

# CONTANGO OIL & GAS COMPANY

## NEWS RELEASE

### **Contango Updates Operations and will Present at EnerCom Oil & Gas Conference in Denver**

August 23, 2010 – HOUSTON, TEXAS – Contango Oil & Gas Company (NYSE Amex: MCF) has updated its capital expenditure budget for the fiscal year ending June 30, 2011. The Company has budgeted to invest approximately \$85 million to: i) Drill four wildcat exploration wells in the Gulf of Mexico (“GOM”) at a cost of approximately \$15 million each and ii) Drill 15 additional on-shore wells at a cost of approximately \$1.5 million each, under our Patara joint venture agreement. If we were to have exploration success in the GOM our capex budget would be increased significantly.

Our current production is approximately 89 million cubic feet of natural gas per day and 2,400 barrels of oil per day, or 103 million cubic feet equivalent per day, net to Contango. We have no debt, approximately \$40.0 million in net cash and cash equivalents and \$50 million of unused borrowing capacity. At today’s natural gas and oil prices of \$4.25/Mmbtu and \$75/barrel, this equates to approximately \$600,000 in revenues per day or \$18 million per month. Assuming about \$3 million per month for LOE and G&A expenses, this results in approximately \$15 million per month in pre-tax cash flow.

The Company’s Chairman and CEO, Kenneth R. Peak, will make a corporate presentation at the EnerCom Oil & Gas Conference in Denver on Wednesday, August 25, 2010 at 3:10PM Mountain Time (4:10PM Central Time). Details for the presentation, live broadcast and replay are as follows:

Date & Time: Wednesday, August 25, 2010 at 3:10PM Mountain Time (4:10 PM Central Time)  
Presenter: Kenneth R. Peak, Chairman and CEO  
Live Webcast: <http://www.investorcalendar.com/IC/CEPage.asp?ID=161192&CID=>  
Replay: <http://www.investorcalendar.com/IC/CEPage.asp?ID=161192&CID=>  
Or [www.contango.com](http://www.contango.com) (available shortly after presentation)

Additionally, the Company has recently hired Charles A. Cambron, our 8<sup>th</sup> employee. Mr. Peak said, “Charlie is a major addition to Contango. In his 19 year career he has been involved in the planning and drilling of over 150 wells in the GOM. Having this level of expertise resident in our Company is critical in today’s offshore environment.” Mr. Cambron has a Bachelors of Science degree in Petroleum Engineering from The University of Oklahoma.

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](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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