CALLON PETROLEUM CO
Form 424B3
February 07, 2011

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The information in this preliminary prospectus supplement is not complete and may be changed. A registration statement has been declared effective by the Securities and Exchange Commission. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell these securities and we are not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Filed Pursuant to Rule 424(b)(3)
Registration No. 333-148680

SUBJECT TO COMPLETION, DATED FEBRUARY 7, 2011

PRELIMINARY PROSPECTUS SUPPLEMENT
(To prospectus dated April 28, 2008)

9,000,000 Shares

CALLON PETROLEUM COMPANY

Common Stock

$ per share

We are offering 9,000,000 shares of our common stock in this offering pursuant to this prospectus supplement and the accompanying prospectus.

We intend to use $ of the net proceeds to fund a portion of our 2011 capital budget and for general corporate purposes, including possible future acquisitions. We also plan to use $35.0 million of the net proceeds to redeem $31.0 million of our outstanding 13% Senior Notes due 2016 and to pay the related redemption premium.

Our common stock is listed on the NYSE under the symbol CPE. On February 4, 2011, the last reported sale price of our common stock on the NYSE was $9.19 per share.

Investing in our common stock involves risks. See Risk Factors in the documents incorporated by reference in this prospectus supplement for a description of the various risks you should consider in evaluating an investment in our common stock.

	Per Share	Total
Price to the public	$	$
Underwriting discount	$	$

Proceeds to us	$	$

We have granted an over-allotment option to the underwriters. Under this option, the underwriters may elect to purchase a maximum of 1,350,000 additional shares of common stock within 30 days following the date of this prospectus supplement to cover over-allotments.

Delivery of the common stock will be made on or about , 2011.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Lead Book-Running Manager
Johnson Rice & Company L.L.C.
Co-Managers

Howard Weil Incorporated **Global Hunter Securities**

The date of this prospectus supplement is February , 2011.

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ABOUT THIS PROSPECTUS SUPPLEMENT AND THE ACCOMPANYING PROSPECTUS

This prospectus supplement is a supplement to the accompanying prospectus that is also a part of this document. This prospectus supplement and the accompanying prospectus are part of a shelf registration statement that we filed with the U.S. Securities and Exchange Commission (the SEC). Under the shelf registration process, we may offer from time to time our securities up to an aggregate amount of $400,000,000. In the accompanying prospectus, we provide you with a general description of the securities we may offer from time to time under our shelf registration statement. In this prospectus supplement, we provide you with specific information about our common stock that we are selling in this offering. This prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein include important information about us, our common stock and other information you should know before investing. This prospectus supplement and the documents incorporated by reference also add, update, and change information contained in or incorporated by reference in the accompanying prospectus. You should read both this prospectus supplement and the accompanying prospectus as well as the additional information described under Where You Can Find More Information before investing in our common stock.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any related free writing prospectus prepared by or on behalf of us. We have not and the underwriters have not authorized any other person to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. We are not and the underwriters are not making any offer to sell these securities in any jurisdiction where the offer to sell is not permitted. You should not assume that the information we have included in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since those dates.

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SUMMARY

This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. It is not complete and may not contain all of the information that you should consider before investing in our common stock. We encourage you to read this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in their entirety before making an investment decision, including the information set forth under the heading Risk Factors in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference. You should also consult with your own legal and tax advisors. Unless otherwise indicated, this prospectus supplement assumes no exercise of the underwriters over-allotment option. References to we, us, our and similar terms refer to Callon Petroleum Company and its consolidated subsidiaries, unless the context requires otherwise.

Overview

Callon Petroleum Company is engaged in the development, production, exploration and acquisition of oil and gas properties. In late 2008, our management shifted our operational focus from exploration in the Gulf of Mexico to the acquisition and development of onshore properties located in the Wolfberry play of the Permian Basin in Texas and the Haynesville Shale area in Louisiana. As of December 31, 2010, we had estimated net proved reserves of 8.1 million barrels of oil (MMBbls) and 33.0 billion cubic feet of natural gas (Bcf), or 13.6 million barrels of oil equivalent (MMBOE). Of these reserves, approximately 50.0% were located onshore in the Permian Basin Wolfberry and Haynesville Shale plays, compared with 16.5% located onshore at December 31, 2009.

