

CALLON PETROLEUM COMPANY

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

(As adopted April 2004 and amended by the Board of Directors November 7, 2012)

This Audit Committee Charter ("Charter") sets forth the purpose and membership requirements of the Audit Committee ("Committee") of the Board of Directors ("Board") of Callon Petroleum Company ("Company"), and establishes the authority and responsibilities delegated to it by the Board.

1. **Purpose.** The purpose of the Committee is to: (a) assist the Board in overseeing: (i) the integrity of the Company's financial statements and disclosures; (ii) the Company's compliance with legal and regulatory requirements; (iii) the qualifications and independence of the Company's independent auditing firm ("External Auditor"); (iv) the performance of the Company's internal audit function and External Auditor; (v) the Company's internal control systems; and (vi) the Company's procedures for monitoring compliance with the Company's Code of Business Conduct and Ethics; (b) prepare any reports as required by the Securities and Exchange Commission ("SEC") to be included in the Company's annual proxy statement; and (c) discharge all other duties and responsibilities imposed on the Committee by the Board from time to time.
2. **Committee Members.**
 - 2.1. **Composition and Appointment.** The Committee shall consist of at least three (3) or more members of the Board, who shall be appointed by the Board upon the recommendation of the Nominating and Corporate Governance Committee. The Chair of the Committee shall be designated by the Board. Membership on the Committee shall rotate at the Board's discretion. The Board shall fill vacancies on the Committee and may remove a Committee member from the membership of the Committee at any time without cause. Members shall serve until their successors are appointed by the Board.
 - 2.2. **Independence.** Each member of the Committee must meet the independence requirements of the New York Stock Exchange ("NYSE") and the SEC.
 - 2.3. **Financial Literacy.** Each member of the Committee shall have sufficient financial experience and ability to enable them to discharge their responsibilities and meet the experience requirements of the NYSE. The Board will seek to have at least one member of the Committee who, in the Board's judgment, has accounting or related financial management expertise and qualifies as an "audit committee financial expert," as defined under SEC rules.
 - 2.4. **Subcommittees.** The Committee shall have the authority to delegate any of its responsibilities to subcommittees comprised of one or more members of the Committee, who shall be a financial expert.
 - 2.5. **Simultaneous Service on Other Audit Committees.** If a member of the Committee serves on the audit committee of three (3) or more public companies, the Board must determine that such simultaneous service will not impair the ability of such member to effectively serve on the Committee. The basis for the Board's determination shall be disclosed in the Company's proxy statement.

- 2.6 Notwithstanding the foregoing membership and qualification requirements, no action of the Committee shall be invalid by reason of any such requirement not being met at the time such action is taken.

3. **Authority.**

- 3.1. **Education.** To help ensure that the members of the Committee have the proper knowledge to perform their responsibilities, Committee members shall have the authority, at the Company's expense, to attend outside educational programs, retain outside professionals to conduct educational programs, and undertake other appropriate steps to keep current with developments in accounting, disclosure, risk management, internal controls, auditing and other matters that are relevant to the carrying out of the Committee's responsibilities.
- 3.2. **Advisors.** The Committee shall have the authority to retain, at the Company's expense, independent legal, accounting, and other consultants or experts ("Advisors") it deems necessary to fulfill its responsibilities.
- 3.3. **Investigations.** The Committee shall have the authority to conduct investigations that it deems necessary to fulfill its responsibilities.
- 3.4. **Information.** The Committee shall have the authority to require any officer, director or employee of the Company, the Company's outside legal counsel, and the External Auditor to meet with the Committee and any of its Advisors and to respond to the Committee's inquiries. The Committee shall have full access to the books, records, personnel and facilities of the Company in carrying out its responsibilities.
- 3.5. **Funding.** The Committee shall have the authority to determine, on behalf of the Company, the compensation of: (i) the External Auditor for its services in rendering an audit report; (ii) any Advisors employed by the Company or the Committee; and (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

