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 SEPTEMBER 30, 2001 COMMISSION FILE NUMBER 001-14039

CALLON PETROLEUM COMPANY

(Exact name of Registrant as specified in its charter)

<Table>
<Caption>

<S>	<C>
DELAWARE	64-0844345
--------	----------
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

</Table>

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 November 5, 2001, there were 13,397,706 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, EXCEPT SHARE DATA)

<Table>
<Caption>

<S>	SEPTEMBER 30, 2001 (UNAUDITED) <C>	DECEMBER 31, 2000 <C>
ASSETS		
Current assets:		
Cash and cash equivalents	$ 6,883	$ 11,876
Accounts receivable	6,723	9,244
Advance to operators	--	1,131
Derivative asset-current portion	8,458	--
Other current assets	172	207
Total current assets	22,236	22,458
Oil and gas properties, full cost accounting method:		
Evaluated properties	672,554	589,549
Less accumulated depreciation, depletion and amortization	(393,115)	(378,589)
	279,439	210,960
Unevaluated properties excluded from amortization	44,579	47,653
Total oil and gas properties	324,018	258,613
Pipeline and other facilities	5,448	5,537
Other property and equipment, net	2,509	1,790
Deferred tax asset	--	8,573
Long-term gas balancing receivable	567	643
Other assets, net	5,372	3,955
Total assets	$ 360,150	$ 301,569
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 17,603	$ 17,842
Undistributed oil and gas revenues	1,343	1,411
Accrued net profits payable	1,798	2,146
Senior subordinated notes due 2002	36,000	--
Total current liabilities	56,744	21,399

Accounts payable and accrued liabilities to be refinanced	6,155	--
Long-term debt	137,702	134,000
Deferred revenue on sale of production payment interest	3,623	7,236
Deferred tax liability	325	--
Accrued retirement benefits	140	1,886
Long-term gas balancing payable	1,042	720
Total liabilities	205,731	165,241
Stockholders' equity:		
Preferred stock, $0.01 par value, 2,500,000 shares authorized; 600,861 shares of Convertible Exchangeable Preferred Stock, Series A, issued and outstanding with a liquidation preference of $15,021,525	6	6
Common stock, $0.01 par value, 20,000,000 shares authorized; 13,387,067 and 13,327,675 outstanding at September 30, 2001 and at December 31, 2000, respectively	134	133
Treasury stock (99,078 shares at cost)	(1,183)	(1,183)
Capital in excess of par value	153,747	151,223
Other comprehensive income	6,634	--
Retained earnings (deficit)	(4,919)	(13,851)
Total stockholders' equity	154,419	136,328
Total liabilities and stockholders' equity	$ 360,150	$ 301,569

</Table>

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

CALLON PETROLEUM COMPANY

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

<Table>
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	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Revenues:				
Oil and gas sales	$ 12,404	$ 15,960	$ 49,647	$ 39,720
Interest and other	311	462	1,592	1,536
Total revenues	12,715	16,422	51,239	41,256
Costs and expenses:				
Lease operating expenses	3,238	2,295	8,963	6,449
Depreciation, depletion and amortization	4,722	4,568	14,773	12,885
General and administrative	843	992	3,545	2,964
Interest	3,508	2,103	8,742	5,949
Total costs and expenses	12,311	9,958	36,023	28,247
Income from operations	404	6,464	15,216	13,009
Income tax expense	142	2,197	5,326	4,423
Net income	262	4,267	9,890	8,586
Preferred stock dividends	320	553	958	1,658
Net income (loss) available to common shares	$ (58)	$ 3,714	$ 8,932	$ 6,928

Net income (loss) per common share:					
Basic	$ 0.00	$ 0.30	$ 0.67	$ 0.57	
Diluted	$ 0.00	$ 0.29	$ 0.67	$ 0.56	
Shares used in computing net income (loss) per common share:					
Basic	13,284	12,228	13,265	12,185	
Diluted	13,407	14,968	13,412	12,476	

</Table>

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

CALLON PETROLEUM COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(IN THOUSANDS)

