

**CORPORATE GOVERNANCE GUIDELINES
OF
CONTANGO OIL & GAS COMPANY**

Mission Statement

The mission of the Board of Directors (“Board”) of Contango Oil & Gas Company (the “Company”) is to create long-term economic value for the Company’s stockholders. In fulfilling this mission, the Board will oversee the corporate governance of the Company to ensure that those to whom the stockholders entrust the direction and success of the Company act in the best interests of the stockholders.

I. Board Composition and Structure

- A. Size of Board. The Board periodically reviews its size to consider the size that is appropriate for its effective operation. In general, the Board believes that its appropriate size is three to seven members, recognizing that retirements, resignations, and recruiting delays may result, periodically, in the Board consisting, for some transitional period, of a slightly greater or lesser number of directors than the Board may have targeted.
- B. Mix of Directors; “Independent” Directors. A majority of the Board will be independent. No director will be independent unless the Board affirmatively determines that the director has no material relationship with the company (either directly or as a partner, stockholder, or officer of an organization that has a relationship with the Company). The Board has established the following standards for determining director independence.
1. *Per Se Exclusions.* A director will not be deemed independent if, within the previous three years: (a) the director was employed by the Company or her/his immediate family member was an executive officer of the Company; (b) the director or her/his immediate family member received more than \$100,000 in direct compensation from the Company (other than director and committee fees and pension or other forms of deferred compensation for prior service (provided such is not contingent on continued service)), (c) the director was employed by or affiliated with the Company’s present or former internal auditors or outside independent auditors; (d) someone in the director’s immediate family was employed or affiliated with the Company’s present or former internal auditors or outside independent auditors in a professional capacity; (e) the director or someone in her/his immediate family was employed as an executive with another entity that where any of the Company’s then present executives served on that company’s compensation committee; or (f) the

director is an executive officer or an employee, or someone in her/his immediate family is an executive officer, of another company that makes payments to or receives payments from the Company for property or services in an amount which, in any single fiscal year, exceeds or exceeded the greater of \$1 million or 2% of such other company's consolidated gross revenues.-

2. *Categorical Standards.* The Board may also, from time to time, establish certain commercial relationships that shall not be considered material relationships that would impair a director's independence.
- C. Selection of Directors. Each year at the Company's annual stockholders' meeting, the Board recommends a slate of nominees for election by stockholders. In addition, the Board fills vacancies on the Board when necessary or appropriate. The Board's recommendations or determinations are based on the recommendations of, and information supplied by, the Nominating Committee as to the suitability of each individual and, where applicable, the slate as a whole to serve as directors, taking into account the criteria described below and other factors, including the requirements for Board Committee membership. In recommending nominees, the Nominating Committee shall consider nominees recommended by Company stockholders. Such recommendations should be submitted to the Chairman of the Nominating Committee at least 75 days before the date on which the Company first mailed its proxy materials for the prior year's annual meeting of stockholders.
- D. Board Membership Criteria. The Nominating Committee is responsible for reviewing with the Board, on an annual basis, the size, function, and needs of the Board and in doing so takes into account that the Board as a whole will have competency in industry knowledge, accounting and finance, and business judgment. The Board also seeks members from diverse backgrounds so that the Board consists of members with a broad spectrum of experience and expertise and with a reputation for integrity. Directors should have experience in positions with a high degree of responsibility, be leaders in the companies or institutions with which they are affiliated, and be selected based upon contributions that they can make to the Company. In determining whether to recommend a director for re-election, the Nominating Committee also considers the director's past attendance at meetings and participation in and contributions to the activities of the Board.
- E. Selection of the Chairman of the Board. The directors will annually elect a Chairman of the Board from among the directors. The Board's policy is that the positions of Chairman and Chief Executive Officer be held by the same person, except in unusual circumstances such as transition in

leadership. The Board believes this combination has served the Company well over many years by providing unified leadership and direction.

