction is largely associated with undeveloped acreage that may not materialize.

Our analysis of the properties subject to the Pending Acquisition, including our estimates of the associated proved reserves, is based in part on information provided to us by the seller, including historical production data. Our independent reserve engineers have not provided a report regarding the estimates of reserves with respect to the properties subject to this transaction. As a result, the assumptions on which our internal estimates of proved reserves and horizontal drilling locations included in or incorporated by reference into this prospectus supplement have been based may prove to be incorrect in a number of material ways, resulting in our not realizing our expected benefits of this transaction. In addition, the representations, warranties and indemnities of the seller contained in the purchase agreement are limited, and we may not have recourse against the seller in the event that the acreage does not perform as expected.

Furthermore, a large portion of the acreage we are acquiring is undeveloped, and our plans, development schedule and production schedule associated with the acreage may fail to materialize. As a result, our investment in these areas may not be as economic as we anticipate, and we could incur material write-downs of unevaluated properties.

The reserves, production, revenue and direct operating expense estimates with respect to the Pending Acquisition may differ materially from the actual amounts.

The reserves and production estimates with respect to the Pending Acquisition described in this prospectus supplement are based on our analysis of historical production data, assumptions regarding capital expenditures and anticipated production declines. These estimates of reserves and production are based on estimates of our engineers without review by an independent petroleum engineering firm. Data used to make these estimates was furnished by the seller or obtained from publicly available sources. We cannot assure you that these estimates of proved reserves and production are accurate. After such data is reviewed by an independent petroleum engineering firm, or further by us, the reserves and production related to the Pending Acquisition may differ materially from the amounts indicated in this prospectus supplement.

In addition, the preliminary revenue and direct operating expense estimates with respect to the Pending Acquisition were provided by the seller. The estimates are unaudited, and have not been reviewed by any independent accountants and the financial information upon which the estimates are based or have not been prepared in accordance with GAAP. We cannot assure you that these preliminary estimates are accurate, and

Table of Contents

when we file separate financial statements and pro forma financial information following consummation of the Pending Acquisition, such amounts may differ materially from the amounts indicated in this prospectus supplement.

The purchase agreement for the Pending Acquisition contains conditions to closing, some of which are beyond our control, and we may be unable to consummate the Pending Acquisition.

The purchase agreement for the Pending Acquisition contains closing conditions, including limitations on purchase price adjustments (including with respect to adjustments for title and environmental defects) and customary closing conditions. It is possible that one or more of the conditions in the purchase agreement will not be satisfied, and we may be unable or unwilling to consummate the Pending Acquisition. If the Pending Acquisition is not closed on account of a material breach of the purchase agreement on our part that is not subsequently cured, we may be required to forfeit our earnest money deposit as liquidated damages. If we are unable to close the Pending Acquisition, our common stock price could be materially adversely affected.

Closing of this offering is not conditioned on the closing of the Pending Acquisition. If the Pending Acquisition is not consummated, we intend to use the net proceeds of this offering to fund a portion of our exploration and development activities, a potential redemption of our preferred stock, and for general corporate purposes, which may include leasehold interest and property acquisitions, repayment of indebtedness, and working capital.

The Pending Acquisition involves risks associated with acquisitions and integrating acquired properties, including the potential exposure to significant liabilities, and the intended benefits of the Pending Acquisition may not be realized.

The Pending Acquisition involves risks associated with acquisitions and integrating acquired properties into existing operations, including that:

- our senior management s attention may be diverted from the management of daily operations to the integration of the assets acquired in the Pending Acquisition and our recent acquisitions;
- we could incur significant unknown and contingent liabilities for which we have limited or no contractual remedies or insurance coverage;
- the properties acquired in the Pending Acquisition may not perform as well as we anticipate;
- unexpected costs, delays and challenges may arise in integrating the assets acquired in the Pending Acquisition into our existing operations; and
- we may need to hire additional staff and devote additional resources to integrate the properties acquired in the Pending Acquisition.

