

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

FOR QUARTER ENDED SEPTEMBER 30, 1997

COMMISSION FILE NUMBER 0-25192

CALLON PETROLEUM COMPANY

(Exact name of Registrant as specified in its charter)

DELAWARE

64-0844345

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

200 NORTH CANAL STREET
NATCHEZ, MISSISSIPPI 39120

(Address of principal executive offices)(Zip code)

(601) 442-1601

(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES [X] NO []

As of October 24, 1997, there were 6,031,994 shares of the Registrant's Common Stock, par value \$.01 per share, outstanding.

CALLON PETROLEUM COMPANY

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CALLON PETROLEUM COMPANY
CONSOLIDATED BALANCE SHEETS

(\$ IN THOUSANDS, EXCEPT SHARE DATA)

<TABLE>

<CAPTION>

	SEPTEMBER 30, 1997 (UNAUDITED)	DECEMBER 31, 1996	
<S>	<C>	<C>	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 5,939	\$ 7,669	
Accounts receivable	9,621	12,661	
Other current assets	738	516	
	-----	-----	
Total current assets	16,298	20,846	
	-----	-----	
Oil & gas properties, full cost accounting method:			
Evaluated properties	374,113	322,970	
Less accumulated depreciation, depletion and amortization	(277,771)	(266,716)	
	-----	-----	
	96,342	56,254	
Unevaluated properties excluded from amortization	30,954	26,235	
	-----	-----	
	127,296	82,489	
	-----	-----	
Pipeline and other facilities, net	6,585	6,618	
Other property and equipment, net	1,841	1,594	
Deferred tax asset	2,486	5,412	
Long-term gas balancing receivable	246	660	
Other assets, net	1,598	901	
	-----	-----	
Total assets	\$ 156,350	\$ 118,520	
	=====	=====	
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable and accrued liabilities	\$ 8,203	\$ 8,273	
Undistributed oil and gas revenues	2,434	2,260	
Accrued net profits interest payable	2,035	5,435	
	-----	-----	
Total current liabilities	12,672	15,968	
Long-term debt	60,250	24,250	
Other long-term liabilities	233	48	
Long-term gas balancing payable	313	390	
	-----	-----	
Total liabilities	73,468	40,656	
	-----	-----	
Stockholders' equity:			
Preferred stock, \$0.01 par value, 2,500,000 shares authorized: 1,315,500 shares of Convertible Exchange- able Preferred Stock, Series A, issued and outstanding			
with a liquidation preference of \$32,887,500	13	13	
Common stock, \$0.01 par value; 20,000,000 shares authorized; 6,028,994 at September 30, 1997 and			
5,758,667 outstanding at December 31, 1996	60	58	
Unearned compensation - restricted stock	(2,410)	--	
Capital in excess of par value	77,467	74,027	
Retained earnings	7,752	3,766	
	-----	-----	
Total stockholders' equity	82,882	77,864	
	-----	-----	
Total liabilities and stockholders' equity	\$ 156,350	\$ 118,520	
	=====	=====	

</TABLE>

The accompanying notes are an integral part of these financial statements.

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CALLON PETROLEUM COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(\$ in thousands, except per share data)

<TABLE>

<CAPTION>

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1996	1997	1996
<S>	<C>	<C>	<C>	<C>
REVENUES:				
Oil and gas sales	\$8,734	\$6,329	\$29,578	\$18,578
Interest and other	467	259	1,162	537
Total revenues	9,201	6,588	30,740	19,115
COSTS AND EXPENSES:				
Lease operating expenses	2,071	1,960	6,235	5,646
Depreciation, depletion and amortization	3,707	2,853	11,288	7,697
General and administrative	881	645	3,263	2,352
Interest	735	136	945	184
Total costs and expenses	7,394	5,594	21,731	15,879
Income from operations	1,807	994	9,009	3,236
Income tax expense	615	--	2,926	--
Net income	1,192	994	6,083	3,236
Preferred stock dividend	699	699	2,097	2,097
Net income available to common shares	\$ 493	\$ 295	\$ 3,986	\$ 1,139
Net income per common share:				
Primary	\$ 0.08	\$ 0.05	\$ 0.63	\$ 0.20
Assuming full dilution	\$ 0.08	\$ 0.05	\$ 0.62	\$ 0.20
Shares used in computing net income per common share:				
Primary	6,379	5,755	6,332	5,755
Assuming full dilution	6,448	5,755	6,440	5,755

</TABLE>

The accompanying notes are an integral part of these financial statements.

