

Forward Looking Information

The following presentation contains “forward-looking statements” and is made pursuant to the “safe harbor” provision of the Private Securities Litigation Reform Act of 1995. Oil and gas activities are subject to risks and uncertainties inherent in the exploration for acquisition, development, operation and marketing of oil and natural gas. These risks include, but are not limited to, volatility of products, prices, uncertainties in reserve estimates, drilling risks, operations and production risks and environmental issues. Results could vary materially from the forward-looking information. You are cautioned that such forward-looking statements should be read in conjunction with the available company information, including the most recent Form 10-K/SB, 10-Q/SB.

STRATEGY

TWO CORE BELIEF'S

- In a commodity business – there are no competitive advantages. Only lowest cost producers survive and prosper.
- The industry's value creation event is the turning to the right of the exploration drill bit.

Value Creation/ Destruction

- What does Contango do to create value?
 - Find and develop natural gas and oil at an economically attractive price In a \$4 gas world \pm \$1.50/mcfe finding cost plus \$1 to get to wellhead is pretty good
- What can happen to destroy value?
 - Drill a bunch of dry holes – who's drawing the XYZ's and how compensated is critical
 - Run out of money
 - Have too much debt/G&A
 - Big drop in natural gas prices – NOT!
 - Murphy

Incentives Drive Behavior

- Look for managements that have a major piece of net worth at risk
- Focus risk – it's very difficult to get even one thing right
- Only low cost supplier wins
- It's the EPS, stupid
- Don't forget about the denominator

MCF's Easily Measurable Goals

- Profitable as a successful efforts exploration company in all commodity price environments
- Grow EPS and NAV/share over time
- Highest revenue and profit per employee in industry
- Lowest G&A as % of revenue in industry
- All in F&D costs < \$1.50/mmbtue
- Debt no greater than 35% of PV10
- Never report a negative revision to reserve report
- Be the lowest cost producer – womb to tomb - in the industry.
- Accounting transparency – successful efforts/MTM accounting for derivatives/stock options expensed

Corporate Governance

- Annual election of all Directors
- No loans to employees or directors
- No repricing of options / five year vesting
- No CEO bonus unless profitable. CEO base salary is \$150,000/year
- The Company plane is Southwest Airlines
- Sorry, no charitable giving
- CEO is the only inside director
- Transparent accounting
 - Successful efforts accounting for oil & gas activities
 - Mark-to-Market accounting for hedges
 - Stock options are expensed
- BOD management & observers own 58% of fully diluted shares
- Incentives aligned

THE IDEAL OIL & GAS COMPANY

<u>Would have</u>	<u>Comment</u>
R/P less then one Contango	Not conventional wisdom \$40 mil cash flow – 18 mos.
Reinvestment risk Contango	Multiple Impact ideas with minimum capital at risk. Deep Water/Deep Shelf/LNG
Shareholder Friendly Contango	How much do you own? 25% of shares retired last 18 months

“Second, we wish for very little trading activity. If we ran a private business with a few passive partners, we would be disappointed if those partners, and their replacements, frequently wanted to leave the partnership. Running a public company we feel the same way”.
Warren Buffett

