

CONTANGO OIL & GAS COMPANY

NEWS RELEASE

Contango Files Form S-3 Registration Statement

HOUSTON – JANUARY 9, 2004 – Contango Oil & Gas Company (AMEX: MCF) announced today that it has filed a S-3 registration statement in connection with the sale on December 12, 2003 of \$8.0 million of its Series C preferred stock. In accordance with the terms of the Securities Purchase Agreement, Contango agreed to file a shelf registration within 60 days of the sale covering the common shares issuable upon conversion of the Series C preferred stock.

Kenneth R Peak, Contango's Chairman and Chief Executive Officer said, "We are pleased to have this new group of Series C investors. As a result of this financing and our recent property sales, our debt level is now approximately \$1.0 million, versus our bank line of \$20.0 million. We have five onshore exploration prospects we are pursuing, any one of which could lead to a multi-well development program, and our deep shelf Vermilion 73 prospect is drilling. Our current production is about 16,000 MMBtued with projected monthly EBITDAX, based on current prices, of approximately \$2.0 million per month through March 31, 2004."

EBITDAX represents earnings before interest, income taxes, depreciation, depletion and amortization, impairment expenses, exploration expenses, including gain (loss) from hedging activities and sale of assets. The Company has reported EBITDAX because it believes EBITDAX is a measure commonly reported and widely used by investors as an indicator of a company's operating performance and ability to incur and service debt. The Company believes EBITDAX assists investors in comparing a company's performance on a consistent basis without regard to depreciation, depletion and amortization, impairment of natural gas and oil properties and exploration expenses, which can vary significantly depending upon accounting methods. EBITDAX is not a calculation based on U.S. generally accepted accounting principles and should not be considered an alternative to net income (loss) in measuring the Company's performance or used as an exclusive measure of cash flow because it does not consider the impact of working capital growth, capital expenditures, debt principal reductions and other sources and uses of cash, which are disclosed in the Company's statements of cash flows. Investors should carefully consider the specific items included in the Company's computation of EBITDAX. While the Company has disclosed its EBITDAX to permit a more complete comparative analysis of its operating performance and debt servicing ability relative to other companies, investors should be cautioned that EBITDAX as reported by the Company may not be comparable in all instances to EBITDAX as reported by other companies. EBITDAX amounts may not be fully available for management's discretionary use, due to requirements to conserve funds for capital expenditures, debt service, preferred stock dividends and other commitments.

Contango is a Houston-based, independent natural gas and oil company. The Company explores, develops, produces and acquires natural gas and oil properties primarily onshore in the Gulf Coast and offshore in the Gulf of Mexico. Contango also owns a 10% partnership interest in a proposed LNG terminal in Freeport, Texas. Additional information can be found on our web page at www.mcfx.biz.

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This press release contains forward-looking statements that involve risks and uncertainties, and actual events or results may differ materially from Contango's expectations. The statements reflect Contango's current views with respect to future events that involve risks and uncertainties, including those related to successful negotiations with other parties, oil and gas exploration risks, price volatility, production levels, closing of transactions, capital availability, operational and other risks, uncertainties and factors described from time to time in Contango's publicly available reports filed with the Securities and Exchange Commission.

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