Even if we successfully integrate the properties acquired in the Pending Acquisition into our operations, it may not be possible to realize the full benefits we anticipate or we may not realize these benefits within the expected timeframe. If we fail to realize the benefits we anticipate from the Pending Acquisition, our business, results of operations and financial condition may be materially adversely affected.

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 senior secured revolving credit facility prohibits and our 6.125% senior notes due 2024 (the Senior Notes) restrict, and future indebtedness may restrict, 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 and our existing indebtedness 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. Following a change of control (as defined in the Certificate of Designation), we will have the option to redeem the Series A Preferred Stock, in whole but not in part for $50.00 per share in cash, plus accrued and unpaid dividends (whether or not declared), to the redemption date. If we do not exercise our option to redeem the Series A Preferred Stock upon a change of control, the holders of the Series A Preferred Stock have the option to convert the Series A Preferred Stock into a number of shares of our common stock based on the value of the common stock on the date of the change of control as determined under the Certificate of Designation for the Series A Preferred Stock. Our currently outstanding Series A Preferred Stock could make it 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.

Under our Senior Notes, if we experience certain kinds of changes of control, we may be required to offer to repurchase all outstanding Senior Notes at 101% of their principal amount, plus accrued and unpaid interest, if any. We may not be able to repurchase the Senior Notes upon a change of control because we may not have sufficient financial resources to purchase all of the Senior Notes that are tendered following a change of control. In addition, the terms of our senior secured revolving credit facility would effectively prohibit, and the terms of other future indebtedness may also prohibit, us from repurchasing Senior Notes upon a change of control. Our failure to repurchase the Senior Notes upon change of control could cause a default under the indenture governing the Senior Notes and could lead to a cross default under our senior secured revolving credit facility. Additionally, using cash to fund the potential consequences of a change of control may impair our ability to obtain additional financing in the future, which could negatively impact our ability to conduct our business operations.

These provisions of our certificate of incorporation and bylaws and in our existing indebtedness 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 shares of our common stock or the sale of a significant amount of restricted stock may adversely affect the price of our common stock.

The future issuance of a substantial number of shares of our common stock into the public market, or the perception that such issuance could occur, could adversely affect the prevailing market price of our common

Table of Contents

stock. Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market price of our common stock.

After this offering, we will have 224,195,770 shares of common stock outstanding (assuming the underwriters do not exercise the over-allotment option), which is based on 202,195,770 shares of our common stock outstanding as of May 23, 2018. This number also includes the shares that we are selling in this offering, which may be resold in the public market immediately without restriction, unless purchased by our affiliates. In addition, we have registered 15,439,095 shares on Form S-8 registration statements, of which 9,761,151 remain available for issuance under our incentive plans. As a result, these shares can be freely sold in the public market upon issuance, subject to volume limitations applicable to certain affiliates and the lock-up agreements to the extent applicable.

A decline in the price of our common stock could make it more difficult to raise funds through future offerings of shares of our common stock or securities convertible into shares of common stock.

Our leverage and debt service obligations may adversely affect our financial condition, results of operations, business prospects and reduce our flexibility to respond to changing business and economic conditions or to fund capital expenditures or working capital needs.

As of March 31, 2018, we had $600 million of Senior Notes outstanding and, after giving effect to the First Amendment, we could incur up to $650 million in borrowings based on our elected commitments under our senior secured revolving credit facility. Our level of indebtedness could affect our operations in several ways, including the following:

- require us to dedicate a substantial portion of our cash flow from operations to service our existing debt, thereby reducing the cash available to finance our operations and other business activities;
- limit management s discretion in operating our business and our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- increase our vulnerability to downturns and adverse developments in our business and the economy generally;
- limit our ability to access the capital markets to raise capital on favorable terms or to obtain additional financing for working capital, capital expenditures or acquisitions or to refinance existing indebtedness;
- place restrictions on our ability to obtain additional financing, make investments, lease equipment, sell assets and engage in business combinations;
- make it more likely that a reduction in our borrowing base following a periodic redetermination could require us to repay a portion of our then-outstanding bank borrowings;
- make us vulnerable to increases in interest rates as our indebtedness under our senior secured revolving credit facility may vary with prevailing interest rates;
- place us at a competitive disadvantage relative to competitors with lower levels of indebtedness in relation to their overall size or less restrictive terms governing their indebtedness; and

make it more difficult for us to satisfy our obligations under the notes or other debt and increase the risk that we may default on our debt obligations.