MCF's Story

	2000 Year 1	2001 Year 2	2002 Year 3	2003 Year 4	Total
Revenues	\$ 298,339	\$ 23,991,069	\$ 28,918,169	\$ 28,210,168	\$ 81,417,745
LOE	\$ 85,254	\$ 2,631,905	\$ 3,904,541	\$ 5,736,454	\$ 12,358,154
G&A	\$ 763,576	\$ 2,356,421	\$ 2,901,566	\$ 2,063,503	\$ 8,085,066
Pre-tax Income (Loss)	\$ (1,846,744)	\$ 10,916,907	\$ 10,580,136	\$ (6,670,807)	\$ 12,979,492
Production Mcfe	66,398	4,302,584	8,099,550	6,847,809	19,316,341
Net Income(Loss) to C/S	\$ (1,846,744)	\$ 7,262,454	\$ 5,976,982	\$ (4,936,025)	\$ 6,456,667
CAPEX :					
E&P	\$ 2,957,369	\$ 22,768,970	\$ 31,500,825	\$ 17,474,551	\$ 74,701,715
REX & MEX & COE	\$ -	\$ 6,666,051	\$ 1,612,860	\$ 5,294,939	\$ 13,573,850
Total CAPEX	\$ 2,957,369	\$ 29,435,021	\$ 33,113,685	\$ 22,769,490	\$ 88,275,565
PV-10	\$ 12,260,121	\$ 42,625,797	\$ 53,349,215	\$ 69,627,150	\$ 69,627,150
Reserves Mcfe	3,508,947	18,146,676	27,939,778	23,592,000	23,592,000
Working Capital (Deficit)	\$ 4,929,724	\$ 4,781,823	\$ 3,782,606	\$ (1,675,793)	\$ (1,675,793)
Cash Flows provided (used in):					
Operating	\$ (912,409)	\$ 12,957,712	\$ 22,697,559	\$ 4,094,518	\$ 38,837,380
Investing	\$ (3,505,913)	\$ (24,535,487)	\$ (33,621,806)	\$ (9,611,704)	\$ (71,274,910)
Financing	\$ 7,723,039	\$ 9,393,211	\$ 12,064,750	\$ 3,009,583	\$ 32,190,583
Stockholder's Equity	\$ 6,405,384	\$ 25,019,693	\$ 25,098,483	\$ 20,737,514	\$ 20,737,514
Equity Raised	\$ 7,935,000	\$ 10,000,000	\$ (6,180,000)	\$ -	\$ 11,755,000
Debt	\$ -	\$ -	\$ 18,950,000	\$ 22,350,000	\$ 22,350,000
Retained Earnings (deficit)	\$ (3,662,686)	\$ 3,599,768	\$ 9,576,750	\$ 4,640,725	\$ 4,640,725

PEER GROUP COMPS SIX MONTHS ENDED JUNE 30,2003

<u>VALUE ADDED COMPARISON</u>	<u>CONTANGO</u>	<u>AVERAGE (1)</u>
EBITDAX	\$ 9,668,671	13,437,229
MCFe produced	3,006,864	4,011,093
EBITDAX/share	\$ 1.06	\$ 0.64
Net income (loss) /mcf	\$ (0.24)	\$ 0.85
Revenue/ per employee	\$ 3,416,184	\$ 521,456
EBITDAX/per employee	\$ 2,417,168	\$ 351,760
EBIT/per employee	\$ (157,776)	\$ 131,212
MCFe produced/per employee	751,716	105,002
Net Income (Loss)/per employee	\$ (177,143)	\$ 89,022
Retained earnings (deficit)	\$ 4,640,725	\$ (4,045,438)
Employees	4	38
(1) Five publicly traded companies of similar size and strategy-PQUE, GDP CRZO,EPEX and BEXP		
<u>Potential Fully Diluted Shares 13.9 million - 140,000 shares</u>		
<u>buys 1% of the Company</u>		

Conclusion

“By the way, any company worth buying will have to pay taxes”

Warren Buffet – Berkshire Hathaway 2002 annual meeting

What to look for in a small cap E & P

- Major investment by management and BOD 58%
- Right guys drawing the XYZ's
- Bank debt leveraged balance sheet (4% interest rate)
- Low cost/Low burn rate
- Accounting transparency: Economic reality = Cash

INDUSTRY OBSERVATIONS

New Source Review

- **Bush Administration issues final rules easing restrictions on coal-fired power plant "Maintenance" rules**
- **If cost of maintenance does not exceed 20% of entire "process unit" cost then facility does not have to install modern pollution-control equipment**
- **Could encourage +/- 40,000 mw of incremental capacity or displace +/- 4Bcfd of natural gas demand**
- **Senator Jeffords plus A.G.'s of NY, CT are suing in Federal Courts of Appeals**

Saudi Arabia / Russia to Cooperate

- Agree to ease rules for getting up joint ventures
- First Saudi visit to Russia since 1926
- Russia 8.6 mbopd
- Saudi's 8.7 mbodp
- Who's going to blink to give IRAQ market share?

