

CONTANGO OIL & GAS COMPANY

NEWS RELEASE

Contango Announces Results of Operations for the Fiscal Year Ended June 30, 2005

SEPTEMBER 13, 2005 – HOUSTON, TEXAS – Contango Oil & Gas Company (AMEX:MCF) reported net income attributable to common stock for the year ended June 30, 2005 of \$12.0 million, or \$0.92 per basic and diluted share, compared to net income attributable to common stock for the year ended June 30, 2004 of \$7.1 million, or \$0.68 per basic and diluted share. Natural gas and oil sales from continuing and discontinued operations for the year ended June 30, 2005 were \$16.3 million, down from \$27.6 million for the year ended June 30, 2004. The decrease in revenue was primarily the result of the sale of our south Texas natural gas and oil interests for \$50 million, completed in December 2004. EBITDAX was \$28.5 million for the year ended June 30, 2005, down from EBITDAX for the year ended June 30, 2004 of \$29.0 million.

For the three months ended June 30, 2005 Contango had a net loss attributable to common stock of \$1.4 million, or \$0.16 per basic and diluted share, compared to a net loss attributable to common stock for the three months ended June 30, 2004 of \$1.1 million, or \$0.09 per basic and diluted share. Natural gas and oil sales from continuing and discontinued operations for the three months ended June 30, 2005 were \$1.3 million, down from \$6.8 million for the three months ended June 30, 2004.

Kenneth R. Peak, Contango's Chairman and Chief Executive Officer, said, "Fiscal-year 2005 was a productive year for us. We sold the majority of our south Texas natural gas and oil properties in December, paid-off all of our bank debt, greatly increased our liquidity, and positioned ourselves strategically by making substantial capital commitments to our Fayetteville Shale prospect area and our two offshore exploration prospects, Eugene Island 10 ("Dutch") and Grand Isle 72 ("Liberty"). We currently have production of approximately 1,860 Mcfe/d and approximately \$29 million in cash, cash equivalents, and short-term investments."

Mr. Peak continued, "Since its inception in 1999, Contango has primarily been a company focused on south Texas exploration and the generation of offshore prospects that were subsequently sold on a promoted basis to the industry. In the future, we will be a company focused on developing our Fayetteville Shale play in Arkansas, operating certain of our offshore prospects, maintaining our 10% limited partnership interest in our Freeport LNG project, and maturing our investments in alternative energy."

CONTANGO OIL & GAS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended June 30,		
	2005	2004	2003
REVENUES:			
Natural gas and oil sales.....	\$ 4,330,440	\$ 194,983	\$ 228,062
Gain (loss) from hedging activities.....	-	58,171	(5,708,958)
Total revenues.....	4,330,440	253,154	(5,480,896)
EXPENSES:			
Operating expenses.....	506,943	142,809	112,326
Exploration expenses.....	6,607,049	8,847,533	12,640,878
Depreciation, depletion and amortization.....	1,232,624	40,817	26,773
Impairment of natural gas and oil properties.....	236,537	42,995	181,610
General and administrative expense.....	3,570,957	2,695,592	2,063,503
Total expenses.....	12,154,110	11,769,746	15,025,090
LOSS FROM CONTINUING OPERATIONS BEFORE OTHER			
INCOME AND INCOME TAXES.....	(7,823,670)	(11,516,592)	(20,505,986)
OTHER INCOME:			
Interest expense.....	(71,506)	(362,127)	(710,587)
Interest income.....	431,803	38,182	30,359
Gain on sale of marketable securities.....	-	710,322	451,500
Gain on sale of assets and other.....	705,147	6,187,740	39,230
LOSS FROM CONTINUING OPERATIONS			
BEFORE INCOME TAXES.....	(6,758,226)	(4,942,475)	(20,695,484)
Benefit for income taxes.....	2,350,257	1,788,359	7,243,419
LOSS FROM CONTINUING OPERATIONS.....			
	(4,407,969)	(3,154,116)	(13,452,065)
DISCONTINUED OPERATIONS:			
Discontinued operations, net of income taxes.....	16,825,905	10,854,465	9,116,040
NET INCOME (LOSS).....			
	12,417,936	7,700,349	(4,336,025)
Preferred stock dividends.....	420,000	620,000	600,000
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCK.....	\$ 11,997,936	\$ 7,080,349	\$ (4,936,025)
NET INCOME (LOSS) PER SHARE:			
Basic			
Continuing operations.....	\$ (0.37)	\$ (0.36)	\$ (1.54)
Discontinued operations.....	1.29	1.04	1.00
Total.....	\$ 0.92	\$ 0.68	\$ (0.54)
Diluted			
Continuing operations.....	\$ (0.37)	\$ (0.36)	\$ (1.54)
Discontinued operations.....	1.29	1.04	1.00
Total.....	\$ 0.92	\$ 0.68	\$ (0.54)
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:			
Basic.....	13,089,332	10,484,078	9,129,169
Diluted.....	13,089,332	10,484,078	9,129,169

The summarized financial results for discontinued operations for each of the periods ended June 30, are as follows:

Operating Results:	Twelve Months Ended		
	June 30,		
	2005	2004	2003
Revenues.....	\$ 11,936,266	\$ 27,434,831	\$ 33,691,064
Operating expenses.....	(728,283)	(3,745,376)	(5,624,128)
Depreciation expenses.....	(1,583,358)	(6,948,611)	(8,761,021)
Exploration expenses.....	(26,911)	(1,025,631)	(5,281,238)
Gain on sale of discontinued operations.....	16,288,294	983,964	-
Gain before income taxes.....	\$ 25,886,008	\$ 16,699,177	\$ 14,024,677
Provision for income taxes.....	(9,060,103)	(5,844,712)	(4,908,637)
Gain from discontinued operations, net of income taxes.....	<u>\$ 16,825,905</u>	<u>\$ 10,854,465</u>	<u>\$ 9,116,040</u>

A reconciliation of EBITDAX to income (loss) from operations and operating results for discontinued operations for the periods indicated is presented below.