4. **Meetings.**

- 4.1. **Frequency of Meetings.** The Committee shall meet at least once per fiscal quarter or as many times the members deem necessary. The Chair or any member of the Committee may call a special meeting at any time he or she deems advisable.
- 4.2. **Executive Sessions.** The Committee shall maintain free and open communication with: (i) the Company's management; (ii) the Company's internal auditor(s) ("Internal Auditor"); (iii) the External Auditor; and (iv) the Company's general counsel, or outside legal counsel retained for general corporate purposes, ("General Counsel"), and shall at its discretion periodically meet in separate executive sessions with each such person and other members of the Company's management to discuss any matters that the Committee or any such person believes should be discussed privately with the Committee.
- 4.3. **Minutes.** The Chair shall appoint a secretary to document the proceedings of the meeting and the discharge by the Committee of its responsibilities. Minutes will be prepared and subsequently approved for each meeting. Copies of such minutes will be filed with the Corporate Secretary of the Company and a copy thereof shall be

sent to the Committee members and incorporated with and into the next regularly scheduled meeting of the Board.

- 4.4. **Quorum.** A quorum shall consist of the greater of one-half of the Committee's membership or two persons. The act of a majority of the Committee members present at a meeting at which a quorum is present shall be the act of the Committee. The Committee may also act by unanimous written consent in lieu of a meeting. The Committee may, at its discretion, ask members of management or others to attend its meetings to provide pertinent information.
- 4.5. **Agenda.** The Chair of the Committee shall prepare an agenda for each meeting of the Committee, in consultation with Committee members and any appropriate member of the Company's management or staff, as necessary. As requested by the Chair, members of the Company's management and staff shall assist the Chair with the preparation of any background materials necessary for any Committee meeting.
- 4.6. **Presiding Officer.** The Chair of the Committee shall preside at all Committee meetings. If the Chair is absent at a meeting, a majority of the Committee members present at a meeting shall appoint a different presiding officer for that meeting.

5. External Auditor Oversight.

- 5.1. **Selection and Evaluation.** The Committee shall have sole authority for the appointment, retention, engagement fees and terms, oversight, termination and replacement of the External Auditor retained for the purpose of preparing or issuing an audit report or related work, with such selection to be submitted to the stockholders for ratification, if required of the Board. The Committee shall evaluate the qualifications, performance and independence of the External Auditor, including considering whether the provision of non-audit services is compatible with maintaining the auditor's independence and taking into account the opinions of management and the Internal Auditor. The External Auditor shall report directly to the Committee and shall be ultimately accountable to the Committee.
- 5.2. **Pre-Approval of External Auditor Services.** The Audit Committee shall review and pre-approve any audit and non-audit services provided to the Company by the External Auditor. The Committee may delegate to one or more members of the Committee the authority to grant pre-approval of non-audit services, whose decisions will be presented to the full Committee at its next scheduled meeting.
- 5.3. **Independence.** The Committee shall actively engage in dialogue with the External Auditor with respect to any disclosed relationships or services that may affect the independence and objectivity of the External Auditor, and take appropriate actions to oversee the independence of the External Auditor.
- 5.4. **Quality Control.** The Committee shall annually obtain from the External Auditor a written report delineating: (i) the External Auditor's internal quality-control procedures; (ii) the External Auditor's independence, noting all relationships between the External Auditor and the Company; and (iii) any material issues raised within the preceding five years by the External Auditor's internal quality-control reviews, by peer reviews, or by any inquiry or investigation conducted by governmental or accounting professional authorities, with respect to any audit conducted by the External Auditor, and any steps taken to deal with any such issues.

