

CONTANGO OIL & GAS COMPANY

NEWS RELEASE

Contango Announces Discovery at its Dutch Prospect and Updates Operations

APRIL 3, 2007 – HOUSTON, TX – Contango Oil & Gas Company (AMEX:MCF) announced today a significant discovery at its Dutch prospect located offshore Gulf of Mexico at Eugene Island block 10. The Dutch #2 well is located approximately 1 mile from the Dutch #1 well and has extended the reservoir found by the Dutch #1 well. Both wells are operated by Contango Operators, Inc. (“COI”), a wholly-owned subsidiary of the Company. The two Dutch wells will produce from the same reservoir at a depth greater than 15,000 feet.

Contango’s independent third party engineer estimates the two Dutch wells have total proved reserves of 158 billion cubic feet equivalent (“Bcfe”) (45.8 Bcfe net to Contango) with an additional 266 Bcfe of probable reserves (77.1 Bcfe net to Contango) should future field extension/exploration wells prove successful. Completion and testing operations are expected to take three weeks with production of the Dutch #2 well estimated to commence between July and August 2007. The Company plans to begin drilling Dutch #3, a field extension/exploration well, as soon as completion operations are finished at Dutch #2. The Dutch #3 well is expected to commence drilling in May 2007 and has an 8/8ths cost of approximately \$25.0 million (\$4.0 million net to COI and \$14.1 million net to REX). The Dutch #3 well is located 2,200 feet southeast of the Dutch #1 well. The Dutch #1 well is currently flowing at 35 million cubic feet equivalent per day.

COI has an approximate 16% working interest and Republic Exploration LLC (“REX”), a subsidiary in which the Company owns a 42.7% interest, has an approximate 56.5% working interest in our Dutch discovery or a combined working interest net to Contango of approximately 40%. The net revenue interests to COI and REX are approximately 12% and 42%, respectively, or a combined net revenue interest net to Contango of approximately 29%.

The Company estimates it may require as many as seven to nine wells to fully develop its Dutch discovery including, if successful, proved and probable reserves located on our Mary Rose prospect acreage. The Mary Rose prospect is contiguous and north of the Company’s Dutch acreage. Our Mary Rose prospect acreage is on Louisiana State Leases No. 18640, 18860, 19261 and 19266.

In our Arkansas Fayetteville Shale play, our alliance partner, Alta Resources LLC (“Alta”) has recently entered into a five well rig contract. Alta expects to begin drilling the first of these five wells this week. In addition, Alta has arranged for an independent third party operator to drill two additional wells on Alta’s behalf. Of these seven wells, the first five are in and around the Gravel Hill Field area in Conway and Van Buren Counties, Arkansas. Contango’s approximate net average working interest and net revenue interest in these seven wells are 47.5% and 38% with an estimated drill and complete cost of \$7.9 million, net to Contango.

Kenneth R. Peak, Contango’s Chairman and Chief Executive Officer, said, “All three of our natural gas value driven strategies are progressing well. Our Dutch discovery is a tremendous achievement for the Company and our Gulf of Mexico exploration team, though much work remains to be done including drilling an additional five to seven field extension/exploration wells at an estimated 8/8ths cost of \$25.0 million per well. This discovery, while already of major importance to Contango, is very

early in its exploitation. We expect to learn a great deal about this reservoir and the ultimate recoverable reserves as we drill, log and hopefully complete and produce each well, including the production testing of the Dutch #2 well which we anticipate will happen later this month. Our Fayetteville Shale exploration program will be spudding the first of five wells in the “sweet spot” of that play, while our investment in Freeport LNG is now only a year away from first revenues. I believe we have significant remaining upside opportunities in each of these investment strategies and that will continue to be our focus.”

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 in the Arkansas Fayetteville Shale. 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 (“SEC”).

The SEC permits oil and gas companies to disclose in their filings with the SEC only "proved" reserves, which are reserve estimates that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Contango uses in this press release the term "probable" reserves, which SEC guidelines prohibit from being included in filings with the SEC. Probable reserves are unproved reserves which are more likely than not to be recoverable. Estimates of probable reserves which may potentially be recoverable through additional drilling or recovery techniques are by their nature more uncertain than estimates of proved reserves and accordingly are subject to substantially greater risk of not actually being realized by the Company.

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