MCF IS NATURAL GAS
www.contango.com

Contango
Oil & Gas Company

Lawyer Stuff

The future is unknowable. We have good intentions but all of our projections and estimates will be wrong, and could be materially wrong. Wildcat exploration is expensive, speculative and potentially dangerous. An offshore spill or explosion would be enormously expensive. We have insurance but it may not be enough. You could lose your entire investment. Don't be lazy – read our 10-Q's, 10-K's and press releases, and if you lose money - please no tears.

"Don't forget about risk-free and return free T-bills in your portfolio…After inflation and taxes you'll likely only lose 5-10% of your investment."

- Contango V.P. Investor Relations

Contango's Core Beliefs From Inception

- The only competitive advantage in the natural gas and oil business is to be among the **LOWEST COST** producers
- Virtually all the exploration and production industry's **VALUE CREATION** occurs through the drilling of successful exploration wells
- The whole point of a business is only and always to increase **SHAREHOLDER WEALTH – PER SHARE**…with conditions

Beliefs are optional, Results are mandatory and the only result that matters is long term – 3-5-10 year returns to shareholders

Contango is Low Cost

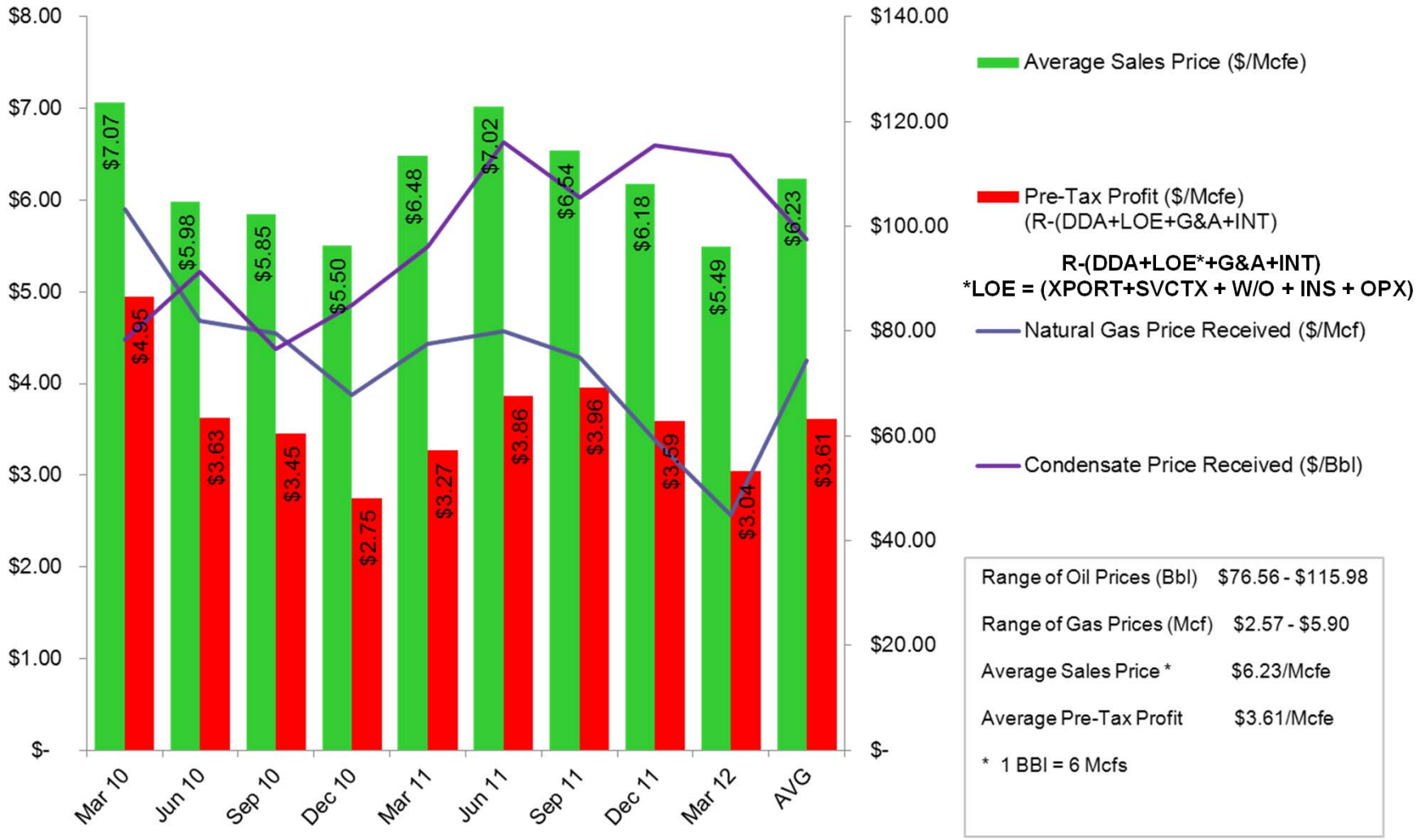
But Apples to Oranges Problem

	Fiscal Year Ended 6/30/11	Nine Months Ended 3/31/12
DD & A	$1.68	$1.55
LOE	$0.80	$0.81
G&A	$0.38	$0.25
Interest	$0.00	$0.00
TOTAL	$2.86 / Mcfe	2.61/Mcfe

- Contango is among the lowest cost producers in the industry
- Most independents use full cost accounting
  - Massive "Full Cost Pool" write-downs = Lower DD & A
  - Capitalize portion G & A = Lower G & A Expense
  - Capitalize portion interest = Lower interest
- Successful efforts companies "benefit" DD & A rate by immediately expensing dry holes and seismic

We do not live in Lake Woebegone – Not all producers have below average costs

Contango Quarterly Sales Price and Pre Tax Margin



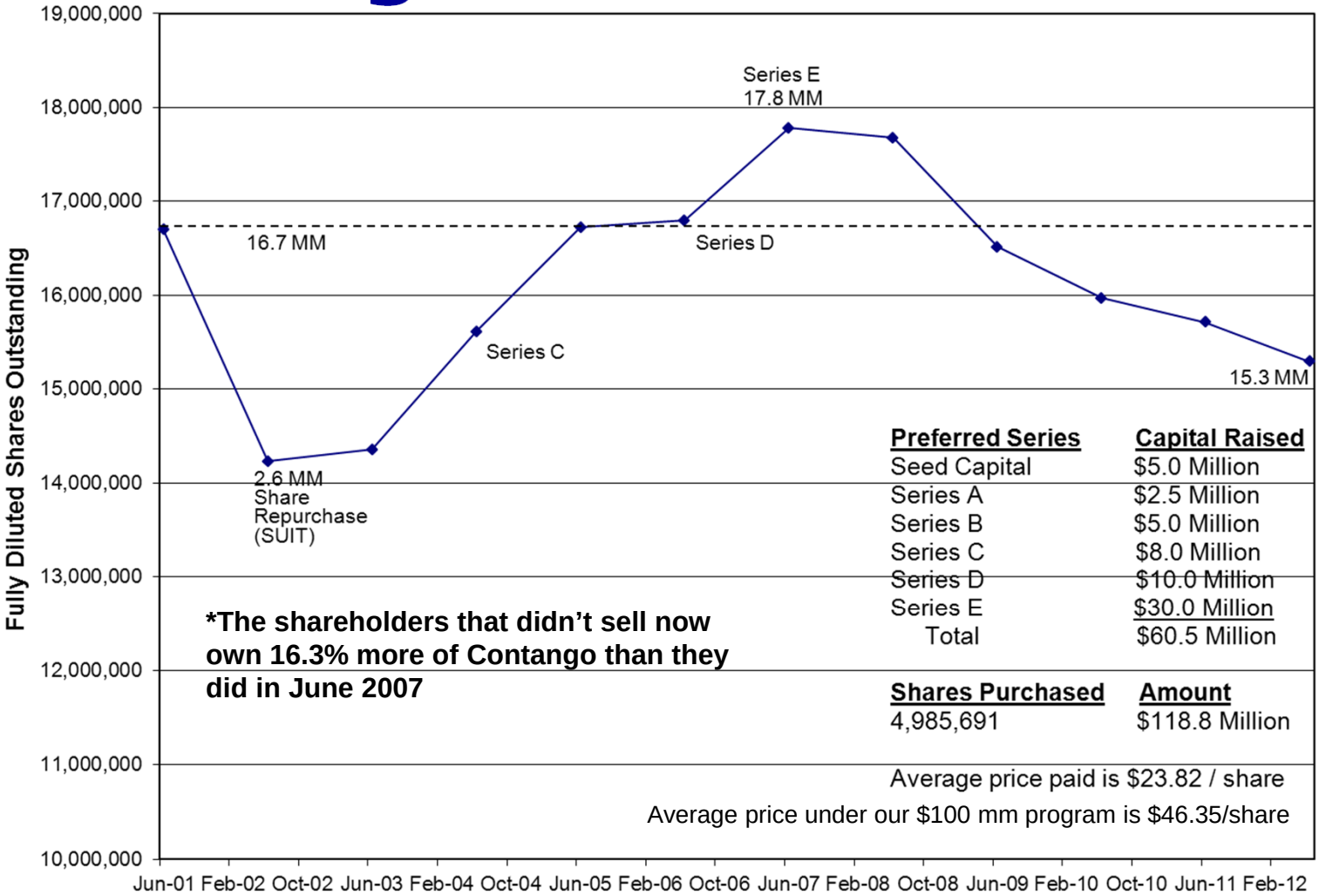
Rise in Liquids Prices Supporting Margins

