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 March 31, 1998 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 May 1, 1998, there were 8,027,863 shares of the Registrant's Common Stock, par value $0.01 per share, outstanding.

CALLON PETROLEUM COMPANY

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CALLON PETROLEUM COMPANY
CONSOLIDATED BALANCE SHEETS
(In thousands)

<S>	March 31, 1998 (Unaudited) <C>	December 31, 1997 <C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 11,674	$ 15,597
Accounts receivable	10,222	12,168
Other current assets	1,727	723
	---------	---------
Total current assets	23,623	28,488
	---------	---------
Oil and gas properties, full cost accounting method:		
Evaluated properties	399,593	398,046
Less accumulated depreciation, depletion and amortization	(288,380)	(282,891)
	---------	---------
	111,213	115,155
Unevaluated properties excluded from amortization	46,093	35,339
	---------	---------
Total oil and gas properties	157,306	150,494
	---------	---------

Other property and equipment, net	8,368	8,442
Other assets, net	2,318	2,997
	---------	---------
Total assets	$ 191,615	$ 190,421
	=========	=========

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued liabilities	$ 12,253	$ 12,389
Other current liabilities	3,490	3,380
	---------	---------
Total current liabilities	15,743	15,769
Long-term debt	60,250	60,250
Other long-term liabilities	834	701
	---------	---------
Total liabilities	76,827	76,720
	---------	---------
Stockholders' equity:		
Preferred stock	13	13
Common stock	80	79
Unearned compensation - restricted stock	(4,484)	(2,232)
Capital in excess of par value	109,263	106,433
Retained earnings	9,916	9,408
	---------	---------
Total stockholders' equity	114,788	113,701
	---------	---------
Total liabilities and stockholders' equity	$ 191,615	$ 190,421
	=========	=========

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

<CAPTION>

CALLON PETROLEUM COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In thousands, except per share data)

	Three Months Ended	
	March 31, 1998	March 31, 1997
<S>	<C>	<C>
Revenues:		
Oil and gas sales	$ 11,045	$ 12,474
Interest and other	447	307
	--------	--------
Total revenues	11,492	12,781
	--------	--------
Costs and expenses:		
Lease operating expenses	1,941	2,408
Depreciation, depletion and amortization	5,570	3,816
General and administrative	1,502	1,031
Interest	651	111
	--------	--------
Total costs and expenses	9,664	7,366
	--------	--------
Income from operations	1,828	5,415
Income tax expense	621	1,733
	--------	--------
Net income	1,207	3,682
Preferred stock dividends	699	699
	--------	--------
Net income available to common shares	$ 508	$ 2,983
	========	========
Net earnings per common share:		
Basic	$ .06	$ .50
	========	========

Diluted	$ .06	$ .39
	========	========
Shares used in computing earnings per common share:		
Basic	8,015	6,010
	========	========
Diluted	8,221	9,332
	========	========

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

<CAPTION>

CALLON PETROLEUM COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Three Months Ended March 31, 1998	March 31, 1997
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	$ 1,207	$ 3,682
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	5,697	3,909
Amortization of deferred costs	164	94
Deferred income tax expense	621	1,733
Noncash compensation related to stock plans	634	152
Changes in current assets & liabilities:		
Accounts receivable	1,946	2,825
Other current assets	(1,004)	(294)
Current liabilities	(65)	90
Change in gas balancing receivable	(23)	(146)
Change in gas balancing payable	52	231
Change in other long-term liabilities	--	(13)
Change in other assets, net	(82)	(94)
	--------	--------
Cash provided by operating activities	9,147	12,169
	--------	--------
Cash flows from investing activities:		
Capital expenditures	(12,775)	(8,813)
Cash proceeds from sale of mineral interests	339	45
	--------	--------
Cash used in investing activities	(12,436)	(8,768)
	--------	--------
Cash flows from financing activities:		
Change in accrued liabilities for capital expenditures	39	308
Stock canceled	(145)	--
Sale of common stock	171	--
Dividends on preferred stock	(699)	(699)
	--------	--------
Cash provided by (used in) financing activities	(634)	(391)
	--------	--------

Net increase (decrease) in cash and cash equivalents	(3,923)	3,010
Cash and cash equivalents:		
Balance, beginning of period	15,597	7,669
	--------	--------
Balance, end of period	$ 11,674	$ 10,679
	========	========

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

</TABLE>

CALLON PETROLEUM COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1998

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, 1997 included in the Company's Annual Report on Form 10-K dated March 17, 1998.