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CALLON PETROLEUM COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(\$ in thousands)

	NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1996
Cash flows from operating activities:		
Net income	\$ 6,083	\$ 3,236
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	11,607	7,913
Amortization of deferred costs	321	201
Deferred income tax expense	2,926	--
Noncash compensation related to stock plans	973	--
Changes in current assets & liabilities:		

Accounts receivable	3,040	(72)	
Other current assets	(222)	89	
Current liabilities	(3,924)	5,728	
Change in gas balancing receivable	414	184	
Change in gas balancing payable	(77)	(79)	
Change in other long-term liabilities	185	(25)	
Change in other assets, net	(1,018)	(53)	
	-----	-----	
Cash provided by operating activities	20,308	17,122	
	-----	-----	

Cash flows from investing activities:

Capital expenditures	(61,034)	(20,402)	
Cash proceeds from sale of mineral interests	4,405	528	
	-----	-----	
Cash used in investing activities	(56,629)	(19,874)	
	-----	-----	

Cash flows from financing activities:

Increase in debt	54,500	8,850	
Payment on debt	(18,500)	--	
Equity issued by conversion of stock options	60	--	
Increase in accrued preferred stock dividends payable	--	443	
Dividends on preferred stock	(2,097)	(2,097)	
Change in accrued liabilities for capital expenditures	628	--	
	-----	-----	
Cash provided by (used in) financing activities ...	34,591	7,196	
	-----	-----	

Net increase (decrease) in cash and cash equivalents (1,730) 4,444

Cash and cash equivalents:

Balance, beginning of period	7,669	4,265	
	-----	-----	
Balance, end of period	\$ 5,939	\$ 8,709	
	=====	=====	

The accompanying notes are an integral part of these financial statements.

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CALLON PETROLEUM COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 1997

1. BASIS OF PRESENTATION

The financial information presented as of any date other than December 31, has been prepared from the books and records without audit. Financial information as of December 31, has been derived from the audited financial statements of the Company, but does not include all disclosures required by generally accepted accounting principles. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the financial information for the period indicated, have been included. For further information regarding the Company's accounting policies, refer to the Consolidated Financial Statements and related notes for the year ended December 31, 1996 included in the Company's Annual Report on Form 10-K dated March 24, 1997.

2. EARNINGS PER SHARE

The assumed conversion of preferred stock into common stock was not included in any current year or prior year calculations due to the antidilutive effect.

In February 1997, the Financial Accounting Standards Board issued Statement No. 128 ("FAS 128"), "Earnings Per Share", which simplifies the computation of earnings per share. FAS 128 is effective for

financial statements issued for periods ending after December 15, 1997 and requires restatement for all prior period earnings per share data presented. Accordingly, basic earnings per share and diluted earnings per share calculated in accordance with FAS 128 were as follows:

THREE MONTHS ENDED		NINE MONTHS ENDED	
SEPTEMBER 30,		SEPTEMBER 30,	
1997	1996	1997	1996

Per Share Data:

Basic earnings per share	\$ 0.08	\$ 0.05	\$ 0.66	\$ 0.20
Diluted earnings per share	\$ 0.08	\$ 0.05	\$ 0.63	\$ 0.20

3. ACQUISITIONS

In June of 1997, the Company acquired an 18.8% working interest in the Mobile Area Block 864 Unit, a 17.5% working interest in Mobile Area Blocks 863 and 907, and a 35% working interest in Mobile Area Block 908 from ELF Exploration, Inc. The net purchase price was \$11.8 million and was funded by the Company's Credit Facility.

