

CONTANGO OIL & GAS COMPANY

NEWS RELEASE

Contango Reports Third Quarter Earnings

MAY 12, 2004 – HOUSTON, TEXAS – Contango Oil & Gas Company (AMEX:MCF) reported net income attributable to common stock for the three months ended March 31, 2004 of \$1.2 million, or \$0.11 per basic share and \$0.09 per diluted share, compared to a net loss attributable to common stock for the three months ended March 31, 2003 of \$1.9 million, or \$0.21 per basic and diluted share. Natural gas and oil sales for the three months ended March 31, 2004 were \$6.6 million. Natural gas and oil sales for the three months ended March 31, 2003 were \$10.0 million. EBITDAX was \$5.6 million for the three months ended March 31, 2004, up from EBITDAX for the three months ended March 31, 2003 of \$3.0 million.

Net income attributable to common stock for the nine months ended March 31, 2004 was \$8.2 million, or \$0.83 per basic share and \$0.67 per diluted share, compared to a net loss attributable to common stock for the nine months ended March 31, 2003 of \$6.1 million, or \$0.68 per basic and diluted share. Natural gas and oil sales for the nine months ended March 31, 2004 were \$20.8 million. Natural gas and oil sales for the nine months ended March 31, 2003 were \$24.8 million. EBITDAX was \$24.0 million for the nine months ended March 31, 2004, up from EBITDAX for the nine months ended March 31, 2003 of \$13.8 million.

Kenneth R. Peak, Contango's Chairman and Chief Executive Officer, said, "This quarter continues Contango's impressive financial performance. For the nine months, we earned \$8.2 million in net after tax income available to our common stockholders and generated \$24.0 million in EBITDAX on \$21.0 million of revenues. We have a strong balance sheet with \$2.5 million of debt currently outstanding and \$21.0 million of unused bank loan capacity. Near record commodity prices, together with our low cost structure, are enabling us to continue to generate \$1.5 to \$2.0 million of monthly EBITDAX despite recent property sales and normal production declines in existing fields."

Mr. Peak continued, "Our capex budget for exploration drilling to replace and grow our reserves is ramping up with two wells currently drilling and another two wells expected to spud within the next month. In the central Gulf of Mexico lease sale held in March 2004, we were the apparent high bidder on 24 blocks, 18 of which have been awarded. For the remainder of calendar year 2004, we expect to drill about 15 to 20 exploration wells, three to five of which we expect will be deep shelf offshore Gulf of Mexico wells in which our partially owned subsidiaries Republic Exploration and Contango Offshore Exploration will be fully carried."

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.contango.com.

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.

Contango Oil & Gas Company
3700 Buffalo Speedway, Suite 960
Houston, Texas 77098
www.contango.com