2. Per Share Amounts

In February 1997, the Financial Accounting Standards Board issued Statement No. 128 ("FAS 128"), Earnings Per Share, which generally simplified the manner in which earnings per share are determined. The Company adopted FAS 128 effective December 15, 1997. In accordance with FAS 128, the Company's previously reported earnings per share for 1997 was restated.

Basic earnings per common share were computed by dividing net income by the weighted average number of shares of common stock outstanding during the quarter. Diluted earnings per common share for the three months ended March 31, 1998 and 1997 were determined on a weighted average basis using common shares issued and outstanding adjusted for the effect of stock options considered common stock equivalents computed using the treasury stock method and the effect of the convertible preferred stock (if dilutive).

A reconciliation of the basic and diluted earnings per share computation is as follows (in thousands, except per share amounts):

	Three Months Ended March 31,	
	1998	1997
(a) Net income available for common stock	$ 508	$ 2,983
Preferred dividends assuming conversion of preferred stock (if dilutive)	$ -- (1)	$ 699
(b) Income available for common stock assuming conversion of preferred stock (if dilutive)	$ 508	$ 3,682
(c) Weighted average shares outstanding	8,015	6,010
Dilutive impact of stock options	206	332

Convertible preferred stock (if dilutive)	-- (1)	2,990
(d) Total diluted shares	8,221	9,332
Basic earnings per share (a/c)	$ 0.06	$ 0.50
Diluted earnings per share (b/d)	$ 0.06	$ 0.39

(1) The conversion of the preferred stock was not included in the diluted calculation for the three months ended March 31, 1998, due to its anti-diluted earnings per share.

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

General

This report includes "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact included in this report regarding the Company's financial position, estimated quantities, business strategy, plans and objectives for future operations and covenant compliance, are forward-looking statements. Although the Company believes that the assumptions upon which such forward-looking statements are based are reasonable, it can give no assurances that such assumptions will prove to have been correct. Important factors that could cause actual results to differ materially from the Company's expectations ("Cautionary Statements") are disclosed below and elsewhere in this report. The Cautionary Statements expressly qualify all subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf.

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 influenced by oil and gas prices. Prices for oil and gas are subject to large fluctuations 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. These factors include weather conditions in the United States, the condition of the United States economy, the actions of the Organization of Petroleum Exporting Countries, governmental regulations, political stability in the Middle East and elsewhere, the foreign supply of oil and gas, the price of foreign imports and the availability of alternate fuel sources. 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.

Volatile oil and gas prices make it difficult to estimate the value of producing properties for acquisition and often cause disruption in the market for oil and gas producing properties, as buyers and sellers have difficulty agreeing on such value. Price volatility also makes it difficult to budget for and project the return on acquisitions, exploration and development projects.

The following discussion is intended to assist in an understanding of the Company's historical financial position and results of operations for the three-month periods ended March 31, 1998 and 1997. 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

During the quarter ending March 31, 1998, the Company incurred a total of $12.8 million was paid for capital expenditures and $699,000 was paid as dividends to the preferred stockholders. Net cash provided by operating activities for the three months totaled $9.1 million and an additional $339,000 was generated from the sale of mineral interests. The remaining net expenditures were funded by available cash and cash equivalents.

At March 31, 1998, the Company had working capital of $7.9 million and a current ratio of 1.5 to 1.

For the balance of the year, the Company will continue evaluating property acquisitions and drilling opportunities. The Company has budgeted up to $85 million in capital expenditures for 1998. The major portion of the capital expenditure budget will be used to drill development and exploratory wells in an attempt to replace current production and increase total proved reserves for the Company. The capital budget will be financed with available cash, projected cash flow from operations and unused capacity under the Company's Credit Facility.

Comparison of Results of Operations for the Three Months Ended March 31, 1998 and the Three Months Ended March 31, 1997.

Results of Operations

The following table sets forth certain unaudited operating information with respect to the Company's oil and gas operations for the periods indicated.

