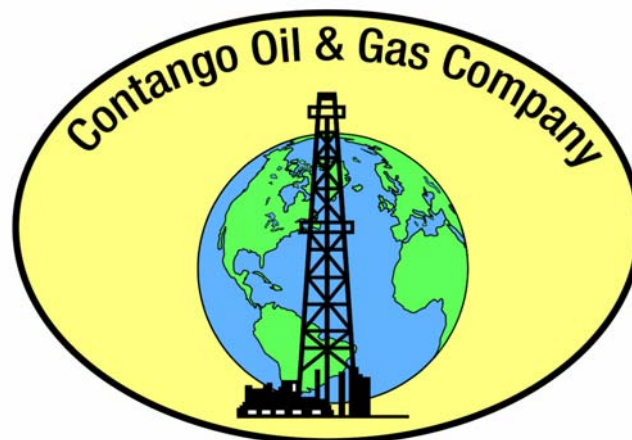


# Contango Oil & Gas Company



# 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 September 25/\$7 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
- 26% owned by Board of Directors and Officers

“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
  - \$2.8-\$2.2 million/well
  - 1.8-2.2 Bcfe/ well
  - \$2.24-\$1.76 million IDC/well
  - Have now two rigs
  - 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

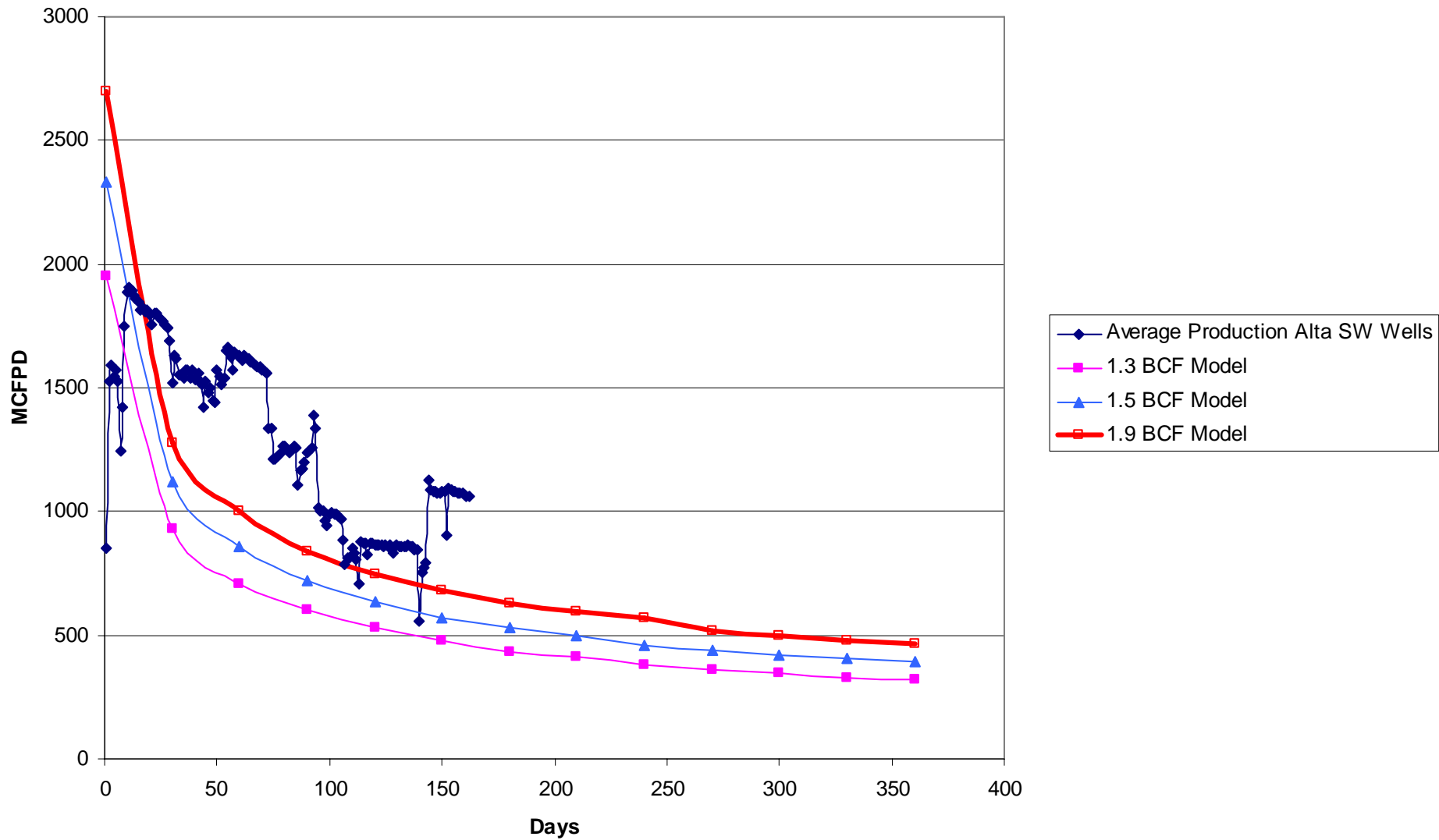
Alice: "that makes all the difference." "But if you *hadn't* done them,"

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

# Highlight of Fayetteville Shale Activity

As of September 25, 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	18	6.06%	4.8%	\$ 122,000
Currently being drilled or awaiting completion	SWN	23	7.99%	6.38%	\$ 171,000
Waiting to be drilled	SWN	<u>17</u>	<u>7.27%</u>	<u>5.79%</u>	<u>\$ 174,000</u>
<b>Sub Total</b>		<b>58</b>	<b>7.18%</b>	<b>5.71%</b>	<b>\$ 155,000</b>
Currently being drilled or awaiting completion	Alta	5	52.19%	41.47%	\$ 1,250,000
Permitted but no AFE	Alta	<u>14</u>	<u>38.11%</u>	<u>32.35%</u>	<u>\$ 883,000</u>
<b>Sub Total</b>		<b>19</b>	<b>41.81%</b>	<b>35.20%</b>	<b>\$ 980,000</b>
<b>GRAND TOTAL</b>		<b>77</b>	<b>15.95%</b>	<b>12.26%</b>	<b>\$ 370,000</b>

### Alta Ave Production: Sept. '06 Slickwater Fracs



# 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
- 3900 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



# 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 mid October
- 16.7 million fully diluted shares
- 6 employees
- Board and Officers own 26% of the 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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