

November 5, 2009



Callon Petroleum Company Reports Results of Operations For Third Quarter, First Nine Months of 2009

NATCHEZ, Miss.-- Callon Petroleum Company (NYSE: CPE) today reported results of operations for both the three and the nine-month periods ended September 30, 2009.

Third Quarter and Nine Months 2009 Net Income. For the quarter ended September 30, 2009, the company reported a net loss of \$1.0 million, or \$0.04 per share. Net income for the comparable period of 2008 was \$5.9 million, or \$0.27 per share. For the nine months ended September 30, 2009, Callon reported net income of \$0.5 million, or \$0.02 per share. This compares with net income of \$18.6 million, or \$0.85 per share during the same period of 2008. All per share amounts are on a diluted basis.

Third Quarter and Nine Months 2009 Operating Results. Operating results for the three months ended September 30, 2009 include oil and gas sales of \$21.3 million from average production of 27.4 million cubic feet of natural gas equivalent per day (MMcfe/d), which was within the company's published guidance range of 25 MMcfe/d to 28 MMcfe/d. This corresponds to sales of \$32.8 million from average production of 25.9 MMcfe/d during the comparable 2008 period. The average price received, after the impact of hedging, per thousand cubic feet of natural gas (Mcf) for the quarter ended September 30, 2009 decreased to \$3.64, compared to \$10.77 for the quarter ended September 30, 2008. The average price received, after the impact of hedging, per barrel of oil (Bbl) in the third quarter of 2009 decreased to \$83.38, compared to \$99.40 during the third quarter of 2008. Oil and gas sales for the first nine months of 2009 totaled \$71.2 million from average production of 31.3 MMcfe/d. This corresponds to sales of \$125.8 million from average production of 35.0 MMcfe/d during the same period in 2008. The average price, after the impact of hedging, received per Mcf in the nine-month period of 2009 decreased to \$4.69, compared to \$10.53 during the first nine months of 2008, while the average price received, after the impact of hedging, per Bbl in the first nine months of 2009 decreased to \$71.03, compared to \$94.89 during the same period in 2008.

Third Quarter and Nine Months 2009 Discretionary Cash Flow. Discretionary cash flow for the three-month period ended September 30, 2009 totaled \$9.8 million compared to \$21.9 million during the comparable prior year period. As defined by U.S. generally accepted accounting principles (GAAP), net cash flow used in operating activities totaled \$14.9 million during the quarter ended September 30, 2009 and net cash flow provided by operating activities totaled \$60.9 million during the quarter ended September 30, 2008. Discretionary cash flow for the first nine months of 2009 totaled \$35.4 million compared to \$81.2 million during the same period in 2008. Net cash flow provided by operating activities, as defined by

GAAP, totaled \$17.0 million and \$124.8 million during the nine-month periods ended September 30, 2009 and 2008, 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 | | Nine Months Ended | |
|------------------------------------------------|--------------------|-----------|-------------------|------------|
| | September 30, | | September 30, | |
| (In thousands) | 2009 | 2008 | 2009 | 2008 |
| Discretionary cash flow | \$ 9,802 | \$ 21,873 | \$ 35,416 | \$ 81,161 |
| Net working capital changes and other changes | 5,142 | 38,993 | (18,419) | 43,614 |
| Net cash flow provided by operating activities | \$ 14,944 | \$ 60,866 | \$ 16,997 | \$ 124,775 |

| Production and Price Information: | Three Months | | Nine Months | |
|-----------------------------------|---------------|----------|---------------|----------|
| | Ended | | Ended | |
| | September 30, | | September 30, | |
| | 2009 | 2008 | 2009 | 2008 |
| Production: | | | | |
| Oil (MBbls) | 197 | 205 | 723 | 780 |
| Gas (MMcf) | 1,336 | 1,153 | 4,216 | 4,913 |
| Gas equivalent (MMcfe) | 2,520 | 2,383 | 8,556 | 9,593 |
| Average daily (MMcfe) | 27.4 | 25.9 | 31.3 | 35.0 |
| Average prices: | | | | |
| Oil (\$/Bbl) (a) | \$ 83.38 | \$ 99.40 | \$ 71.03 | \$ 94.89 |
| Gas (\$/Mcf) | \$ 3.64 | \$ 10.77 | \$ 4.69 | \$ 10.53 |

| | | | | |
|-----------------------------------------------------|---------|----------|---------|----------|
| Gas equivalent (\$/Mcf) | \$ 8.46 | \$ 13.76 | \$ 8.32 | \$ 13.11 |
| Additional per Mcfe data: | | | | |
| Sales price | \$ 8.46 | \$ 13.76 | \$ 8.32 | \$ 13.11 |
| Lease operating expenses | 1.97 | 1.55 | 1.60 | \$ 1.43 |
| Operating margin | \$ 6.49 | \$ 12.21 | \$ 6.72 | \$ 11.68 |
| Depletion | \$ 2.72 | \$ 4.83 | \$ 2.89 | \$ 4.35 |
| General and administrative (net of management fees) | \$ 1.19 | \$ 0.61 | \$ 1.19 | \$ 0.73 |

