

# CONTANGO OIL & GAS COMPANY

## NEWS RELEASE

### **Contango Chairman and Chief Executive Officer Addresses Gulf of Mexico Oil Spill**

MAY 6, 2010 – HOUSTON, TEXAS – Contango Oil & Gas Company (NYSE Amex: MCF) Chairman and Chief Executive Officer, Kenneth R. Peak, addresses shareholders and investors.

Mr. Peak said, “I have received a number of inquiries from shareholders and interested investors regarding the potential impact on Contango Oil and Gas Company (“Contango”) stemming from the recent explosion, sinking of the semi- submersible rig Deepwater Horizon and, the resultant oil spill. Rather than answering questions on an individual basis, I’ve decided to communicate directly with all our shareholders.

The short and accurate answer as to the impact on Contango from the spreading oil disaster is that there is no current impact on our offshore Gulf of Mexico (GOM) operations and there is no way to predict what changes might occur in the future for GOM exploration companies like Contango. Nor is there any way to know when such changes might occur or be implemented. I will, however, make several observations:

- Contango’s GOM operations and current prospects are concentrated entirely in water depths of less than 200 feet. The technology and operational risks required to drill in water of this depth have been available to the industry for over 30 years and do not pose the same kind of operating challenges as deep water drilling. Moreover, at depths of less than 200 feet it is possible to send divers directly to the mud line of the well bore. Will the Congress, the EPA, the MMS, and other regulatory agencies responsible for drafting rules and regulations differentiate between deep water and “shallow” water drilling? I do not know but it seems logical that they should.
- Most of our prospects are at depths of between 12,000 - 17,000 feet and are predominantly natural gas focused prospects with some associated condensate production. The condensate associated with offshore GOM natural gas production is typically in a range of 20 to 200 barrels of condensate per produced MMcfd (million cubic feet of natural gas produced per day). In other words a 20MMcfd gas well would typically not have more than 4,000 barrels of associated condensate per day (bopd). Further, the condensate associated with natural gas production typically has an API gravity of around 50 degrees. This high gravity condensate – which has a volatility and chemical composition more akin to diesel than crude oil - evaporates more quickly than crude oil and is more easily dispersed.

- Our natural gas focused exploration wells, while challenging and expensive, are not nearly as technologically difficult as ultra deep wells, i.e., greater than 20,000 feet. Thus the equipment and technology required to drill and produce reservoirs with depths of 12,000 - 17,000 feet are relatively established and readily available. A blow-out of any magnitude would present serious operational and financial challenges to any company and most certainly to Contango, but I believe the technology and solutions to gain control of a potential blow-out are more readily available for the medium depth wells Contango drills than either deep water or ultra deep wells.
- The oil spill is currently headed east towards Mississippi, Alabama and perhaps Florida, and is not expected to impact our operations. However, if the oil sheen were to reverse course and were to envelope our platforms, our wells would be required to be shut-in, until the sheen had been dispersed.
- We carry \$75 million of well control insurance (8/8ths) in the event of a blow-out. This insurance would cover gaining control of the well as a result of a blow-out, re-drilling the well, pollution, cleanup and containment arising from an out of control well, and any resultant plugging and abandonment expense. We also carry \$100 million of third-party liability insurance which includes sudden and accidental pollution liability. Recent proposed legislation could result in requirements for much greater insurance coverage that could extend as high as \$10 billion. We would need to evaluate the cost and feasibility of obtaining such insurance.

There will never be a 100% risk free exploration and production operation for offshore, or on-shore drilling. On the other hand the United States routinely spends hundreds of billions of dollars and sacrifices the lives of our young men and women to protect our access to Middle East crude oil. Somewhere in the national debate that is going to take place as a result of this disaster, there must be recognition of our continued reliance upon the imported crude oil and gasoline that drives our economy and makes our life style possible. Alternative energy is important and can and should play an increasing role, but for the next 20 years I believe we will continue to rely on natural gas and crude oil. Indeed, with our now widely recognized 100 years of natural gas reserves available in the US, the arguments in favor of increasing the role of natural gas as a fuel for both power generation and for our transportation needs are becoming ever more compelling. My instincts are that the industry will be subject to increased scrutiny and regulation. Higher exploration and operating costs will inevitably follow, but I believe Contango is as well positioned as any company in the industry to adapt to these changes.

In conclusion, I would also like to add my condolences to the families of the 11 crew members who lost their lives in this terrible accident. All in the industry regret this disaster and the unfortunate impact it has and will have on many lives.”

Contango is a Houston-based, independent natural gas and oil company. The Company’s 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](http://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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