

CONTANGO OIL & GAS COMPANY

NEWS RELEASE

Contango Reports Third Quarter Earnings and Updates Operations

MAY 9, 2007 – HOUSTON, TEXAS – Contango Oil & Gas Company (AMEX:MCF) reported net income attributable to common stock for the three months ended March 31, 2007 of approximately \$0.2 million, or \$0.01 per basic and diluted share. This compares to net income attributable to common stock for the three months ended March 31, 2006 of \$0.7 million, or \$0.05 per basic and diluted share.

The net loss attributable to Contango common stock for the nine months ended March 31, 2007 was \$2.7 million, or \$0.18 per basic and diluted share, compared to net income attributable to common stock for the nine months ended March 31, 2006 of \$0.4 million, or \$0.03 per basic and diluted share.

Kenneth R. Peak, Contango's Chairman and Chief Executive Officer, said, "Our net production for the three months ended March 31, 2007 averaged 7.8 million cubic feet equivalent per day ("MMcfe/d") vs. 20 MMcfe/d currently. Our Dutch #2 well at Eugene Island 10, expected to begin producing in July 2007, is anticipated to add another 7.5 MMcfe/d, which together with on-going drilling in the Arkansas Fayetteville Shale is projected to increase our daily net production to 30 MMcfe/d by this summer."

Mr. Peak continued, "We have now drilled the first two of our five scheduled Alta operated wells and are currently fracture stimulating our first well, the Alta-Huff #1-29H. This well was drilled in 15 days at an 8/8ths cost of \$2.5 million, compared to our AFE of \$2.4 million. Our second well, the Alta-Jones #1-29H was drilled in 12 days, which is two days faster than our AFE estimate, and at a cost of \$2.3 million. We have an aggressive fracture stimulation schedule in front of us and plan to fracture stimulate six Alta operated wells over the next three months. We spudded our Dutch #3 exploration well on April 26, 2007 and expect to spud our Mary Rose #1 development well upon completion of the Dutch #3 well, expected in July 2007."

As of May 4, 2007, we have approximately \$2.5 million in cash and cash equivalents, \$35.0 million in long-term debt outstanding and \$15.0 million of borrowing availability. Our proved reserves, as estimated by our independent reserve engineers as of March 31, 2007, were 56.0 billion cubic feet equivalent. The SEC PV-10 pre-tax net present value of these reserves, using quarter end prices adjusted for basis and transportation is \$238.3 million.

CONTANGO OIL & GAS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|-------------------|-----------------------|-------------------|
| | March 31, | | March 31, | |
| | 2007 | 2006 | 2007 | 2006 |
| REVENUES: | | | | |
| Natural gas and oil sales..... | \$ 5,416,020 | \$ 123,199 | \$ 7,458,733 | \$ 315,274 |
| Total revenues..... | <u>5,416,020</u> | <u>123,199</u> | <u>7,458,733</u> | <u>315,274</u> |
| EXPENSES: | | | | |
| Operating expenses (credits)..... | 280,302 | 5,512 | 557,953 | (11,216) |
| Exploration expenses..... | 253,741 | 152,011 | 1,151,211 | 978,682 |
| Depreciation, depletion and amortization..... | 1,050,200 | 11,909 | 1,554,583 | 99,032 |
| Impairment of natural gas and oil properties..... | - | 419,918 | 192,109 | 419,918 |
| General and administrative expenses..... | 2,371,076 | 1,061,518 | 4,900,017 | 3,083,492 |
| Total expenses..... | <u>3,955,319</u> | <u>1,650,868</u> | <u>8,355,873</u> | <u>4,569,908</u> |
| INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE | | | | |
| OTHER INCOME (EXPENSES) AND INCOME TAXES..... | 1,460,701 | (1,527,669) | (897,140) | (4,254,634) |
| OTHER INCOME (EXPENSE): | | | | |
| Interest expense (net of interest capitalized)..... | (739,510) | (93) | (1,297,415) | (285) |
| Interest income..... | 231,253 | 165,946 | 638,395 | 565,314 |
| Gain (loss) on sale of assets and other..... | <u>(677,580)</u> | <u>(18,519)</u> | <u>(1,994,265)</u> | <u>223,167</u> |
| INCOME (LOSS) FROM CONTINUING OPERATIONS | | | | |
| BEFORE INCOME TAXES..... | 274,864 | (1,380,335) | (3,550,425) | (3,466,438) |
| Benefit (provision) for income taxes..... | <u>(96,152)</u> | <u>524,792</u> | <u>1,156,420</u> | <u>1,326,191</u> |
| INCOME (LOSS) FROM CONTINUING OPERATIONS..... | | | | |
| | 178,712 | (855,543) | (2,394,005) | (2,140,247) |
| DISCONTINUED OPERATIONS | | | | |
| Discontinued operations, net of income taxes..... | <u>-</u> | <u>1,754,965</u> | <u>-</u> | <u>3,032,583</u> |
| NET INCOME (LOSS)..... | | | | |
| | 178,712 | 899,422 | (2,394,005) | 892,336 |
| Preferred stock dividends..... | <u>22,222</u> | <u>150,000</u> | <u>314,722</u> | <u>451,000</u> |
| NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCK..... | <u>\$ 156,490</u> | <u>\$ 749,422</u> | <u>\$ (2,708,727)</u> | <u>\$ 441,336</u> |
| NET INCOME (LOSS) PER SHARE: | | | | |
| Basic | | | | |
| Continuing operations..... | \$ 0.01 | \$ (0.07) | \$ (0.18) | \$ (0.18) |
| Discontinued operations..... | - | 0.12 | - | 0.21 |
| Total..... | <u>\$ 0.01</u> | <u>\$ 0.05</u> | <u>\$ (0.18)</u> | <u>\$ 0.03</u> |
| Diluted | | | | |
| Continuing operations..... | \$ 0.01 | \$ (0.07) | \$ (0.18) | \$ (0.18) |
| Discontinued operations..... | - | 0.12 | - | 0.21 |
| Total..... | <u>\$ 0.01</u> | <u>\$ 0.05</u> | <u>\$ (0.18)</u> | <u>\$ 0.03</u> |
| WEIGHTED AVERAGE COMMON SHARES OUTSTANDING: | | | | |
| Basic..... | <u>15,759,324</u> | <u>14,865,965</u> | <u>15,262,085</u> | <u>14,675,586</u> |
| Diluted..... | <u>16,068,154</u> | <u>14,865,965</u> | <u>15,262,085</u> | <u>14,675,586</u> |

