

August 2, 2007



## **Callon Petroleum Company Reports Results For Second Quarter, First Six Months of 2007**

NATCHEZ, Miss.--

Callon Petroleum Company (NYSE: CPE) today reported results of operations for both the three and the six-month periods ended June 30, 2007.

**Second Quarter and Six Months 2007 Net Income.** For the quarter ended June 30, 2007, the company reported net income of \$2.6 million, or \$0.12 per share. This compares to net income of \$12.3 million, or \$0.57 per share, for the same period in 2006. For the six months ended June 30, 2007, Callon reported net income of \$8.4 million, or \$0.39 per share. This compares with net income of \$25.1 million, or \$1.17 per share during the same period of 2006. The second quarter results were impacted by additional interest expense incurred as a result of Callon's April acquisition of BP Exploration and Production Company's 80% working interest in the Entrada Field. All per share amounts are on a diluted basis.

**Second Quarter and Six Months 2007 Operating Results.** Operating results for the three months ended June 30, 2007 include oil and gas sales of \$43.5 million from average production of 54.1 million cubic feet of natural gas equivalent per day (MMcfe/d). This corresponds to sales of \$47.1 million from average production of 57.6 MMcfe/d during the comparable 2006 period. The average price, after the impact of hedging, received per thousand cubic feet of natural gas (Mcf) for the quarter ended June 30, 2007 increased to \$8.17, compared to \$7.93 for the quarter ended June 30, 2006. The average price, after the impact of hedging, received per barrel of oil (Bbl) in the second quarter of 2007 increased to \$61.47, compared to \$59.99 during 2006. Oil and gas sales for the first six months of 2007 totaled \$89.0 million from average production of 57.2 MMcfe/d. This corresponds to sales of \$92.6 million from average production of 56.8 MMcfe/d during the same period in 2006. The average price, after the impact of hedging, received per Mcf of natural gas in the six-month period of 2007 decreased to \$8.07, compared to \$8.44 during the first six months of 2006, while the average price, after the impact of hedging, received per Bbl in the first half of 2007 increased to \$58.36, compared to \$56.74 during the same period in 2006.

**Second Quarter and Six Months 2007 Discretionary Cash Flow.** Discretionary cash flow for the three-month period ended June 30, 2007 totaled \$24.9 million compared to \$35.1 million during the comparable prior year period. Net cash flow provided by operating activities, as defined by GAAP, totaled \$37.3 million and \$34.3 million during the quarters ended June 30, 2007 and 2006, respectively. Discretionary cash flow for the first six months of 2007 totaled \$58.4 million compared to \$68.9 million during the same period in 2006. Net cash flow

provided by operating activities, as defined by GAAP, totaled \$70.2 million and \$75.3 million during the six-month periods ended June 30, 2007 and 2006, respectively. (See "Non-GAAP Financial Measure" that follows and the accompanying reconciliation of discretionary cash flow, a non-GAAP measure, to net cash flow provided by operating activities.)

**Non-GAAP Financial Measure** - This news release refers to a non-GAAP financial measure as "discretionary cash flow." Callon believes that the non-GAAP measure of discretionary cash flow is useful as an indicator of an oil and gas exploration and production company's ability to internally fund exploration and development activities and to service or incur additional debt. The company also has included this information because changes in operating assets and liabilities relate to the timing of cash receipts and disbursements which the company may not control and may not relate to the period in which the operating activities occurred. Discretionary cash flow should not be considered an alternative to net cash provided by operating activities or net income as defined by GAAP.

