

August 8, 2011



Callon Petroleum Company Reports Results For Second Quarter, First Six Months of 2011

NATCHEZ, Miss.-- Callon Petroleum Company (NYSE: CPE) today reported net income of \$19.9 million, or \$0.50 per fully diluted share, for the second quarter, and \$24.0 million, or \$0.65 per fully diluted share, for the six-month period ended June 30, 2011. This compares with net income of \$2.1 million, or \$0.07 per fully diluted share, during the second quarter, and \$6.0 million, or \$0.21 per fully diluted share, for the six-month period ended June 30, 2010.

Highlights during the second quarter and first half of 2011 include:

- Increased crude oil revenues by 83%, or \$13.2 million, to \$29.1 million for the three months ended June 30, 2011, compared to revenues of \$15.9 million for the same period of 2010.
- Increased natural gas revenues to \$7.7 million for the three months ended June 30, 2011 which is an increase of 37%, or \$2.0 million, as compared to gas revenues of \$5.7 million for the same period of 2010.
- Finalized the agreements necessary for a final wind down of the company's former Entrada project, resulting in a Gain on Acquired Assets during the period of \$3.7 million and a \$4.0 million income tax benefit.
- Completed a public offering of 10.1 million common shares to partially fund the company's accelerated Permian drilling program and to reduce long-term debt.
- Reduced long-term debt by \$31 million realizing annual cash interest expense savings of \$4 million. The outstanding balance of the company's Senior Notes due in 2016 has been reduced to \$107 million.

Second Quarter and Six Months 2011 Operating Results. Operating results for the three months ended June 30, 2011 include oil and gas sales of \$36.8 million from average production of 5.6 thousand barrels of oil equivalent per day (Mboe/d). This corresponds to sales of \$21.6 million from average production of 4.4 Mboe/d during the comparable 2010 period. The average price per barrel of oil (Bbl) received in the second quarter of 2011, after hedging impact, increased to \$105.75, compared to \$74.03 for the same period in 2010. The average price per thousand cubic feet of natural gas (Mcf) received during the quarter ended June 30, 2011 increased to \$5.58, compared to \$5.22, after the impact of hedging, for the quarter ended June 30, 2010.

Oil and gas sales for the first six months of 2011 totaled \$62.3 million from average production of 5.1 Mboe/d. This corresponds to sales of \$45.0 million from average

production of 4.5 Mboe/d during the same period in 2010. The average price received per Bbl in the first half of 2011, after hedging impact, increased to \$100.71, compared to \$74.41 during the same period in 2010. Likewise, the average price received per Mcf in the six-month period of 2011 decreased to \$5.27, compared to \$5.50 during the first six months of 2010.

Second Quarter and Six Months 2011 Discretionary Cash Flow Discretionary cash flow for the quarter ended June 30, 2011 totaled \$24.2 million compared to \$10.6 million during the comparable prior year period. Net cash flow provided by operating activities, as defined by U.S. GAAP, totaled \$17.5 million and \$18.5 million during the quarter ended June 30, 2011 and 2010, respectively. Discretionary cash flow for the six months ended June 30, 2011 and 2010 totaled \$37.0 million and \$21.8 million, respectively. Net cash flow provided by operating activities, as defined by GAAP, totaled \$31.0 million and \$74.0 million for the six-month periods ended June 30, 2011 and 2010, respectively. Cash flow from operations in the first half of 2010 included a \$44.8 million recoupment of royalties paid to the Bureau of Ocean Energy Management, Regulation and Enforcement (“BOEMRE;” formerly the Minerals Management Service), and related interest of \$7.9 million. (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 U.S. GAAP.

| | Three Months Ended June 30, | | | Six Months Ended June 30, | | |
|--|-----------------------------|-----------|-----------|---------------------------|-----------|--------------|
| | 2011 | 2010 | Change | 2011 | 2010 | Change |
| Discretionary cash flow | \$ 24,238 | \$ 10,615 | \$ 13,623 | \$ 37,007 | \$ 21,764 | \$ 15,243 |
| Net working capital changes and other changes | (6,737) | 7,839 | (14,575) | (6,049) | 52,240 | (58,288) |
| Net cash flow provided by operating activities | \$ 17,501 | \$ 18,454 | \$ (952) | \$ 30,958 | \$ 74,004 | \$ (43,045) |