Our Business Strategy

Our goal is to increase stockholder value by:

- increasing reserves and production levels by using cash flows from, or monetization of, our Gulf of Mexico properties to acquire and develop lower risk, long-life onshore oil and gas properties;
- increasing our reserve life and predictability of production by focusing on acquisition and development of long-life onshore properties;
- diversifying risk by substantially increasing the number of productive wells we own; and
- strengthening our balance sheet by focusing on maintaining liquidity and a reduction of our average debt per barrel of oil equivalent (Boe) of proved reserves.

Our Strengths

We believe that we are well positioned to achieve our business objectives and to execute our strategy because of the following competitive strengths:

- We have a substantial inventory of onshore drilling locations, with an estimated 132 net drilling locations on 40-acre spacing and an additional 166 net drilling locations on 20-acre spacing in the Wolfberry play of the Permian Basin and four net locations in the Haynesville area.

Our offshore properties generate substantial cash flow, which we can deploy in the acquisition, exploration and development of onshore properties.

Our management team is experienced in oil and gas acquisitions, exploration, development and production in the areas in which we are focusing our operations.

On December 31, 2010, our total liquidity position was approximately $47 million, including $17 million of available cash and $30 million of unused borrowing base available under our senior secured credit facility. The borrowing base was increased by 50.0% over its previous level at the last redetermination in the fourth quarter of 2010. The next redetermination is scheduled for April 2011.

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Areas of Operation and Reserves

In late 2008, we shifted the focus of our operations from offshore in the Gulf of Mexico to onshore in the Wolfberry play of the Permian Basin and the Haynesville Shale play. We expect that substantially all of our capital expenditures will be focused on the development and acquisition of onshore properties in the United States, with only limited amounts of capital expended to maintain our offshore properties.

Onshore

Onshore proved reserves accounted for approximately 50% of year-end 2010 proved reserves, demonstrating our progress toward our strategic goal of diversifying our reserve portfolio. Approximately 33% of our 2010 proved reserves were attributable to our properties in the Wolfberry play of the Permian Basin located in Crockett, Ector, Midland and Upton Counties, Texas. At December 31, 2010, production from our Wolfberry acreage increased to a net 550 Boe/d, an increase of 69% over year-end 2009. During 2010, we drilled 20 gross wells, nine of which were awaiting fracture stimulation at year-end. We expect to have these nine wells online by the second quarter of 2011. Early in 2011, we entered into an agreement with our fracture stimulation service provider providing for a minimum of three well stimulations per month in 2011. Approximately 80% of our 8,500 net acre leasehold in the Permian Basin is prospective for the Wolfberry play and provides a remaining multi-year inventory of approximately 300 net potential well locations, 132 of which are based upon 40-acre spacing. We are the operator of the Wolfberry acreage with an average 95% working interest which is primarily held by production, giving us operational flexibility and control over the pace of development.

Approximately 17% of our year-end 2010 proved reserves were attributable to our Haynesville Shale property, located in Bossier Parish, Louisiana. Initial production from the George R. Mills Well No. 1H, our first well completed since acquiring this property in 2009, commenced on September 3, 2010. To date, the well has produced 1.1 billion cubic feet of natural gas and is currently producing at a restricted rate of 6.5 MMcfe/d. We have an additional four net drilling locations on the 430-net acre unit in which we have a 69% working interest. We are awaiting improvement in natural gas prices before resuming development of the field.

