CONTANGO OIL & GAS COMPANY

NEWS RELEASE

Contango Oil & Gas Announces 17-year LNG Terminal Use Agreement between Freeport LNG Development, L.P. and MC Global Gas Corporation

January 18, 2005 – HOUSTON, TEXAS – Contango Oil & Gas Company (AMEX: MCF) reports that Freeport LNG Development, L.P., in which Contango holds a 10% limited partnership interest, announced today that it executed a 17-year terminal use agreement (TUA) with MC Global Gas Corporation, a wholly-owned subsidiary of Mitsubishi Corporation. The agreement is for 150 million cubic feet per day (mmcf/d) (approximately 1 million tons of LNG per year) of throughput capacity at Freeport LNG's liquefied natural gas (LNG) receiving terminal, located in Quintana, Texas starting from January 1, 2009. MC Global Gas Corporation has an option to increase the total capacity by an additional 100 mmcf/d, to a total of 250 mmcf/d.

On July 1, 2004, Mitsubishi Corporation concluded an LNG Sale and Purchase Agreement (SPA) with Qalhat LNG in Oman. A portion of the throughput capacity at Freeport LNG's terminal will be used for importing LNG purchased under the SPA.

"We are pleased that this Mitsubishi subsidiary has executed a firm agreement to utilize capacity at the Freeport LNG terminal," said Michael S. Smith, CEO of Freeport LNG Development, LP. "As a customer of the terminal, MC Global Gas Corporation will further diversify the gas supply available to Texas and the broader US natural gas markets. Mitsubishi is one of the largest LNG suppliers in the world, and we are proud to have them as a participant in this project."

On January 11, 2005, Freeport LNG Development L.P. received its authorization to commence construction of the first phase of its terminal from the Federal Energy Regulatory Commission (FERC). Construction of the permitted 1.5 Bcf/d facility commenced on Monday, January 17, 2005. The EPC contractor is a consortium of Technip USA, Zachry Construction of San Antonio, and Saipem SpA of Italy. The capacity of the first phase has been fully sold on a long-term basis to ConocoPhillips (NYSE: COP) (1 bcf/d) and the Dow Chemical Company (NYSE: DOW) (0.5 bcf/d).

Freeport LNG Development, L.P. is filing federal and state permit applications in the first quarter of 2005 for a significant expansion of the terminal.

The expansion would provide for up to approximately double the vaporization capacity, a second berth, and additional storage.

"Along with ConocoPhillips' options for up to 500 mmcf/d of additional capacity, the long-term contract with MC Global Gas Corporation moves us closer to selling out of the second phase of our project," said Smith. He added, "Long-term natural gas demand in Texas and the U.S. continues to outpace our supply prospects. We are pursuing this expansion in response to continued demand for capacity in the Freeport LNG terminal as end-users and suppliers alike see LNG imports as key to bringing balance to the U.S. gas market."

Kenneth R. Peak, Contango's Chairman and Chief Executive Officer, said, "We are pleased with the progress being made by Freeport LNG Development L.P. and are excited about plans to expand the facility's capacity. We currently have $43 million in cash on hand, no debt and are drilling two onshore wells in South Texas. Our drilling plans for 2005 are to drill around 20 onshore wells and 5 offshore Gulf of Mexico wells."

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., 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.

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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