The Company did not have any discontinued operations for the three or nine months ended March 31, 2007. The summarized financial results for discontinued operations for the periods ended March 31, 2006 are as follows:

| Operating Results : | Three Months Ended | | Nine Months Ended | |
|---|--------------------|--------------|-------------------|--------------|
| | March 31, | | March 31, | |
| | 2007 | 2006 | 2007 | 2006 |
| Revenues..... | \$ - | \$ 1,555,134 | \$ - | \$ 4,377,017 |
| Operating credits..... | - | 466,362 * | - | 1,266,320 * |
| Exploration expenses..... | - | - | - | (1,093,139) |
| Depreciation, depletion and amortization..... | - | (380,000) | - | (966,734) |
| Gain on sale of discontinued operations..... | - | 1,058,450 | - | 1,082,048 |
| Gain before income taxes..... | \$ - | \$ 2,699,946 | \$ - | \$ 4,665,512 |
| Provision for income taxes | - | (944,981) | - | (1,632,929) |
| Gain from discontinued operations, net of income taxes..... | \$ - | \$ 1,754,965 | \$ - | \$ 3,032,583 |

* credit due to severance tax refunds

Production, Prices, Operating Expenses, and Other

| | Three Months Ended | | Nine Months Ended | |
|--|---|-----------|---|-----------|
| | March 31, | | March 31, | |
| | 2007 | 2006 | 2007 | 2006 |
| | (Dollar amounts in 000's, except per Mcfe amounts) | | (Dollar amounts in 000's, except per Mcfe amounts) | |
| Production Data: | | | | |
| Natural gas (million cubic feet)..... | 648 | 116 | 896 | 342 |
| Oil and condensate (thousand barrels)..... | 12 | 13 | 17 | 28 |
| Total (million cubic feet equivalent)..... | 720 | 194 | 998 | 510 |
| | | | | |
| Natural gas (million cubic feet per day)..... | 7.2 | 1.3 | 3.3 | 1.2 |
| Oil and condensate (thousand barrels per day)..... | 0.1 | 0.1 | 0.1 | 0.1 |
| Total (million cubic feet equivalent per day)..... | 7.8 | 1.9 | 3.9 | 1.9 |
| | | | | |
| Average sales price: | | | | |
| Natural gas (per thousand cubic feet)..... | \$ 7.36 | \$ 8.00 | \$ 7.19 | \$ 9.14 |
| Oil and condensate (per barrel)..... | \$ 56.20 | \$ 58.17 | \$ 59.81 | \$ 56.89 |
| | | | | |
| Selected data per Mcfe: | | | | |
| Total lease operating expenses..... | \$ 0.39 | \$ (2.38) | \$ 0.56 | \$ (2.52) |
| General and administrative expenses..... | \$ 3.31 | \$ 5.49 | \$ 4.91 | \$ 6.08 |
| Depreciation, depletion and amortization of natural gas and oil properties..... | \$ 1.30 | \$ 1.96 | \$ 1.34 | \$ 1.99 |

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.

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