| Reconciliation of Non-GAAP Financial Measure:       | Three Months Ended |          | Six Months Ended |          |
|---|--------------------|----------|------------------|----------|
|   | June 30,           |          | June 30,         |          |
| (In thousands)                                      | 2007               | 2006     | 2007             | 2006     |
| Discretionary cash flow                             | \$24,886           | \$35,100 | \$58,392         | \$68,880 |
| Net working capital changes and other changes       | 12,401             | (774)    | 11,764           | 6,462    |
| Net cash flow provided by operating activities      | \$37,287           | \$34,326 | \$70,156         | \$75,342 |
| Production and Price Information:                   |                    |          |                  |          |
|   | Three Months Ended |          | Six Months Ended |          |
|   | June 30,           |          | June 30,         |          |
|   | 2007               | 2006     | 2007             | 2006     |
| Production:   |                    |          |                  |          |
| Oil (MBbls)   | 263                | 443      | 551              | 958      |
| Gas (MMcf)  | 3,341              | 2,581    | 7,043            | 4,530    |
| Gas equivalent (MMcfe)                              | 4,920              | 5,239    | 10,348           | 10,281   |
| Average daily (MMcfe)                               | 54.1               | 57.6     | 57.2             | 56.8     |
| Average prices:                                     |                    |          |                  |          |
| Oil (\$/Bbl) (a)                                    | \$61.47            | \$59.99  | \$58.36          | \$56.74  |
| Gas (\$/Mcf)  | \$8.17             | \$7.93   | \$8.07           | \$8.44   |
| Gas equivalent (\$/Mcf)                             | \$8.84             | \$8.98   | \$8.60           | \$9.01   |
| Additional per Mcfe data:                           |                    |          |                  |          |
| Sales price   | \$8.84             | \$8.98   | \$8.60           | \$9.01   |
| Lease operating expenses                            | 1.75               | 1.41     | 1.47             | 1.29     |
| Operating margin                                    | \$7.09             | \$7.57   | \$7.13           | \$7.72   |
| Depletion   |                    |          |                  |          |
| General and administrative (net of management fees) | \$3.83             | \$2.82   | \$3.93           | \$2.78   |
|   | \$0.46             | \$0.37   | \$0.43           | \$0.36   |

(a) Below is a reconciliation of the average NYMEX price to the average realized sales price per barrel of oil:

|   |         |         |         |         |
|---|---------|---------|---------|---------|
| Average NYMEX oil price                     | \$65.00 | \$70.70 | \$61.63 | \$67.09 |
| Basis differentials and quality adjustments | (2.85)  | (7.83)  | (4.18)  | (7.93)  |
| Transportation                              | (1.14)  | (1.29)  | (1.14)  | (1.28)  |
| Hedging                                     | 0.46    | (1.59)  | 2.05    | (1.14)  |
|   | -----   | -----   | -----   | -----   |
| Averaged realized oil price                 | \$61.47 | \$59.99 | \$58.36 | \$56.74 |
|   | =====   | =====   | =====   | =====   |

Callon Petroleum Company  
Consolidated Balance Sheets  
(In thousands, except share data)  
(Unaudited)

|   | June 30,<br>2007 | December 31,<br>2006 |
|---|------------------|----------------------|
|   | -----            | -----                |
| ASSETS  |                  |                      |
| -----   |                  |                      |
| Current assets:   |                  |                      |
| Cash and cash equivalents                                 | \$29,270         | \$1,896              |
| Accounts receivable                                       | 24,486           | 32,166               |
| Restricted investments                                    | 2,658            | 4,306                |
| Fair market value of derivatives                          | 4,325            | 13,311               |
| Other current assets                                      | 6,902            | 5,973                |
|   | -----            | -----                |
| Total current assets                                      | 67,641           | 57,652               |
|   | -----            | -----                |
| Oil and gas properties, full-cost accounting method:      |                  |                      |
| Evaluated properties                                      | 1,268,691        | 1,096,907            |
| Less accumulated depreciation, depletion and amortization | (645,348)        | (604,682)            |
|   | -----            | -----                |
|   | 623,343          | 492,225              |
|   | -----            | -----                |
| Unevaluated properties excluded from amortization         | 68,050           | 54,802               |
|   | -----            | -----                |
| Total oil and gas properties                              | 691,393          | 547,027              |
|   | -----            | -----                |
| Other property and equipment, net                         | 2,104            | 1,996                |
| Restricted investments                                    | 3,749            | 1,935                |
| Investment in Medusa Spar LLC                             | 12,610           | 12,580               |
| Other assets, net   | 11,354           | 4,337                |
|   | -----            | -----                |
| Total assets  | \$788,851        | \$625,527            |
|   | =====            | =====                |

