

CONTANGO OIL & GAS COMPANY

NEWS RELEASE

Contango Oil & Gas Affiliate Apparent High Bidder on Two Gulf of Mexico Lease Blocks

AUGUST 18, 2005 – HOUSTON, TEXAS – Contango Oil & Gas Company (AMEX:MCF) announced today that Contango Offshore Exploration LLC (“COE”), an affiliated company, bid on two blocks and was the apparent high bidder on two blocks offered at the Western Gulf of Mexico Lease Sale #196 held August 17, 2005. The sale covered areas in the western part of the Outer Continental Shelf, and deepwater areas offshore from the Texas coastline. An apparent high bid (“AHB”) gives the bidding party propriety in award of offered tracts, notwithstanding the fact that the Minerals Management Service (“MMS”) may reject all bids for a given tract. The MMS review process can take up to 90 days on some bids. Upon completion of that process, final results for all AHBs will be known.

COE had the AHB on the following lease blocks:

<u>Affiliate with AHB</u>	<u>Block</u>	<u>COE's WI</u>	<u>Bid Amount</u>
COE	East Breaks 366	100%	\$ 352,567
COE	East Breaks 410	100%	\$ 252,900
			\$ 605,467

Contango owns 67% of COE. If these blocks are awarded, Contango will own interests, both directly and indirectly vis-à-vis its affiliates, in 51 federal lease blocks in the Gulf of Mexico.

Contango is a Houston-based, independent natural gas and oil company. The Company explores, develops, produces and acquires natural gas and oil properties primarily offshore in the Gulf of Mexico and onshore along the Gulf Coast. Contango also owns a 10% partnership interest in Freeport LNG Development L.P.; and a 32% interest in Contango Capital Partnership Management, LLC, and 25% interest in the Contango Capital Partners Fund, L.P., which were formed to invest in the alternative energy venture capital market with a focus on environmentally preferred energy technologies. Additional information can be found on our web page at www.contango.com.

This press release contains forward-looking statements that involve risks and uncertainties, and actual events or results may differ materially from Contango’s expectations. The statements reflect Contango’s current views with respect to future events that involve risks and uncertainties, including those related to successful negotiations with other parties, oil and gas exploration risks, price volatility, production levels, closing of transactions, capital availability, operational and other risks, uncertainties and factors described from time to time in Contango’s publicly available reports filed with the Securities and Exchange Commission.

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