

CONTANGO OIL & GAS COMPANY

NEWS RELEASE

Contango Reports Second Quarter Earnings

FEBRUARY 13, 2004 – HOUSTON, TEXAS – Contango Oil & Gas Company (AMEX:MCF) reported net income attributable to common stock for the three months ended December 31, 2003 of \$4.1 million, or \$0.44 per basic share and \$0.33 per diluted share, compared to a net loss attributable to common stock for the three months ended December 31, 2002 of \$4.4 million, or \$0.49 per basic and diluted share. Natural gas and oil sales for the three months ended December 31, 2003 were \$6.0 million. Natural gas and oil sales for the three months ended December 31, 2002 were \$7.7 million. EBITDAX was \$10.4 million for the three months ended December 31, 2003, up from EBITDAX for the three months ended December 31, 2002 of \$5.2 million.

Net income attributable to common stock for the six months ended December 31, 2003 was \$7.0 million, or \$0.75 per basic share and \$0.58 per diluted share, compared to a net loss attributable to common stock for the six months ended December 31, 2002 of \$4.2 million, or \$0.47 per basic and diluted share. Natural gas and oil sales for the six months ended December 31, 2003 were \$14.2 million. Natural gas and oil sales for the six months ended December 31, 2002 were \$14.7 million. EBITDAX was \$18.4 million for the six months ended December 31, 2003, up from EBITDAX for the six months ended December 31, 2002 of \$10.8 million.

Contango also announced that the borrowing base on its existing secured revolving line of credit with Guaranty Bank, FSB has been increased from \$19.0 million to \$25.0 million effective February 1, 2004. The Company currently has no borrowings under its bank line of credit.

Kenneth R Peak, Contango's Chairman and Chief Executive Officer, said, "We had a strong six months, with \$7.0 million of net income and \$18.4 million in EBITDAX. Since June 30, 2003, we have reduced our debt from \$22.35 million to no debt outstanding today and currently have \$25.0 million of available bank loan capacity. Our current production rate is approximately 15,000 MMBtue per day, and at anticipated production levels and current commodity prices, we expect to have EBITDAX of approximately \$1.5 to \$ 2.0 million per month through June 2004. We have five separate onshore exploration prospects in various stages, expect to be carried in three to six offshore exploration projects in calendar year 2004 and our Freeport LNG project continues to move forward. We also are pursuing our first international exploration prospect venture in the Aquitaine Basin in France. We would expect this well to spud sometime this summer."

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.

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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CONTANGO OIL & GAS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended December 31,		Six Months Ended December 31,	
	2003	2002	2003	2002
REVENUES:				
Natural gas and oil sales.....	\$ 5,980,308	\$ 7,714,265	\$ 14,232,812	\$ 14,731,758
Gain (loss) from hedging activities.....	(24,071)	(192,970)	58,171	(186,326)
Total revenues.....	<u>5,956,237</u>	<u>7,521,295</u>	<u>14,290,983</u>	<u>14,545,432</u>
EXPENSES:				
Operating expenses.....	916,685	1,671,028	2,568,914	2,730,799
Exploration expenses.....	2,131,885	9,368,212	3,487,998	11,908,144
Depreciation, depletion and amortization.....	1,618,899	2,187,751	3,412,735	4,576,510
Impairment of natural gas and oil properties.....	42,995	-	42,995	-
General and administrative expenses.....	768,473	659,751	1,145,580	1,073,093
Total expenses.....	<u>5,478,937</u>	<u>13,886,742</u>	<u>10,658,222</u>	<u>20,288,546</u>
INCOME (LOSS) FROM OPERATIONS.....	477,300	(6,365,447)	3,632,761	(5,743,114)
Interest expense.....	(115,235)	(169,583)	(279,645)	(353,903)
Interest income.....	5,250	9,903	19,666	21,165
Gain on sale of marketable securities.....	65,023	-	710,322	-
Gain on sale of assets and other.....	6,061,805	-	7,116,410	36,150
INCOME (LOSS) BEFORE INCOME TAXES.....	<u>6,494,143</u>	<u>(6,525,127)</u>	<u>11,199,514</u>	<u>(6,039,702)</u>
(Provision) benefit for income taxes.....	(2,205,734)	2,230,807	(3,852,614)	2,112,250
NET INCOME (LOSS).....	4,288,409	(4,294,320)	7,346,900	(3,927,452)
Preferred stock dividends.....	176,667	150,000	326,667	300,000
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCK.....	<u>\$ 4,111,742</u>	<u>\$ (4,444,320)</u>	<u>\$ 7,020,233</u>	<u>\$ (4,227,452)</u>
NET INCOME (LOSS) PER SHARE:				
Basic.....	<u>\$ 0.44</u>	<u>\$ (0.49)</u>	<u>\$ 0.75</u>	<u>\$ (0.47)</u>
Diluted.....	<u>\$ 0.33</u>	<u>\$ (0.49)</u>	<u>\$ 0.58</u>	<u>\$ (0.47)</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic.....	<u>9,366,423</u>	<u>9,043,282</u>	<u>9,332,547</u>	<u>9,043,282</u>
Diluted.....	<u>12,936,563</u>	<u>9,043,282</u>	<u>12,641,092</u>	<u>9,043,282</u>