4. SENIOR SUBORDINATED NOTES

On July 31, 1997 the Company issued \$36 million of 10.125% Series A Senior Subordinated Notes due 2002. Interest is payable quarterly beginning September 15, 1997. The Senior Subordinated Notes were offered in a private placement transaction. Until November 10, 1997, the Series A Notes are exchangeable for \$36 million aggregate principal amount of the Company's 10.125% Series B Senior Subordinated Notes due 2002 that have been registered under the Securities Act.

The net proceeds to the Company, after costs of the transaction, were used to repay the outstanding balance on Callon's Credit Facility and fund a portion of the remaining 1997 capital expenditure budget.

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5. RECENT DEVELOPMENTS

In October 1997, the Company agreed to purchase Chevron U.S.A Inc.'s interest in the Mobile Block 864 Area (the "Chevron Acquisition") for \$34 million effective July 1, 1997. The Chevron Acquisition is expected to close November 1997 for a net purchase price of \$30.9 million. Because all working interest owners in this property, including the Company, have a preferential right to acquire a proportionate share of this Chevron interest, the Company's total interest acquired could be reduced by 39%. No assurances can be made that the Company will be able to successfully consummate the Chevron Acquisition or as to whether preferential rights will be exercised.

On November 4, 1997, the Company filed a registration statement with the Securities and Exchange Commission whereby 2,300,000 shares of the Company's common stock will be offered. The net proceeds will be used to fund the Chevron Acquisition and a portion of the Company's budgeted exploration and development expenditures.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

GENERAL

The Company's revenues, profitability and future growth and the carrying value of its oil and gas properties are substantially dependent on prevailing prices of oil and gas. The Company's ability to maintain or increase its borrowing capacity and to obtain additional capital on attractive terms is also substantially dependent upon oil and gas prices. Prices for oil and gas are subject to large fluctuation in response to relatively minor changes in the supply of and demand for oil and gas, market uncertainty and a variety of additional factors beyond the control of the Company. Any substantial and extended decline in the price of oil or gas would have an adverse effect on the Company's carrying value of its proved reserves, borrowing capacity, revenues, profitability and cash flows from operations.

The following discussion is intended to assist in an understanding of the Company's historical financial position and results of operations for the three and nine-month periods ended September 30, 1997 and 1996. The Company's historical financial statements and notes thereto included elsewhere in this quarterly report contain detailed information that should be referred to in conjunction with the following discussion.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of capital are its cash flow from operations, borrowings from financial institutions and the sale of debt and equity securities. Net cash provided by operating activities for the nine months ending September 30, 1997 totaled \$20.3 million. Other sources of cash during the first nine months were \$54.5 million advanced under the Company's Credit Facility and sale of senior subordinated notes and \$4.4 million was generated from the sale of mineral interests. During the first nine months of 1997, debt payments were \$18.5 million, capital expenditures were \$61 million and \$2.1 million was paid as dividends to the preferred stockholders.

At September 30, 1997, the Company had working capital of \$3.6 million and a current ratio of 1.3 to 1.

The Company has budgeted \$85.6 million in capital expenditures through fiscal 1998. During the first nine months of 1997, the Company has expended approximately \$24 million on drilling, development and exploration activities and \$37 million in acquisitions of producing properties, undeveloped mineral interests and seismic information attributable to future drilling sites. The Company intends to continue evaluating other potential producing property acquisitions and drilling opportunities. The capital budget will be financed with the sale of debt and equity securities, projected cash flow from operations and unused borrowings under the Company's Credit Facility.

On July 31, 1997 the Company issued \$36 million of 10.125% Series A Senior Subordinated Notes due 2002. Interest is payable quarterly beginning September 15, 1997. The Senior Subordinated Notes were offered in a private placement transaction. The net proceeds to the Company, after costs of the transaction, were used to repay the outstanding balance on Callon's Credit Facility and fund a portion of the remaining 1997 capital expenditure budget.