“I do not think OPEC will cut more and more just to stabilize the market and the others will take this share. OPEC alone can not protect the market”.

Abdullah al-Attiyah, the President of OPEC

Natural Gas vs. Coal Economics

Coal vs. Natural Gas Power Generation Economics						
Coal vs. Natural Gas Power Generation Economics						
			Economics @ Current Prices		Breakeven @ \$28/ton Coal	
			Central Appalachia	Comb. Cycle Nat Gas	Central Appalachia	Comb. Cycle Nat Gas
Btu Content (btus/lb)			12,000		12,000	
Fuel Price (coal \$/ton, gas \$/mcf)			\$33.00	\$5.08	\$28.00	\$2.15
Transportation (Cost/ton, Cost/Mcf)			\$9.00	\$0.40	\$9.00	\$0.25
Delivered Coal (Price/ton, Price/Mcf)			\$42.00	\$5.48	\$37.00	\$2.40
Delivered Cost (¢/mmbtu)			175¢	548¢	154¢	240¢
Sulfur Emission Cost (¢/ mmbtu)			16¢	0¢	16¢	0¢
SO₂ Adjusted Delivered Price			191¢	548¢	170¢	240¢
Heat Rate (conversion efficiency)			10,000	7,200	10,000	7,200
Fuel Cost (\$/Mwhr)			\$19.12	\$39.46	\$17.04	\$17.29
Incremental O&M (\$/whr)			\$1.25	\$1.00	\$1.25	\$1.00
Total Dispatch price (\$/Mwhr)			\$20.37	\$40.46	\$18.29	\$18.29
Notes:	*Henry Hub cash price used for gas fuel price, New York City Gate cash price used for gas delivered price;					
	differential represents implied transpiration cost					
	*Central Appalachia transportation cost assumes shipment to Carolinas/Georgia area					
	*Assumes SO ₂ emissions prices of \$182/ton (per Morgan Stanley Commodities Group)					
Source:	RDI, Natural Gas Week, Bloomberg, Morgan Stanley Equity Research					
					SOURCE: Morgan Stanley	
					Exploration & Production - September 3, 2003	

MidAmerican Energy will start construction this week on a new \$1.2 billion, 790 MW coal-fired power plant in Iowa. The utility will be the first in the US to use “super-critical” boiler technology, which burns coal at high temperatures and pressure. The MidAmerican plant is expected to begin operations in 2007.

Citigroup Futures Research – 09-15-03

The EIA Monthly report was released today and two trends remain firmly in place. Production as reported by the EIA remains well above year ago level. Estimates for April production of 54.2 bcf/d stand an impressive 4.4% above last year. At the same time, storage levels as compiled from all operators indicated those storage levels exceed the storage levels reported by the week survey by 87 bcf as of May 31.

Study Calls for Demand-Side Approach to Market

Increased energy efficiency and greater use of renewable energy sources could drop wholesale gas prices by 10% to 20% and save U.S. consumers \$75 billion over the next five years, according to a new report from the American Council for an Energy-Efficient Economy.

EIA Expects Stable Prices Through End of Year

Demand was off about 2.6% this summer, “due largely to the 11% fewer cooling degree-days...and the effect of high natural gas prices on consumption in the industrial and electricity generating sectors,” said the outlook. “These factors dampened demand and enabled the record-high levels of ...storage injections seen in the past few months,” when weekly net storage additions exceeded the five-year average in 18 of the past 20 weeks.