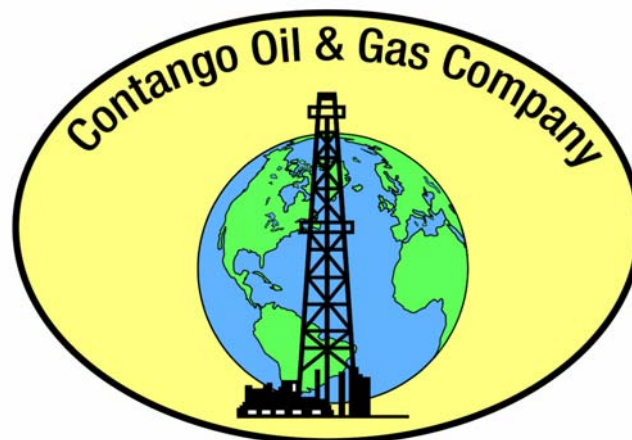


Contango Oil & Gas Company



Forward Looking Information

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Depletion and The Red Queen

“Well in *our* country,” said Alice, still panting a little,
“you’d generally get to somewhere else-if you ran
very fast for a long time as we’ve been doing.”

“A slow sort of country!” said the Queen. “Now, *here*,
you see, it takes all the running *you* can do to keep in
the same place. If you want to get to somewhere else,
you must run at least *twice* as fast as that!”

All quotes are from Lewis Carroll’s Alice in Wonderland

Where to Start?

- Started Fall 1999
- Since inception \$30 million net capital raised
- At August 7/\$20 million of cash/\$10 million of unused debt capacity/ \$10 million of debt/ \$9 million PV10/ \$200 million E.V.
- Six employees
- 15 million shares outstanding/16.7 million shares fully diluted today - compared to 11.5 and 16.7 million shares at June 30, 2001.
- 20 shareholders own 67% of stock
- 23% owned by Board of Directors

“The White Rabbit put on his spectacles.
“Where shall I begin, please your Majesty?” he asked.
“Begin at the beginning,” the King said, very gravely,
“and go on till you come to the end: then stop.”

Which Path?

- (1) The only competitive advantage in the natural gas and oil business is to be among the lowest cost producers
- (2) Virtually all the exploration and production industry's value creation occurs through the drilling of successful exploratory wells
- (3) Maximize value creation- **PER SHARE**

"Would you tell me, please, which way I ought to go from here?"
"That depends a good deal on where you want to get to," said the Cat.
"I don't much care where-" said Alice.
"Then it doesn't matter which way you go," said the Cat.

Portfolio With a Porpoise

- LNG
- Fayetteville Shale
- Deep Shelf GOM Exploration
- R/P's 50 Years/25 Years/ 2.5 Years
- Risk curve- lower risk/lower risk/ultra risky
- No Hedges- Full commodity price exposure-
down and up

They were obliged to have him with them," the Mock Turtle said:
"no wise fish would go anywhere without the porpoise.

Contrariwise

- LNG- Long term annuity- Red Queen Antidote
- Funding in place for Phase I and “mini” Phase II
- No additional equity likely needed
- “Mini” expansion to 2.0-2.2? Bcf/d
- Start-up 2008 – First grassroots plant in 30 years
- Plant cost- \$800 million
- August 06- On time/On budget

“Contrariwise,” continued Tweedledee, “if it was so, it might be; and if it were so, it would be; but as it isn’t, it ain’t.”

Better And Better

- 44,000 net Fayetteville Shale mineral acres to Alta Group (31,000 Net BPO to MCF)
- 200 wells already drilled in play by SWN
- Still early in learning curve- will be in 4,000-5,000 wells
- Horizontals and slick water frac's- getting better and better
 - 9 horizontal wells per square mile/ 640 acres
 - 600 Net potential locations/thousands of gross wells
 - \$2.5-\$2.0 million/well
 - 1.5-2.0 Bcfe/ well
 - \$2.0 - \$1.6 million IDC/well
 - Working on getting second rig
 - Working on gathering system

"You're wrong *there*, at any rate," said the Queen: "were *you* ever punished?"