LIABILITIES AND STOCKHOLDERS'  
EQUITY

|  |          |          |
|--|----------|----------|
| -----                                    |          |          |
| Current liabilities:                     |          |          |
| Accounts payable and accrued liabilities | \$44,721 | \$46,611 |
| Asset retirement obligations             | 11,083   | 14,355   |

|  |           |           |
|--|-----------|-----------|
| Current maturities of long-term debt   | --        | 213       |
| Total current liabilities  | 55,804    | 61,179    |
| Long-term debt   | 390,907   | 225,521   |
| Asset retirement obligations   | 23,527    | 26,824    |
| Deferred tax liability   | 32,169    | 30,054    |
| Other long-term liabilities  | 1,018     | 586       |
| Total liabilities  | 503,425   | 344,164   |
| Stockholders' equity:  |           |           |
| Preferred Stock, \$.01 par value,<br>2,500,000 shares authorized;  | --        | --        |
| Common Stock, \$.01 par value, 30,000,000<br>shares authorized; 20,754,450 and<br>20,747,773 shares outstanding at June<br>30, 2007 and December 31, 2006,<br>respectively | 208       | 207       |
| Capital in excess of par value   | 222,304   | 220,785   |
| Other comprehensive income   | 2,811     | 8,652     |
| Retained earnings  | 60,103    | 51,719    |
| Total stockholders' equity   | 285,426   | 281,363   |
| Total liabilities and stockholders'<br>equity  | \$788,851 | \$625,527 |

Callon Petroleum Company  
Consolidated Statements of Operations  
(In thousands, except per share amounts)  
(Unaudited)

|   | Three Months<br>Ended<br>June 30, |          | Six Months<br>Ended<br>June 30, |          |
|---|-----------------------------------|----------|---------------------------------|----------|
|   | 2007                              | 2006     | 2007                            | 2006     |
| Operating revenues:                         |                                   |          |                                 |          |
| Oil sales                                   | \$16,178                          | \$26,580 | \$32,146                        | \$54,379 |
| Gas sales                                   | 27,296                            | 20,477   | 56,812                          | 38,259   |
| Total operating revenues                    | 43,474                            | 47,057   | 88,958                          | 92,638   |
| Operating expenses:                         |                                   |          |                                 |          |
| Lease operating expenses                    | 8,613                             | 7,365    | 15,212                          | 13,270   |
| Depreciation, depletion and<br>amortization | 18,819                            | 14,791   | 40,666                          | 28,627   |
| General and administrative                  | 2,271                             | 1,924    | 4,492                           | 3,650    |
| Accretion expense                           | 943                               | 1,331    | 2,055                           | 2,750    |
| Derivative expense                          | --                                | 30       | --                              | 120      |
| Total operating expenses                    | 30,646                            | 25,441   | 62,425                          | 48,417   |
| Income from operations                      | 12,828                            | 21,616   | 26,533                          | 44,221   |

|  |         |          |         |          |
|--|---------|----------|---------|----------|
| Other (income) expenses:               |         |          |         |          |
| Interest expense                       | 9,172   | 4,128    | 13,757  | 8,276    |
| Other (income)                         | (102)   | (670)    | (427)   | (1,000)  |
|  | -----   | -----    | -----   | -----    |
| Total other (income) expenses          | 9,070   | 3,458    | 13,330  | 7,276    |
|  | -----   | -----    | -----   | -----    |
| Income before income taxes             | 3,758   | 18,158   | 13,203  | 36,945   |
| Income tax expense                     | 1,315   | 6,294    | 5,118   | 12,844   |
|  | -----   | -----    | -----   | -----    |
| Income before Medusa Spar LLC          | 2,443   | 11,864   | 8,085   | 24,101   |
| Income from Medusa Spar LLC net of tax | 138     | 439      | 299     | 969      |
|  | -----   | -----    | -----   | -----    |
| Net income available to common shares  | \$2,581 | \$12,303 | \$8,384 | \$25,070 |
|  | =====   | =====    | =====   | =====    |
| Net income per common share:           |         |          |         |          |
| Basic                                  | \$0.12  | \$0.61   | \$0.40  | \$1.26   |
|  | =====   | =====    | =====   | =====    |
| Diluted                                | \$0.12  | \$0.57   | \$0.39  | \$1.17   |
|  | =====   | =====    | =====   | =====    |
| Shares used in computing net income:   |         |          |         |          |
| Basic                                  | 20,726  | 20,314   | 20,724  | 19,855   |
|  | =====   | =====    | =====   | =====    |
| Diluted                                | 21,302  | 21,448   | 21,248  | 21,388   |
|  | =====   | =====    | =====   | =====    |

