

CONTANGO OIL & GAS COMPANY

NEWS RELEASE

Contango Reports Second Quarter Earnings and Updates Operations

FEBRUARY 13, 2006 – HOUSTON, TEXAS – Contango Oil & Gas Company (AMEX:MCF) reported a net loss attributable to common stock for the three months ended December 31, 2005 of \$0.4 million, or \$0.03 per basic and diluted share, compared to net income attributable to common stock for the three months ended December 31, 2004 of \$13.2 million, or \$1.01 per basic and diluted share, which included a gain from discontinued operations of \$14.1 million, net of income taxes, from the sale of our south Texas natural gas and oil interests that was completed in December 2004.

The net loss attributable to Contango common stock for the six months ended December 31, 2005 was \$0.3 million, or \$0.02 per basic and diluted share, compared to net income attributable to common stock for the six months ended December 31, 2004 of \$14.5 million, or \$1.12 per basic and diluted share, which included a gain from discontinued operations of \$16.5 million, net of income taxes, from the sale of our south Texas natural gas and oil interests that was completed in December 2004.

EBITDAX for the three months ended December 31, 2005 was \$1.4 million compared to \$21.8 million for the three months ended December 31, 2004. EBITDAX for the six months ended December 31, 2005 was \$2.1 million compared to \$26.8 million for the three months ended December 31, 2004.

Natural gas and oil sales from continuing operations for the three and six month periods ended December 31, 2005 were \$1.8 million and \$3.0 million, respectively, up from \$1.4 million and \$2.0 million for the three and six month periods ended December 31, 2004. The increase in revenue resulted from both increased natural gas and oil prices and increased production due to new reserves discovered after the sale of our south Texas interests in December 2004.

EBITDAX from continuing operations for the three and six month periods ended December 31, 2005 were \$0.6 million and \$1.0 million, respectively, up from \$0.1 million and a loss of \$0.2 million for the three and six month periods ended December 31, 2004, respectively.

Kenneth R. Peak, Contango's Chairman and Chief Executive Officer, said, "In the offshore, our Grand Isle 72 prospect and our farm-out prospect, Main Pass 221, are being drilled, and we expect to begin drilling our Eugene Island 10 prospect in March 2006. We also plan to begin drilling our High Island A-279 and our West Delta 43 prospects before calendar year-end."

"In our Arkansas Fayetteville Shale Play, we are now preparing well locations on our first two well sites. Recently, the Arkansas Oil & Gas Commission approved two additional 640-acre drilling units, bringing our total number of drilling units to five. We estimate that these five units will allow our partnership to drill and operate up to 45 horizontal wells. In addition, we have now been integrated into 15 wells that are being operated by a third party oil and gas exploration company, four of which are producing. The remaining 11 horizontal wells are either being drilled or are expected to be drilled over the next three months."

As of February 13, 2006 we have approximately \$19.7 million in cash, cash equivalents, and short term investments and no debt. The Company currently has production of approximately 2.2 million cubic feet equivalent per day (“MMcfe/d”) of natural gas. Once our two onshore wells, Alta-Blackstone 10-4 and Alta-Blackstone 31-14, are both producing, we anticipate that our production will increase to approximately 4.0 MMcfe/d by the end of March 2006.”

CONTANGO OIL & GAS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended December 31,		Six Months Ended December 31,	
	2005	2004	2005	2004
REVENUES:				
Natural gas and oil sales.....	\$1,823,409	\$ 1,425,983	\$3,010,274	\$ 2,005,596
Total revenues.....	<u>1,823,409</u>	<u>1,425,983</u>	<u>3,010,274</u>	<u>2,005,596</u>
EXPENSES:				
Operating expenses.....	115,109	209,123	279,489	252,973
Exploration expenses.....	1,579,973	944,273	1,919,411	1,732,339
Depreciation, depletion and amortization.....	396,773	459,338	673,857	619,622
Impairment of natural gas and oil properties.....	-	-	-	112,000
General and administrative expense.....	<u>1,099,711</u>	<u>1,087,051</u>	<u>2,021,974</u>	<u>1,899,524</u>
Total expenses.....	<u>3,191,566</u>	<u>2,699,785</u>	<u>4,894,731</u>	<u>4,616,458</u>
LOSS FROM CONTINUING OPERATIONS BEFORE OTHER INCOME AND INCOME TAXES.....				
	(1,368,157)	(1,273,802)	(1,884,457)	(2,610,862)
OTHER INCOME (EXPENSE):				
Interest expense.....	(96)	(22,341)	(192)	(71,317)
Interest income.....	190,315	15,503	399,368	33,356
Gain (loss) on sale of assets and other.....	<u>32,164</u>	<u>(46,313)</u>	<u>241,686</u>	<u>(86,820)</u>
LOSS FROM CONTINUING OPERATIONS BEFORE INCOME TAXES.....				
	(1,145,774)	(1,326,953)	(1,243,595)	(2,735,643)
Benefit for income taxes.....	<u>457,667</u>	<u>465,790</u>	<u>506,521</u>	<u>957,476</u>
LOSS FROM CONTINUING OPERATIONS.....				
	<u>(688,107)</u>	<u>(861,163)</u>	<u>(737,074)</u>	<u>(1,778,167)</u>
DISCONTINUED OPERATIONS				
Discontinued operations, net of income taxes.....	<u>469,720</u>	<u>14,116,542</u>	<u>729,988</u>	<u>16,516,445</u>
NET INCOME (LOSS).....				
	(218,387)	13,255,379	(7,086)	14,738,278
Preferred stock dividends.....	<u>150,000</u>	<u>105,000</u>	<u>301,000</u>	<u>210,000</u>
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCK.....				
	<u>\$ (368,387)</u>	<u>\$13,150,379</u>	<u>\$ (308,086)</u>	<u>\$14,528,278</u>
NET INCOME (LOSS) PER SHARE:				
Basic				
Continuing operations.....	\$ (0.06)	\$ (0.07)	\$ (0.07)	\$ (0.15)
Discontinued operations.....	<u>0.03</u>	<u>1.08</u>	<u>0.05</u>	<u>1.27</u>
Total.....	<u>\$ (0.03)</u>	<u>\$ 1.01</u>	<u>\$ (0.02)</u>	<u>\$ 1.12</u>
Diluted				
Continuing operations.....	\$ (0.06)	\$ (0.07)	\$ (0.07)	\$ (0.15)
Discontinued operations.....	<u>0.03</u>	<u>1.08</u>	<u>0.05</u>	<u>1.27</u>
Total.....	<u>\$ (0.03)</u>	<u>\$ 1.01</u>	<u>\$ (0.02)</u>	<u>\$ 1.12</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic.....	<u>14,717,570</u>	<u>13,049,641</u>	<u>14,586,862</u>	<u>12,960,450</u>
Diluted.....	<u>14,717,570</u>	<u>13,049,641</u>	<u>14,586,862</u>	<u>12,960,450</u>