<Table>
<Caption>

<S>	NINE MONTHS ENDED SEPTEMBER 30, 2001 <C>	2000 <C>
Cash flows from operating activities:		
Net income	$ 9,890	$ 8,586
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation, depletion and amortization	15,232	13,207
Amortization of deferred costs	1,610	704
Amortization of deferred production payment revenue	(3,613)	(3,626)
Deferred income tax expense	5,326	4,423
Noncash charge related to compensation plans	714	907
Changes in current assets and liabilities:		
Accounts receivable	2,521	(2,985)
Advance to operators	1,131	--
Other current assets	35	(368)
Current liabilities	(655)	(1,527)
Change in gas balancing receivable	76	(161)
Change in gas balancing payable	322	6
Change in other long-term liabilities	(1,746)	(166)
Change in other assets, net	(957)	(271)
Cash provided (used) by operating activities	29,886	18,729
Cash flows from investing activities:		
Capital expenditures	(85,254)	(68,531)
Cash proceeds from sale of mineral interests	1,195	821
Cash provided (used) by investing activities	(84,059)	(67,710)
Cash flows from financing activities:		
Increase in accounts payable and accrued liabilities to be refinanced	6,155	--
Payment on debt	(39,000)	--
Increase in debt	85,000	26,000
Debt issuance cost	(2,375)	--
Equity issued related to employee stock plans	358	236
Cash dividends on preferred stock	(958)	(1,658)
Cash provided (used) by financing activities	49,180	24,578
Net increase (decrease) in cash and cash equivalents	(4,993)	(24,403)

Cash and cash equivalents:		
Balance, beginning of period	11,876	34,671
	----------	----------
Balance, end of period	$ 6,883	$ 10,268
	==========	==========

</Table>

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

CALLON PETROLEUM COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2001

1. BASIS OF PRESENTATION

The financial information presented as of any date other than December 31, has been prepared from the books of Callon Petroleum Company (The "Company") 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, 2000 included in the Company's Annual Report on Form 10-K dated March 30, 2001.

Effective January 1, 2001, the Company adopted Statement of Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities, as amended ("SFAS 133"). SFAS 133 establishes accounting and reporting standards requiring that derivative instruments, including certain derivative instruments embedded in other contracts, be recorded in the balance sheet as either an asset or a liability measured at its fair value. Changes in the value of derivatives that qualify as cash flow hedges, to the extent effective, are reported in other comprehensive income, a component of stockholders' equity, until realized. See Note 3.

In July 2001, the Financial Accounting Standards Board approved Statement of Accounting Standards No. 143, Asset Retirement Obligations ("SFAS 143"). SFAS 143 will require that the fair value of abandonment obligations be reflected as a liability, resulting in a corresponding increase to the historical cost of the related assets and potentially an adjustment for the cumulative effect of a change in accounting principle. This standard is required to be adopted by the Company beginning no later than January 1, 2003. The Company has not yet determined timing or the impact of the adoption of SFAS 143.

2. PER SHARE AMOUNTS

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 or loss per common share were determined on a weighted average basis using common shares issued and outstanding adjusted for the effect of stock options and warrants considered common stock equivalents computed using the treasury stock method and the effect of the convertible preferred stock (if dilutive). The earnings per share computation for the quarter ended September 30, 2000 includes the conversion of preferred stock in the computation of diluted income per share because the preferred stock was dilutive. The conversion of the preferred stock was not included in the calculation for the nine months ended September 30, 2000 and for the three and the nine months ended September 30, 2001 due to the preferred stock's antidilutive effect on diluted income or loss per share.

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 SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
(a) Net income available for common stock	$ (58)	$ 3,714	$ 8,932	$ 6,928
Preferred dividends assuming conversion of preferred stock (if dilutive)	$ --	$ 553	$ --	$ --
(b) Income available for common stock assuming conversion of preferred stock (if dilutive)	$ (58)	$ 4,267	$ 8,932	$ 6,928
(c) Weighted average shares outstanding	13,284	12,228	13,265	12,185
Dilutive impact of stock options	--	414	106	291
Dilutive impact of warrants	123	--	41	--
Convertible preferred stock (if dilutive)	--	2,326	--	--
(d) Total diluted shares	13,407	14,968	13,412	12,476
Stock options excluded due to antidilutive impact	2,303	40	713	40
Basic income per share (a/c)	$ 0.00	$ 0.30	$ 0.67	$ 0.57
Diluted income per share (b/d)	$ 0.00	$ 0.29	$ 0.67	$ 0.56

</Table>

3. DERIVATIVES

The Company 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. Approximately $351,000 related to these financial instruments was recognized as additional oil and gas revenue in the first nine months of 2001 and $2.8 million was recognized as a reduction of oil and gas revenue in the first nine months of 2000.

These 2001 contracts, in effect at September 30, 2001, are for gas volumes of 400,000 Mcf for the month of October 2001 at a ceiling price of $5.50 and floor price of $4.44. The Company had no open crude oil contracts at September 30, 2001.

