

CONTANGO OIL & GAS COMPANY

NEWS RELEASE

Contango Oil & Gas Affiliates Awarded 12 Lease Blocks at MMS Lease Sale and Updates Operations

JUNE 15, 2006 – HOUSTON, TEXAS – Contango Oil & Gas Company (AMEX:MCF) announced that 12 of the 16 lease blocks in which affiliates were the Apparent High Bidders (“AHB”) at the Central Gulf of Mexico Lease Sale #198 held on March 15, 2006 in New Orleans have been awarded. The sale covered areas in the central part of the Outer Continental Shelf, offshore from the Louisiana coastline. The final results from the Lease Sale are as follows:

<u>REX</u>	<u>MMS Outcome</u>
Vermilion 194	Awarded
South Marsh Island 57	Awarded
South Marsh Island 59	Awarded
South Marsh Island, South 75	Awarded
South Marsh Island, North 282	Awarded
Ship Shoal 14	Awarded
Ship Shoal 25	Awarded
West Delta 77	Awarded
Vermilion 190	Rejected
Vermilion 193	Rejected
South Marsh Island 9	Rejected
South Marsh Island, North 287	Rejected

<u>COE</u>	<u>MMS Outcome</u>
Ship Shoal, South 263	Awarded
Grand Isle 70	Awarded
Viosca Knoll 119	Awarded
Viosca Knoll 383	Awarded

Contango owns approximately 43% and 76% of Republic Exploration LLC (“REX”) and Contango Offshore Exploration LLC (“COE”), respectively, and owns interests, both directly and indirectly vis-à-vis its affiliates, in 63 federal lease blocks in the Gulf of Mexico.

Contango Venture Capital Corporation

Contango Venture Capital Corporation (“CVCC”), a wholly-owned subsidiary of Contango Oil & Gas Company, announced that it has invested \$1 million in Gridpoint, Inc.

GridPoint's intelligent energy management (IEM) products ensure clean, reliable power, increase energy efficiency, and integrate renewable energy. With GridPoint, home and business owners can automatically protect themselves from power outages, manage their energy online and reduce their carbon footprint. GridPoint's "plug-and-play" appliances are easy to install and sold through a network of

premium home builders, utilities, retail chains and government entities as well as installers and contractors of electrical, heating, air-conditioning, home automation, power quality and renewable energy systems.

Kenneth R. Peak, Contango's Chairman and Chief Executive Officer, said "We are excited to expand our alternative energy investments into Gridpoint. This brings our total investment in the alternative energy venture capital space to approximately \$4 million. Each of our portfolio companies is making substantial progress."

Operations Update

We expect to begin drilling our West Delta 43 ("Skip Jack") prospect by the end of June, our High Island A-279 ("Juice") prospect in early July, and our Eugene Island 10 ("Dutch") prospect in mid-July. Additionally, our recent discovery at Grand Isle 72 ("Liberty") is expected to begin producing in the September/October time frame.

In our Arkansas Fayetteville Shale Play, we are committed to 53 wells. Of these, 15 are operated by our alliance partner, Alta, including the Alta-Beck #1-32H, which we expect to be able to frac and test by the end of July. The remaining 38 wells are ones we have been integrated into and are being operated by a third party oil and gas exploration company. Of these, 10 are producing, 9 are either being drilled or awaiting completion, and the remaining 19 are expected to be drilled over the next three months.

As of June 14, 2006 the Company has approximately \$31 million in cash, cash equivalents and short term investments. We have \$10 million in long-term debt and \$10 million of unutilized borrowing capacity available.

Contango is a Houston-based, independent natural gas and oil company. The Company explores, develops, produces and acquires natural gas and oil properties primarily onshore in the Gulf Coast and offshore in the Gulf of Mexico. Contango also owns a 10% partnership interest in Freeport LNG Development L.P., and a 32% interest in Contango Capital Partnership Management, LLC, which was 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.

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

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