Gulf of Mexico

Our offshore Gulf of Mexico properties include interests in two deepwater properties. The Medusa property is located in 2,235 feet of water approximately 50 miles offshore Louisiana. During 2010, the field produced 593 thousand barrels of oil equivalent (MBOE) net to us from eight wells which accounted for 35% of our total 2010 production. The Habanero property is located in 2,015 feet of water approximately 115 miles offshore Louisiana. During 2010, Habanero produced 232 MBOE net to us from two wells which accounted for 14% of our total production. We also own interests in 18 wells in 12 oil and gas fields in the shelf area of the Gulf of Mexico. These wells produced 616 MBOE net to our interest in 2010, which accounted for 37% of our total production.

Reserves

The following table sets forth certain information about our estimated net proved reserves as of December 31, 2010.

	Estimated Net Proved Reserves			Pre-Tax Present
	Oil (MBBls)	Gas (MMcf)	Total (MBOE)(4)	Value(1)(2)(3) ($000,000)

Permian Basin	3,409	6,247	4,450	$ 41.4
Haynesville		13,620	2,270	7.4
Deepwater	4,662	7,603	5,930	154.1
Shelf and Other	77	5,486	991	2.6
Total	8,148	32,956	13,641	$ 205.5

(1) Represents the present value of future net cash flows before deduction of federal income taxes, discounted at 10%, attributable to estimated net proved reserves as of December 31, 2010.

(2) Includes a reduction for estimated plugging and abandonment costs.

(3) We use the financial measure Pre-Tax Present Value which is a non-US GAAP financial measure. We believe that Pre-Tax Present Value, while not a financial measure in accordance with US GAAP, is an important financial measure used by investors and independent oil and gas producers for evaluating the relative value of oil and natural gas properties and acquisitions because the tax characteristics of comparable companies can differ materially. We estimate that the total standardized measure for our proved reserves as of December 31, 2010 will be $198 million. The standardized measure gives effect to income taxes, and is calculated in accordance with the guidance issued by the FASB for disclosures about oil and gas producing activities. The $198 million of standardized measure of our estimated net proved reserves equals the present value of our estimated future net revenue from proved reserves of $206 million, which excludes the discounted estimated future income taxes relating to such future net revenues of $8 million.

(4) We convert Mcfe of natural gas to BOE at a ratio of six Mcfe of natural gas to one BOE. This conversion ratio, which is typically used in the oil and gas industry, represents the approximate energy equivalency of a barrel of oil to a Mcf of natural gas. Over the last several years, the sales price of one Bbl of oil has been much higher than the sales price of six Mcf of natural gas, so a one to six conversion ratio does not represent the economic equivalency of a Bbl of oil to a Mcf of natural gas.

Recent Developments

After this offering, we plan to set our 2011 capital expenditure budget at $105 to $110 million. We anticipate spending $75 to $80 million on a 44 gross well drilling program in our Wolfberry play of the Permian Basin. The balance will be spent in the Gulf of Mexico (approximately $8 million), on leasehold acquisition (approximately $10 million) and capitalized interest and general and administrative expenses (approximately $12 million). The 2011 capital expenditure budget is subject to change depending on a number of factors, including the availability and costs of drilling and completion equipment, crews, economic and industry conditions, prevailing and anticipated prices for oil and gas, the availability of sufficient capital resources, drilling success and other normal factors affecting the oil and gas industry.

Our production for the full year 2010 is expected to range between 27 and 29 MMcfe/d, or 4,500 and 4,833 Boe/d, of which oil and natural gas liquids will comprise approximately 50%.

The arbitration panel reviewing our claims against the joint interest owner in the Entrada Project delivered its final decision ruling that we were not entitled to recover any damages. We completed the abandonment of the Entrada Project in 2009 and do not expect to incur additional costs in connection with the project.

Executive Offices and Website

We are a Delaware corporation with principal executive offices located at 200 North Canal Street, Natchez, Mississippi 39120. Our telephone number at that address is (601) 442-1601. We maintain a website on the Internet at www.callon.com. The information on our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus and does not constitute a part of this prospectus supplement or the accompanying prospectus.