Calculation of Return on Capital Since Inception

- Our first priority is to always put the safety of our employees, partners and contractors first.
- Our second priority is to protect the environment where we work and live.
- Our third priority is to maximize "Shareholder earnings" which we define as retained earnings plus dividends and share purchases, while minimizing the amount of capital invested. Since inception we have repurchased $118.8 million worth of our shares and options.
- Peak Ratio Defined: $\frac{\text{Shareholder Earnings}}{\text{Invested Capital}} = \frac{\text{R/E + Dividends + Share Purchases}}{\text{(Common and Preferred Stock Raised)}}$
- Contango's Peak Ratio Calculated as at 3/31/12: = $\frac{\$487.4 + 5.4 + 115.4}{\$79.0}$ = 7.70X
  ($ millions)
- Share purchases that offset option dilution are not a return on capital

"Investing is only and always about return on capital invested"

Negative Dilution



Preferred Series	Capital Raised
Seed Capital	$5.0 Million
Series A	$2.5 Million
Series B	$5.0 Million
Series C	$8.0 Million
Series D	$10.0 Million
Series E	$30.0 Million
Total	$60.5 Million

Shares Purchased	Amount
4,985,691	$118.8 Million

Average price paid is $23.82 / share

Average price under our $100 mm program is $46.35/share

***The shareholders that didn't sell now own 16.3% more of Contango than they did in June 2007**

If Contango only had one share and I owned it – that would be great.