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RESULTS OF OPERATIONS

The following table sets forth certain operating information with respect to the oil and gas operations of the Company.

<TABLE>

<CAPTION>

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	SEPTEMBER 30,		SEPTEMBER 30,	
	1997	1996	1997	1996
<S>	<C>	<C>	<C>	<C>
Production:				
Oil (MBbls)	114	149	351	451
Gas (MMcf)	2,946	1,872	9,394	4,784
Total production (MMcfe)	3,628	2,766	11,497	7,490

Average sales price:

Oil (per Bbl)	\$17.71	\$17.90	\$ 18.83	\$ 18.05
Gas (per Mcf)	2.28	1.96	2.45	2.18
Total production (per Mcfe)	2.40	2.29	2.57	2.48

Average costs (per Mcfe):

Lease operating (excluding severance taxes)	\$ 0.49	\$ 0.51	\$ 0.45	\$ 0.56
Severance taxes	0.08	0.19	0.09	0.20
Depreciation, depletion and amortization	1.02	1.03	0.98	1.03
General and administrative (net of management fees)	0.24	0.23	0.28	0.31

</TABLE>

COMPARISON OF RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30,

OIL AND GAS PRODUCTION AND REVENUES

Total oil and gas revenues increased 38% from \$6.3 million in 1996 to \$8.7 million in 1997. This increase is largely the result of increased gas production from newly acquired properties.

Oil production during the third quarter of 1997 totaled 114,000 barrels and generated \$2.0 million in revenues compared to 149,000 barrels and \$2.7 million in revenues for the same period in 1996. Third quarter average daily production decreased from 1,619 barrels per day in 1996 to 1,236 barrels per day in 1997. Average oil prices received in the third quarter of 1997 were \$17.71 compared to \$17.90 in 1996. This reduction in production and corresponding reduction in revenues is normal considering the maturity of the owned properties.

Gas production during the third quarter of 1997 totaled 2.95 billion cubic feet and generated \$6.7 million in revenues compared to 1.87 billion cubic feet and \$3.6 million in revenues during the same period in 1996. The average sales price for the third quarter of 1997 averaged \$2.28 per thousand cubic feet compared to \$1.96 per thousand cubic feet at this time last year. Although the North Dauphin Island Field production was lower than last year, production from the new properties more than offset this decline.

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The following table summarizes oil and gas production from the Company's major producing properties for the comparable periods.

	OIL PRODUCTION (BARRELS)		GAS PRODUCTION (MCF)	
	THREE MONTHS ENDED SEPTEMBER 30,		THREE MONTHS ENDED SEPTEMBER 30,	
	1997	1996	1997	1996
Chandeleur Block 40	--	--	843,000	402,000
Main Pass 163	--	--	854,000	88,000
Main Pass 164/165	--	--	299,000	12,000
Mobile Bay 864	--	--	323,000	--
North Dauphin Island Field	--	--	306,000	1,039,000
Black Bay Complex	41,000	52,000	--	--
Big Escambia Creek	29,000	25,000	44,000	49,000
Other properties	44,000	72,000	277,000	282,000
Total	114,000	149,000	2,946,000	1,872,000

LEASE OPERATING EXPENSES

Lease operating expenses, including severance taxes, for the three-month period ending September 30, 1997 were \$2.1 million, substantially unchanged from \$2.0 million for the same period in 1996. Average severance tax per Mcfe declined due to a significantly higher portion of the Company's production coming from wells on federal offshore leases, not subject to severance taxes.

DEPRECIATION, DEPLETION AND AMORTIZATION

Depreciation, depletion and amortization for the three months ending September 30, 1997 and 1996 was \$3.7 million and \$2.9 million, respectively, reflecting the overall increase in production. For the three-month periods ending September 30, 1997 and 1996, the per Mcf equivalent amount was \$1.02 and \$1.03, respectively.

GENERAL AND ADMINISTRATIVE

General and administrative expense for the three months ended September 30, 1997 was \$0.9 million compared to \$0.6 million for the three months ended September 30, 1996. This expense increase is generally attributable to increased compensation expense attributable to stock plans and a reduction in management fees as a result of property sales.

