

CONTANGO OIL & GAS COMPANY

NEWS RELEASE

Contango Reports Second Quarter Earnings

FEBRUARY 14, 2005 – HOUSTON, TEXAS – Contango Oil & Gas Company (AMEX:MCF) reported net income attributable to common stock for the three months ended December 31, 2004 of \$13.1 million, or \$1.01 per basic and diluted share, compared to a net income attributable to common stock for the three months ended December 31, 2003 of \$4.1 million, or \$0.44 per basic and \$0.33 per diluted share. Natural gas and oil sales from continuing and discontinued operations for the three months ended December 31, 2004 were \$7.3 million, up from \$6.0 million for the three months ended December 31, 2003. EBITDAX was \$21.8 million for the three months ended December 31, 2004, up from EBITDAX for the three months ended December 31, 2003 of \$10.4 million.

Net income attributable to common stock for the six months ended December 31, 2004 was \$14.6 million, or \$1.12 per basic and diluted share, compared to a net income attributable to common stock for the six months ended December 31, 2003 of \$7.0 million, or \$0.75 per basic and \$0.58 per diluted share. Natural gas and oil sales from continuing and discontinued operations for the six months ended December 31, 2004 were \$14.0 million, down from \$14.2 million for the six months ended December 31, 2003. EBITDAX was \$26.8 million for the six months ended December 31, 2004, up from EBITDAX for the six months ended December 31, 2003 of \$18.4 million.

Kenneth R Peak, Contango's Chairman and Chief Executive Officer, said, "In late December, we completed the sale of 16 Bcfe or substantially all of our south Texas natural gas and oil interests to Edge Petroleum Corporation for \$50 million. As of February 11, 2005, we have \$43.7 million in cash and cash equivalents. Our cash equivalents are invested in highly liquid AAA tax exempt securities with maturities of 90 days or less. In mid March our cash position will be reduced by approximately \$9 million to pay federal income taxes.

The recent sale of our south Texas properties, including the \$16.3 million gain, has been classified in our financial statements as discontinued operations. Our strategy and focus, however, are unchanged and we continue as an independent natural gas and oil exploration and production company.

Our current capital expenditure budget for calendar year 2005 is projected to be approximately \$20 million. Our budgeted capital expenditures call for us to drill 20 onshore wells at a budgeted cost of \$10 million in drilling costs, and to expend \$5 million for seismic and lease acquisitions. We are also projecting that our two offshore subsidiaries will be carried in four to six Gulf of Mexico exploration wells in 2005. We expect to spend an additional \$1.5 million at our Freeport LNG project, and have committed to invest an additional \$1.5 million in the Contango Capital Partners Fund."

CONTANGO OIL & GAS COMPANY AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended December 31,		Six Months Ended December 31,	
	2004	2003	2004	2003
REVENUES:				
Natural gas and oil sales.....	\$ 1,425,983	\$ 18,198	\$ 2,005,596	\$ 76,917
Gain (loss) from hedging activities.....	-	(24,071)	-	58,171
Total revenues.....	<u>1,425,983</u>	<u>(5,873)</u>	<u>2,005,596</u>	<u>135,088</u>
EXPENSES:				
Operating expenses.....	209,123	14,106	252,973	51,029
Exploration expenses.....	944,273	2,153,056	1,732,339	3,276,541
Depreciation, depletion and amortization.....	459,338	6,789	619,622	14,800
Impairment of natural gas and oil properties.....	-	42,995	112,000	42,995
General and administrative expenses.....	1,087,051	768,473	1,899,524	1,145,580
Total expenses.....	<u>2,699,785</u>	<u>2,985,419</u>	<u>4,616,458</u>	<u>4,530,945</u>
(LOSS) FROM CONTINUING OPERATIONS.....	(1,273,802)	(2,991,292)	(2,610,862)	(4,395,857)
Interest expense.....	(22,341)	(115,235)	(71,317)	(279,645)
Interest income.....	15,503	5,250	33,356	19,666
Gain on sale of marketable securities.....	-	65,023	-	710,322
Gain on sale of assets and other.....	(46,313)	6,243,989	(86,820)	6,243,989
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES.....	(1,326,953)	3,207,735	(2,735,643)	2,298,475
(Provision) benefit for income taxes.....	465,790	(1,055,492)	957,476	(737,250)
INCOME (LOSS) FROM CONTINUING OPERATIONS...	(861,163)	2,152,243	(1,778,167)	1,561,225
DISCONTINUED OPERATIONS				
Discontinued operations, net of income taxes.....	14,116,542	2,136,166	16,516,445	5,785,675
NET INCOME.....	13,255,379	4,288,409	14,738,278	7,346,900
Preferred stock dividends.....	105,000	176,667	210,000	326,667
NET INCOME ATTRIBUTABLE TO COMMON STOCK.	<u>\$ 13,150,379</u>	<u>\$ 4,111,742</u>	<u>\$ 14,528,278</u>	<u>\$ 7,020,233</u>
NET INCOME (LOSS) PER SHARE:				
Basic				
Continuing operations.....	\$ (0.07)	\$ 0.21	\$ (0.15)	\$ 0.13
Discontinued operations.....	1.08	0.23	1.27	0.62
Total.....	<u>\$ 1.01</u>	<u>\$ 0.44</u>	<u>\$ 1.12</u>	<u>\$ 0.75</u>
Diluted				
Continuing operations.....	\$ (0.07)	\$ 0.17	\$ (0.15)	\$ 0.12
Discontinued operations.....	1.08	0.16	1.27	0.46
Total.....	<u>\$ 1.01</u>	<u>\$ 0.33</u>	<u>\$ 1.12</u>	<u>\$ 0.58</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:				
Basic.....	<u>13,049,641</u>	<u>9,366,423</u>	<u>12,960,450</u>	<u>9,332,547</u>
Diluted.....	<u>13,049,641</u>	<u>12,936,563</u>	<u>12,960,450</u>	<u>12,641,092</u>