The Company also has natural gas collar contracts, in effect, for January 2002 through December 2002. These agreements are for average gas volumes of approximately 600,000 Mcf per month with a weighted average ceiling price of $6.09 and floor price of $4.11.

As discussed in Note 1, the Company adopted SFAS 133 effective January 1, 2001. The cumulative effect of the accounting change, net of tax, recorded as other comprehensive loss was

$3.8 million. In the first nine months of 2001, this amount was offset by an increase in the fair value of derivatives recorded as other comprehensive income, net of tax, of $10.4 million. Recorded in the balance sheet is a $10.2 million derivative asset representing the fair market value of the derivative financial instruments at September 30, 2001, of which approximately $8.5 million is classified as a current asset.

4. LONG-TERM DEBT

In July 2001, the Company entered into a $95 million multiple advance term loan with a private lender. The Company issued $45 million of 12% senior notes upon closing of the loan and will issue the remaining $50 million of senior notes prior to June 30, 2002. Under the terms of the agreement Callon also issued warrants to purchase, at a nominal exercise price, 265,210 shares of its common stock and conveyed an overriding royalty interest equal to 2% of the Company's net interest in four existing deepwater discoveries. The warrants and the overriding royalty interest will be earned by the lender based on the ratio of the amount of the loan proceeds advanced to the total loan facility amount. The senior notes will mature March 31, 2005 and contain restrictions on certain types of future indebtedness.

The 10.125% Senior Subordinated Notes due September 15, 2002 have been classified as a current liability.

5. COMPREHENSIVE INCOME

The first nine months of 2000 did not include any items of other comprehensive income. A recap of the Company's 2001 comprehensive income is shown below (in thousands):

<Table>
<Caption>

<S>	THREE MONTHS ENDED SEPTEMBER 30, 2001 <C>	<C>	NINE MONTHS ENDED SEPTEMBER 30, 2001 <C>	<C>
Net Income (loss)		$ 262		$ 9,890
Other comprehensive income (loss):				
Cumulative effect of change in accounting principle	$ --		$ (3,764)	
Change in unrealized derivatives' fair value	2,048		10,398	
		2,048		6,634
Total Comprehensive Income		$ 2,310		$ 16,524

</Table>

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

FORWARD-LOOKING STATEMENTS

This report includes "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. All statements other than statements of historical facts included in this report, including statements regarding the Company's financial position, adequacy of resources, estimated reserve quantities, business strategies, plans, objectives and expectations for future operations and covenant compliance, are forward-looking statements. The Company can give no assurances that the assumptions upon which such forward-looking statements are based 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, in the section "Risk Factors" included in the Company's Form 10-K, elsewhere in this report and from time to time in other filings made by the Company with the Securities and Exchange Commission. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified by the Cautionary Statements.

GENERAL

The Company's revenues, profitability, future growth and the carrying value of its oil and gas properties are substantially dependent on prevailing prices of oil and gas and its ability to find, develop and acquire additional oil and gas reserves that are economically recoverable. 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. The Company uses derivative financial instruments for price protection purposes on a limited amount of its future production but, does not use derivative financial instruments for trading purposes.

The following discussion is intended to assist in an understanding of the Company's historical financial positions and results of operations. The Company's historical financial statements and notes thereto included elsewhere in this quarterly report contains 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 flows from operations, borrowings from financial institutions and the sale of debt and equity securities. Net cash and cash equivalents during the nine months ended September 30, 2001 decreased by $5.0 million and net cash flows from operations before working capital changes totaled $32.8 million. Net capital expenditures from the cash flow statement for the period

totaled $84.1 million. These funds were primarily expended in exploration, drilling and completion of oil and gas properties.

At September 30, 2001, the Company had working capital of $1.5 million, excluding current maturities of long-term debt.

In May 2001, the Company initiated a combination of offerings of equity and senior notes to investors with proceeds to be used to call certain of the Company's subordinated debt, repay borrowings under its senior secured credit facility and to finance capital expenditures. Subsequently, the Company withdrew its offer to sell the senior notes and the equity sale was terminated. Approximately $358,000 of costs associated with the withdrawn offering were expensed during the second quarter.