INTEREST EXPENSE

Interest expense increased from \$136,000 during the three months ended September 30, 1996 to \$735,000 during the three months ended September 30, 1997 reflecting the increase in the Company's long-term debt.

COMPARISON OF RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1997 AND THE NINE MONTHS ENDED SEPTEMBER 30, 1996.

OIL AND GAS PRODUCTION AND REVENUES

For the nine months ended September 30, 1997, total oil and gas revenues increased by \$11.0 million, or 59%, to \$29.6 million when compared to \$18.6 million for the same period in 1996.

For the nine months ending September 30, 1997, oil production and revenues decreased to 351,000 barrels and \$6.6 million, respectively. For the comparable period in 1996, oil production was 451,000 barrels while revenues totaled \$8.1 million. Oil prices during the first nine months of 1997 averaged \$18.83, compared to \$18.05 for the same period in 1996. Although prices were higher, the loss of production from the properties that were sold and the decline in other non-core properties caused the overall decline in oil revenues.

Natural gas production and revenue for the nine-month period ending September 30, 1997 were 9.39 billion cubic feet and \$23.0 million, respectively, increasing from 4.78 billion cubic feet and gas revenues of \$10.4 million in the first nine months of 1996. The average sales price for natural gas in the first nine months in 1997 was \$2.45 per Mcf, a \$0.27 per Mcf increase over the same period in 1996. The combination of increased prices and production volumes generated the 120% increase in total gas revenues.

The following table summarizes oil and gas production from the Company's major producing properties for the comparable periods.

	OIL PRODUCTION (BARRELS)		GAS PRODUCTION (MCF)	
	NINE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1996	1997	1996
Chandeleur Block 40	--	--	3,094,000	1,158,000
Main Pass 163	--	--	3,331,000	122,000
Main Pass 164/165	--	--	569,000	12,000
Mobile Bay 864	--	--	323,000	--
North Dauphin Island Field	--	--	1,132,000	2,514,000
Black Bay Complex	134,000	152,000	--	--
Big Escambia Creek	85,000	74,000	143,000	133,000
Other properties	132,000	225,000	802,000	845,000
Total	351,000	451,000	9,394,000	4,784,000

LEASE OPERATING EXPENSES

Lease operating expenses, excluding severance taxes, for the first nine months of 1997 increased by 24% to \$5.2 million from \$4.2 million for the 1996 comparable period. This increase is primarily the result of expenses associated with the new producing properties. Severance taxes decreased by 29% to \$1.1 million during the first nine months of 1997 from \$1.5 million for the same period in 1996 as a result of production declines in the Company's onshore properties, property sales and a significantly higher portion of the Company's production coming from wells on federal offshore leases, not subject to severance taxes.

DEPRECIATION, DEPLETION AND AMORTIZATION

Depreciation, depletion and amortization for the first nine months of 1997 was \$11.3 million, or \$0.98 per Mcf equivalent. For the same period in 1996, the total was \$7.7 million and \$1.03 per Mcf equivalent.

GENERAL AND ADMINISTRATIVE

During the first nine months of 1997, general and administrative expenses increased by 39% to \$3.3 million compared to \$2.4 million for the nine-month period in 1996. Increased compensation expense related to stock plans and a reduction in management fees as a result of property sales, combined to produce this overall increase.

INTEREST EXPENSE

Interest expense during the first three quarters of 1997 was \$945,000 compared to \$184,000 for the first three quarters of 1996 as a result of the increase in the Company's long-term debt.

CALLON PETROLEUM COMPANY PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits.

