

CONTANGO OIL & GAS COMPANY

NEWS RELEASE

Contango Apparent High Bidder at Western Gulf of Mexico Lease Sale No. 210 and Updates Operations

AUGUST 19, 2009 – HOUSTON, TEXAS – Contango Oil & Gas Company (NYSE Amex: MCF) announces that the Company’s wholly-owned subsidiary, Contango Operators, Inc., was the apparent high bidder on three lease blocks at the Western Gulf of Mexico Lease Sale No. 210 held on August 19, 2009. We bid \$1,017,000 on Matagorda Island Block 617, and \$317,000 each on Matagorda Island Blocks 607 and 616.

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 AHBs will be known.

Our current net production is approximately 90 million cubic feet equivalent per day. Our third party independent reserve report was recently updated as at June 30, 2009 and the Company has proved developed reserves of 355 Bcfe. The pre-tax value of these reserves, discounted at 10% and using the following prices, is as follows:

<u>Gas Price</u> <u>(per Mcf)</u>	<u>Oil Price</u> <u>(per Bbl)</u>	<u>PV-10</u> <u>(\$000)</u>	<u>Assumptions</u>
\$ 4.09	\$ 67.98	\$ 889,865	Price on June 30, 2009, adjusted for basis and held flat
\$ 5.25	\$ 68.09	\$ 1,069,174	NYMEX price, adjusted for basis and held flat
\$ 7.33	\$ 68.09	\$ 1,389,817	NYMEX price, adjusted for basis and held flat
-	-	\$ 1,436,654	NYMEX strip pricing as of 6/30/09, adjusted for basis

Contango remains debt-free and has approximately \$30.0 million of cash on hand and \$50.0 million of unused borrowing capacity.

Kenneth R. Peak, Contango’s Chairman and Chief Executive Officer said, “We plan to spud our Ship Shoal 263 prospect (“Nautilus”) around November 2009, and our Matagorda Island 617 prospect (“Dude”) in early 2010. Our Matagorda Island 607/616 prospect (“El Duderino”) may or may not be drilled, depending on the results from our Matagorda Island 617 well. Each of these prospects has an estimated dry hole cost of approximately \$15 million. Assuming we were to drill three prospects by June 30, 2010, our fiscal year-end, and all three wells were dry, our projected after-tax capital outlay would be about \$30 million, or equal to our current cash on hand. Assuming one of these prospects was to be successful, our estimated all-in after-tax finding and development cost for these three prospects would be about \$2.00/Mcfe and we would expect to add reserves approximately equal to our anticipated fiscal year 2010 production.”

Mr. Peak continued, "With the natural gas futures market trading at a seven year low, it is no surprise that this year's Western Gulf of Mexico Lease Sale attracted half the bidders on half the number of blocks and half the dollar value of bids, as last year. This is really good news. Cheaper leases, rig rates, pipe and services are good if you are drilling and Contango will be drilling. If natural gas prices continue to decline, as many believe, we would expect to be presented with even better opportunities. Our strategy remains unchanged - we intend to continue to explore, protect our balance sheet and use periods of stock weakness to continue our share repurchase program. Since the Company first announced its \$100 million share repurchase program in September 2008, we have purchased 1,224,354 shares of our common stock at an average cost per share of \$42.30, for a total expenditure of approximately \$51.8 million. Our fully diluted share count now stands at 16.5 million shares."

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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