

CONTANGO OIL & GAS COMPANY

NEWS RELEASE

Contango Announces Results of Operations for the Fiscal Year Ended June 30, 2004 and Updates Operations

SEPTEMBER 27, 2004 – HOUSTON, TEXAS – Contango Oil & Gas Company (AMEX:MCF) reported net income attributable to common stock for the year ended June 30, 2004 of \$7.1 million, or \$0.68 per basic share and \$0.58 per diluted share, compared to a net loss attributable to common stock for the year ended June 30, 2003 of \$4.9 million, or \$0.54 per basic and diluted share. Natural gas and oil sales for the year ended June 30, 2004 were \$27.6 million. Natural gas and oil sales for the year ended June 30, 2003 were \$33.9 million. After reflecting gains and losses from hedging activities, total revenues for the year ended June 30, 2004 were \$27.7 million, compared to total revenues for the year ended June 30, 2003 of \$28.2 million. EBITDAX for the year ended June 30, 2004 was \$29.0 million, up from EBITDAX for the year ended June 30, 2003 of \$20.9 million.

For the three months ended June 30, 2004, Contango had a net loss of \$1.1 million, or \$0.09 per basic and diluted share. Total revenues for the three months ended June 30, 2004 were \$6.8 million. EBITDAX for the three months ended June 30, 2004 was \$5.0 million.

Total proved reserves as of June 30, 2004 were 15.6 billion cubic feet of natural gas and 297,000 barrels of oil. The present value of estimated future cash flows before income taxes as of June 30, 2004, based on a Houston Ship Channel price of \$5.90 per MMBtu of natural gas (\$6.16 per MMBtu NYMEX) and \$37.05 per barrel of oil (NYMEX) and discounted at 10% per annum, was \$59.8 million. Proved developed reserves represented all of the Company's total proved reserves.

Kenneth R. Peak, Contango's Chairman and Chief Executive Officer, said, "I am pleased with our financial results for fiscal year 2004, especially our EBITDAX of \$29.0 million on revenues of \$27.6 million. Our Freeport LNG project achieved several important milestones, including FERC approval and our plant's 1.5 Bcf per day of send-out capacity is now fully subscribed. Ground-breaking and construction are expected to begin before year end. We also continue to make significant progress in our offshore exploration program. Our partially-owned subsidiaries were the high bidders on 24 blocks in the March 2004 Central Gulf of Mexico lease sale. We now have five prospects farmed-out, and our EI113-B prospect is drilling."

"Our fiscal year 2004 onshore exploration program was a disappointment. Although we participated in the drilling of 14 exploratory wells, eight of which were successful, we only found 1.7 Bcfe, far short of replacing our 5.0 Bcfe of fiscal year 2004 production. We expect to participate in 5 to 7 onshore exploration wells over the next 6 to 9 months. Financially, our bank line has just been renewed at \$21 million, and we have \$1.0 million of debt currently outstanding. Production is running at 15 MMBtue per day, with monthly EBITDAX of \$1.5 to \$2.0 million projected through December 2004."

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 Freeport LNG Development L.P., which is developing a 1.5 billion cubic feet per day LNG terminal in Freeport, Texas, and a 32% interest in Contango Capital Partnership Management, LLC, which was formed to invest in the alternative energy venture capital market with a focus on environmentally preferred energy technologies. Additional information can be found on our web page at www.contango.com.