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

| | | | | |
|---------------------------------------------|----------|-----------|----------|-----------|
| Average NYMEX oil price | \$ 68.27 | \$ 117.98 | \$ 56.99 | \$ 113.29 |
| Basis differentials and quality adjustments | (2.60) | 1.32 | (4.40) | (3.07) |
| Transportation | (1.32) | (1.34) | (1.35) | (1.30) |
| Hedging | 19.03 | (18.56) | 19.79 | (14.03) |
| Averaged realized oil price | \$ 83.38 | \$ 99.40 | \$ 71.03 | \$ 94.89 |

Callon Petroleum Company

Consolidated Balance Sheets

(In thousands, except share data)

| | September 30, 2009 | December 31, 2008 |
|------------------------------------------------------|-----------------------|----------------------|
| ASSETS | (Unaudited) | |
| Current assets: | | |
| Cash and cash equivalents | \$ 1,062 | \$ 17,126 |
| Accounts receivable | 17,796 | 44,290 |
| Fair market value of derivatives | 3,630 | 21,780 |
| Other current assets | 2,681 | 1,103 |
| Total current assets | 25,169 | 84,299 |
| Oil and gas properties, full-cost accounting method: | | |

| | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------|--------------|
| Evaluated properties | 1,576,267 | 1,581,698 |
| Less accumulated depreciation, depletion and amortization | (1,480,000) | (1,455,275) |
| | 96,267 | 126,423 |
| Unevaluated properties excluded from amortization | 29,315 | 32,829 |
| Total oil and gas properties | 125,582 | 159,252 |
| Other property and equipment, net | 2,498 | 2,536 |
| Restricted investments | 4,057 | 4,759 |
| Investment in Medusa Spar LLC | 11,688 | 12,577 |
| Other assets, net | 2,174 | 2,667 |
| Total assets | \$ 171,168 | \$ 266,090 |
| LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT) | | |
| Current liabilities: | | |
| Accounts payable and accrued liabilities | \$ 15,589 | \$ 76,516 |
| Asset retirement obligations | 4,283 | 9,151 |
| | 19,872 | 85,667 |
| Callon Entrada non-recourse credit facility | 84,450 | -- |
| Total current liabilities | 104,322 | 85,667 |
| 9.75% Senior Notes | 196,412 | 194,420 |
| Callon Entrada non-recourse credit facility | -- | 78,435 |
| Total long-term debt | 196,412 | 272,855 |
| Asset retirement obligations | 12,503 | 33,043 |
| Callon Entrada non-recourse credit facility interest payable | -- | 2,719 |
| Other long-term liabilities | 1,685 | 1,610 |
| Total liabilities | 314,922 | 395,894 |
| Stockholders' equity (deficit): | | |
| Preferred Stock, \$.01 par value, 2,500,000 shares authorized; | -- | -- |
| Common Stock, \$.01 par value, 30,000,000 shares authorized; 21,805,311 and 21,621,142 shares outstanding at September 30, 2009 and December 31, 2008, respectively | 218 | 216 |

| | | | |
|------------------------------------------------------|------------|---|------------|
| Capital in excess of par value | 231,540 | | 227,803 |
| Other comprehensive income (loss) | (4,056 |) | 14,157 |
| Retained (deficit) earnings | (371,456 |) | (371,980) |
| Total stockholders' equity (deficit) | (143,754 |) | (129,804) |
| Total liabilities and stockholders' equity (deficit) | \$ 171,168 | | \$ 266,090 |

Callon Petroleum Company

Consolidated Statements of Operations

(In thousands, except per share amounts)

(Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|--------------------------------------------------------------|--------------------|-----------|-------------------|-----------|
| | September 30, | | September 30, | |
| | 2009 | 2008 | 2009 | 2008 |
| Operating revenues: | | | | |
| Oil sales | \$ 16,451 | \$ 20,366 | \$ 51,374 | \$ 74,016 |
| Gas sales | 4,869 | 12,417 | 19,786 | 51,756 |
| Total operating revenues | 21,320 | 32,783 | 71,160 | 125,772 |
| Operating expenses: | | | | |
| Lease operating expenses | 4,962 | 3,701 | 13,657 | 13,749 |
| Depreciation, depletion and amortization | 6,861 | 11,513 | 24,726 | 41,760 |
| General and administrative | 3,000 | 1,451 | 10,210 | 7,046 |
| Derivative expense | -- | 1,386 | -- | 1,386 |
| Accretion expense | 698 | 1,092 | 2,531 | 3,076 |
| Total operating expenses | 15,521 | 19,143 | 51,124 | 67,017 |
| Income from operations | 5,799 | 13,640 | 20,036 | 58,755 |
| Other (income) expenses: | | | | |
| Interest expense | 4,919 | 4,152 | 14,555 | 18,526 |
| Callon Entrada non-recourse credit facility interest expense | 1,882 | 862 | 5,373 | 1,183 |
| Other (income) expense | 110 | (89) | 76 | (940) |