2. Plan of acquisition, reorganization, arrangement, liquidation or succession*
3. Articles of Incorporation and By-Laws
 - 3.1 Certificate of Incorporation of the Company, as amended (incorporated by reference from Exhibit 3.1 of the Company's Registration Statement on Form S-4, Reg. No. 33-82408)
 - 3.2 Certificate of Merger of Callon Consolidated Partners, L. P. with and into the Company dated September 16, 1994 (incorporated by reference from Exhibit 3.2 of the Company's Report on Form 10-K for the period ended December 31, 1994)
 - 3.3 Bylaws of the Company (incorporated by reference from Exhibit 3.2 of the Company's Registration Statement on Form S-4, Reg. No. 33-82408)
4. Instruments defining the rights of security holders, including indentures
 - 4.1 Specimen stock certificate (incorporated by reference from Exhibit 4.1 of the Company's Registration Statement on Form S-4, Reg. No. 33-82408)
 - 4.2 Specimen Preferred Stock Certificate (incorporated by reference from Exhibit 4.2 of the Company's Registration Statement on Form S-1, Reg. No. 33-96700)
 - 4.3 Designation for Convertible Exchangeable Preferred Stock, Series A (incorporated by reference from Exhibit 4.3 of the Company's Report on Form 10-K for the period ended December 31, 1995)
 - 4.4 Indenture for Convertible Debentures (incorporated by reference from Exhibit 4.4 of the Company's Report on Form 10-K for the period ended December 31, 1995)
 - 4.5 Certificate of Correction on Designation of Series A Preferred Stock (incorporated by

reference from Exhibit 4.4 of the Company's Registration Statement on Form S-1/A filed November 22, 1996, Reg. No. 333-15501)

- 4.6 Form of Note Indenture (incorporated by reference from Exhibit 4.6 of the Company's Registration Statement on Form S-1/A filed November 22, 1996, Reg. No. 333-15501)
- 4.7 Indenture for 10.125% Senior Notes due 2002 (incorporated by reference from Exhibit 4.1 of the Company's Registration Statement on Form S-4, Reg. No. 33-36395)

10. Material contracts

- 10.1 Registration Rights Agreement dated September 16, 1994 between the Company and NOCO Enterprises, L. P. (incorporated by reference from Exhibit 10.2 of the Company's Registration Statement on Form 8-B filed October 3, 1994)
- 10.2 Registration Rights Agreement dated September 16, 1994 between the Company and Callon Stockholders (incorporated by reference from Exhibit 10.3 of the Company's Registration Statement on Form 8-B filed October 3, 1994)
- 10.3 Callon Petroleum Company 1994 Stock Incentive Plan (incorporated by reference from Exhibit 10.5 of the Company's Registration Statement on Form 8-B filed October 3, 1994)
- 10.4 Credit Agreement dated October 14, 1994 by and between the Company, Callon Petroleum Operating Company and Internationale Nederlanden (U.S.) Capital Corporation (incorporated by reference from Exhibit 99.1 of the Company's Report on Form 10-Q for the quarter ended September 30, 1994)
- 10.5 Third Amendment dated February 22, 1996, to Credit Agreement by and among Callon Petroleum Operating Company, Callon Petroleum Company and Internationale Nederlanden (U.S.) Capital Corporation (incorporated by reference from Exhibit 10.9

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of the Company's report on Form 10-K for the period ended December 31, 1995)

- 10.6 Consulting Agreement between the Company and John S. Callon dated September 19, 1996 (incorporated by reference from Exhibit 10.10 of the Company's Registration Statement on Form S-1, filed November 5, 1996, Reg. No. 333-15501)
- 10.7 Callon Petroleum Company 1996 Stock Incentive Plan (incorporated by reference from Exhibit 10.6 of the Company's Registration Statement on Form S-1/A, filed November 14, 1996, Reg. No. 333-15501)
- 10.8 Employment Agreement effective September 1, 1996, between the Company and Fred L. Callon (incorporated by reference from Exhibit 10.4 of the Company's Registration Statement on Form S-1/A, filed November 14, 1996, Reg. No. 333-15501)
- 10.9 Employment Agreement effective September 1, 1996, between the Company and Dennis W. Christian (incorporated by reference from Exhibit 10.7 of

the Company's Registration Statement on Form S-1/A, filed November 14, 1996, Reg. No. 333-15501)

