

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended September 30, 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  
or organization)

-----  
(I.R.S. Employer incorporation  
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  No

As of November 4, 1998, there were 8,041,525 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)

	September 30, 1998	December 31, 1997	
	(Unaudited)		
<S>	<C>	<C>	
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 11,661	\$ 15,597	
Accounts receivable	7,268	12,168	
Other current assets	637	723	
	-----	-----	
Total current assets	19,566	28,488	
	-----	-----	
Oil & gas properties, full cost accounting method:			
Evaluated properties	420,716	398,046	
Less accumulated depreciation, depletion and amortization	( 297,418)	(282,891)	
	-----	-----	
	123,298	115,155	
Unevaluated properties excluded from amortization	49,092	35,339	
	-----	-----	
Total oil and gas properties	172,390	150,494	

Pipeline and other facilities, net	6,263	6,504
Other property and equipment, net	1,841	1,938
Deferred tax asset	--	1,248
Long-term gas balancing receivable	233	242
Other assets, net	1,118	1,507
Total assets	\$ 201,411	\$ 190,421

#### LIABILITIES AND STOCKHOLDERS' EQUITY

##### Current liabilities:

Accounts payable and accrued liabilities	\$ 14,103	\$ 12,389
Undistributed oil and gas revenues	1,764	2,259
Other current liabilities	1,278	1,121
Total current liabilities	17,145	15,769

Long-term debt	67,250	60,250
Deferred tax liability	240	--
Other long-term liabilities	542	297
Long-term gas balancing payable	343	404

Total liabilities	85,520	76,720
-------------------	--------	--------

##### Stockholders' equity:

Preferred stock	13	13
Common stock	80	79
Unearned compensation - restricted stock	(3,847)	(2,232)
Other stockholder's equity	119,645	115,841

Total stockholders' equity	115,891	113,701
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Total liabilities and stockholders' equity	\$ 201,411	\$ 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		Nine Months Ended	
	September 30, 1998	September 30, 1997	September 30, 1998	September 30, 1997
<S>	<C>	<C>	<C>	<C>
Revenues:				
Oil and gas sales	\$ 8,627	\$ 8,734	\$ 28,949	\$ 29,578
Interest and other	712	467	1,615	1,162
Total revenues	9,339	9,201	30,564	30,740
Costs and expenses:				
Lease operating expenses	1,935	2,071	6,024	6,235
Depreciation, depletion and amortization	4,303	3,707	14,769	11,288
General and administrative	1,402	881	4,134	3,263
Interest	279	735	1,262	945
Total costs and expenses	7,919	7,394	26,189	21,731
Income from operations	1,420	1,807	4,375	9,009
Income tax expense	487	615	1,488	2,926
Net income	933	1,192	2,887	6,083
Preferred stock dividend	699	699	2,097	2,097
Net income available to common shares	\$ 234	\$ 493	\$ 790	\$ 3,986

Net income per common share:

Basic	\$ 0.03	\$ 0.08	\$ 0.10	\$ 0.66
Diluted	\$ 0.03	\$ 0.08	\$ 0.10	\$ 0.63

Shares used in computing net income  
per common share:

Basic	8,042	6,025	8,026	6,017
Diluted	8,104	6,379	8,200	6,332

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

<CAPTION>

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

	Nine Months Ended September 30,	
	1998	1997
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	\$ 2,887	\$ 6,083
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	15,147	11,607
Amortization of deferred costs	471	321
Deferred income tax expense	1,488	2,926
Noncash compensation related to stock plans	1,435	973
Changes in current assets & liabilities:		
Accounts receivable, trade	4,900	3,040
Other current assets	86	(222)
Current liabilities	(1,743)	(3,924)
Change in gas balancing receivable	9	414
Change in gas balancing payable	(61)	(77)
Change in other long-term liabilities	--	185
Change in other assets, net	(82)	(1,018)
	-----	-----
Cash provided by operating activities	24,537	20,308
	-----	-----
Cash flows from investing activities:		
Capital expenditures	(47,176)	(61,034)
Cash proceeds from sale of mineral interests	10,471	4,405
Cash proceeds from sale of interest burdened by a net profits interest	1,825	--
	-----	-----
Cash used in investing activities	(34,880)	(56,629)
	-----	-----
Cash flows from financing activities:		
Change in accrued liabilities for capital expenditures	1,294	628
Increase in debt	7,000	54,500
Payment on debt	--	(18,500)
Equity issued by conversion of stock options	--	60
Purchase of treasury shares	(43)	--
Stock canceled	(145)	--