| | | | | |
|------------------------------------------------------------|------------|----------|---------|-----------|
| Loss on early extinguishment of debt | -- | -- | -- | 11,871 |
| Total other (income) expenses | 6,911 | 4,925 | 20,004 | 30,640 |
| Income (loss) before income taxes | (1,112) | 8,715 | 32 | 28,115 |
| Income tax expense | -- | 2,919 | -- | 9,731 |
| Income (loss) before equity in earnings of Medusa Spar LLC | (1,112) | 5,796 | 32 | 18,384 |
| Equity in earnings of Medusa Spar LLC | 157 | 60 | 492 | 257 |
| Net income (loss) available to common shares | \$ (955) | \$ 5,856 | \$ 524 | \$ 18,641 |
| Net income (loss) per common share: | | | | |
| Basic | \$ (0.04) | \$ 0.27 | \$ 0.02 | \$ 0.88 |
| Diluted | \$ (0.04) | \$ 0.27 | \$ 0.02 | \$ 0.85 |
| Shares used in computing net income per common share: | | | | |
| Basic | 21,705 | 21,460 | 21,631 | 21,078 |
| Diluted | 21,705 | 22,028 | 21,665 | 21,893 |

Callon Petroleum Company

Consolidated Statements of Cash Flows

(In thousands)

(Unaudited)

| | Nine Months Ended | |
|-------------------------------------------------------------------------------|-----------------------|-----------------------|
| | September 30, 2009 | September 30, 2008 |
| Cash flows from operating activities: | | |
| Net income | \$ 524 | \$ 18,641 |
| Adjustments to reconcile net income to cash provided by operating activities: | | |
| Depreciation, depletion and amortization | 25,359 | 42,333 |
| Accretion expense | 2,531 | 3,076 |

| | | | |
|--------------------------------------------------------------|---------|---|----------|
| Amortization of deferred financing costs | 2,251 | | 2,308 |
| Callon Entrada non-recourse credit facility interest expense | 3,296 | | -- |
| Non-cash loss on early extinguishment of debt | -- | | 5,598 |
| Equity in earnings of Medusa Spar LLC | (492 |) | (257 |
| Non-cash derivative expense | -- | | 690 |
| Deferred income tax expense | -- | | 9,731 |
| Non-cash charge related to compensation plans | 1,947 | | 1,026 |
| Excess tax benefits from share-based payment arrangements | -- | | (1,985 |
| Changes in current assets and liabilities: | | | |
| Accounts receivable | 8,355 | | 13,094 |
| Other current assets | (841 |) | 3,094 |
| Current liabilities | (25,709 |) | 26,039 |
| Change in gas balancing receivable | 454 | | 806 |
| Change in gas balancing payable | (201 |) | 356 |
| Change in other long-term liabilities | 54 | | 1,174 |
| Change in other assets, net | (531 |) | (949 |
| Cash provided by operating activities | 16,997 | | 124,775 |
| Cash flows from investing activities: | | | |
| Capital expenditures | (34,442 |) | (123,626 |
| Proceeds from sale of mineral interests | -- | | 167,493 |
| Distribution from Medusa Spar LLC | 1,381 | | 389 |
| Cash (used in) provided by investing activities | (33,061 |) | 44,256 |
| Cash flows from financing activities: | | | |
| Proceeds from senior secured credit facility | 9,337 | | 94,435 |
| Payments on senior secured credit facility | (9,337 |) | (216,000 |
| Equity issued related to stock incentive plans | -- | | (1,152 |
| Excess tax benefits from share-based payment arrangements | -- | | 1,985 |
| Cash used in financing activities | -- | | (120,732 |
| Net change in cash and cash equivalents | (16,064 |) | 48,299 |

Cash and cash equivalents:

| | | |
|------------------------------|----------|------------|
| Balance, beginning of period | 17,126 | 53,250 |
| Balance, end of period | \$ 1,062 | \$ 101,549 |

Callon Petroleum Company is engaged in the acquisition, development, exploration and operation of oil and gas properties primarily in the Gulf Coast region. Callon's properties and operations are geographically concentrated 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, available on our website or the SEC's website at www.sec.gov.

Source: Callon Petroleum Company