- 5.5. **Audit Partner Evaluation.** The Committee shall annually, following the completion of the audit reports and at such other times as it deems appropriate, evaluate the performance of the External Auditor, including a specific evaluation of the External Auditor's lead (or coordinating) partner. The Committee shall ensure the regular rotation of the lead audit partner of the External Auditor as required by law, and consider whether, in order to assure continuing auditor independence, there should be regular rotation of the External Auditor itself.
- 5.6. **External Auditor Reports Review.** The Committee shall review with management, the Internal Auditor and the External Auditor, all matters meeting the communication requirements of the public Company Accounting Oversight Board ("PCAOB") and the SEC, including, but not limited to: (i) all critical accounting policies and practices used by the Company; (ii) all alternative treatments of the Company's financial information within GAAP related to material items that have been discussed with management, the ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the External Auditor; and (iii) other material written communications between the External Auditor and management, including, but not limited to, engagement letters, the management representations letter, and schedule of unadjusted differences.
- 5.7. **Internal Control Assessment.** The Committee shall annually review management's process and report of its assessment of the effectiveness of internal control over financial reporting and the External Auditor's attestation report on the effectiveness of the Company's internal control over financial reporting prior to the filing of the Company's Form 10-K.
- 5.8. **Audit Assessment.** The Committee shall regularly discuss with the External Auditor and management, as appropriate, any significant changes to the audit plan, any serious disputes, audit problems or difficulties encountered in connection with the audit process, any restrictions on scope or access to requested information, any significant disagreements with management, and management's response to such disagreements.
- 5.9. **Communications.** The Committee shall discuss with the External Auditor the matters required to be discussed under Auditing Standard No. 16, *Communications with Audit Committees*, as such standard may be amended or replaced from time to time.
- 5.10. **Disagreement Resolution.** The Committee shall oversee the resolution of any disagreements between Company management and the External Auditor regarding financial reporting that are brought to the attention of the Audit Committee.
- 5.11. **Hiring Policy.** The Committee shall establish clear hiring policies regarding the hiring by the Company of employees or former employees of the Company's External Auditor, as required by applicable laws and regulations.
6. **Internal Auditing Oversight.**
- 6.1. **Internal Auditing Staff.** The Committee shall annually evaluate the performance of the Internal Auditor and the internal auditing department with management and the External Auditor.

- 6.2. **Internal Audit Process.** The Committee shall oversee the Company's internal audit function, including: (i) purpose, authority and organizational reporting lines; (ii) plans for the internal annual audit program, including scope, budget and staffing; and (iii) the coordination of such plans with the work of the External Auditor.
- 6.3. **Internal Audit Reports.** The Committee shall periodically review with the Internal Auditor the Company's internal system of audit and financial controls and the results of internal audits, including any significant difficulties or disagreements with management, or scope restrictions encountered in the course of the function's work, together with management's response and follow-up to these reports.

7. Financial Statements and Disclosure Oversight.

- 7.1. **SEC Filings and Earnings Releases and Guidance.** The Committee shall meet to review and discuss with management and the External Auditor the audited annual financial statements and quarterly financial statements and related footnotes, including the disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained therein, and recommend to the Board whether the financial statements should be included in the annual report on Form 10-K for filing with the SEC. In addition, the Committee shall periodically discuss with management and the External Auditor, as appropriate: (i) earnings press releases, including the type and presentation of information, paying particular attention to any pro forma or adjusted non-GAAP information; (ii) earnings guidance or other financial information provided to a financial analyst or rating agency; and (iii) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the Company's financial statements.
- 7.2. **Accounting Principles and Financial Reporting.** The Committee shall discuss with management and the External Auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including: (i) any significant changes in the Company's selection or application of accounting principles; (ii) any major issues as to the adequacy of the Company's internal controls and any special audit steps adopted in light of material control deficiencies; (iii) the development, selection and disclosure of critical accounting estimates; and (iv) analyses of the effect of alternative assumptions, estimates or GAAP methods on the Company's financial statements. The Committee shall review other relevant reports or financial information required to be reviewed under applicable legal, regulatory or NYSE requirements, including management certifications, as required by the Sarbanes-Oxley Act of 2002.
- 7.3. **Criticisms.** The Committee shall periodically, at its discretion, inquire of management, the General Counsel and the External Auditor as to their knowledge of any material criticism of the Company's financial statements or disclosures by any financial analysts, rating agencies, media sources or other reliable third-party sources. The Committee shall establish and oversee procedures for: (i) the receipt, retention and treatment of complaints regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential anonymous submission by Company employees of concerns regarding questionable accounting, internal control or auditing matters.