F. Retirement; Resignation.

1. *Term Limits.* The Board does not believe that it should establish term limits. While term limits could help ensure that there are fresh ideas and viewpoints available to the Board, they have the disadvantage of causing the loss of the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations, and therefore provide an increasing contribution to the Board as a whole.
2. *Retirement Policy.* No person will be nominated by the Board to serve as a director after he or she has passed his or her 75th birthday, unless the Nominating Committee has waived the mandatory retirement age of such person as a director.

G. Compensation of Non-Employee Directors. Company management should report annually as to how the Company's non-employee director compensation practices compare with those of other similarly situated public corporations. The Chairman of the Board shall determine the Company's non-employee director compensation practices. In discharging this duty, the Chairman of the Board should be guided by the following principles: compensation should fairly pay directors for the work required; compensation should align directors' interests with the long-term interests of stockholders; and the structure of the compensation should be simple, transparent and easy for stockholders to understand.

II. **Board Meetings and Procedures**

A. Board Meetings.

1. *Number of Meetings; Attendance and Preparation.* The Board holds a minimum of four regularly scheduled meetings per year. Directors are expected to attend all regularly scheduled meetings and to have, prior to the meetings, reviewed all written meeting materials distributed to them in advance. Directors may attend meetings by telephone or similar communications equipment, and such participation in a meeting shall constitute presence in person at such meeting.
2. *Selection of Agenda Items.* The Chairman of the Board should establish the agenda for Board meetings; however, directors may at any time suggest that particular items be placed on the agenda.
3. *Distribution of Materials.* The Company will distribute written materials, including the agenda, for use at Board meetings

sufficiently in advance of meetings to permit meaningful review. It is recognized, however, that under certain circumstances written materials may be unavailable to directors in advance of the meeting. On those occasions in which the subject matter is too sensitive to provide in writing, the Chairman of the Board may elect to contact each director by telephone in advance of the meeting to discuss the subject and the principal issues the Board will need to consider.

4. *Attendance of Non-Directors.* The Board believes that attendance of key executive officers augments the meeting process by providing certain expertise and insight into items that are open for discussion at certain meetings.
 5. *Executive Sessions of Non-Employee Directors.* The non-employee directors of the Board will meet in executive session from time to time at the Board's regularly scheduled meetings, without any management directors and any other members of the Company's management who may otherwise be present, to (i) evaluate the CEO; (ii) review management succession planning; and (iii) consider such other matters as they may deem appropriate. The directors may meet in executive session at any time to consider issues that they deem important to address without management present. Following each executive session, the results of the deliberations and any recommendations should be communicated to the full Board.
- B. Access to Senior Management/Independent Advisors. Board members have complete and open access to senior members of management. The CEO will invite key employees to attend Board sessions at which the CEO believes they can meaningfully contribute to Board discussion. The Board, including the independent members of the Board, have the authority, in their discretion, to retain independent advisors.
- C. Access to Stockholders and Other Interested Parties. The Chairman of the Board is responsible for establishing effective communications with the Company's stockholders, customers, associates, communities, suppliers, creditors, and corporate partners. Directors are not precluded from meeting with such parties, but any such meetings generally should be held with management present.
- D. Confidentiality. The Board believes that maintaining confidentiality of information and deliberations is an imperative.

III. Board Duties and Responsibilities

- A. Oversight. To accomplish its mission to maximize long-term stockholder value, the Board must:
1. Ensure that the Company operates in a legal and ethical manner;
 2. Evaluate and offer substantive advice and counsel to the CEO and work with the CEO to develop effective measurement systems that will evaluate and determine the Company's degree of success in creating long-term economic value for its stockholders;
 3. Review, approve, and monitor fundamental financial and business strategies and major corporate actions;
 4. Oversee the Company's capital structure and financial policies and practices;
 5. Assess major risks facing the company and review options for their mitigation; and
 6. Provide counsel and oversight on the selection, evaluation, development, and compensation of executive officers and provide critical and candid feedback on their successes and failures.
- B. Corporate Governance. These Corporate Governance Guidelines will be made available on the Company's website. The Board will review and, if it deems appropriate, approve changes to these Corporate Governance Guidelines.
- C. Charters. The Board will review and, if it deems appropriate, approve changes to the Company's Audit, Compensation and Nominating Committee charters that have been recommended to the Board by such committees. The Company's Audit, Compensation and Nominating Committee charters will also be made available on the Company's website.
- D. Assessing CEO Performance. The Board believes that the CEO's performance should be evaluated annually and as a regular part of any decision with respect to CEO compensation. The Board has delegated the responsibility to the Compensation Committee to evaluate the CEO's performance in the course of approving CEO salary, bonus, and long-term incentives such as stock and stock option awards in accordance with the Compensation Committee Charter. The Committee is responsible for setting annual and long-term performance goals for the CEO and for evaluating his or her performance against such goals.