In early July of 2001, the Company closed a $95 million multiple advance term loan with a private lender. The Company drew $45 million on July 3, 2001 and paid down its revolving Credit Facility. The Company plans to draw the remaining $50 million as capital expenditures (primarily on the deepwater Medusa construction and completion project) are incurred. Under the terms of the agreement, Callon also issued warrants for the purchase, at a nominal exercise price, of 265,210 shares of its common stock to the lender and conveyed an overriding royalty interest equal to 2% of the company's net interest in four of its deepwater discoveries. The warrants and the overriding royalty interest will be earned by the lender based on the ratio of the amount of the loan proceeds advanced to the total loan facility amount. All amounts under the loan must be drawn before June 30, 2002. This senior debt will mature March 31, 2005 and contains restrictions on certain types of future indebtedness and dividends on common stock.

The proceeds from this financing, when combined with cash flow and current availability under the senior secured credit facility, is anticipated to fund our capital budgets for the balance of this year, and into next year. This would include completion of the Medusa deepwater discovery, currently scheduled to begin production in the fourth quarter of 2002. It also includes ongoing delineation and development drilling programs at three additional deepwater discoveries, and an ongoing exploration program in both the shelf and deepwater regions of the Gulf of Mexico. However, additional capital requirements may result from greater than anticipated success rates from the Company's ongoing shelf and deepwater exploration programs and the refinancing of our senior subordinated notes due 2002. The Company is currently evaluating options on refinancing the senior subordinated notes due 2002.

CAPITAL EXPENDITURES

Capital expenditures for exploration and development costs related to oil and gas properties totaled approximately $84 million in the first nine months of 2001. The Company incurred approximately $55 million in the Gulf of Mexico Shelf area. The Gulf of Mexico Deepwater area expenditures and other capitalized costs accounted for the remainder of the total capital expended. The Company had one unsuccessful deepwater exploration project in the first nine months of 2001 and incurred $13.2 million for additional development costs for production facilities at the Company's Medusa discovery. Interest and general and administrative costs allocable directly to exploration and development projects were approximately $9.4 million for the first nine months of 2001.

For the remainder of the year, the Company will continue evaluating property acquisitions and drilling opportunities. The Company has budgeted up to $31 million in capital expenditures for the remainder of

2001. The major portion of the capital expenditure budget will be used to drill development and exploratory wells to increase total proved reserves and increase production for the Company. The capital budget includes $13 million of additional development costs for production facilities at the Company's Medusa discovery.

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.

<Table>
<Caption>

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Production volumes: (b)				
Oil (MBbls)	76	56	196	186
Gas (MMcf)	3,258	3,950	10,238	10,956
Total production (MMcfe)	3,713	4,285	11,414	12,072
Average daily production (MMcfe)	40.4	46.6	41.8	44.1
Average sales price: (a)(b)				
Oil (Bbls)	$ 24.28	$ 29.37	$ 25.04	$ 27.42
Gas (Mcf)	3.38	3.63	4.41	3.16
Total (Mcfe)	3.46	3.72	4.39	3.29
Average costs (per Mcfe):				
Lease operating (excluding severance taxes)	$ 0.74	$ 0.49	$ 0.66	$ 0.48
Severance taxes	0.13	0.05	0.12	0.06
Depletion	1.25	1.05	1.27	1.05
General and administrative (net of management fees)	0.23	0.23	0.31	0.25

</Table>

(a) Includes hedging gains and losses.

(b) Includes volumes of 587 MMcf for both three month periods ended September 30, 2001 and 2000 and 1,740 MMcf and 1,747 MMcf for the nine month periods ended September 30, 2001 and 2000, respectively, at an average price of $2.08 per Mcf associated with a volumetric production payment.

COMPARISON OF RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2001 AND THE THREE MONTHS ENDED SEPTEMBER 30, 2000.

Oil and Gas Production and Revenues

Total oil and gas revenues decreased 23% from $16.0 million in the third quarter of 2000 to $12.4 million in the third quarter of 2001. Both oil and gas prices declined when compared to the same period in 2000. Total production for the third quarter of 2001 decreased by 13% versus the third quarter of 2000.

Gas production during the third quarter of 2001 totaled 3.3 billion cubic feet and generated $11.0 million in revenues compared to 4.0 billion cubic feet and $14.3 million in revenues during the same period in 2000. The average sales price for the third quarter of 2001 averaged $3.38 per thousand cubic feet compared to $3.63 per thousand cubic feet at this time last year. The Company's third quarter gas production decreased when compared to the same quarter last year as a result of production declines at East Cameron 275 and South Marsh Island 261, offset by increases in production at Mobile Block 864 and Chandeleur Block 40. The production declines at East Cameron 275 and South Marsh Island 261 were normal and expected as the 2000 rates were indicative of higher initial production. Mobile Block 864 Area increased production due to a well stimulation program as well as additions to production through exploratory and developmental drilling on the property.

