

CONTANGO OIL & GAS COMPANY

NEWS RELEASE

Contango Completes On-Shore Well, Begins Production at Ship Shoal 263 and Eloise South, and Updates Operations

ON-SHORE OPERATIONS

July 21, 2010 – HOUSTON, TEXAS – Contango Oil & Gas Company (NYSE Amex: MCF) announced today that it will complete its wildcat exploration well (Rexer # 1) in south Texas. The Company has a 100% working interest and a 72.5 % net revenue interest in this well, before payout. Production is expected to begin by the end of September 2010. The Company has invested approximately \$2.0 million to drill this well and expects to invest an additional \$1.5 million to complete and bring this well to production. The reserves associated with this discovery will be included in our June 30, 2010 year-end reserves.

The Company's on-shore drilling program with its joint venture partner, Patara Oil & Gas LLC (the "Conterra JV"), is currently producing at a rate of approximately 5 million cubic feet per day ("Mmcf/d"), net to Contango, from eight wells. Five additional wells are waiting to be fracture stimulated, and one well is currently drilling.

OFF-SHORE OPERATIONS

Our Ship Shoal 263 well ("Nautilus") and our Eugene Island 10 well ("Eloise South") discoveries are now both on production and are producing at a combined rate of 15 Mmcf/d and 1,000 barrels of condensate per day ("bopd"), or approximately 21 million cubic feet equivalent per day ("Mmcfed"), net to Contango. This brings our total offshore production to 87 Mmcf/d and 2,500 bopd, or approximately 102 Mmcfed, net to Contango. The Company's combined offshore and onshore production is now 107 Mmcfed, or a 19% increase over the 90 Mmcfed in production we reported in our last update at June 10, 2010.

We have continued to purchase shares of the Company's common stock under our \$100 million share repurchase program. Since implementation of this program, we have now purchased approximately 1.7 million shares for \$76.0 million, for an average price of \$44.71 per share. Our fully diluted share count now stands at 15.97 million, or 10% fewer shares than when we began our share repurchase program in September 2008.

We have no debt, approximately \$30 million in cash and cash equivalents and \$50 million of unused borrowing capacity.

Kenneth R. Peak, Contango's Chairman and Chief Executive Officer, said, "With current natural gas prices of around \$4.50/Mcf and production of approximately 92 Mmcf/d and crude oil at \$75.00/bbl and production of approximately 2,500 bopd, our projected revenues are approximately \$600,000 per day when all of our wells are online and producing. Our preliminary capital expenditure budget for fiscal year 2011 is approximately \$50 million, consisting of one well per month under our Conterra JV, and two offshore prospects we plan to spud in the November 2010/January 2011 time frame.

“Our capital expenditure budget will likely increase throughout the year as we generate new prospects and various drilling opportunities become available to us. We also plan to continue to opportunistically use our cash to purchase our stock and depending upon our liquidity, may also decide to pay a one-time dividend.”

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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