Sale of common stock	398	--
Dividends on preferred stock	(2,097)	(2,097)
	-----	-----
Cash provided by (used in) financing activities	6,407	34,591
	-----	-----
Net increase (decrease) in cash and cash equivalents	(3,936)	(1,730)
Cash and short-term investments:		
Balance, beginning of period	15,597	7,669
	-----	-----
Balance, end of period	\$ 11,661	\$ 5,939
	=====	=====

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, 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. Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 ("FAS 133"), Accounting for Derivative Instruments and Hedging Activities. The Statement establishes accounting and reporting standards requiring that every derivative instrument, including certain derivative instruments embedded in other contracts be recorded in the balance sheet as either an asset or liability measured at its fair value.

FAS 133 is effective for fiscal years beginning after June 15, 1999. A company may also implement the Statement as of the beginning of any fiscal quarter after issuance (that is, fiscal quarters beginning June 16, 1998 and thereafter). FAS 133 cannot be applied retroactively.

The Company has not yet quantified the impacts of adopting FAS 133 on the financial statements and has not determined the timing of or method of the adoption of FAS 133. However, the Statement could increase volatility in other comprehensive income.

3. Earnings Per Share

In February 1997, the Financial Accounting Standards Board issued Statement No. 128 ("FAS 128"), "Earnings Per Share", which generally simplifies 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 and nine month periods ended September 30, 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):

<TABLE>  
<CAPTION>

	Three Months Ended		Nine Months Ended	
	September 30, 1998	September 30, 1997	September 30, 1998	September 30, 1997
(a) Net income available for common stock	\$ 234	\$ 493	\$ 790	\$ 3,986
Preferred dividends assuming conversion of preferred stock ( if dilutive)	\$ --	\$ --	\$ --	\$ --
(b) Income available for common stock assuming conversion of preferred stock (if dilutive)	\$ 234	\$ 493	\$ 790	\$ 3,986
(c) Weighted average shares outstanding	8,042	6,025	8,026	6,017
(d) Dilutive impact of stock options	62	354	174	315
(e) Convertible preferred stock (if dilutive)	--	--	--	--
(d) Total diluted shares	8,104	6,379	8,200	6,332
Basic earnings per share (a/c)	\$ 0.03	\$ 0.08	\$ 0.10	\$ 0.66
Diluted earnings per share (b/d)	\$ 0.03	\$ 0.08	\$ 0.10	\$ 0.63

</TABLE>

The conversion of the preferred stock (convertible into 2,990,132 shares of common stock) was not included in the diluted calculation for the three months ended September 30, 1998 and 1997 and for the nine month period ended September 30, 1998 and 1997, due to its antidilutive effect on diluted earnings per share.

#### 4. Net Profits Interest

During May 1998, the Company completed the sale of an oil and gas property burdened by a net profits interest. The owner of the net profits interest was due approximately \$19.9 million as a result of this sale. A partial distribution of the sales proceeds was made to the owner of the net profits interest during the third quarter, with approximately \$2.0 million remaining in current liabilities as of September 30, 1998 pending a final accounting settlement.

#### 5. Hedging Contracts

The Company periodically uses derivative financial instruments to manage oil and gas price risks. Settlements of gains and losses on commodity price swap contracts are generally based upon the difference between the contract price or prices specified in the derivative instrument and a NYMEX price and are reported as a component of oil and gas revenues. Gains or losses attributable to the termination of a swap contract are deferred and recognized in revenue when the oil and gas is sold.

At September 30, 1998, the Company had open collar contracts with third parties whereby minimum floor prices and maximum ceiling prices are contracted and applied to related contract volumes. These agreements in effect for 1998 are for average gas volumes of 333,000 Mcf per month through March of 1999 (on average) a ceiling price of \$2.93 and floor of \$2.33. In addition, the Company had oil open collar contracts for 12,500 barrels per month from October 1998 through June of 1999 at a

ceiling price of \$18.00 and a floor of \$14.50 and 12,500 barrels per month from July 1999 through December 1999 at a ceiling price of \$18.54 and a floor of \$15.00.