8. Internal Controls, Compliance and Ethics Oversight.

- 8.1. **Internal Controls and Compliance Policies.** For the purpose of assessing their adequacy and effectiveness, the Committee shall: (i) periodically, at its discretion, review and assess with management, the Internal Auditor, the General Counsel and the External Auditor: (a) the internal control systems of the Company, including whether such controls are reasonably designed to ensure that appropriate information comes to the attention of the Committee in a timely manner, prevent violations of law and corporate policy, and permit the Company to prepare accurate and informative financial reports; (b) the Company's policies on compliance with laws and regulations; and (c) the Company's Code of Business Conduct and Ethics and the Company's process to monitor compliance with and enforce this code; and (ii) review and investigate any matters pertaining to the integrity of management or adherence to standards of business conduct as required in the Code of Business Conduct and Ethics and elicit any recommendations for the improvement of such controls, policies, methods and procedures. The Committee shall review with management and the External Auditor, prior to its annual filing, the internal control reports, including management's annual assessment of the effectiveness of internal control over financial reporting and the procedures of the Company for ensuring the accuracy of public disclosures and the External Auditor's report on the effectiveness of internal control over financial reporting required to be filed by the Company with the SEC on Form 10-K.
- 8.2. **Related-Party Transactions.** The Company shall review and approve all related-party transactions, defined as those transactions required to be disclosed under Item 404 of Regulation S-K.

9. Risk Management Oversight.

- 9.1. **Risk Exposure.** As required by NYSE listing standards, the Committee shall periodically meet with management and the External Auditor to review and discuss; (i) the guidelines and policies with respect to risk assessment and risk management; and (ii) the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures. The Committee will consider the risk of management's ability to override the Company's internal controls.
- 9.2. **Consultation with Legal Counsel.** The Committee shall periodically, at its discretion, review with the General Counsel, such legal, compliance, ethics or regulatory matters that could have a material impact on the Company's financial statements or risk management.

10. Reports and Assessments.

- 10.1. **Board Reports.** The Chair of the Committee shall, periodically, at his or her discretion, report to the Board regarding the Committee's duties and responsibilities, activities, any issues encountered, and related recommendations. Such reports shall include any issues that arise with respect to the quality or integrity of the Company's financial statements, the Company's compliance with legal or regulatory requirements, the performance and independence of the Company's External Auditors, and the performance of the Company's internal audit function. This report shall be presented and incorporated with and into the next regularly scheduled Board meeting.

- 10.2. **Charter Assessment.** The Committee shall periodically review and reassess the adequacy of the Charter and recommend any proposed changes to the Board for approval.
- 10.3. **Committee Self-Assessment.** The Committee shall annually conduct a self-assessment of the performance of its duties and responsibilities under this Charter during the prior year and shall report the results of such self-assessment to the Board.
- 10.4. **Proxy Statement Report.** The Committee shall prepare an annual Committee report for inclusion in the Company's annual proxy statement.

The Committee's job is one of oversight and monitoring and thus relies on the expertise and knowledge of management, the internal auditors, and the independent accounting firms in carrying out its oversight responsibilities. Management of the Company is responsible for determining the Company's financial statements are complete, accurate, and in accordance with generally accepted accounting principles. The External Auditor is responsible for auditing the Company's financial statements or other reports as engaged. It is not the duty of the Committee to plan or conduct audits, to determine that the financial statements are complete and accurate and are prepared in accordance with generally accepted accounting principles, to conduct investigations, or to assure compliance with laws and regulations or the Company's internal policies, procedures, and controls. While the Committee members have the duties and responsibilities set forth in this Charter, nothing contained in this Charter is intended to create, or should be construed as creating, any responsibility or liability of the Committee members, except to the extent otherwise provided under applicable law.

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This Charter will be posted on the Company's website as required by applicable rules and regulations. In addition, the Company will disclose in its proxy statement that a copy of this Charter is available on the Company's website.