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 June 30, | | | |
|-----------------------------------|-----------------------------|----------|-----------|----------|
| | 2011 | 2010 | \$ Change | % Change |
| Net production: | | | | |
| Oil (MBbls) | 275 | 215 | 60 | 28 % |
| Gas (MMcf) | 1,388 | 1,085 | 303 | 28 % |
| Total production (Mboe) | 506 | 396 | 110 | 28 % |
| Average daily production (MBoe) | 5,564 | 4,350 | 1,214 | 28 % |
| Average realized sales price (a): | | | | |
| Oil (Bbl) | \$ 105.75 | \$ 74.03 | \$ 31.72 | 43 % |

| | | | | | |
|--|-----------|-----------|------------|------|---|
| Gas (Mcf) | 5.58 | 5.22 | 0.36 | 7 | % |
| Total (Boe) | 72.75 | 54.49 | 18.26 | 34 | % |
| Oil and gas revenues (in thousands): | | | | | |
| Oil revenue | \$ 29,087 | \$ 15,901 | \$ 13,186 | 83 | % |
| Gas revenue | 7,747 | 5,668 | 2,079 | 37 | % |
| Total | \$ 36,834 | \$ 21,569 | \$ 15,265 | 71 | % |
| Additional per Boe data: | | | | | |
| Sales price | \$ 72.75 | \$ 54.49 | \$ 18.26 | 34 | % |
| Lease operating expense | (10.47) | (10.18) | (0.29) | 3 | % |
| Operating margin | \$ 62.28 | \$ 44.31 | \$ 17.97 | 41 | % |
| Other expenses per Boe: | | | | | |
| Depletion, depreciation and amortization | \$ 25.58 | \$ 17.79 | \$ 7.79 | 44 | % |
| General and administrative | \$ 7.50 | \$ 11.14 | \$ (3.64) | (33) | % |

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

| | | | | | |
|--|-----------|----------|----------|------|---|
| Average NYMEX price per barrel of oil | \$ 102.56 | \$ 78.03 | \$ 24.53 | 31 | % |
| Basis differential and quality adjustments | 5.50 | (2.88) | 8.38 | nm | |
| Transportation | (1.04) | (1.16) | 0.12 | (10) | % |
| Hedging | (1.27) | 0.04 | (1.31) | nm | |
| Average realized price per barrel of oil | \$ 105.75 | \$ 74.03 | \$ 31.72 | 43 | % |
| Average NYMEX price per thousand cubic feet of natural gas ("Mcf") | \$ 4.37 | \$ 4.34 | 0.03 | 1 | % |
| Basis differential and quality adjustments | 1.21 | 0.70 | 0.51 | 73 | % |
| Hedging | - | 0.18 | (0.18) | 100 | % |
| Average realized price per Mcf of gas | \$ 5.58 | \$ 5.22 | \$ 0.36 | 7 | % |

nm – Not Meaningful

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

| | Six Months Ended June 30, | | | |
|--------------------------------------|---------------------------|-----------|-----------|----------|
| | 2011 | 2010 | \$ Change | % Change |
| Net production: | | | | |
| Oil (MBbls) | 476 | 438 | 38 | 9 % |
| Gas (MMcf) | 2,730 | 2,252 | 478 | 21 % |
| Total production (MBoe) | 931 | 813 | 118 | 14 % |
| Average daily production (Boe) | 5,141 | 4,494 | 647 | 14 % |
| Average realized sales price (a): | | | | |
| Oil (Bbl) | \$ 100.71 | \$ 74.41 | \$ 26.30 | 35 % |
| Gas (Mcf) | 5.27 | 5.50 | (0.23) | (4)% |
| Total (Boe) | 66.93 | 55.27 | 11.66 | 21 % |
| Oil and gas revenues (in thousands): | | | | |
| Oil revenue | \$ 47,891 | \$ 32,564 | \$ 15,327 | 47 % |
| Gas revenue | 14,392 | 12,390 | 2,002 | 16 % |
| Total | \$ 62,283 | \$ 44,954 | \$ 17,329 | 39 % |
| Additional per Boe data: | | | | |
| Sales price | \$ 66.93 | \$ 55.27 | \$ 11.66 | 21 % |
| Lease operating expense | (11.12) | (10.67) | (0.45) | 4 % |
| Operating margin | \$ 55.81 | \$ 44.60 | \$ 11.21 | 25 % |

| | | | | | |
|--|----------|----------|----------|------|----|
| Other expenses per Boe: | | | | | |
| Depletion, depreciation and amortization | \$ 24.43 | \$ 17.03 | \$ 7.39 | 43 | % |
| General and administrative | \$ 8.62 | \$ 10.72 | \$(2.10) | (20) |)% |