Also at September 30, 1998 the Company had open forward sales position natural gas contracts of 500,000 Mcf for the month of October 1998 at a fixed contract average price of \$2.19 and 200,000 Mcf per month from April of 1999 through September of 1999 at a fixed contract price of \$2.35.

For the nine months ending September 30, 1998, \$1.6 million of net revenue was recognized as a result of the Company's hedging activities.

## YEAR 2000 COMPLIANCE

Three years ago, Callon began its efforts to address the Year 2000 threat by beginning a process of standardization, reducing the various vendors of hardware and software to a more manageable number. Callon's core financial accounting software, running on an IBM AS/400 midrange computer, is maintained by one major vendor of oil and gas industry software and is Year 2000 compliant at this date. Microcomputers are equipped with a standard Microsoft application suite and engineering software from major industry vendors who have Year 2000 solutions ready for implementation. Telecommunication equipment has been upgraded to Year 2000 compliance.

As Callon has completed its inventory phase and remedial action is being taken as necessary, we now turn our attention to our business partners, vendors and customers. The third phase of our plan calls for the development of contingency plans to address, among other things, the failure of our business associates to adequately address their Year 2000 problems.

Overseeing the Year 2000 project is the Callon Year 2000 Project Committee which meets on a periodic basis to review project status, provide necessary management input, and resolve project issues on a timely basis. A formal review is presented to the Callon Board of Directors during their regularly scheduled quarterly meetings. At this date, the Company does not anticipate that Year 2000 compliance will have a material effect on the company's financial condition or results of operations.

Total budget for the Year 2000 project is less than \$200,000.

## 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, reserves, 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 include the results of and dependence on exploratory drilling activities, operating risks, regulatory and environmental matters, capital requirements and availability, dependence on key personnel, oil and gas price levels, availability of drilling rigs, weather, land issues and other risks described in the Company's filings with the Security and Exchange Commission ("Cautionary Statements"). 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 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.

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 and nine-month periods ended September 30, 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

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 flow provided by operations for the nine months ending September 30, 1998 totaled \$21.4 million. Capital expenditures during the first nine months totaled \$47.2 million, offset by \$10.5 million from the sale of mineral interests. The excess of net expenditures over cash flow was funded by \$7.0 million drawn under the Company's Credit Facility and a decrease in working capital, including a \$3.9 million decrease in the cash balance.

At September 30, 1998, the Company had working capital of \$2.4 million and a current ratio of 1.4 to 1.

The Company has budget \$85 million in capital expenditures for 1998. During the first nine months of 1998, the Company has expended approximately \$37.6 million on drilling and development activities, \$8.9 million in acquisitions of undeveloped mineral interests and seismic information attributable to future drilling sites and \$0.7 million for other associated costs. For the balance of the year, the Company will continue evaluating producing property acquisitions and drilling opportunities. The major portion of the remaining capital expenditure budget will be used for exploratory and development activities. The capital budget will be financed with the sale of debt securities, projected cash flow from operations and unused borrowings under the Company's Credit Facility.

## 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,	
	1998	1997	1998	1997
	<C>	<C>	<C>	<C>
<S>				
Production:				
Oil (MBbls)	59	114	252	351
Gas (MMcf)	3,496	2,946	11,172	9,394
Total production (MMcfe)	3,848	3,629	12,683	11,497
Average sales price:				
Oil (per Bbl)	\$ 11.60	\$ 17.70	\$ 12.72	\$ 18.82
Gas (per Mcf)	2.27	2.28	2.30	2.45
Total production (per Mcfe)	2.24	2.41	2.28	2.57
Average costs (per Mcfe):				
Lease operating (excluding severance taxes)	\$ 0.47	\$ 0.49	\$ 0.42	\$ 0.45
Severance taxes	0.03	0.08	0.06	0.09
Depreciation, depletion and amortization	1.12	1.02	1.16	0.98
General and administrative (net of management fees)	0.36	0.24	0.33	0.28

</TABLE>  
Comparison of Results of Operations for the Three Months Ended September 30, 1998 and the Three Months Ended September 30, 1997.