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The Offering

Common stock offered by us	9,000,000 shares
Common stock to be outstanding immediately after the completion of this offering	37,996,160 shares[(1)]
Use of proceeds	The net proceeds from this offering, after deducting underwriter discounts and commissions and our estimated offering expenses, are estimated to be approximately $ million. We intend to use $ of the net proceeds to fund a portion of our 2011 capital budget and for general corporate purposes, including possible future acquisitions. We also plan to use $35.0 million of the net proceeds to redeem $31.0 million of our outstanding 13% Senior Notes due 2016 and to pay the related redemption premium.
Risk factors	Investing in our common stock involves risks. You should carefully consider all of the information in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference in this prospectus supplement and the accompanying prospectus. In particular, see the risk factors discussed under the heading Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2009 and in our Quarterly Reports on Form 10-Q for the quarters ended June 30, 2010 and September 30, 2010.
NYSE symbol	CPE

(1) The number of shares of our common stock to be outstanding immediately after the completion of this offering is based upon 28,996,160 shares of our common stock outstanding as of February 7, 2011. If the underwriters exercise the option we have granted them in this offering to purchase 1,350,000 additional shares of our common stock to cover over-allotments, then the total number of shares to be outstanding after the offering will be 39,346,160 shares. In addition to our outstanding common stock, as of December 31, 2010, we have outstanding options to purchase 197,524 shares of our common stock at prices from $3.70 to $19.72, and 1,421,375 shares of restricted stock and restricted stock units, all subject to vesting. Since December 31, 2010, no stock options were exercised, no stock options expired unexercised, and we have granted zero shares of restricted stock or restricted stock units.

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RISK FACTORS

An investment in our common stock involves risks. Prior to making a decision about investing in our common stock, you should carefully consider the following risk factors, as well as the risk factors discussed under the heading Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2009, and in our Quarterly Reports on Form 10-Q for the quarterly periods ended June 30, 2010 and September 30, 2010, which are incorporated herein by reference. The risks and uncertainties we have described are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our operations. If any of these risks actually occurs, our business, results of operations and financial condition could suffer, and you could lose your investment in us.

USE OF PROCEEDS

The net proceeds to us from this offering, after deducting underwriter discounts and commissions and our estimated offering expenses, are estimated to be approximately $ million. We intend to use $ of the net proceeds to fund a portion of our 2011 capital budget and for general corporate purposes, including possible future acquisitions. We also plan to use $35.0 million of the net proceeds to redeem $31.0 million of our outstanding 13% Senior Notes due 2016 and to pay the related $4.0 million redemption premium. As of December 31, 2010, we had outstanding $138.0 million of our outstanding Senior Notes due 2016.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of September 30, 2010:

on an actual basis; and

on an as adjusted basis to reflect this offering (excluding the exercise by the underwriters of their over-allotment option to purchase from us up to 1,350,000 additional shares of our common stock) and our receipt of the estimated net proceeds of $ million from such sale, and after deducting estimated underwriting discounts and commissions and other estimated offering expenses.

You should read this table along with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and other financial data incorporated by reference in this prospectus supplement from our Annual Report on Form 10-K for the year ended December 31, 2009 and our most recent Quarterly Report on Form 10-Q.

	As of September 30, 2010	
	Actual	As Adjusted
	(Unaudited) ($000)	
Cash and cash equivalents	$ 19,750	$
Total debt:		
Short-term debt		
Long-term debt(1)	166,451	
Total debt	166,451	
Shareholders equity:		
Common Stock, $.01 par value, 60,000,000 shares authorized, 28,965,421 shares issued and outstanding actual and shares issued and outstanding as adjusted(2)	290	
Additional paid-in capital	247,291	
Total shareholders equity	15,883	
Total capitalization	$ 202,084	$

(1) Includes a deferred credit of $28.5 million, net of amortization, which is being amortized against interest expense over the remaining life of our 13% Senior Notes due 2016. Assumes the use of $35.0 million of the net proceeds from this offering to redeem $31.0 million of our outstanding 13% Senior Notes due 2016 and to pay the related redemption premium. The deferred credit will be reduced proportionately in connection with the redemption.