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

| | | | | | |
|--|-----------|----------|----------|-------|----|
| Average NYMEX price per barrel of oil | \$ 98.34 | \$ 78.37 | \$ 19.97 | 25 | % |
| Basis differential and quality adjustments | 4.48 | (2.83) | 7.31 | nm | |
| Transportation | (1.17) | (1.16) | (0.01) | 1 | % |
| Hedging | (0.94) | 0.03 | (0.97) | nm | |
| Average realized price per barrel of oil | \$ 100.71 | \$ 74.41 | \$ 26.30 | 35 | % |
| Average NYMEX price per thousand cubic feet of natural gas ("Mcf") | \$ 4.29 | \$ 4.69 | \$(0.40) | (9) |)% |
| Basis differential and quality adjustments | 0.98 | 0.73 | 0.25 | 34 | % |
| Hedging | - | 0.08 | (0.08) | (100) |)% |
| Average realized price per Mcf of gas | \$ 5.27 | \$ 5.50 | \$(0.23) | (4) |)% |

nm – Not Meaningful

**Callon Petroleum Company
Consolidated Balance Sheets
(in thousands, except share data)**

| | June 30, 2011 (Unaudited) | December 31, 2010 |
|--|------------------------------|-------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 52,018 | \$ 17,436 |
| Accounts receivable | 19,024 | 10,728 |
| Fair market value of derivatives | 1,704 | - |
| Other current assets | 1,610 | 2,180 |
| Total current assets | 74,356 | 30,344 |
| Oil and gas properties, full-cost accounting method: | | |
| Evaluated properties | 1,361,534 | 1,316,677 |
| Less accumulated depreciation, depletion and amortization | (1,182,317) | (1,155,915) |
| Net oil and gas properties | 179,217 | 160,762 |
| Unevaluated properties excluded from amortization | 6,889 | 8,106 |
| Total oil and gas properties | 186,106 | 168,868 |
| Other property and equipment, net | 11,480 | 3,370 |
| Restricted investments | 4,414 | 4,044 |
| Investment in Medusa Spar LLC | 10,213 | 10,424 |
| Other assets, net | 2,225 | 1,276 |
| Total assets | \$ 288,794 | \$ 218,326 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 25,069 | \$ 17,702 |
| Asset retirement obligations | 1,538 | 2,822 |
| Fair market value of derivatives | 600 | 937 |
| Total current liabilities | 27,207 | 21,461 |
| 13% Senior Notes | | |
| Principal outstanding | 106,961 | 137,961 |
| Deferred credit, net of accumulated amortization of \$11,551 and \$3,964, respectively | 19,956 | 27,543 |
| Total 13% Senior Notes | 126,917 | 165,504 |
| Asset retirement obligations | 12,825 | 13,103 |

| | | |
|--|------------|------------|
| Other long-term liabilities | 3,845 | 2,448 |
| Total liabilities | 170,794 | 202,516 |
| Stockholders' equity: | | |
| Preferred Stock, \$.01 par value, 2,500,000 shares authorized; | - | - |
| Common Stock, \$.01 par value, 60,000,000 shares authorized; 39,368,473 and 28,984,125 shares outstanding at June 30, 2011 and December 31, 2010, respectively | 394 | 290 |
| Capital in excess of par value | 322,939 | 248,160 |
| Other comprehensive loss | (5,310) | (8,560) |
| Retained earnings (deficit) | (200,023) | (224,080) |
| Total stockholders' equity | 118,000 | 15,810 |
| Total liabilities and stockholders' equity | \$ 288,794 | \$ 218,326 |