### Oil and Gas Production and Revenues

Total oil and gas revenues were \$8.6 million in 1998 and \$8.7 million in 1997. While oil production and prices were lower, gas revenues increased 18% and gas production increased 19% when compared to the same period last year. Oil production during the third quarter of 1998 totaled 59,000 barrels and generated \$0.7 million in revenues compared to 114,000 barrels and \$2.0 million in revenues for the same period in 1997. Third quarter average daily production decreased to 638 barrels per day in 1998 from 1,237 barrels per day in 1997. Average oil prices received in the third quarter of 1998 were \$11.60 compared to \$17.70 in 1997. Decreased production in the third quarter of 1998 is largely attributable to the sale of Black Bay in May 1998 and the loss of normal production from wells being shut-in due to three severe storms in the Gulf of Mexico during August and September.

Gas production during the third quarter of 1998 totaled 3.50 billion cubic feet and generated \$7.9 million in revenues compared to 2.95 billion cubic feet and \$6.7 million in revenues during the same period in 1997. The average sales price for the third quarter of 1998 averaged \$2.27 per thousand cubic feet compared to \$2.28 per thousand cubic feet at this time this year. When compared to the same quarter last year, the Company had a net increase in gas production of 19%, despite losing normal production from wells being shut-in due to three severe storms in the Gulf of Mexico during August and September. Production increases as a result of acquisitions, a new discovery and the recompletion of an existing well were partially offset by expected production declines in the other properties.

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,	
	1998	1997	1998	1997
Mobile Block 864 Area	--	--	771,000	323,000
Chandeleur Block 40	--	--	525,000	843,000
Main Pass 163	--	--	363,000	854,000
Mobile Block 952/953	--	--	466,000	--
Main Pass 31	5,000	--	215,000	--
Main Pass 164/165	--	--	254,000	299,000
North Dauphin Island Field	--	--	452,000	306,000
Black Bay	--	41,000	--	--
Escambia Mineral Properties	36,000	29,000	59,000	44,000
Other properties	18,000	44,000	391,000	277,000
<b>Total</b>	<b>59,000</b>	<b>114,000</b>	<b>3,496,000</b>	<b>2,946,000</b>

#### Lease Operating Expenses

Lease operating expenses, including severance taxes, for the three-month period ending September 30, 1998 were \$1.9 million, compared to \$2.1 million for the same period in 1997. This decrease is associated with the producing properties, which were acquired during the second half of 1998. Severance taxes for the third quarter of 1998 and 1997 were \$0.1 million and \$0.3 million, respectively.

#### Depreciation, Depletion and Amortization

Depreciation, depletion and amortization for the three months ending September 30, 1998 and 1997 was \$4.3 million and \$3.7 million, respectively. The increase reflects the increase in rates of \$0.10 per Mcf equivalent and increased production volumes.

#### General and Administrative

General and administrative expense for the three months ended September 30, 1998 was \$1.4 million compared to \$0.9 million for the three months ended September 30, 1997. This increase is primarily due to increased franchise taxes and the loss of management fees.

#### Interest Expense

Interest expense decreased to \$279,000 during the three months ended September 30, 1998 from \$735,000 during the three months ended September 30, 1997 reflecting the decrease in the Company's average long-term debt.

Comparison of Results of Operations for the Nine Months Ended September 30, 1998 and the Nine Months Ended September 30, 1997.

#### Oil and Gas Production and Revenues

For the nine months ended September 30, 1998, total oil and gas revenues decreased by \$0.07 million, or 2%, to \$28.9 million when compared to \$29.6 million for the same period in 1997.

For the nine months ending September 30, 1998, oil production and revenues decreased to 252,000 barrels and \$3.2 million, respectively. For the comparable period in 1997, oil production was 351,000 barrels while revenues

totaled \$6.6 million. Oil prices during the first nine months of 1998 averaged \$12.72, compared to \$18.82 for the same period in 1997.

Natural gas production and revenue for the nine-month period ending September 30, 1998 were 11.17 billion cubic feet and \$25.7 million, respectively, increasing from 9.39 billion cubic feet and gas revenues of \$23.0 million in the first nine months of 1997. The average sales price for natural gas in the first nine months in 1998 was \$2.30 per Mcf, a \$0.15 per Mcf decrease from the same period in 1997. When compared to the nine-month period last year, the Company had a net increase in gas production of 19%. Production increases as a result of acquisitions, a new discovery and the recompletion of an existing well were partially offset by expected production declines in the other properties.

