

CONTANGO OIL & GAS COMPANY

NEWS RELEASE

FERC Issues Freeport LNG Final Environmental Impact Statement

MAY 28, 2004 – HOUSTON, TEXAS – Contango Oil & Gas Company (AMEX:MCF) reported today that the Federal Energy Regulatory Commission (“FERC”) issued the Final Environmental Impact Statement (“FEIS”) for Freeport Development LNG L.P.’s (“Freeport LNG”) liquefied natural gas receiving terminal and natural gas pipeline. Contango holds a 10% limited partnership interest in Freeport LNG.

The FERC staff concluded that approval of the Freeport LNG project, with appropriate mitigating measures as recommended, would have limited adverse environmental impact.

Issuance of the FEIS clears the last step in FERC’s environmental review process before FERC may issue an order granting authorization under Section 3 of the Natural Gas Act for the siting, construction and operation of the Freeport, Texas facility. Freeport LNG filed an application with FERC on March 28, 2003, for authorization to construct and operate the facility which will have an initial processing capacity of 1.5 billion cubic feet per day (Bcf/d).

In June of 2003, The Dow Chemical Company (NYSE:DOW) entered into an agreement with Freeport LNG to reserve 500 million cubic feet per day (Mmcfd) of the facility’s capacity. In December of 2003, ConocoPhillips (NYSE:COP) entered into an agreement to fund the construction of the facility estimated to cost in excess of \$500 million in exchange for the remaining 1.0 Bcf/d of capacity.

Freeport LNG expects construction of the facility to begin before year-end and for it to be in service during the second half of 2007.

Kenneth R. Peak, Chairman and Chief Executive Officer, said, “FERC’s issuance of the Final Environmental Impact Statement is an important step toward our goal of bringing LNG to Texas.” In other developments, Mr. Peak added, “The MMS has now awarded 23 of the 24 blocks on which we were the apparent high bidder at the Central Gulf of Mexico lease sale held in March 2004. We currently have four wells drilling, Eugene Island 113B in the Gulf of Mexico, the Champagne #1 in southwestern France, a Queen City prospect and a deep Wilcox prospect, both located in south Texas. Our debt currently stands at \$4.6 million with unused availability of \$18.3 million.”

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.

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