Callon Petroleum Company  
Consolidated Statements of Cash Flows  
(In thousands)  
(Unaudited)

|   | Six Months Ended |          |
|---|------------------|----------|
|   | -----            | -----    |
|   | June 30,         | June 30, |
|   | 2007             | 2006     |
|   | -----            | -----    |
| Cash flows from operating activities:   |                  |          |
| Net income  | \$8,384          | \$25,070 |
| Adjustments to reconcile net income to cash provided by operating activities: |                  |          |
| Depreciation, depletion and amortization                                      | 41,095           | 28,996   |
| Accretion expense   | 2,055            | 2,750    |
| Amortization of deferred financing costs                                      | 1,314            | 1,106    |
| Non-cash derivative expense   | --               | 120      |
| Equity in earnings of Medusa Spar LLC   | (299)            | (969)    |
| Deferred income tax expense   | 5,118            | 12,844   |
| Non-cash charge related to compensation plans                                 | 725              | 267      |
| Excess tax benefits from share-based payment arrangements                     | --               | (1,304)  |
| Changes in current assets and liabilities:                                    |                  |          |
| Accounts receivable   | 6,340            | 1,282    |
| Other current assets  | (929)            | 243      |
| Current liabilities   | 6,980            | 5,579    |
| Change in gas balancing receivable  | (10)             | (257)    |

|   |           |          |
|---|-----------|----------|
| Change in gas balancing payable                           | 437       | 103      |
| Change in other long-term liabilities                     | (5)       | 216      |
| Change in other assets, net                               | (1,049)   | (704)    |
|   | -----     | -----    |
| Cash provided by operating activities                     | 70,156    | 75,342   |
|   | -----     | -----    |
| Cash flows from investing activities:                     |           |          |
| Capital expenditures                                      | (50,911)  | (80,015) |
| Entrada acquisition                                       | (150,000) | --       |
| Distribution from Medusa Spar LLC                         | 430       | 370      |
|   | -----     | -----    |
| Cash used by investing activities                         | (200,481) | (79,645) |
|   | -----     | -----    |
| Cash flows from financing activities:                     |           |          |
| Change in accrued liabilities to be refinanced            | --        | (5,000)  |
| Increases in debt   | 211,000   | 39,000   |
| Payments on debt  | (46,000)  | (32,000) |
| Deferred financing costs                                  | (6,429)   | --       |
| Equity issued related to employee stock plans             | --        | (381)    |
| Excess tax benefits from share-based payment arrangements | --        | 1,304    |
| Capital leases  | (872)     | (139)    |
|   | -----     | -----    |
| Cash provided by financing activities                     | 157,699   | 2,784    |
|   | -----     | -----    |
| Net increase (decrease) in cash and cash equivalents      | 27,374    | (1,519)  |
| Cash and cash equivalents:                                |           |          |
| Balance, beginning of period                              | 1,896     | 2,565    |
|   | -----     | -----    |
| Balance, end of period                                    | \$29,270  | \$1,046  |
|   | =====     | =====    |

Callon Petroleum Company is engaged in the exploration, development, acquisition and operation of oil and gas properties in the Gulf Coast region. The majority of Callon's properties and operations are concentrated in Louisiana, Alabama and the offshore waters of the Gulf of Mexico.

This news release is posted on the company's website at [www.callon.com](http://www.callon.com) and will be archived there for subsequent review. It can be accessed from the "News Releases" link on the left side of the homepage.

It should be noted that this news release contains projections and other forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These projections and statements reflect the company's current views with respect to future events and financial performance. No assurances can be given, however, that these events will occur or that these projections will be achieved and actual results could differ materially from those projected as a result of certain factors. Some of the factors which could affect our future results and could cause results to differ materially from those expressed in our forward-looking statements are discussed in our filings with the Securities and Exchange Commission, including our Annual Reports on Form 10-K, available on our website or the SEC's website at [www.sec.gov](http://www.sec.gov).

Source: Callon Petroleum Company

