

# CONTANGO OIL & GAS COMPANY

## NEWS RELEASE

### **Contango Announces Successful Well Test at Eloise #1 and Updates Operations**

SEPTEMBER 12, 2008 – HOUSTON, TX – Contango Oil & Gas Company (AMEX:MCF) announced today that its production test at Eloise #1 has been successfully completed. The well tested at a rate of approximately 8.3 million cubic feet equivalent per day. The net revenue interest in Eloise #1, net to Contango, is approximately 27.0%.

Contango's independent third party engineer estimates this well to have proved reserves net to Contango of approximately 3.5 Billion cubic feet equivalent ("Bcfe"). Estimated costs net to Contango to drill, complete, and bring this well to full production status are approximately \$16.3 million.

Marc Duncan, President and Chief Operating Officer of Contango Operators, Inc. said, "We will begin laying a pipeline and completing production facilities right away. Production from Eloise #1 is estimated to commence before year-end. Our rig is scheduled to move to Eugene Island 10 to drill our first rate acceleration well ("Dutch #4"). After that, our plans are to move the rig to our Mary Rose field and drill our second rate acceleration well ("Mary Rose #5). After that we intend to move the rig to Eugene Island 56 and drill the first of two wildcat exploration prospects on that block."

Kenneth R. Peak, Contango's Chairman and Chief Executive Officer, said, "Our Eloise #1 well is only marginally economic, and obviously not what we were hoping for. All of our production has been shut-in since August 30, 2008, when we and the industry evacuated personnel due to Hurricane Gustav. We expect to be clear of Hurricane Ike by early next week, and expect to resume our production and drilling operations by the middle of the week. We have now purchased 70,354 shares under our stock repurchase program."

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. Additional information can be found on our web page at [www.contango.com](http://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 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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