CONTANGO OIL & GAS COMPANY AND SUBSIDIARIES
PRODUCTION, PRICES, OPERATING EXPENSES, EBITDAX AND OTHER

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2003	2002	2003	2002
Production:				
Natural gas (thousand cubic feet).....	1,045,505	1,606,846	2,408,357	3,319,914
Oil and condensate (barrel).....	22,160	38,398	57,766	76,645
Total (thousand cubic feet equivalent).....	1,178,465	1,837,234	2,754,953	3,779,784
Natural gas (thousand cubic feet per day).....	11,364	17,466	13,089	18,043
Oil and condensate (barrels per day).....	241	417	314	417
Total (thousand cubic feet equivalent per day).....	12,810	19,968	14,973	20,545
Average sales price:				
Natural gas (per thousand cubic feet).....	\$ 5.08	\$ 4.21	\$ 5.20	\$ 3.84
Oil and condensate (per barrel).....	\$ 30.10	\$ 24.63	\$ 29.57	\$ 25.85
Total (per thousand cubic feet equivalent).....	\$ 5.07	\$ 4.20	\$ 5.17	\$ 3.90
Selected data per Mcfe:				
Production and severance taxes.....	\$ 0.22	\$ 0.31	\$ 0.31	\$ 0.27
Lease operating expenses.....	\$ 0.56	\$ 0.60	\$ 0.63	\$ 0.45
General and administrative expenses.....	\$ 0.65	\$ 0.36	\$ 0.42	\$ 0.28
Depreciation, depletion and amortization of natural gas and oil properties.....	\$ 1.35	\$ 1.17	\$ 1.22	\$ 1.19
EBITDAX (1).....	\$ 10,397,907	\$ 5,190,516	\$ 18,403,221	\$ 10,777,690

(1) 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. We have reported EBITDAX because we believe 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. We believe 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 our 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 our statements of cash flows. Investors should carefully consider the specific items included in our computation of EBITDAX. While we have disclosed our EBITDAX to permit a more complete comparative analysis of our operating performance and debt servicing ability relative to other companies, investors should be cautioned that EBITDAX as reported by us 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.

A reconciliation of EBITDAX to income (loss) from operations for the periods indicated is presented below.

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2003	2002	2003	2002
Income (loss) from operations.....	\$ 477,300	\$ (6,365,447)	\$ 3,632,761	\$ (5,743,114)
Exploration expenses.....	2,131,885	9,368,212	3,487,998	11,908,144
Depreciation, depletion and amortization.....	1,618,899	2,187,751	3,412,735	4,576,510
Impairment of natural gas and oil properties.....	42,995	-	42,995	-
Gain on sale of marketable securities.....	65,023	-	710,322	-
Gain on sale of assets and other.....	6,061,805	-	7,116,410	36,150
EBITDAX.....	<u>\$ 10,397,907</u>	<u>\$ 5,190,516</u>	<u>\$ 18,403,221</u>	<u>\$ 10,777,690</u>