

CONTANGO OIL & GAS COMPANY

NEWS RELEASE

Contango Acquires Additional Ownership in Partially-Owned Subsidiaries and Updates Operations

SEPTEMBER 7, 2005 – HOUSTON, TEXAS – Contango Oil & Gas Company (“Contango”) (AMEX:MCF) announced today that it has purchased, as of September 2, 2005, an additional 9.4% in each of its two partially-owned offshore Gulf of Mexico exploration subsidiaries, Republic Exploration LLC (“REX”) for \$5.6 million and Contango Offshore Exploration LLC (“COE”) for \$1.9 million, for a total expenditure of \$7.5 million. Both interests were purchased from JEX, which prior to the sale, owned 33.3% of each of the two subsidiaries. As a result of these two purchases, the Company’s equity ownership interest in REX has increased from 33.3% to 42.7% and in COE from 66.7% to 76.1%. The purchases were financed from the Company’s existing cash on hand. Following the acquisition, Contango has approximately \$29.1 million of remaining cash, cash equivalents and short term investments and no debt.

An independent third party also purchased a 9.4% interest in both REX and COE from JEX for the same total purchase price of \$7.5 million. JEX will continue in its capacity as the managing member of both REX and COE and following these two sales, now owns a 14.6% interest in both REX and COE.

Kenneth R. Peak, Contango’s Chairman and Chief Executive Officer said, “Our additional ownership in our REX and COE subsidiaries significantly increases our interests in their existing and future offshore Gulf of Mexico prospects. We currently have five prospects, two REX and three COE that we anticipate will begin drilling within the next six months, though the after-effects of Hurricane Katrina could significantly alter expected rig availability in what is already an extremely tight market. Contango Operators, Inc. (“COI”), our wholly owned subsidiary, will operate and expects to begin drilling exploratory wells at our “Dutch” prospect—Eugene Island 10—and our “Liberty” prospect—Grand Isle 72—prior to calendar year-end 2005. The other three prospects, Main Pass 221, West Cameron 133 and East Breaks 369/370 will be outside operated and REX and COE will be carried in these prospects.”

Mr. Peak continued, “In our Fayetteville Shale play, we and our partners have now acquired 32,000 acres at a cost of \$6.9 million. Our 70% share of the acquisition costs is \$4.8 million. We expect to acquire at least another 3,000 acres by the end of calendar year 2005 to bring the total to 35,000 acres. We are working to obtain a drilling rig and would like to begin our exploration of this acreage in the first quarter of 2006, depending on rig availability. Based on our success, or lack thereof, we will develop our exploration plan accordingly.”

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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