The summarized financial results for discontinued operations for each of the periods ended December 31, are as follows:

Operating Results:	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2004	2003	2004	2003
Revenues.....	\$ 5,858,649	\$ 5,962,110	\$ 11,951,278	\$ 14,155,895
Operating expenses.....	(382,016)	(902,579)	(1,190,029)	(2,517,885)
Depreciation expenses.....	(13,739)	(1,612,110)	(1,583,358)	(3,397,935)
Exploration expenses.....	(4,073)	21,171	(26,911)	(211,457)
Gain (loss) on sale of discontinued operations.....	<u>16,258,936</u>	<u>(182,184)</u>	<u>16,258,936</u>	<u>872,421</u>
Gain before income taxes.....	\$ 21,717,757	\$ 3,286,408	\$ 25,409,916	\$ 8,901,039
Provision for income taxes.....	<u>(7,601,215)</u>	<u>(1,150,242)</u>	<u>(8,893,471)</u>	<u>(3,115,364)</u>
Gain from discontinued operations, net of income taxes.....	<u>\$ 14,116,542</u>	<u>\$ 2,136,166</u>	<u>\$ 16,516,445</u>	<u>\$ 5,785,675</u>

Production, Prices, Operating Expenses, and Other

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2004	2003	2004	2003
	(Dollar amounts in 000s, except per Mcfe amounts)		(Dollar amounts in 000s, except per Mcfe amounts)	
Production Data:				
Natural gas (million cubic feet).....	931	1,046	1,910	2,408
Oil and condensate (thousand barrels).....	19	22	39	58
Total (million cubic feet equivalent).....	1,045	1,178	2,144	2,756
Natural gas (thousand cubic feet per day).....	10,120	11,364	10,438	13,089
Oil and condensate (barrels per day).....	209	241	213	314
Total (thousand cubic feet equivalent per day).....	11,374	12,810	11,717	14,973
Average sales price:				
Natural gas (per thousand cubic feet).....	\$ 6.85	\$ 5.08	\$ 6.40	\$ 5.20
Oil and condensate (per barrel).....	\$ 46.95	\$ 30.10	\$ 44.61	\$ 29.57
Selected data per Mcfe:				
Production and severance taxes.....	\$ (0.19)	\$ 0.22	\$ (0.11)	\$ 0.31
Lease operating expenses.....	\$ 0.76	\$ 0.56	\$ 0.78	\$ 0.63
General and administrative expenses.....	\$ 1.04	\$ 0.65	\$ 0.89	\$ 0.42
Depreciation, depletion and amortization of natural gas and oil properties.....	\$ 0.43	\$ 1.35	\$ 1.00	\$ 1.22
EBITDAX (1).....	\$ 21,819	\$ 10,399	\$ 26,786	\$ 18,404

- (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 and operating results for discontinued operations for the periods indicated is presented below.

Reconciliation of EBITDAX:	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2004	2003	2004	2003
	(Dollar amounts in 000s)		(Dollar amounts in 000s)	
(Loss) from continuing operations.....	\$ (1,274)	\$ (2,991)	\$ (2,611)	\$ (4,396)
Exploration expenses.....	944	2,153	1,732	3,277
Depreciation, depletion and amortization.....	459	7	620	15
Impairment of natural gas and oil properties.....	-	43	112	43
Gain on sale of marketable securities.....	-	65	-	710
Gain (loss) on sale of assets and other.....	(46)	6,244	(87)	6,244
EBITDAX from continuing operations.....	83	5,521	(234)	5,893
Income from discontinued operations before taxes.....	21,718	3,287	25,410	8,901
Exploration expenses.....	4	(21)	27	212
Depreciation, depletion and amortization.....	14	1,612	1,583	3,398
EBITDAX.....	<u>\$ 21,819</u>	<u>\$ 10,399</u>	<u>\$ 26,786</u>	<u>\$ 18,404</u>

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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