The summarized financial results for discontinued operations for each of the periods ended December 31, are as follows:

Operating Results:	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2005	2004	2005	2004
Revenues.....	\$ -	\$ 5,858,649	\$ 3,685	\$ 11,951,278
Operating (expenses) credits.....	723,046 *	(382,016)	1,096,175 *	(1,190,029)
Depreciation expenses.....	-	(13,739)	-	(1,583,358)
Exploration expenses.....	(400)	(4,073)	(400)	(26,911)
Gain on sale of discontinued operations.....	-	16,258,936	23,598	16,258,936
Gain before income taxes.....	\$ 722,646	\$ 21,717,757	\$ 1,123,058	\$ 25,409,916
Provision for income taxes.....	(252,926)	(7,601,215)	(393,070)	(8,893,471)
Gain from discontinued operations, net of income taxes.....	\$ 469,720	\$ 14,116,542	\$ 729,988	\$ 16,516,445

* credit due to severance tax refunds

Production, Prices, Operating Expenses, and Other

Production Data:	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2005	2004	2005	2004
	(Dollar amounts in 000s, except per Mcfe amounts)		(Dollar amounts in 000s, except per Mcfe amounts)	
Natural gas (million cubic feet).....	135	931	226	1,910
Oil and condensate (thousand barrels).....	9	19	15	39
Total (million cubic feet equivalent).....	189	1,045	316	2,144
Natural gas (thousand cubic feet per day).....	1,471	10,120	1,227	10,438
Oil and condensate (barrels per day).....	93	209	80	213
Total (thousand cubic feet equivalent per day).....	2,029	11,374	1,707	11,717
Average sales price:				
Natural gas (per thousand cubic feet).....	\$ 10.30	\$ 6.85	\$ 9.72	\$ 6.41
Oil and condensate (per barrel).....	\$ 50.18	\$ 46.95	\$ 55.77	\$ 44.61
Selected data per Mcfe:				
Production and severance taxes.....	\$ (3.21)	\$ (0.19)	\$ (2.89)	\$ (0.11)
Lease operating expenses.....	\$ (0.05)	\$ 0.76	\$ 0.29	\$ 0.78
General and administrative expenses.....	\$ 5.89	\$ 1.04	\$ 6.44	\$ 0.89
Depreciation, depletion and amortization of natural gas and oil properties.....	\$ 1.96	\$ 0.43	\$ 2.00	\$ 1.00
EBITDAX (1).....	\$ 1,364	\$ 21,819	\$ 2,098	\$ 26,786

(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.

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

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
Reconciliation of EBITDAX:	2005	2004	2005	2004
	(Dollar amounts in 000s)		(Dollar amounts in 000s)	
(Loss) from continuing operations before other income and income taxes.....	\$ (1,368)	\$ (1,274)	\$ (1,884)	\$ (2,611)
Exploration expenses.....	1,580	944	1,919	1,732
Depreciation, depletion and amortization.....	397	459	674	620
Impairment of natural gas and oil properties.....	-	-	-	112
Gain (loss) on sale of assets and other.....	32	(46)	242	(87)
EBITDAX from continuing operations.....	641	83	951	(234)
Gain from discontinued operations before taxes.....	723	21,718	1,123	25,410
Exploration expenses.....	-	4	-	27
Depreciation, depletion and amortization.....	-	14	-	1,583
Gain on sale of assets and other.....	-	-	24	-
EBITDAX.....	<u>\$ 1,364</u>	<u>\$ 21,819</u>	<u>\$ 2,098</u>	<u>\$ 26,786</u>

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, and in the Arkansas Fayetteville Shale. As a recent addition to our business, we now operate 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 companies focused on commercializing 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