

CALLON PETROLEUM CO  
Form 10-Q  
August 06, 2010

---

---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

- Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended June 30, 2010
- or
- Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-14039  
CALLON PETROLEUM COMPANY  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction  
of incorporation or organization)

64-0844345  
(I.R.S. Employer  
Identification No.)

200 North Canal Street  
Natchez, Mississippi  
(Address of principal executive offices)

39120  
(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

No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Edgar Filing: CALLON PETROLEUM CO - Form 10-Q

Yes

No

Indicate by check mark whether the registrant is a larger accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer", "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes

No

As of August 1, 2010 there were outstanding 28,771,832 shares of the Registrant's common stock, par value \$0.01 per share.

Table of Contents

Part I. Financial Information

Item 1. Financial Statements

Consolidated Balance Sheets (Unaudited) 3

Consolidated Statements of Operations (Unaudited) 4

Consolidated Statements of Cash Flows (Unaudited) 5

Notes to Consolidated Financial Statements (Unaudited) 6

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 16

Item 3. Quantitative and Qualitative Disclosures about Market Risk 27

Item 4. Controls and Procedures 27

Part II. Other Information

Item 1. Legal Proceedings 28

Item 1A. Risk Factors 28

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 30

Item 3. Defaults Upon Senior Securities 30

Item 4. Removed and Reserved 30

Item 5. Other Information 30

Item 6. Exhibits 31



## Part 1. Financial Information

## Item 1. Financial Statements

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

	June 30, 2010 (Unaudited)	December 31, 2009
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 31,812	\$ 3,635
Accounts receivable	16,632	20,798
Accounts receivable - MMS royalty recoupment	-	51,534
Fair market value of derivatives	1,106	145
Other current assets	914	1,572
Total current assets	50,464	77,684
Oil and gas properties, full-cost accounting method:		
Evaluated properties	1,248,051	1,593,884
Less accumulated depreciation, depletion and amortization	(1,137,978 )	(1,488,718 )
Net oil and gas properties	110,073	105,166
Unevaluated properties excluded from amortization	30,482	25,442
Total oil and gas properties	140,555	130,608
Other property and equipment, net	2,724	2,508
Restricted investments	4,365	4,065
Investment in Medusa Spar LLC	10,928	11,537
Other assets, net	2,215	1,589
Total assets	\$ 211,251	\$ 227,991
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 12,111	\$ 12,887
Asset retirement obligations	3,377	4,002
9.75% Senior Notes, net of \$0 and \$232 discount, respectively	-	15,820
Subtotal	15,488	32,709
Callon Entrada non-recourse credit facility (See Note 1)	-	84,847
Total current liabilities	15,488	117,556
13% Senior Notes (See Note 6)		
Principal outstanding	137,961	137,961
Deferred credit, net of accumulated amortization of \$2,090 and \$294, respectively	29,417	31,213
Total 13% Senior Notes	167,378	169,174
Senior secured revolving credit facility	-	10,000
Asset retirement obligations	11,542	10,648
Other long-term liabilities	2,424	1,467
Total liabilities	196,832	308,845

## Stockholders' equity (deficit):

Preferred Stock, \$.01 par value, 2,500,000 shares authorized;	-	-
Common Stock, \$.01 par value, 60,000,000 shares authorized; 28,792,290 and 28,742,926 shares outstanding at June 30, 2010 and December 31, 2009, respectively	288	287
Capital in excess of par value	246,571	243,898
Other comprehensive loss	(6,027 )	(7,478 )
Retained deficit	(226,413 )	(317,561 )
Total stockholders' equity (deficit)	14,419	(80,854 )
Total liabilities and stockholders' equity (deficit)	\$ 211,251	\$ 227,991

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

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

	Three-Months Ended		Six-Months Ended	
	June 30,		June 30,	
	2010	2009	2010	2009
Operating revenues:				
Oil sales	\$15,901	\$18,971	\$32,564	\$34,923
Gas sales	5,668	6,054	12,390	14,917