(2) We have various stock plans under which our employees and employees of our subsidiaries and non-employee members of our Board of Directors have been or may be granted certain stock-based compensation. Shares available for future stock option or restricted stock grants to our employees and non-employee directors under existing plans totaled 780,687 as of December 31, 2010. For additional information regarding the plans, refer to Notes 4 and 16 of our consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2009 filed on March 12, 2010.

PRICE RANGE OF OUR COMMON STOCK

Our common stock is listed on the NYSE under the symbol CPE. The following table sets forth the range of the high and low sale prices for our common stock for the periods indicated.

	Common Stock	
	High	Low
Year Ending December 31, 2011:		
First quarter (through February 4, 2011)	$ 9.36	$ 5.81
Year Ending December 31, 2010:		
Fourth quarter	$ 6.39	$ 4.45
Third quarter	$ 6.72	$ 3.54
Second quarter	$ 8.80	$ 4.46
First quarter	$ 5.90	$ 1.40
Year Ending December 31, 2009:		
Fourth quarter	$ 2.13	$ 1.36
Third quarter	$ 2.43	$ 1.37
Second quarter	$ 3.15	$ 1.01
First quarter	$ 3.50	$ 0.93

On February 4, 2011, the closing price of our common stock as reported by the NYSE was $9.19 per share. As of such date, there were approximately 3,500 holders of record of our common stock.

DIVIDEND POLICY

We have not paid a dividend on our common stock, cash or otherwise, and do not intend to in the foreseeable future. In addition, under our existing credit facility, we are restricted from paying cash dividends on our common stock. The payment of future dividends, if any, will be determined by our board of directors in light of conditions then existing, including our earnings, financial condition, capital requirements, restrictions in existing and future financing agreements, business conditions and other factors.

UNDERWRITING

We are offering the shares of common stock described in this prospectus supplement through the underwriters named below. Johnson Rice & Company L.L.C. (Johnson Rice) is acting as lead book-running manager, and Howard Weil Incorporated and Global Hunter Securities, LLC are acting as co-managers of the offering. Johnson Rice is the representative of the underwriters named below. Subject to the terms and conditions of the underwriting agreement between us and the underwriters, we have agreed to sell to the underwriters, and each underwriter has severally agreed to purchase, at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus supplement, the number of shares of common stock listed next to its name in the following table:

Underwriter	Number of Shares
Johnson Rice & Company L.L.C.	
Howard Weil Incorporated	
Global Hunter Securities, LLC	
Total	9,000,000

The underwriting agreement provides that the underwriters obligation to purchase our common stock is subject to approval of legal matters by counsel and the satisfaction of the conditions contained in the underwriting agreement. The conditions contained in the underwriting agreement include the conditions that the representations and warranties made by us to the underwriters are true, that there has been no material adverse change to our condition or in the financial markets and that we deliver to the underwriters customary closing documents. The underwriters are obligated to purchase all of the shares of common stock (other than those covered by the over-allotment option described below) if they purchase any of the shares.

Option to Purchase Additional Common Stock

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus supplement, to purchase up to 1,350,000 additional shares of common stock at the public offering price per share less the underwriting discount shown on the cover page of this prospectus supplement. The underwriters may exercise this option solely to cover over-allotments, if any, made in connection with this offering.

Underwriting Discount and Expenses

The underwriters propose to offer the common stock to the public at the public offering price set forth on the cover of this prospectus supplement. The underwriters may offer the common stock to securities dealers at the price to the public less a concession not in excess of $ per share of common stock. After the shares of common stock are released for sale to the public, the underwriters may vary the offering price and other selling terms from time to time.

The following table summarizes the compensation to be paid to the underwriters by us:

	Total	
	Without	With

	Per Share	Over-Allotment	Over-Allotment
Public offering price by us	$	$	$
Underwriting fees to be paid by us	$	$	$
Proceeds, before expenses, to us	$	$	$

We estimate our expenses associated with the offering, excluding underwriting discounts and commissions, will be approximately $250,000.

