

CALLON PETROLEUM COMPANY

CHARTER OF THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS

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

This Compensation Committee Charter ("Charter") sets forth the purpose and membership requirements of the Compensation 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: (i) establish the Company's compensation policies and oversee the administration of the Company's employee cash-based and equity-based incentive compensation plans; (ii) assist the Board in discharging its responsibilities relating to the compensation of the Company's executive officers and other executive management level employees, and directors; (iii) prepare a report on executive compensation for inclusion in the Company's annual proxy statement or other Securities and Exchange Commission ("SEC") filings; and (iv) to perform such other functions as the Board may assign to the Committee from time to time.

The Committee has the authority to engage compensation consultants, independent legal counsel and other advisors as it deems necessary for the fulfillment of its responsibilities. It shall have sole authority to retain and terminate any such consultants, including sole authority to approve the consultant's fees and other retention terms. The Committee shall, pursuant to the listing standards of the New York Stock Exchange ("NYSE") and the SEC, evaluate and assess the independence of such compensation consultants and other advisors. In the event the Committee discovers that a compensation consultant's work has raised any conflict of interest, the Committee shall disclose the nature of the conflict and how the conflict was addressed and report such disclosure in the annual proxy statement.

2. **Committee Members.**

- 2.1. **Composition and Appointment.** The Committee shall consist of at least three (3) 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: i) the NYSE; ii) Section 10C of the Securities Exchange Act of 1934, as amended; and iii) an "outside director" for purposes of Section 162(m) of the Internal Revenue Code of 1986, as amended, Notwithstanding the foregoing membership 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.
- 2.3. **Subcommittees.** The Committee shall have the authority to delegate authority and responsibilities to a subcommittee comprised of one or more members of the Committee.

3. **Meetings.**

- 3.1. **Frequency of Meetings.** The Committee shall meet as often as needed to address the Company's compensation issues. The schedule for regular meetings of the Committee shall be established by the Committee. The Chairperson or any member of the Committee may call a special meeting at any time as he or she deems advisable.
- 3.2. **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.
- 3.3. **Quorum.** A quorum shall consist of a majority of the Committee's members. 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 take action by the unanimous written consent of the members 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.
- 3.4. **Agenda.** The Chairperson 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 Chairperson, members of the Company's management and staff shall assist the Chairperson with the preparation of any background materials necessary for any Committee meeting.
- 3.5. **Presiding Officer.** The Chairperson of the Committee shall preside at all Committee meetings. If the Chairperson is absent at a meeting, a majority of the Committee members present at a meeting shall appoint a different presiding officer for that meeting.

4. **Executive Compensation.**

- 4.1. **Compensation Philosophy and Strategy.** The Committee shall review the compensation philosophy and strategy of the Company and consult with the CEO, as needed, regarding the role of the Company's compensation strategy in achieving the Company's objectives and performance goals and the long-term interests of the Company's stockholders.
- 4.2. **Comparison Analysis.** The Committee may annually review market and industry data to assess the Company's competitive position with respect to the individual elements of total executive compensation to ensure the attraction, retention and appropriate reward of the Company's executive officers.
- 4.3. **Administration of Plans.** The Committee shall administer the Company's incentive compensation and stock option and other equity based plans (including specific provisions) in which the CEO and other executive officers may be participants and recommend to the Board amendments to such plans or adoption of new plans. In connection with administering such plans, the Committee shall have the authority to: (i) approve the goals, the scale of the percentage of goals met, and option guidelines, and the general size of overall grants and bonus pool; (ii) make grants; (iii) interpret the plans; (iv) determine the rules and regulations relating to the plans; (v) modify or cancel existing grants and substitute new grants (with the consent of grantees); (vi) designate employees eligible to participate in the plans; and (vii) impose such limitations,

restrictions and conditions upon any award as the Committee deems appropriate and as permitted under the applicable plan.

- 4.4. **Executive Compensation.** The Committee shall annually review and establish the base salary, incentive compensation, deferred compensation, stock options, performance units and other equity based awards for the CEO.

4.4.1. The Committee shall: (i) review and approve corporate goals and objectives relevant to compensation of the CEO; (ii) evaluate the CEO's performance in light of those goals and objectives; and (iii) determine and approve the CEO's compensation level based on such evaluation.

4.4.2. The Committee shall annually review with the CEO the compensation of the Company's other executive officers.

4.4.3. The Committee shall also review any employment agreement, severance arrangement, change-in-control provision and/or agreements, deferred compensation arrangement, or separation agreement, in each case as, when and if appropriate, and any special or supplemental benefits and prerequisites offered to the CEO or any other executive officer.

4.4.4. The Committee shall review the incentive compensation arrangements to confirm that incentive pay does not encourage unnecessary risk taking and to review and discuss, at least annually, the relationship between risk management policies and practices, corporate strategy and senior executive compensation.

5. **Other Responsibilities and Duties.** The following functions shall be the other key responsibilities and duties of the Committee and should serve as a guide, with the understanding that the Committee may carry out additional functions and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory, legal, or other conditions. The Committee shall:

5.1. Periodically review and make recommendations to the Board with respect to the outside directors' compensation for service on the Board and Board committees, including cash-based and equity-based compensation.

5.2. Annually, and at other appropriate times, in consultation with the CEO, review cash-based and equity-based incentive compensation plans for all non-executive employees, and act upon proposed terms of new compensation plans, programs and arrangements and any material amendments thereto for the benefit of employees of the Company.

5.3. Periodically review issuances under, or any material amendment of, any stock option or other similar plan, pursuant to which a person not previously an employee or director of the Company, as an inducement material to the individual's entering into employment with the Company, will acquire stock or options.

5.4. Review and discuss with the management the compensation discussion and analysis ("CD&A") as required by the SEC rules and regulations, as may be amended from time to time, to be included in the Company's proxy statement or annual report on Form 10-K pursuant to Item 402 of Regulation S-K of the SEC, and based on such review and discussion, determine whether to recommend to the Board that the CD&A be so included.

- 5.5. In collaboration with the Nominating and Corporate Governance Committee, periodically review matters relating to management succession planning, including compensation and professional development planning for the officers of the Company.
- 5.6. Prepare and issue the evaluations and reports required under the Reports and Assessments section below.
- 5.7. The Committee shall review and approve, or review and recommend to the Board for its approval, any transaction in equity securities of the Company, or derivatives of those equity securities, between the Company and any officer or director of the Company who is subject to the reporting and short-swing liability provisions of Section 16 of the Securities Exchange Act of 1934, as amended.
- 5.8. Discharge all other duties and responsibilities imposed on the Committee by the Board from time to time.

6. Reports and Assessments.

- 6.1. **Board Reports.** The Chairperson of the Committee shall, periodically, at his or her discretion, report to the Board on Committee actions and on the fulfillment of the Committee's responsibilities under this Charter. This report shall be incorporated with and into the next regularly scheduled meeting of the Board.
- 6.2. **Charter Assessment.** The Committee shall periodically review and reassess the adequacy of the Charter and recommend any proposed changes to the Board for approval.
- 6.3. **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.
- 6.4. **Proxy Statement Report.** The Committee shall produce the Compensation Committee Report as required by Item 407(e)(5) of Regulation S-K for inclusion in the Company's proxy statement. The report shall state whether the Committee reviewed and discussed with management the CD&A, and whether, based on such review and discussion, the Committee recommended to the Board that the CD&A be included in the Company's proxy statement and/or comply with such other requirements that the SEC may require in its rules and regulations, as may be amended from time to time.

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.