"Only for faults," said Alice. "And you were all the better for it, I know!"

the Queen said triumphantly. "Yes, but then I *had* done the things I was punished for," said

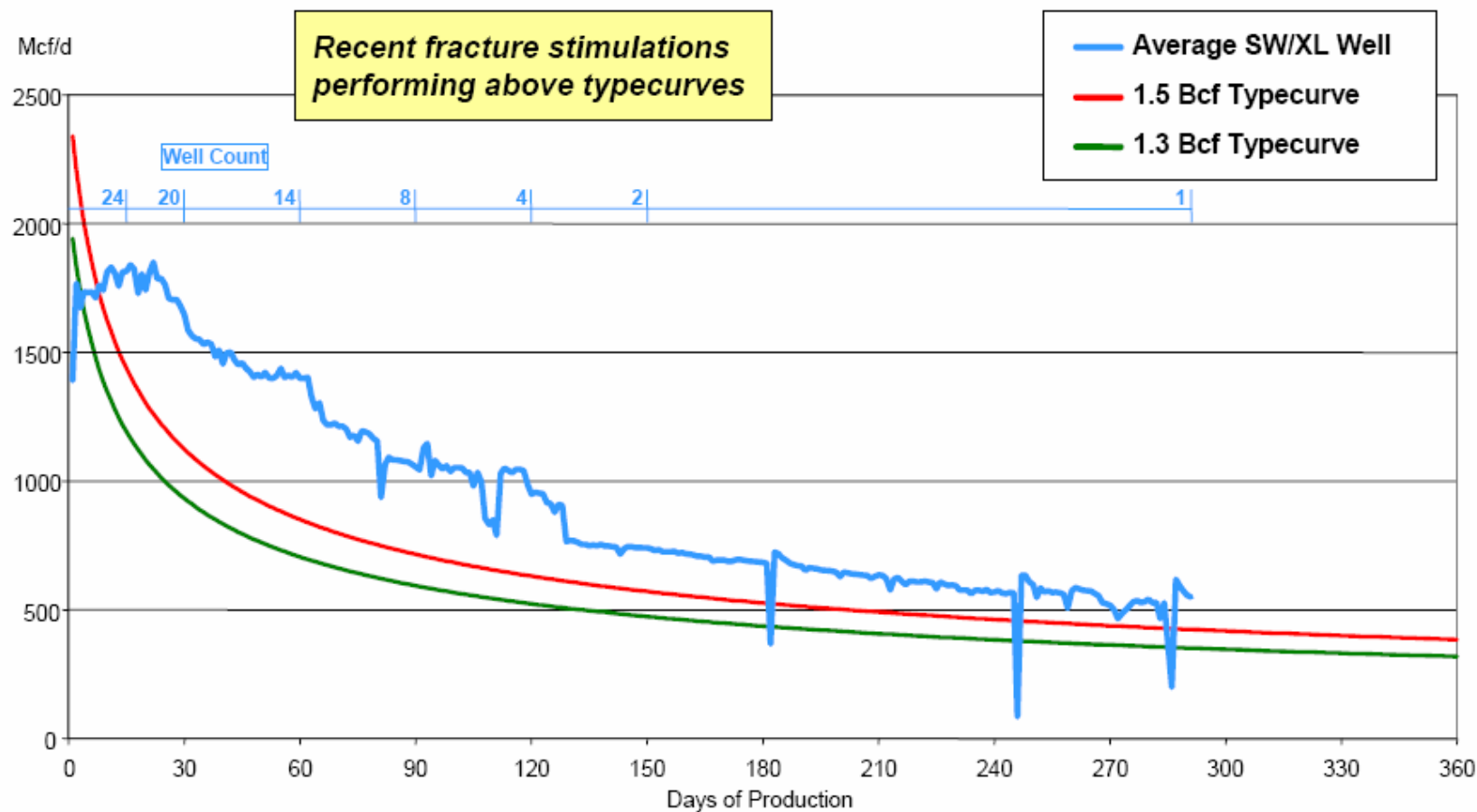
Alice: "that makes all the difference." "But if you *hadn't* done them,"

the Queen said, "that would have been better still; better, and better, and better!"