Indemnification

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the U.S. federal securities laws, or to contribute to payments that may be required to be made in respect of these liabilities.

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Lock-Up Agreements

We and our officers and directors have agreed that, for a period of 90 days from the date of this prospectus supplement, we and they will not, without the prior written consent of Johnson Rice, directly or indirectly, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise transfer or dispose of any shares of our common stock or any securities convertible into or exercisable or exchangeable for common stock, or file any registration statement under the Securities Act of 1933, as amended, with respect to any of the foregoing or enter into any swap or any other agreement or transaction that transfers, in whole or in part, directly or indirectly, the economic consequence of ownership of the common stock, except for the sale to the underwriters in this offering, the issuance by us of any securities or options to purchase common stock under existing, amended or new employee benefit plans maintained by us and the filing of or amendment to any registration statement related to the foregoing, the issuance by us of securities in exchange for or upon conversion of our outstanding securities described herein or certain transfers in the case of officers or directors in the form of bona fide gifts, intra family transfers and transfers related to estate planning matters. Notwithstanding the foregoing, if (1) during the last 17 days of such 90-day restricted period we issue an earnings release or (2) prior to the expiration of such 90-day restricted period we announce that we will release earnings results during the 16-day period beginning on the last day of the 90-day restricted period, the foregoing restrictions shall continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release; provided, however, that this sentence will not apply if, as of the expiration of the restricted period, our common stock is an actively-traded security as defined in Regulation M. Johnson Rice has advised us that it does not have any present intent to release the lock-up agreements prior to the expiration of the applicable restricted period.

Price Stabilization, Short Positions and Penalty Bids; Passive Market Making

The underwriters may engage in over-allotment, stabilizing transactions, syndicate covering transactions, penalty bids and passive market making in accordance with Regulation M under the Securities Exchange Act of 1934, as amended. Over-allotment involves syndicate sales in excess of the offering size, which creates a syndicate short position. Covered short sales are sales made in an amount not greater than the number of shares available for purchase by the underwriters under its over-allotment option. The underwriters may close out a covered short sale by exercising its over-allotment option or purchasing shares in the open market. Naked short sales are sales made in an amount in excess of the number of shares available under the over-allotment option. The underwriters must close out any naked short sale by purchasing shares in the open market. Stabilizing transactions permit bids to purchase the underlying security so long as the stabilizing bids do not exceed a specified maximum. Syndicate covering transactions involve purchases of common stock in the open market after the distribution has been completed in order to cover syndicate short positions. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the common stock originally sold by such syndicate member is purchased in a syndicate covering transaction to cover syndicate short positions. Penalty bids may have the effect of deterring syndicate members from selling to people who have a history of quickly selling their shares. In passive market making, market makers in the common stock who are underwriters or prospective underwriters may, subject to certain limitations, make bids for or purchases of the common stock until the time, if any, at which a stabilizing bid is made. These stabilizing transactions, syndicate covering transactions and penalty bids may cause the price of the common stock to be higher than it would otherwise be in the absence of these transactions. In connection with the offering, the underwriters may engage in passive market making transactions in the common stock in accordance with Rule 103 of Regulation M under the Securities Exchange Act of 1934, as amended, during the period before the commencement of offers or sales of common stock and extending through the completion of distribution. A passive market maker must display its bids at a price not in excess of the highest independent bid of the security. However, if all independent bids are lowered below the passive market maker s bid that bid must be lowered when specified purchase limits are exceeded.

The underwriters are not required to engage in these activities, and may end any of these activities at any time.

Electronic Distribution

This prospectus supplement and the accompanying prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters. The underwriters may agree to allocate a number of shares of common stock for sale to their online brokerage account holders. The common stock will be allocated to

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underwriters that may make Internet distributions on the same basis as other allocations. In addition, common stock may be sold by the underwriters to securities dealers who resell common stock to online brokerage account holders.

