

CONTANGO OIL & GAS COMPANY

NEWS RELEASE

Contango Oil & Gas Company Enters Into Letter of Intent to Acquire Up to 50% of Tri-Union Development Corporation

January 22, 2001 – HOUSTON, TEXAS – Contango Oil & Gas Company (AMEX: MCF) announced today that it has entered into a letter of intent with Tri-Union Development Corporation to acquire up to a 50% equity interest in Tri-Union involving the payment of \$5 million in cash and the issuance by Contango of approximately 1.5 million common shares.

Tri-Union is a Houston-based crude oil and natural gas exploration and production company. It operates in California, Texas, Louisiana and offshore in the Gulf of Mexico. In March 2000, Tri-Union filed for protection under Chapter 11 of the United States Bankruptcy Code. The case is currently pending in the U.S. Bankruptcy Court for the Southern District of Texas.

The consummation of the transaction is subject to numerous conditions, including execution of definitive agreements between the parties, conclusion of satisfactory arrangements with Tri-Union lenders and creditors, confirmation by the bankruptcy court of a plan of reorganization for Tri-Union satisfactory to Contango, and receipt of third party consents.

Contango is a Houston-based, development stage, independent natural gas and oil company. The Company explores and acquires oil and gas 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 oil and gas exploration risks, price volatility, production levels, successful negotiations with other parties, 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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