

CONTANGO OIL & GAS COMPANY

NEWS RELEASE

Contango Oil & Gas Company Announces Bank Credit Facility

December 5, 2000 – HOUSTON, TEXAS – Contango Oil & Gas Company (OTCBB:CTGO) announced today that it had completed the arrangement of a credit facility with Bank One, Texas, NA. The 18-month agreement provides for an initial borrowing base of \$5.0 million, \$3.0 million of which will be unsecured.

Kenneth R. Peak, Chairman and Chief Executive Officer, stated, “We currently expect to be able to fully fund our anticipated \$15-25 million fiscal year 2001 capital expenditure program from internally generated cash flow and thus have no immediate plans to use this bank facility. The availability of these funds, however, provides us with additional financial flexibility as our exploration activities continue to grow. Since May 2000, we have drilled a total of 11 exploratory wells onshore in south Texas, 10 of which have been successful. We have about nine additional exploratory locations that we expect to drill over the next four to six months. We also anticipate drilling two Gulf of Mexico exploration wells over the next several months through our ownership in Republic Exploration, L.L.C.”

“Our December net production is anticipated to be approximately 12 million cubic feet of natural gas and 450 barrels of oil per day. We have fixed the natural gas price we will receive for our December natural gas production at \$7.00 per Mcf. We also recently entered into hedging transactions covering 6,000 mmbtu’s of natural gas per day and 200 barrels of oil per day for calendar year 2001 production. Both amounts represent approximately 45% of our current net natural gas and crude oil production. The natural gas hedge will protect the Company if natural gas prices fall below \$3.73 per mmbtu but limits the net price the Company can realize to \$6.00 per mmbtu. The Company’s crude oil hedge will protect the Company if crude oil prices fall below \$26.25 per barrel and limits the net price the Company can realize to \$30.10 per barrel. We believe hedging a portion of our production is a prudent risk management tool in a volatile commodity business; even though, we may sacrifice near term profitability if natural gas prices remain robust.”

Contango is a Houston-based, development stage, independent natural gas and oil company. The Company explores and acquires natural gas and oil properties primarily in the onshore Gulf Coast and offshore Gulf of Mexico. Additional information can be found on our web page at www.contango-oandg.com.

This news release contains forward-looking statements within the meaning of the Securities Litigation Reform Act. The statements reflect the company’s current views with respect to future events that involve risks and uncertainties including uncertainties related to

successful negotiations with other parties, oil and gas exploration risks, price volatility, production levels, closing of transactions, capital availability, operational and other risks, uncertainties and factors described from time to time in the company's publicly available SEC reports. In light of these risks and uncertainties, the forward-looking events described in this release might not occur.

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