

# CONTANGO OIL & GAS COMPANY

## NEWS RELEASE

### **Contango Affiliate Apparent High Bidder on Two Gulf of Mexico Lease Blocks**

AUGUST 23, 2007 – HOUSTON, TEXAS – Contango Oil & Gas Company (AMEX:MCF) announced today that its affiliated company, Republic Exploration LLC (“REX”), was the apparent high bidder on two lease blocks at the Western Gulf of Mexico Lease Sale No. 204 held on August 22, 2007. REX bid approximately \$1.75 million on High Island 263, and approximately \$1.1 million on High Island A38.

An apparent high bid (“AHB”) gives the bidding party priority in award of offered tracts, notwithstanding the fact that the Minerals Management Service (“MMS”) may reject all bids for a given tract. The MMS review process can take up to 90 days on some bids. Upon completion of that process, final results for all AHB’s will be known.

Kenneth R. Peak, Contango’s Chairman and Chief Executive Officer said, “We are delighted to have won these blocks. Our Gulf of Mexico exploration efforts for the past year have been entirely focused on developing our Dutch and Mary Rose prospects, but we expect to rekindle our offshore exploration efforts by drilling between two to four new offshore exploration prospects in calendar year 2008. Due to the potential threat from Hurricane Dean, we had to suspend drilling of our Mary Rose #1 prospect on August 19<sup>th</sup>, but went back to drilling today. Our current estimate is that we will log our Mary Rose #1 well in mid-October 2007.”

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](http://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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