Oil production during the third quarter of 2001 totaled 76,000 barrels and generated $1.8 million in revenues compared to 56,000 barrels and $1.6 million in revenues for the same period in 2000. Average oil prices received in the third quarter of 2001 were $24.28 compared to $29.37 in 2000. The increase in production was primarily due to an increase in oil production at Main Pass 36 and the addition of oil production at South Marsh Island 261.

Lease Operating Expenses

Lease operating expenses, including severance taxes, for the three-month period ending September 30, 2001 were $3.2 million compared to $2.3 million for the same period in 2000. The increase was attributable to higher operating costs at South Marsh Island 261 and at Mobile Block 864. Also, production declines related to older properties that have relatively fixed operating costs contributed to the higher per Mcf costs with lower production levels for those properties in the three months ended September 30, 2001.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization for the three months ending September 30, 2001 and 2000 were $4.7 million and $4.6 million, respectively. This increase is primarily due to a higher average rate in the third quarter of 2001 reflecting an increase in capitalized cost.

General and Administrative

General and administrative expense decreased $149,000 for the three months ended September 30, 2001 as compared to the three months ended September 30, 2000. This decrease was due primarily to an increase in direct costs capitalized associated with development of the Company's deepwater discoveries.

Interest Expense

Interest expense increased from $2.1 million during the three months ended September 30, 2000 to $3.5 million during the three months ended September 30, 2001. This is a result of an increase in the Company's long-term debt as well as higher interest rates associated with additional debt incurred in 2001.

COMPARISON OF RESULTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2001 AND THE NINE MONTHS ENDED SEPTEMBER 30, 2000.

Oil and Gas Production and Revenues

Total oil and gas revenues increased 25% from $39.7 million in the first nine months of 2000 to $49.6 million in the first nine months of 2001. Gas prices were higher while oil prices declined when compared to the same period in 2000. Total production for the first nine months of 2001 decreased by 5% versus the first nine months of 2000.

Gas production during the first nine months of 2001 totaled 10.2 billion cubic feet and generated $45.1 million in revenues compared to 11.0 billion cubic feet and $34.8 million in revenues during the same period in 2000. The average sales price for the first nine months of 2001 averaged $4.41 per thousand cubic feet compared to $3.16 per thousand cubic feet at this time last year. The Company's gas production decreased when compared to the same period last year as a result of expected and normal declines in maturing properties along with increased production in the Mobile Block 864 Area due to a well stimulation program as well as additions to production through exploratory and developmental drilling on the property.

Oil production during the first nine months of 2001 totaled 196,000 barrels and generated $4.9 million in revenues compared to 186,000 barrels and $5.1 million in revenues for the same period in 2000. Average oil prices received in the first nine months of 2001 were $25.04 compared to $27.42 in 2000. The increase in production was primarily due to an increase in oil production at Main Pass 36 and the addition of oil production at South Marsh Island 261.

Lease Operating Expenses

Lease operating expenses, including severance taxes, for the nine month period ending September 30, 2001 were $9.0 million compared to $6.4 million for the same period in 2000. The increase was due primarily to South Marsh Island 261 initial production beginning in May 2000, whereas 2001 incurred a full nine months of lease operating expenses and higher operating expenses associated with increased production at Mobile Block 864. Also, production declines related to older properties that have relatively fixed operating costs contributed to the higher per Mcf costs with lower production levels for those properties in the nine months ended September 30, 2001.

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization for the nine months ending September 30, 2001 and 2000 were $14.8 million and $12.9 million, respectively. This increase is primarily due to a higher average rate in the first nine months of 2001 reflecting an increase in capitalized costs.

General and Administrative

General and administrative expense increased to $3.5 million for the nine months ended September 30, 2001 as compared to $3.0 million for the nine months ended September 30, 2000. This increase was due primarily to expenses incurred in the second quarter of 2001 related to the Company's withdrawn debt and equity offering.

Interest Expense

Interest expense increased from $5.9 million during the nine months ended September 30, 2000 to $8.7 million during the nine months ended September 30, 2001. This is a result of an increase in the Company's long-term debt and higher interest rate associated with additional debt incurred in 2001.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's revenues are derived from the sale of its crude oil and natural gas production. In recent months, the prices for oil and gas have decreased; however, they remain extremely volatile and sometimes experience large fluctuations as a result of relatively small changes in supplies, weather conditions, economic conditions and government actions. The Company enters into derivative financial instruments to hedge oil and gas price risks for the production volumes to which the hedge relates. The derivatives reduce the Company's exposure on the hedged volumes to decreases in commodity prices and limit the benefit the Company might otherwise have received from any increases in commodity prices on the hedged volumes.