	Year ended June 30,				
	2005	2004	2003	2002	2001
	(\$000)				
Income (loss) from continuing operations.....	\$ (7,824)	\$ (11,517)	\$ (20,506)	\$ 1,353	\$ (3,213)
Exploration expenses.....	6,607	8,847	12,641	477	389
Depreciation, depletion and amortization.....	1,233	41	27	217	298
Impairment of natural gas and oil properties.....	237	43	181	198	300
Gain on sale of marketable securities.....	-	710	452	-	-
Gain on sale of assets and other.....	705	6,188	39	374	-
EBITDAX from continuing operations.....	958	4,312	(7,166)	2,619	(2,226)
Income from discontinued operations before taxes....	25,886	16,699	14,025	8,944	13,724
Exploration expenses.....	27	1,026	5,281	2,217	3,778
Depreciation, depletion and amortization.....	1,583	6,949	8,761	8,377	3,726
Impairment of natural gas and oil properties.....	-	-	-	329	-
EBITDAX (1).....	<u>\$ 28,454</u>	<u>\$ 28,986</u>	<u>\$ 20,901</u>	<u>\$ 22,486</u>	<u>\$ 19,002</u>

(1) EBITDAX represents earnings before interest, income taxes, depreciation, depletion and amortization, impairment expenses, exploration expenses, including gain (loss) from hedging activities, and sale of assets and other. We have reported EBITDAX because we believe EBITDAX is a measure commonly reported and widely used by investors as an indicator of a company's operating performance and ability to incur and service debt. We believe EBITDAX assists investors in comparing a company's performance on a consistent basis without regard to depreciation, depletion and amortization, impairment of natural gas and oil properties and exploration expenses, which can vary significantly depending upon accounting methods. EBITDAX is not a calculation based on U.S. generally accepted accounting principles and should not be considered an alternative to net income (loss) in measuring our performance or used as an exclusive measure of cash flow because it does not consider the impact of working capital growth, capital expenditures, debt principal reductions and other sources and uses of cash, which are disclosed in our statements of cash flows. Investors should carefully consider the specific items included in our computation of EBITDAX. While we have disclosed our EBITDAX to permit a more complete comparative analysis of our operating performance and debt servicing ability relative to other companies, investors should be cautioned that EBITDAX as reported by us may not be comparable in all instances to EBITDAX as reported by other companies. EBITDAX amounts may not be fully available for management's discretionary use, due to requirements to conserve funds for capital expenditures, debt service, preferred stock dividends and other commitments.

Production, Prices, Operating Expenses, and Other

Production Data:	Year Ended June 30,				
	2005	2004	2003	2002	2001
Natural gas (million cubic feet).....	2,124	4,329	6,016	6,982	3,570
Oil and condensate (thousand barrels).....	51	99	139	186	122
Total (million cubic feet equivalent).....	2,430	4,923	6,850	8,098	4,302
Natural gas (thousand cubic feet per day).....	5,820	11,827	16,483	19,129	9,781
Oil and condensate (barrels per day).....	139	272	380	510	335
Total (thousand cubic feet equivalent per day).....	6,654	13,459	18,763	22,189	11,791
Average sales price:					
Natural gas (per thousand cubic feet).....	\$ 6.53	\$ 5.65	\$ 5.00	\$ 2.94	\$ 5.92
Oil and condensate (per barrel).....	\$ 48.13	\$ 31.99	\$ 27.90	\$ 21.44	\$ 27.95
Selected data per Mcfe:					
Production and severance taxes.....	\$ (0.25)	\$ 0.16	\$ 0.35	\$ 0.20	\$ 0.39
Lease operating expenses.....	\$ 0.76	\$ 0.63	\$ 0.48	\$ 0.28	\$ 0.22
General and administrative expenses.....	\$ 1.47	\$ 0.55	\$ 0.30	\$ 0.36	\$ 0.55
Depreciation, depletion and amortization of natural gas and oil properties.....	\$ 1.13	\$ 1.39	\$ 1.24	\$ 1.05	\$ 0.92
Proved Reserve Data:					
Total proved reserves (Mmcf).....	1,373	17,422	23,592	27,939	18,144
Pre-tax net present value (SEC at 10%).....	\$ 7,081	\$ 59,767	\$ 69,627	\$ 53,349	\$ 42,626

Contango is a Houston-based, independent natural gas and oil company. The Company's core business is to explore, develop, produce and acquire natural gas and oil properties primarily offshore in the Gulf of Mexico and onshore along the Gulf Coast. As a recent addition to our business, we will begin acting as an operator on certain offshore prospects through our wholly-owned subsidiary, Contango Operators, Inc. ("COI"). The Company also owns a 10% interest in a limited partnership formed to develop an LNG receiving terminal in Freeport, Texas, and holds investments 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.

Contango Oil & Gas Company
3700 Buffalo Speedway, Suite 960
Houston, Texas 77098
www.contango.com

For information, contact:
Kenneth R. Peak
(713) 960-1901