

CONTANGO OIL & GAS COMPANY

NEWS RELEASE

Contango Updates Operations

March 3, 2009 – HOUSTON, TEXAS – Contango Oil & Gas Company (AMEX:MCF) announced today that the Company's Dutch and Mary Rose fields are currently producing at an 8/8ths rate of approximately 227 million cubic feet equivalent per day ("Mmcfed") or, approximately 84 Mmcfed net to Contango. The workover on our Mary Rose #1 well is now complete and we are in the process of installing line heaters at our Eugene Island 11 H platform, which we believe will allow us to further increase our production rate in the March/April time frame. We expect to spud our Eugene Island 56 prospect, High Country West, around March 10 - 12.

The Company also announced today that under our \$100 million share repurchase program, we have thus far purchased 923,854 shares of common stock, at an average price of \$44.60 per share, for a total expenditure of approximately \$41.2 million. Using our December 31, 2008 reserve report of 364 Bcfe, and today's fully diluted shares of approximately 16.8 million, we have thus "purchased" 19.7 Bcfe at an average cost of \$2.12 per Mcfe. At today's approximate \$35.00 per share stock price, we are purchasing proved developed Mcfe's for approximately \$1.67/Mcfe.

We currently have approximately \$38.0 million of cash invested in U.S. Treasury obligations, no debt, and \$50.0 million of unused borrowing capacity.

Kenneth R. Peak, the Company's Chairman and Chief Executive Officer, said, "At June 2001, after we listed on the American Stock Exchange, we had no debt, 11.4 Bcfe in reserves, and 16.0 million fully diluted shares. Today, some 8 ½ years later, we still have no debt, have grown reserves by 350 Bcfe, yet we have only increased our fully diluted share count by some 815,000 shares."

Mr. Peak continued, "The reward/risk ratio now strongly favors our aggressively continuing our share repurchase program and we have thus decided to delay indefinitely the drilling of our two other planned wildcat exploration wells, Eugene Island 56 #2 ("High Country East") and Ship Shoal 263 ("Nautilus"). With our all in LOE costs, including severance taxes, of less than \$1.00/Mcfe, \$0 interest costs, and a \$6.0 million budgeted G&A cost, our capex capital will be focused on our share repurchase program."

Mr. Peak continued, "Natural gas prices may well continue to be under pressure through the summer/fall, but the foundation for a sustained rebound in prices is now on the horizon. According to recently published EIA data, on shore U.S. gas production fell in December 2008 vs. November 2008. Further, a number of analysts are calling for the U.S. rig count to bottom at around 800 to 1,000 rigs, or a 50% to 60% peak to trough decline. In addition, non-vertical rigs are declining in tandem with vertical rigs which means shale play production, which declines at 60% to 80% per annum the first year, will help accelerate the fall in U.S. supply. With a gas rig count of perhaps 600 rigs and a recent average of 22 gas well completions per rig per year, U.S. gas completions could fall to less than half of the average of 30,000 gas well completions of the last three years. Demand, though down, will come back and natural gas – the most competitive hydrocarbon under any cap and trade greenhouse gas program – is the clear winner."

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.

Contango Oil & Gas Company
3700 Buffalo Speedway, Suite 960
Houston, Texas 77098
www.contango.com

For information, contact:
Kenneth R. Peak
(713) 960-1901