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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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CONTANGO OIL & GAS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year Ended June 30,		
	2004	2003	2002
REVENUES:			
Natural gas and oil sales.....	\$ 27,629,814	\$ 33,919,126	\$ 23,901,995
Gain (loss) from hedging activities.....	58,171	(5,708,958)	5,016,173
Total revenues.....	<u>27,687,985</u>	<u>28,210,168</u>	<u>28,918,168</u>
EXPENSES:			
Operating expenses.....	3,888,185	5,736,454	3,904,541
Exploration expenses.....	9,873,164	17,922,116	2,694,425
Depreciation, depletion and amortization.....	6,989,428	8,787,794	8,593,635
Impairment of natural gas and oil properties.....	42,995	181,610	527,150
General and administrative expense.....	2,695,592	2,063,503	2,901,566
Total expenses.....	<u>23,489,364</u>	<u>34,691,477</u>	<u>18,621,317</u>
INCOME (LOSS) FROM OPERATIONS.....	4,198,621	(6,481,309)	10,296,851
Interest expense.....	(362,127)	(710,587)	(285,159)
Interest income.....	38,182	30,359	194,905
Gain on sale of marketable securities.....	710,322	451,500	-
Gain on sale of assets and other.....	7,171,704	39,230	373,539
INCOME (LOSS) BEFORE INCOME TAXES.....	11,756,702	(6,670,807)	10,580,136
(Provision) benefit for income taxes.....	(4,056,353)	2,334,782	(4,003,154)
NET INCOME (LOSS).....	7,700,349	(4,336,025)	6,576,982
Preferred stock dividends.....	620,000	600,000	600,000
NET INCOME (LOSS) ATTRIBUTABLE TO COMMON STOCK.....	\$ 7,080,349	\$ (4,936,025)	\$ 5,976,982
NET INCOME (LOSS) PER SHARE:			
Basic.....	<u>\$ 0.68</u>	<u>\$ (0.54)</u>	<u>\$ 0.55</u>
Diluted.....	<u>\$ 0.58</u>	<u>\$ (0.54)</u>	<u>\$ 0.48</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:			
Basic.....	<u>10,484,078</u>	<u>9,129,169</u>	<u>10,841,665</u>
Diluted.....	<u>13,279,862</u>	<u>9,129,169</u>	<u>13,711,597</u>

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

	Year Ended June 30,		
	2004	2003	2002
Natural gas and oil sales (\$000).....	\$ 27,630	\$ 33,919	\$ 23,902
EBITDAX (\$000)(1).....	\$ 28,986	\$ 20,901	\$ 22,486
Production:			
Natural gas (thousand cubic feet).....	4,328,507	6,016,395	6,981,909
Oil and condensate (barrels).....	99,492	138,569	186,274
Total (thousand cubic feet equivalent).....	4,925,459	6,847,809	8,099,553
Natural gas (thousand cubic feet per day).....	11,827	16,483	19,129
Oil and condensate (barrels per day).....	272	380	510
Total (thousand cubic feet equivalent per day).....	13,459	18,763	22,189
Average sales price:			
Natural gas (per thousand cubic feet).....	\$ 5.65	\$ 5.00	\$ 2.94
Oil and condensate (per barrel).....	\$ 31.99	\$ 27.90	\$ 21.44
Total (per thousand cubic feet equivalent).....	\$ 5.61	\$ 4.95	\$ 3.03
Selected data per Mcfe:			
Production and severance taxes.....	\$ 0.16	\$ 0.35	\$ 0.20
Lease operating expense.....	\$ 0.63	\$ 0.48	\$ 0.28
General and administrative expense.....	\$ 0.55	\$ 0.30	\$ 0.36
Depreciation, depletion and amortization of natural gas and oil properties.....	\$ 1.39	\$ 1.24	\$ 1.05

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 and other. 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.

	Year ended June 30,		
	2004	2003	2002
		(\$000)	
Income (loss) from operations.....	\$ 4,199	\$ (6,481)	\$ 10,297
Exploration expenses.....	9,873	17,922	2,694
Depreciation, depletion and amortization.....	6,989	8,788	8,594
Impairment of natural gas and oil properties.....	43	181	527
Gain on sale of marketable securities.....	710	452	-
Gain on sale of assets and other.....	7,172	39	374
EBITDAX.....	<u>\$ 28,986</u>	<u>\$ 20,901</u>	<u>\$ 22,486</u>