Highlight of Fayetteville Shale Activity

As of August 7, 2006					
<u>STATUS</u>	<u>OPERATOR</u>	<u>NUMBER OF WELLS</u>	<u>AVERAGE MCF WI</u>	<u>AVERAGE MCF NRI</u>	<u>AVERAGE MCF AFE</u>
Currently producing	SWN	15	8.33%	6.6%	\$ 168,000
Currently being drilled or awaiting completion	SWN	21	7.08%	5.63%	\$ 154,000
Waiting to be drilled	SWN	<u>10</u>	<u>9.97%</u>	<u>7.94%</u>	<u>\$ 209,000</u>
Permitted but no AFE	SWN	1	4.05%	3.24%	\$ 76,000
Sub Total		47	8.03%	6.38%	\$ 168,000
Currently being drilled or awaiting completion	Alta	3	47.75%	37.75%	\$ 1,126,000
Waiting to be drilled	Alta	1	49.77%	38.84%	\$ 1,211,000
Permitted but no AFE	Alta	<u>11</u>	<u>40.55%</u>	<u>32.15%</u>	<u>\$ 906,000</u>
Sub Total		15	42.60%	33.71%	\$ 970,000
GRAND TOTAL		62	16.39%	12.99%	\$ 362,000

Decline Curves



Source: SWN Press Release date July 31, 2006

There's More

- West Texas Barnett Shale – Jeff Davis and Reeves Counties
5,853 acres (4,000 net to Contango)
- Quicksilver surrounds our acreage
- Play will take time
- Other onshore plays

<u>State</u>	<u>Well Name</u>	<u>Working Interest</u>
<input type="checkbox"/> Texas	El Capitan	66%
<input type="checkbox"/> Louisiana	Temple- Inland #1	77%
<input type="checkbox"/> Alabama	Alta Coley #22-10	67.5%

“Take some more tea,” the March Hare said to Alice, very earnestly.
“I’ve had nothing yet,” Alice replied in an offended tone, “so I can’t take more.”
“You mean you ca’n’t take *less*,” said the Hatter:
“it’s very easy to take *more* than nothing.”

Eyes At The Back Of Your Head

- 63 GOM blocks
- 4400 blocks 3-D seismic
- Grand Isle 72– discovery- on in October
- West Delta 43- dry hole
- High Island A279- dry hole
- Grand Isle 70- discovery
- Eugene Island 10 – drilling
- Ship Shoal 358/ Eugene Island 76/
Eugene Island 113B Producing

“I don’t *quite* know yet,” Alice said, very gently.
“I should like to look all around me first, if I might.”
“You may look in front of you, and on both sides, if you like,”
said the Sheep: “but you ca’n’t look *all* around you-
unless you’ve got eyes at the back of your head.”

Liberty Platform Grand Isle- 72



Venture Capital

- \$4.6 million investment in Alternative Energy
- 5 portfolio companies
 - One company-Protonex is now public.
Symbol PTX.L – we have 600,000 shares @ +/- \$1.70/share
- Will be seeking portfolio liquidity in 2007

“There’s nothing like eating hay when you’re faint,” he remarked to her, as he munched away. “I should think throwing cold water over you would be better,” Alice suggested. “I didn’t say there was nothing *better*,” the King replied. “I said there was nothing *like* it.”
Which Alice did not **VENTURE** to deny.

The Patience of An Oyster

- LNG annuity begins Q-1 2008
- Growing Fayetteville Shale production and reserves first frac and well test late August
- Dutch EI-10 drilling- log late September
- 16.7 million fully diluted shares
- 6 employees
- Board owns 23% of company

“Ah, my dear! Let this be a lesson to you never lose *your* temper!”
“Hold your tongue, Ma!” said the young Crab, a little snappishly.
“You’re enough to try the patience of an oyster!”

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