

CONTANGO OIL & GAS COMPANY

NEWS RELEASE

Contango Announces Successful Well at Ship Shoal 263 (“Nautilus”) and Updates Operations

January 4, 2010 – HOUSTON, TEXAS – Contango Oil & Gas Company (NYSE Amex: MCF) announced today a successful well at its Nautilus prospect located at Offshore Gulf of Mexico block Ship Shoal 263. The Company has a working interest of approximately 94% and a net revenue interest of approximately 74% in this well, inclusive of its investment in Contango Offshore Exploration LLC. Production is expected to begin by mid-summer 2010 at an estimated rate of 20 million cubic feet equivalent per day (“Mmcfed”), net to Contango. Costs net to Contango to lease, drill, complete, and bring this well to full production status are expected to be approximately \$29 million.

The Company’s drilling program with its joint venture partner, Patara Oil & Gas LLC, is proceeding as planned. We have spud our first two wells. The first well was successfully fraked with flow-back rates and pressure in line with average curves and is now on-line and flowing at an 8/8ths rate of 1.2 Mmcfed. We have reached total depth on the second well and logs indicate very good Cotton Valley pays. We expect to begin production by the end of January 2010 at a similar 8/8ths production rate. We have invested approximately \$3.5 million in these two wells.

Contango’s current production is 81 Mmcfed. We have no debt and approximately \$70 million in cash and cash equivalents and \$50 million of unused borrowing capacity. For the calendar year 2010, the Company has increased its capital expenditure budget to approximately \$112 million. Of this \$112 million:

- We will invest approximately \$74 million to drill up to six wildcat exploration wells in the Gulf of Mexico. Three of these six wells are the previously described Dude series of exploration wells (Dude, His Dudeness and El Duderino). The Company has a 100% dry-hole cost working interest and a 72% net revenue interest in these Dude wells. The remaining three offshore wells are possible farm-ins with terms under negotiation. If successful in farming in these three prospects, we would attempt to spud all three prior to our fiscal year-end of June 30 and prior to drilling our Dude wells.
- We will invest approximately \$14 million to complete, build a platform, lay a pipeline, build facilities and hook up our Nautilus discovery.
- We will invest approximately \$21 million to drill 13 additional on-shore wells in Panola County, Texas under our joint venture with Patara Oil & Gas LLC.
- We will invest approximately \$3 million to drill up to two conventional on-shore Texas prospects that are currently under farm-in negotiations.

Kenneth R. Peak, Contango’s Chairman and Chief Executive Officer, said, “We are pleased with the log on our Nautilus discovery which has over 70 net feet of pay with excellent porosity and have elected to move directly to platform construction and laying a pipeline to complete and begin production of this well.”

Mr. Peak continued, “We elected to expand our capex budget due to the high quality farm-in opportunities that have become available. The on-shore conventional prospect is an aberration from our Gulf of Mexico exploration strategy but is an outstanding prospect with an excellent reward/risk ratio.”

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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