- E. Business Conduct and Ethics. The Board believes that, in order to maintain the highest ethical, legal, and socially responsible conduct, the Company should maintain appropriate codes of business conduct and ethics regarding: (i) conflicts of interest, (ii) corporate opportunities, (iii) confidentiality, (iv) fair dealing, (v) protection and proper use of Company assets, (vi) compliance with laws, rules, and regulations, and (vii) such other matters as the Board deems appropriate. Such codes also will include standards of conduct reasonably applicable to designated persons, including the CEO and the senior financial officers, designed to promote: (i) honest and ethical conduct, (ii) full, fair, accurate, timely, and understandable disclosure in the periodic reports, proxy statements, and other filings under the Exchange Act, that are required to be filed by the Company, and (iii) compliance with applicable governmental rules and regulations. The Company's Code of Ethics will be made available on the Company's website.

IV. Board Committees

- A. Board Committees. Except where Board committees have sole authority to act as required by applicable law or a listing standard, it is the general policy of the Company that major decisions be considered by the Board as a whole. As a consequence, the Board has determined to constitute only those committees that it believes are critical to the efficient operation of the Board or are required by applicable law or a listing standard. The Board currently has three standing Committees: the Audit Committee; the Equity and CEO Compensation Committee (the "Compensation Committee"); and the Nominating Committee. The Board has the authority to establish such other committees, temporary or permanent, as the Board deems advisable. Each of the Audit Committee, the Compensation Committee and the Nominating Committee will consist of three or more directors and will satisfy any requirements set forth in their respective charters and any other listing or regulatory requirements.
- B. Committee Charters. Each of the Audit Committee, the Compensation Committee, and the Nominating Committee will have appropriate written charters. The charter of each committee will be reviewed annually by the Board and the relevant committee.
- C. Committee Agendas. The chairperson of each committee, in consultation with the appropriate members of the committee and management, will develop their committee's agenda. Each committee will issue a schedule of agenda subjects to be discussed for the ensuing year at the beginning of each year. This forward agenda also will be shared with the Board.
- D. Board Oversight; Committee Reports. The Board is responsible for overseeing the activities of its committees (except where such committees have sole authority to act pursuant to applicable law or a listing standard)

and for ensuring that the committees are fulfilling their duties and responsibilities. The Board will regularly receive reports from its committees regarding their activities and will take such actions as it deems necessary and appropriate in response to these reports.

V. Other Principles

- A. Confidential Voting. The Board has adopted a policy whereby stockholders' proxies are received by the Company's independent tabulators and the vote is certified by independent inspectors of election. Proxies and ballots that identify the vote of individual stockholders will be kept confidential from the Company's management and directors, except as necessary to meet legal requirements, in cases where stockholders request disclosure, or in a contested election.
- B. Rights Plans. The Board believes that rights plans have proven effective in increasing stockholder value in certain circumstances. The Company adopted a rights plan in 2008 which plan expires in September 2011.
- C. Disclosure Policy. The Board believes that it is imperative that the Company promote full, fair, accurate, timely, and understandable disclosure in the periodic reports and other statements required to be filed by the Company.
- D. Share Ownership by Directors and Executive Officers. The Board believes that the number of shares of the Company's stock owned by each director and executive officer is a personal decision, but encourages stock ownership and discourages sales except pursuant to a pre-arranged trading plan.
- E. Loans; Option Re-Pricing. Personal loans to directors or executive officers are not permitted. Additionally, the Company does not engage in the re-pricing of options.