For information, contact:
Kenneth R. Peak
(713) 960-1901

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

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2004	2003	2004	2003
REVENUES:				
Natural gas and oil sales.....	\$ 6,611,139	\$ 10,061,351	\$ 20,843,951	\$ 24,793,109
Gain (loss) from hedging activities.....	-	(5,230,672)	58,171	(5,416,998)
Total revenues.....	<u>6,611,139</u>	<u>4,830,679</u>	<u>20,902,122</u>	<u>19,376,111</u>
EXPENSES:				
Operating expenses.....	493,008	1,448,367	3,061,922	4,179,166
Exploration expenses.....	1,737,499	3,588,654	5,225,497	15,496,798
Depreciation, depletion and amortization.....	1,747,527	1,942,144	5,160,262	6,518,654
Impairment of natural gas and oil properties.....	-	-	42,995	-
General and administrative expenses.....	662,898	391,483	1,808,478	1,464,576
Total expenses.....	<u>4,640,932</u>	<u>7,370,648</u>	<u>15,299,154</u>	<u>27,659,194</u>
INCOME (LOSS) FROM OPERATIONS.....	1,970,207	(2,539,969)	5,602,968	(8,283,083)
Interest expense.....	(28,804)	(177,860)	(308,449)	(531,763)
Interest income.....	12,263	6,498	31,929	27,663
Gain on sale of marketable securities.....	-	-	710,322	-
Gain on sale of assets and other.....	128,904	-	7,245,314	36,150
INCOME (LOSS) BEFORE INCOME TAXES.....	<u>2,082,570</u>	<u>(2,711,331)</u>	<u>13,282,084</u>	<u>(8,751,033)</u>
(Provision) benefit for income taxes.....	(728,900)	948,966	(4,581,514)	3,061,216
NET INCOME (LOSS).....	1,353,670	(1,762,365)	8,700,570	(5,689,817)
Preferred stock dividends.....	<u>173,333</u>	<u>150,000</u>	<u>500,000</u>	<u>450,000</u>
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCK.....	<u>\$ 1,180,337</u>	<u>\$ (1,912,365)</u>	<u>\$ 8,200,570</u>	<u>\$ (6,139,817)</u>
NET INCOME (LOSS) PER SHARE:				
Basic.....	<u>\$ 0.11</u>	<u>\$ (0.21)</u>	<u>\$ 0.83</u>	<u>\$ (0.68)</u>
Diluted.....	<u>\$ 0.09</u>	<u>\$ (0.21)</u>	<u>\$ 0.67</u>	<u>\$ (0.68)</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic.....	<u>11,145,896</u>	<u>9,158,755</u>	<u>9,927,796</u>	<u>9,080,392</u>
Diluted.....	<u>14,392,811</u>	<u>9,158,755</u>	<u>13,029,200</u>	<u>9,080,392</u>

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

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2004	2003	2004	2003
Natural gas and oil sales.....	\$ 6,611,139	\$ 10,061,351	\$ 20,843,951	\$ 24,793,109
Production:				
Natural gas (thousand cubic feet).....	1,006,576	1,322,400	3,414,932	4,642,314
Oil and condensate (barrels).....	20,108	30,744	77,873	107,389
Total (thousand cubic feet equivalent).....	1,127,224	1,506,864	3,882,170	5,286,648
Natural gas (thousand cubic feet per day).....	11,061	14,693	12,418	16,943
Oil and condensate (barrels per day).....	221	342	283	392
Total (thousand cubic feet equivalent per day).....	12,387	16,745	14,116	19,295
Average sales price:				
Natural gas (per thousand cubic feet).....	\$ 5.90	\$ 6.84	\$ 5.41	\$ 4.69
Oil and condensate (per barrel).....	\$ 33.44	\$ 33.22	\$ 30.57	\$ 27.96
Total (per thousand cubic feet equivalent).....	\$ 5.86	\$ 6.67	\$ 5.37	\$ 4.69
Selected data per Mcfe:				
Production and severance taxes.....	\$ 0.02	\$ 0.48	\$ 0.22	\$ 0.33
Lease operating expenses.....	\$ 0.42	\$ 0.48	\$ 0.57	\$ 0.46
General and administrative expenses.....	\$ 0.59	\$ 0.26	\$ 0.47	\$ 0.28
Depreciation, depletion and amortization of natural gas and oil properties.....	\$ 1.52	\$ 1.25	\$ 1.30	\$ 1.21
EBITDAX (1).....	\$ 5,584,137	\$ 2,990,829	\$ 23,987,358	\$ 13,768,519

(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. 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.

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

	Three Months Ended		Nine Months Ended	
	March 31,		March 31,	
	2004	2003	2004	2003
Income (loss) from operations.....	\$ 1,970,207	\$ (2,539,969)	\$ 5,602,968	\$ (8,283,083)
Exploration expenses.....	1,737,499	3,588,654	5,225,497	15,496,798
Depreciation, depletion and amortization.....	1,747,527	1,942,144	5,160,262	6,518,654
Impairment of natural gas and oil properties.....	-	-	42,995	-
Gain on sale of marketable securities.....	-	-	710,322	-
Gain on sale of assets and other.....	128,904	-	7,245,314	36,150
EBITDAX.....	<u>\$ 5,584,137</u>	<u>\$ 2,990,829</u>	<u>\$ 23,987,358</u>	<u>\$ 13,768,519</u>