

CONTANGO OIL & GAS COMPANY

NEWS RELEASE

Contango Increases Term Loan Facility to \$60 Million and Updates Operations

JANUARY 23, 2008 – HOUSTON, TEXAS – Contango Oil & Gas Company (AMEX: MCF) announced today that it has increased its \$30 million secured term loan facility with a private investment firm to \$60 million. Of this \$60 million, \$15 million is currently outstanding.

In December 2007, the maturity date of the term loan facility was extended to June 30, 2009. All other terms and conditions of the facility remain unchanged. An arrangement fee of 1% of the increased capacity, or \$300,000, was paid in connection with the increase in the facility.

In the offshore, the Company's three Dutch wells at Eugene Island 10 returned to production on January 18 and are currently flowing at a combined 112 million cubic feet equivalent per day ("Mmcfe/d"), or approximately 38 Mmcfe/d net to Contango.

Kenneth R. Peak, the Company's Chairman and Chief Executive Officer, said, "After the sale of our 10% interest in the Freeport LNG plant, which is expected to close in early February, we will be debt free with unused debt capacity of \$60 million. We have no immediate plans for this unused capacity, but given the recent turmoil in financial markets thought it would be prudent to have extra liquidity on hand. Our second Mary Rose well is drilling and we now expect to log this well in February."

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. 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 regarding Contango that are intended to be covered by the safe harbor "forward-looking statements" provided by of the Private Securities Litigation Reform Act of 1995, based on Contango's current expectations and includes statements regarding acquisitions and divestitures, estimates of future production, future results of operations, quality and nature of the asset base, the assumptions upon which estimates are based and other expectations, beliefs, plans, objectives, assumptions, strategies or statements about future events or performance (often, but not always, using words such as "expects", "projects", "anticipates", "plans", "estimates", "potential", "possible", "probable", or "intends", or stating that certain actions, events or results "may", "will", "should", or "could" be taken, occur or be achieved). Statements concerning oil and gas reserves also may be deemed to be forward

looking statements in that they reflect estimates based on certain assumptions that the resources involved can be economically exploited. Forward-looking statements are based on current expectations, estimates and projections that involve a number of risks and uncertainties, which could cause actual results to differ materially from those, reflected in the statements. These risks include, but are not limited to: the risks of the oil and gas industry (for example, operational risks in exploring for, developing and producing crude oil and natural gas; risks and uncertainties involving geology of oil and gas deposits; the uncertainty of reserve estimates; the uncertainty of estimates and projections relating to future production, costs and expenses; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; health, safety and environmental risks and risks related to weather such as hurricanes and other natural disasters); uncertainties as to the availability and cost of financing; fluctuations in oil and gas prices; risks associated with derivative positions; inability to realize expected value from acquisitions, inability of our management team to execute its plans to meet its goals, shortages of drilling equipment, oil field personnel and services, unavailability of gathering systems, pipelines and processing facilities and the possibility that government policies may change or governmental approvals may be delayed or withheld. Additional information on these and other factors which could affect Contango's operations or financial results are included in Contango's other reports on file with the Securities and Exchange Commission. Investors are cautioned that any forward-looking statements are not guarantees of future performance and actual results or developments may differ materially from the projections in the forward-looking statements. Forward-looking statements are based on the estimates and opinions of management at the time the statements are made. Contango does not assume any obligation to update forward-looking statements should circumstances or management's estimates or opinions change.

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