

CONTANGO OIL & GAS COMPANY

NEWS RELEASE

Contango Spuds Offshore Well and Updates Operations

OCTOBER 7, 2010 – HOUSTON, TEXAS – Contango Oil & Gas Company (NYSE Amex: MCF) announced today that the Company has spud a wildcat exploration well in the Gulf of Mexico. Our Galveston Area 277L prospect (His Dudeness) was spud in late-September 2010. The Company will pay 100% of drilling costs, estimated to be approximately \$10.0 million.

The Company also announces that it has production tested its on-shore wildcat exploration well (Rexer #1) in south Texas. The well tested natural gas at a rate of 3.6 million cubic feet per day and 15 barrels of condensate per day. The Company has a 100% working interest (72.5% net revenue interest) in this well before payout, and a 75% working interest (54.4% net revenue interest) after payout. Production is expected to begin by the end of October 2010.

Our offshore production is currently approximately 102 million cubic feet equivalent per day (“Mmcfed”), net to Contango. The Company’s on-shore drilling program with its joint venture partner, Patara Oil & Gas LLC, is currently producing at a rate of approximately 5.5 Mmcfed, net to Contango, from 11 wells. As of September 30, 2010, we had no debt, approximately \$50 million in net cash and cash equivalents and \$50 million of unused borrowing capacity.

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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