The Company also enters into price "collars" to reduce the risk of changes in oil and gas prices. Under these arrangements, no payments are due by either party so long as the market price is above the floor price set in the collar and below the ceiling. If the price falls below the floor, the counter-party to the collar pays the difference to the Company and if the price is above the ceiling, the counter-party receives the difference from the Company. The Company enters into these various agreements to reduce the effects of volatile oil and gas prices and does not enter into hedge transactions for speculative purposes. See Note 3 to the Consolidated Financial Statements for a description of the Company's hedged position at September 30, 2001. There have been no significant changes in market risks faced by the Company since the end of 2000.

CALLON PETROLEUM COMPANY

PART II. OTHER INFORMATION

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, filed August 4, 1994, 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 Annual Report on Form 10-K for the period ended December 31, 1994, File No. 000-25192)

3.3 Bylaws of the Company (incorporated by reference from Exhibit 3.2 of the Company's Registration Statement on Form S-4, filed August 4, 1994, 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, filed August 4, 1994, 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

Registration Statement on Form S-1/A, filed
November 13, 1995, Reg. No. 33-96700)

4.4 Indenture for Convertible Debentures (incorporated by reference from Exhibit 4.4 of the Company's Registration Statement on Form S-1, filed November 13, 1995, Reg. No. 33-96700)

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, filed November 22, 1996, Reg. No. 333-15501)

4.6 Indenture for the Company's 10.125% Senior Subordinated Notes due 2002 dated as of July 31, 1997 (incorporated by reference from Exhibit 4.1 of the Company's Registration Statement on Form S-4, filed September 25, 1997, Reg. No. 333-36395)

4.7 Form of Note Indenture for the Company's 10.25% Senior Subordinated Notes due 2004 (incorporated by reference from Exhibit 4.10 of the Company's Registration Statement on Form S-2, filed June 14, 1999, Reg. No. 333-80579)

4.8 Rights Agreement between Callon Petroleum Company and American Stock Transfer & Trust Company, Rights Agent, dated March 30, 2000 (incorporated by reference from Exhibit 99.1 of the Company's Registration Statement on Form 8-A, filed April 6, 2000, File No. 001-14039)

4.9 Subordinated Indenture for the Company dated October 26, 2000 (incorporated by reference from Exhibit 4.1 of the Company's Current Report on Form 8-K dated October 24, 2000, File No. 001-14039)

4.10 Supplemental Indenture for the Company's 11% Senior Subordinated Notes due 2005 (incorporated by reference from Exhibit 4.2 of the Company's Current Report on Form 8-K dated October 24, 2000, File No. 001-14039)

4.11 Warrant dated as of June 29, 2001 entitling Duke Capital Partners, LLC to purchase common stock from the Company. (Incorporated by reference to Exhibit 4.11 of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2001, File No. 001-14039)

10. Material contracts

10.1 Credit Agreement dated as of June 29, 2001 between the Company and Duke Capital Partners, LLC, as Administrative Agent (Incorporated by reference to Exhibit 10.01 of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2001, File No. 001-14039)

10.2 Second Amendment to Credit Agreement by and among the Company and First Union National Bank, as Administrative Agent, effective as of June 29, 2001 (Incorporated by reference to Exhibit 10.01 of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2001, File No. 001-14039)

10.3 Conveyance of Overriding Royalty Interest from the Company to Duke Capital Partners, LLC, dated June 29, 2001 (Incorporated by reference to Exhibit 10.03 of the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2001, File No. 001-14039)

11. Statement re 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*

99. Additional exhibits*

*Inapplicable to this filing

(b) Reports on Form 8-K

Current Report dated July 5, 2001, reporting Item 5. Other Events

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: November 9, 2001 By:/s/ John S. Weatherly

John S. Weatherly, Senior Vice President
and Chief Financial Officer
(on behalf of the registrant and as the
principal financial officer)

Exhibits Index

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, filed August 4, 1994, 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 Annual Report on Form 10-K for the period ended December 31, 1994, File No. 000-25192)

3.3 Bylaws of the Company (incorporated by reference from Exhibit 3.2 of the Company's Registration Statement on Form S-4, filed August 4, 1994, Reg. No. 33-82408)

4. Instruments defining the rights of security holders, including indentures

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