Our senior secured revolving credit facility and the indenture governing the Senior Notes have restrictive covenants that could limit our growth, financial flexibility and our ability to engage in activities that may be in our long-term best interests and contain covenants that, among other things, limit our ability to:

incur additional indebtedness;

Table of Contents

- make loans to others;
- make investments;
- merge or consolidate with another entity;
- make dividends and certain other payments;
- hedge future production or interest rates;
- create liens that secure indebtedness;
- sell assets;
- enter into transactions with affiliates; and
- engage in certain other transactions without the prior consent of the lenders.

In addition, our senior secured revolving credit facility requires us to maintain certain financial ratios or to reduce our indebtedness if we are unable to comply with such ratios, which may limit our ability to obtain future financings to withstand a future downturn in our business or the economy in general, or to otherwise conduct necessary corporate activities. We may also be prevented from taking advantage of business opportunities that arise because of these limitations.

Our failure to comply with these covenants could result in an event of default that, if not cured or waived, could result in the acceleration of all of our indebtedness. If that occurs, we may not be able to respond to changing business and economic conditions or to fund capital expenditures or working capital needs which would have a material adverse effect on our financial condition.

Table of Contents

Use of proceeds

The net proceeds from this offering will be approximately $ million, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us (or approximately $ million if the underwriters over-allotment option to purchase additional shares is exercised in full). We intend to use the net proceeds of this offering to partially fund the Pending Acquisition. See Summary Recent developments Pending acquisition. If the Pending Acquisition is not consummated, we intend to use the net proceeds of this offering to fund a portion of our exploration and development activities, a potential redemption of our preferred stock, and for general corporate purposes, which may include leasehold interest and property acquisitions, repayment of indebtedness, and working capital. Any redemption of our preferred stock will be made pursuant to a notice of redemption in accordance with the terms of such preferred stock. This prospectus supplement is not a notice of redemption with respect to our preferred stock.

Table of Contents

Capitalization

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2018 on an (i) actual basis and (ii) as adjusted basis to give effect to this offering and the application of the estimated net proceeds as described in the Use of proceeds.

The as adjusted information below is illustrative only, and cash, cash equivalents, stockholders equity, and total capitalization following the completion of this offering will be adjusted based on the actual public offering price and other terms of our public offering determined at pricing. The table 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, 2017 and our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2018, which are incorporated by reference herein.

	As of March 31, 2018	
	Actual	As adjusted(1)
	(in thousands)	
Cash and cash equivalents	$ 18,473	$
Long term debt, less current portion:		
Senior secured revolving credit facility(2)	75,000	75,000
6.125% senior notes	600,000	600,000
Total long term debt	$ 675,000	$ 675,000
Stockholders equity		
Common stock, $0.01 par value (300,000,000 shares authorized; 201,947,883 shares issued and outstanding, actual); 223,947,883 shares issued and outstanding, as adjusted)	$ 2,019	$
Series A preferred stock, $0.01 par value and $50.00 liquidation preference (2,500,000 shares authorized, actual and as adjusted; 1,458,948 shares outstanding, actual and as adjusted)	15	15
Capital in excess of par value	2,182,599	
Accumulated deficit	(273,489)	
Total stockholders equity	$ 1,911,144	$
Total capitalization	$ 2,586,144	$

(1) We intend to finance the purchase price of the Pending Acquisition with the net proceeds from this offering, cash on hand and/or the incurrence of long-term indebtedness, which is not reflected in the table above.