Other than this prospectus supplement and the accompanying prospectus in electronic format, information contained in any website maintained by an underwriter is not part of this prospectus supplement or the accompanying prospectus or registration statement of which the accompanying prospectus forms a part, has not been endorsed by us and should not be relied on by investors in deciding whether to purchase common stock. The underwriters are not responsible for information contained in websites that they do not maintain.

LEGAL MATTERS

The validity of the common stock offered under this prospectus supplement will be passed upon for us by Haynes and Boone, LLP, Houston, Texas. Certain legal matters in connection with the common stock offered under this prospectus supplement will be passed upon for the underwriters by Porter Hedges LLP, Houston, Texas.

EXPERTS

The consolidated financial statements of Callon Petroleum Company appearing in Callon Petroleum Company s Annual Report (Form 10-K) for the year ended December 31, 2009, and the effectiveness of Callon Petroleum Company s internal control over financial reporting as of December 31, 2009, have been audited by Ernst & Young LLP, independent registered public accounting firm, as set forth in their reports thereon included therein, and incorporated herein by reference. Such consolidated financial statements are, and audited financial statements to be included in subsequently filed documents will be, incorporated herein in reliance upon the reports of Ernst & Young LLP pertaining to such financial statements and the effectiveness of our internal control over financial reporting as of the respective dates (to the extent covered by consents filed with the Securities and Exchange Commission) given on the authority of such firm as experts in accounting and auditing.

Information about our estimated net proved reserves and the future net cash flows attributable to these reserves was prepared by Huddleston & Co., Inc., an independent petroleum and geological engineering firm, and are included herein in reliance upon their authority as experts in reserves and present values.

CERTAIN DOCUMENTS INCORPORATED BY REFERENCE

We incorporate by reference into this prospectus supplement some of the information that we file with the SEC, which means that we can disclose important information to you by referring you to those filings. Any information contained in future SEC filings that are incorporated by reference into this prospectus supplement will automatically update this prospectus supplement, and any information included directly in this prospectus supplement updates and supersedes the information contained in past SEC filings incorporated by reference into this prospectus supplement. The information incorporated by reference, as updated, is an important part of this prospectus supplement. We incorporate by reference the following documents filed by us:

- our Annual Report on Form 10-K for the fiscal year ended December 31, 2009 filed on March 12, 2010;

- our Quarterly Report on Form 10-Q for the quarter ended March 31, 2010 filed on May 7, 2010; our Quarterly Report on Form 10-Q for the quarter ended June 30, 2010, filed on August 6, 2010; and our Quarterly Report on Form 10-Q for the quarter ended September 30, 2010, filed on November 15, 2010;

- our Current Reports on Form 8-K filed on January 4, 2010, January 27, 2010, February 2, 2010, February 3, 2010, March 9, 2010, April 1, 2010, April 28, 2010, May 3, 2010, May 6, 2010, May 7, 2010, June 8, 2010, August 10, 2010, September 27, 2010, October 27, 2010, November 19, 2010 and February 3, 2011 (to the extent these items were filed with the SEC and not furnished); and

the description of our common stock in our registration statement on Form 8-B filed on October 3, 1994.

All documents that we file with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this prospectus supplement and prior to the filing of a post-effective amendment which indicates that all securities offered have been sold or which deregisters all securities remaining unsold shall be deemed to be incorporated by reference into this prospectus supplement and to be a part hereof from the date of filing of such document; provided, however, that we are not incorporating any information furnished under either Item 2.02 or Item 7.01 of any Current Report on Form 8-K incorporated herein by reference.

Any statement contained in a document incorporated or deemed to be incorporated by reference into this prospectus supplement shall be deemed to be modified or superseded for purposes of this prospectus supplement to the extent that a statement contained in this prospectus supplement or in any other subsequently filed document that is or is deemed to be incorporated by reference into such document. In addition, we make available free of charge all documents we file with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934, as amended.

You may request a copy of these filings, at no cost, by writing or telephoning us at Callon Petroleum Company, 200 North Canal Street, Natchez, Mississippi 39120, Attn: Investor Relations, phone number (601) 442-1601.

CAUTIONARY NOTE