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		Nine Months Ended	
	September 30, 1998	1997	September 30, 1998	1997
Mobile Block 864 Area	--	--	2,922,000	323,000
Chandeleur Block 40	--	--	1,985,000	3,094,000
Main Pass 163	--	--	1,553,000	3,331,000
Mobile Block 952/953	--	--	1,219,000	--
Main Pass 31	33,000	--	863,000	--
Main Pass 164/165	--	--	870,000	569,000
North Dauphin Island Field	--	--	855,000	1,132,000
Black Bay	57,000	134,000	--	--
Escambia Mineral properties	116,000	85,000	194,000	143,000
Other properties	46,000	132,000	711,000	802,000
Total	252,000	351,000	11,172,000	9,394,000

#### Lease Operating Expenses

Lease operating expenses, excluding severance taxes, for the first nine months of 1998 increased by 2% to \$5.3 million from \$5.2 million for the 1997 comparable period. This increase is primarily the result of expenses associated with the new producing properties. Severance taxes decreased by 31% to \$0.7 million during the first nine months of 1998 from \$1.1 million for the same period in 1997 as a result of production declines in the Company's onshore properties, property sales and lower oil and gas sale prices.

#### Depreciation, Depletion and Amortization

Depreciation, depletion and amortization for the first nine months of 1998 was \$14.8 million, or \$1.16 per Mcf equivalent. For the same period in 1997, the total was \$11.3 million and \$0.98 per Mcf equivalent. This increase is the result of an increased rate per Mcf equivalent and increased production.

#### General and Administrative

During the first nine months of 1998, general and administrative expenses increased by 27% to \$4.1 million compared to \$3.3 million for the nine-month period in 1997. Increased compensation expenses and the loss of management fees, as a result of property sales, combined to produce this overall increase.

#### Interest Expense

Interest expense during the first three quarters of 1998 was \$1,262,000 compared to \$945,000 for the first three quarters of 1997. This increase is a result of the increase in the Company's average 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)

9. Voting trust agreement\*

10. Material contracts

10.1 Contingent Share Agreement dated September 16, 1994 between the Company and the Callon Stockholders (incorporated by reference from Exhibit 10.1 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 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)

10.3 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)

10.4 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)

10.5 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)

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

10.7 Consulting Agreement between the Company and John S. Callon dated June 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)

10.8 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)

10.9 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)

10.10 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)

10.11 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)

10.12 Callon Petroleum Company 1996 Stock Incentive Plan (incorporated by reference from Exhibit 4.2 of the Company's Registration Statement on Form S-8, Reg. No. 333-29537)

10.13 Callon Petroleum Company 1997 Stock Incentive Plan (incorporated by reference from Exhibit 4.2 of the Company's Registration Statement on Form S-8, Reg. No. 333-29537)

11. Statement re computation of per share earnings

11.1 Computation of Per Share Earnings

15. Letter re unaudited interim financial information\*

18. Letter re change in accounting principles\*

19. Report furnished to security holders\*

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 September 2, 1998, the Company filed a report on Form 8-K announcing the action of its Board of Directors in authorizing the repurchase of up to \$10 million in common stock. The purchases may be made on the open market or in privately negotiated transactions, depending upon market conditions and other factors. Repurchased shares will be held in the Company's treasury and used for general corporate purposes.

-----  
\* Inapplicable to this filing

SIGNATURE

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 9, 1998

By /s/ John S. Weatherly

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

Callon Petroleum Company  
 Computation of Per Share Earnings  
 (In thousands, except per share data)

	Three Months		Nine Months	
	Ended September 30, 1998	1997	Ended September 30, 1998	1997
Net income	\$ 933	\$ 1,192	\$ 2,887	\$ 6,083
Preferred stock dividends		699	699	2,097
Net income available to common shareholders	\$ 234	\$ 493	\$ 790	\$ 3,986
Net income per common share:				
Basic	\$ 0.03	\$ 0.08	\$ 0.10	\$ 0.66
Diluted	\$ 0.03	\$ 0.08	\$ 0.10	\$ 0.63
Basic common shares outstanding	8,042	6,025	8,026	6,017
Stock options	62	354	174	315
Diluted common shares outstanding	8,104	6,379	8,200	6,332

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 diluted computation because, if included, the effect would be antidilutive.



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THIS FINANCIAL DATA SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED FINANCIAL STATEMENTS OF CALLON PETROLEUM COMPANY FOR THE PERIOD ENDING SEPTEMBER 30, 1998 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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