10.10 Employment Agreement effective September 1, 1996, between the Company and John S. Weatherly (incorporated by reference from Exhibit 10.8 of the Company's Registration Statement on Form S-1/A, filed November 14, 1996, Reg. No. 333-15501)

10.11 Letter of Intent from Chevron U.S.A. Inc. dated August 29, 1997 for the sale to Callon Petroleum Company of Chevron's interest in Mobile Blocks 863, 864, 907 and 908 for depths from the surface to 4200 feet (incorporated by reference from Form 8-K, filed November 4, 1997)

11. Statement re computation of per share earnings

11.1 Statement of earnings per share

15. Letter re unaudited interim financial information*

18. Letter re change in accounting principles*

19. Report furnished to security holders*

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22. Published report regarding matters submitted to vote of security holders*

23. Consents of experts and counsel*

24. Power of attorney*

27. Financial Data Schedule

99. Additional exhibits*

(b) Reports on Form 8-K and 8-K/A.

On July 11, 1997, the Company filed a report on Form 8-K in connection with the Company's purchase of certain oil and gas mineral interests from Elf Exploration, Inc. (the "Elf Acquisition") for \$11.8 million. The Company purchased an 18.8% working interest in the Mobile Area Block 864 Unit. The purchase included a 17.5% working interest in Mobile Area Blocks 863 and 907 and a 35% working interest in Mobile Area Block 908. At the time this report was filed, it was impracticable to provide the required financial statements and pro forma information. On August 8, 1997, the Company filed a report on Form 8-K/A, which included the required, audited financial statements of the property acquired and the unaudited pro forma financial information.

On August 8, 1997, the Company filed a report on Form 8-K reporting the completion on July 31, 1997, of the sale of \$36 million of Senior Subordinated Notes due 2002 with a coupon of 10.125%. The Company agreed to file by October 1, 1997, and to use its best efforts to cause to become effective by November 15, 1997, a registration statement relating to an exchange offer for these Notes. A Registration Statement was filed on September 25, 1997 and declared effective on October 10, 1997.

* Inapplicable to this filing

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CALLON PETROLEUM COMPANY

Date NOVEMBER 4 , 1997 By /s/ JOHN S. WEATHERLY
John S. Weatherly, Senior Vice President,
Chief Financial Officer and Treasurer

EXHIBIT 11.1

CALLON PETROLEUM COMPANY
 COMPUTATION OF PER SHARE EARNINGS
 (In thousands, except per share data)

	THREE MONTHS SEPTEMBER 30,		NINE MONTHS SEPTEMBER 30,	
	1997	1996	1997	1996
Net income	\$1,192	\$ 994	\$ 6,083	\$ 3,236
Preferred stock dividends	699	699	2,097	2,097
Net income available				
to common shareholders	\$ 493	\$ 295	\$ 3,986	\$ 1,139
Net income per common share:				
Primary	\$ 0.08	\$ 0.05	\$0.63	\$0.20
Fully diluted	\$ 0.08	\$ 0.05	\$0.62	\$0.20
Average common shares				
outstanding	6,025	5,755	6,017	5,755
Stock options	354	0	315	0
Primary shares outstanding	6,379	5,755	6,332	5,755
Average common shares				
outstanding	6,025	5,755	6,017	5,755
Stock options	423	0	423	0
Convertible preferred stock	0	0	0	0
Fully diluted shares outstanding ...	6,448	5,755	6,440	5,755

NOTE: All computations are based on the weighted average shares outstanding for the periods presented, adjusted for the effect of stock options, if any, considered common stock equivalents computed using the treasury stock method. The Convertible preferred stock is not a common stock equivalent and was not considered in the fully diluted computation because, if included, the effect would be antidilutive.

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THE FINANCIAL DATA SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF CALLON PETROLEUM COMPANY FOR THE PERIOD ENDED SEPTEMBER 30, 1997 WHICH ARE PRESENTED IN ITS QUARTERLY REPORT ON FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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