	Three Months Ended March 31, 1998	1997
Production volumes:		
Oil (MBbls)	112	129
Gas (MMcf)	4,036	3,391
Total (MMcfe)	4,706	4,162
Average sales price:		
Oil (per Bbl)	$ 13.85	$ 21.11
Gas (per Mcf)	2.35	2.88
Total (per Mcfe)	2.35	3.00
Average costs (per Mcfe):		
Lease operating (excluding severance taxes)	$ 0.34	$ 0.47
Severance taxes	0.07	0.11
Depreciation, depletion and amortization	1.18	0.92
General and administrative (net of management fees)	0.32	0.25

The following table summarizes oil and gas production for the comparable periods.

	Oil Production (Barrels) Three Months Ended March 31,		Gas Production (Mcf) Three Months Ended March 31,	
	1998	1997	1998	1997
Mobile Block 864 Area	--	--	1,145,000	--
Chandeleur Block 40	--	--	779,000	1,172,000
Main Pass 163	--	--	659,000	1,231,000
Mobile Block 952/953	--	--	369,000	--
Main Pass 31	16,000	--	344,000	--
Main Pass 164/165	--	--	311,000	131,000
North Dauphin Island Field	--	--	223,000	458,000
Black Bay	40,000	47,000	--	--
Escambia Mineral properties	42,000	50,000	74,000	84,000
Other properties	14,000	32,000	132,000	315,000
Total	112,000	129,000	4,036,000	3,391,000

Oil and Gas Production and Revenues

Total oil and gas revenues decreased 11% from $12.5 million in the first quarter of 1997 to $11.0 million in 1998. This $1.5 million decrease is largely attributed to lower average prices for both oil and gas.

Oil production during the first quarter of 1998 totaled 112,000 barrels and generated $1.5 million compared to 129,000 barrels and $2.7 million in the same

period in 1997. The first quarter average daily oil production decreased from 1,428 barrels per day in 1997 to 1,240 barrels per day in 1998. Average oil prices received in 1997 were $21.11 compared to $13.85 in 1998. Oil production volumes for 1998 included approximately 16,000 barrels of oil from our discovery at Main Pass 31 and volumes for1997 included approximately 10,000 barrels attributable to properties which have been sold. Other properties experienced a natural decline in production. The loss in revenues was largely a result of the reduced average sales price received.
Gas production volumes during the first quarter of 1998 totaled to 4.0 billion cubic feet and generated $9.5 million in revenues compared to 3.4 billion cubic feet and $9.8 million in revenues during the same period in 1997. The first quarter average daily gas production increased from 37.6 million cubic feet per day to 44.8 million cubic feet per day in 1998. The average sales price for the first quarter of 1998 averaged $2.35 per thousand cubic feet compared to $2.88 per thousand cubic feet at this time last year.

Lease Operating Expenses

Lease operating expenses, including severance taxes, for the three-month period ending March 31, 1998 were $1.9 million, a decrease from the $2.4 million as of March 31, 1997. On a per Mcf equivalent basis these combined expenses declined from $0.58 to $0.41 as a result of higher production volumes without proportionate increases in field operating costs and a shift in production from state to federal waters, thereby reducing severance taxes.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization for the three months ending March 31, 1998 and 1997 were $5.6 million and $3.8 million, respectively. This increase increased production volumes at a higher overall rate per Mcfe. For the three month period ending March 31, 1998, the per Mcf equivalent amount was $1.18 and compares to $0.92 for the same period in 1997.

General and Administrative

General and administrative expenses as of March 31, 1998 were $1.5 million compared to $1.0 million as of March 31, 1997. On a per Mcf equivalent basis, general and administrative expenses increased from $0.25 in the first quarter of 1997 to $0.32 in the current quarter.

Interest Expense

Interest expense for the current period increased as a result of increased long-term debt when compared to the first quarter debt level in 1997. For the period ending March 31, 1998, interest expense was $651,000 and compares to $111,000 for the first quarter of 1997, net of interest capitalized as unevaluated property costs.

Income Taxes

Income taxes were provided at the statutory rate of 34% of net income.

CALLON PETROLEUM COMPANY

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits

None

b. Reports on Form 8-K

None

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 May 5, 1998 By /s/ John S. Weatherly

John S. Weatherly, Senior Vice President,
Chief Financial Officer and Treasurer

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THIS FINANCIAL DATA SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF CALLON PETROLEUM COMPANY FOR THE THREE MONTH PERIOD ENDING MARCH 31, 1998 WHICH ARE PRESENTED IN ITS QUARTERLY REPORT ON FORM 10-Q AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS AND NOTES THERETO.
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