Callon Petroleum Company
Consolidated Statements of Operations (Unaudited)
(in thousands, except per share data)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|--------------------------------|-----------|------------------------------|-----------|
| | 2011 | 2010 | 2011 | 2010 |
| Operating revenues: | | | | |
| Oil sales | \$ 29,087 | \$ 15,901 | \$ 47,891 | \$ 32,564 |
| Gas sales | 7,747 | 5,668 | 14,392 | 12,390 |
| Total operating revenues | 36,834 | 21,569 | 62,283 | 44,954 |
| Operating expenses: | | | | |
| Lease operating expenses | 5,299 | 4,031 | 10,344 | 8,679 |
| Depreciation, depletion and amortization | 12,952 | 7,042 | 22,728 | 13,855 |
| General and administrative | 3,799 | 4,411 | 8,023 | 8,715 |
| Accretion expense | 583 | 622 | 1,198 | 1,202 |
| Total operating expenses | 22,633 | 16,106 | 42,293 | 32,451 |
| Income from operations | 14,201 | 5,463 | 19,990 | 12,503 |
| Other (income) expenses: | | | | |
| Interest expense | 2,698 | 3,198 | 6,190 | 6,792 |
| (Gain) loss on early extinguishment of debt | - | 339 | (1,942) | 339 |
| Gain on acquired assets | (3,688) | - | (3,688) | - |
| Other (income) expense | (425) | (111) | (253) | (472) |
| Total other (income) expenses | (1,415) | 3,426 | 307 | 6,659 |
| Income before income taxes | 15,616 | 2,037 | 19,683 | 5,844 |
| Income tax benefit | (3,972) | - | (3,972) | - |
| Income before equity in earnings of Medusa Spar LLC | 19,588 | 2,037 | 23,655 | 5,844 |
| Equity in earnings of Medusa Spar LLC | 289 | 93 | 386 | 209 |
| Net income available to common shares | \$ 19,877 | \$ 2,130 | \$ 24,041 | \$ 6,053 |
| Net income per common share: | | | | |
| Basic | \$ 0.51 | \$ 0.07 | \$ 0.66 | \$ 0.21 |
| Diluted | \$ 0.50 | \$ 0.07 | \$ 0.65 | \$ 0.21 |
| Shares used in computing net income per common share: | | | | |
| Basic | 39,225 | 28,762 | 36,485 | 28,750 |
| Diluted | 39,844 | 29,583 | 37,191 | 29,406 |

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

| | Six Months Ended June 30, | |
|---|----------------------------------|------------------|
| | 2011 | 2010 |
| Cash flows from operating activities: | | |
| Net income | \$ 24,041 | \$ 6,053 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation, depletion and amortization | 23,203 | 14,245 |
| Accretion expense | 1,198 | 1,202 |
| Gain on acquired assets | (3,688) | - |
| Amortization of non-cash debt related items | 218 | 221 |
| Amortization of deferred credit | (1,583) | (1,796) |
| (Gain) loss on early extinguishment of debt | (1,942) | 179 |
| Equity in earnings of Medusa Spar LLC | (386) | (209) |
| Deferred income tax expense | 8,186 | 2,021 |
| Deferred income tax asset valuation allowance | (12,158) | (2,021) |
| Non-cash derivative income due to hedge ineffectiveness | (33) | - |
| Non-cash charge related to compensation plans | 1,239 | 2,049 |
| Payments to settle asset retirement obligations | (1,288) | (180) |
| Changes in current assets and liabilities | | |
| Accounts receivable | (7,909) | 53,362 |
| Other current assets | 573 | 658 |
| Current liabilities | 1,353 | (921) |
| Change in gas balancing receivable | 186 | 285 |
| Change in gas balancing payable | (52) | (249) |
| Change in other long-term liabilities | 100 | (115) |
| Change in other assets, net | (300) | (780) |
| Cash provided by operating activities | 30,958 | 74,004 |
| Cash flows from investing activities: | | |
| Capital expenditures | (42,018) | (19,987) |
| Investment in restricted assets for plugging and abandonment | (75) | (300) |
| Proceeds from sale of mineral interest and equipment | 6,417 | - |
| Distribution from Medusa Spar LLC | 597 | 818 |
| Cash used in investing activities | (35,079) | (19,469) |
| Cash flows from financing activities: | | |
| Payments on senior secured credit facility | - | (10,000) |
| Redemption of remaining 9.75% senior notes | - | (16,052) |
| Redemption of 13% senior notes | (35,062) | - |
| Proceeds from exercise of employee stock options | - | 5 |
| Issuance of common stock | 73,765 | - |
| Cash provided by (used in) financing activities | 38,703 | (26,047) |
| Net change in cash and cash equivalents | 34,582 | 28,488 |
| Cash and cash equivalents: | | |
| Balance, beginning of period | 17,436 | 3,635 |
| Less: Cash held by subsidiary deconsolidated at January 1, 2010 | - | (311) |
| Balance, end of period | \$ 52,018 | \$ 31,812 |

Callon Petroleum Company is engaged in the acquisition, development, exploration and operation of oil and gas properties in Louisiana, Texas, and the offshore waters of the Gulf of Mexico.

This news release is posted on the company's website at 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 and quarterly reports on Form 10-Q, available on our website or the SEC's website at www.sec.gov.

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