

CONTANGO OIL & GAS COMPANY

NEWS RELEASE

Contango Updates Operations

Mary Rose

JANUARY 12, 2009 – HOUSTON, TEXAS – Contango Oil & Gas Company (AMEX:MCF) announced that three of the Company's four Mary Rose wells are currently producing at a constrained 8/8ths rate of approximately 94.0 million cubic feet equivalent per day ("Mmcfed") (approximately 34.6 Mmcfed net to Contango). The Company's recently completed Eloise North well is currently producing at an 8/8ths rate of approximately 6.0 Mmcfed (approximately 1.6 Mmcfed net to Contango). These wells flow to the Company's production platform at Eugene Island 11 ("EI-11H"). The Mary Rose #1 well is temporarily shut-in for a workover. We have experienced water production from a water bearing sand above our production reservoir. The Mary Rose #1 is the only well of the nine wells we have drilled that did not get a good cement bond log in the production casing. Assuming a successful workover, we expect the Mary Rose #1 well to be back on-line in February 2009. Due to the Company's outlook for lower gas prices in 2009, we have decided not to drill the previously announced Mary Rose #5 rate acceleration well.

Dutch

Hurricane Ike related repairs were completed in late November on the downstream third-party gas plant that processes gas from our three Dutch wells, and they are currently producing at a combined 8/8ths rate of approximately 110 Mmcfed (approximately 42 Mmcfed net to Contango). The Company's recently drilled Dutch #4 well is expected to begin producing in February 2009 at an 8/8ths rate of approximately 35 Mmcfed. This well will flow to the Company's production platform at EI-11H. Once Mary Rose #1 and Dutch #4 both begin producing, we expect to be flowing at approximately 100 Mmcfed, net to Contango.

Production Recap

For the three months ended December 31, 2008, the Company produced approximately 5.6 Bcfe from its three Dutch and four Mary Rose wells, or approximately the same as the 5.7 Bcfe we produced for the three months ended September 30, 2008. Production for both quarters has been curtailed due to the after-effects of Hurricane Ike on the third-party pipelines and gas plants that transport and process our gas.

Operations Update

The Company plans to spud its next wildcat exploration well, Eugene Island 56 – West ("High Country West") in February 2009, with an estimated dry hole cost, net to Contango, of approximately \$12.0 million. If successful, the Company will invest an additional \$4.1 million to complete the well, and will drill a second, geologically unrelated, exploratory prospect on that block, Eugene Island 56 – East, ("High Country East") with an estimated \$12.0 million dry hole cost and \$4.1 million completion cost. We also plan to spud our Ship Shoal 263 ("Nautilus") wildcat exploration well prior to the end of our

fiscal year, June 30, 2009. The estimated dry hole cost on this well is \$20.0 million, net to Contango, with an additional \$4.9 million in completion costs if successful.

As of January 9, 2009, we have purchased 717,654 shares of our common stock for approximately \$33.6 million, at an average price of \$46.88 per share. Each share of our common stock represents approximately 21 proved developed Mcfe, using our December 31, 2008 reserve report of 364.1 proved Bcfe and fully diluted shares at December 31, 2008 of approximately 17.0 million shares. So far this fiscal year, we have thus “purchased” approximately 15.4 Bcfe of our reserves at a cost of approximately \$2.23 per Mcfe. For the first six months of our fiscal year, we produced approximately 11.3 Bcfe.

PV-10

The pre-tax SEC PV-10 value of our proved reserves at December 31, 2008 was approximately \$1.2 billion compared to approximately \$1.8 billion at September 30, 2008, as follows:

	<u>Sept. 30</u>	<u>Dec. 31</u>	<u>Change</u>
\$ / Mcf	\$ 7.43	\$ 5.90	\$ (1.53)
\$ / Bbl (Oil)	\$ 103.40	\$ 42.65	\$ (60.75)
\$ / Bbl (NGL)	<u>\$ 70.45</u>	<u>\$ 31.22</u>	<u>\$ (39.23)</u>
\$ / Mcfe	\$ 8.83	\$ 5.92	\$ (2.91)
Mmcf	288,954	287,835	(1,119)
MBbl's (Oil)	5,434	5,304	(130)
MBbl's (NGL)	<u>7,387</u>	<u>7,408</u>	<u>21</u>
Mmcf	365,880	364,107	(1,773)
PV-10 ('000)	\$ 1,779,057	\$ 1,221,330	\$ (557,727)

We currently have approximately \$30.0 million of cash invested in U.S. Treasury obligations, no debt, and \$50.0 million of unused borrowing capacity. We paid approximately \$24.0 million in estimated Federal and State of Louisiana income taxes on January 5, 2009, for our estimated pro-rata six month income taxes for our fiscal year that ends June 30, 2009.

Mr. Peak will make a corporate presentation at the Pritchard Capital Energize 2009 conference in San Francisco on Tuesday, January 13, 2009 at 10:05 AM Pacific Time (12:05 PM Central Time). A copy of the slides will be available on our website at www.contango.com immediately prior to the presentation.

The Company also announced that Kenneth R. Peak, Contango’s Chairman and Chief Executive Officer, recently purchased a natural gas powered Honda Civic GX. The 2009 Honda Civic GX is fueled by compressed natural gas (“CNG”) and has, according to Honda, nearly zero emissions. Mr. Peak said, “Houston is the energy capital of the United States and we should lead the nation in converting to CNG automobiles. With the continuing and growing success of our nation’s many natural gas resource plays, we have abundant supplies of domestic natural gas available and could create thousands of jobs across America to build out the infrastructure to retrofit our street corner gasoline stations to provide natural gas fueling availability. Switching to natural gas as a transportation fuel is a trifecta for America...we reduce

our trade imbalance, reduce our dependence on foreign crude oil, and reduce green-house gas emissions in the bargain.”

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.

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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