Contango Owners

Institution	March 31, 2012 Shares Held	% S/O	Cumulative %
T. Rowe Price Associates, Inc.	1,459,850	9.51%	9.51%
Ariel Investments, LLC	1,431,082	9.32%	18.82%
BlackRock Fund Advisors	931,070	6.06%	24.89%
Vanguard Group, Inc.	758,286	4.94%	29.83%
TAMRO Capital Partners, LLC	482,155	3.14%	32.96%
International Value Advisers, LLC	471,727	3.07%	36.04%
State Street Global Advisors (US)	433,645	2.82%	38.86%
Keeley Asset Management Corp.	410,600	2.67%	41.53%
Opus Capital Management, Inc.	338,105	2.20%	43.74%
Dimensional Fund Advisors, LP	335,899	2.19%	45.92%
GWL Investment Management Ltd.	287,286	1.87%	47.79%
Thomson Horstmann & Bryant, Inc.	214,600	1.40%	49.19%
Conestoga Capital Advisors, LLC	212,755	1.39%	50.58%
Northern Trust Investments, N.A.	179,865	1.17%	51.75%
Numeric Investors LLC	178,319	1.16%	52.91%
TIAA-CREF	160,009	1.04%	53.95%
PanAgora Asset Management, Inc.	155,709	1.01%	54.96%
Barrow Hanley Mewhinney & Strauss, LLC	149,800	0.98%	55.94%
Victory Capital Management	149,075	0.97%	56.91%
Norges Bank Investment Management (NBIM)	114,014	0.74%	57.65%
Palo Alto Investors, LLC	113,900	0.74%	58.39%
Contango Management and BOD	2,543,486	16.56%	74.96%

"22 investors own 75% of our stock"

Contango Doesn't Have

- Lots of shares: 15.3 million outstanding
- Lots of options: none
- Lots of PUD's (~ 2%)
- Lots of employees: 10
- Lots of wells – 12 offshore
- Lots of landowners - 2
- Lots of regulators – 4
- Winner's curse
  - We were the sole bidder at previous 4 offshore lease sales
  - At most recent lease sale, sole bidder on 5 of our 6 leases.
- Near term leases expiring
- L-T rig contracts
- Debt: $0
- Severance taxes (in Federal offshore) $0
- Hedges: $0

Our objective is not to do "more with less," it's – in fact – just to do less.

Wildcat Exploration Budget through December 31, 2014

Well/Project	Estimated Future Net Costs	Contango WI% (subject to back-ins)	Comments
Ship Shoal 134 (Eagle)	$25,000,000	100%	Spud July 2012
South Timbalier 75 (Fang)	$28,000,000	100%	Spud July 2012
Seven offshore prospects (includes remaining LHC)*	$100,000,000	100%	2013 - 2014 Six are Apparent High Bidder
Tuscaloosa Marine Shale	TBD	100%	Watching Play Develop (~25,000 net acres)
Exaro Energy III LLC**	$41,200,000	45%	Jonah Field
Alta Energy Partners LLC***	$8,400,000	2% - 5%	Kaybob/Duvernay
TOTAL	**$202,600,000**		

* Ship Shoal 121, East Cameron 124, Eugene Island 31, Eugene Island 260, Ship Shoal 83, Ship Shoal 255, South Timbalier 110)
** Remaining commitment -$41.3 million invested to date
*** Remaining commitment -$11.6 million invested to date

"I don't want to swim in a roped off sea" Cowboy in the Jungle – Jimmy Buffet

Why we like the Gulf of Mexico

Stand Alone FY 2010 Finding and Development Costs, net to Contango:			
Costs Incurred			
Ship Shoal 263		$ 45,625,293	(Including JEX Purchase)
Vermilion 155		$ 5,025,259	
Matagorda Island 617		$ 14,859,530	
Write-off of leases		$ -	
		$ 65,510,082	
Reserves Discovered (Bcfe)			
Ship Shoal 263		23.0	
Vermilion 155		-	
Matagorda Island 617		-	
		23.0	
	FY 2010 F&D Costs	**$ 2.85**	
Stand Alone FY 2011 Finding and Development Costs, net to Contango:			
Costs Incurred			
Galveston Area 277		$ 9,509,220	
Vermilion 170		$ 26,382,052	
Write-off of leases		$ 1,786,439	
		$ 37,677,711	
Reserves Discovered (Bcfe)			
Galveston Area 277		-	
Vermilion 170		39.9	
		39.9	
	FY 2011 F&D Costs	**$ 0.94**	
N.B. Company Total DD&A per Mcfe			
	FY 2010	$ 1.24	
	FY 2011	$ 1.68	
	FY 2012	$ 1.56	(6 months)

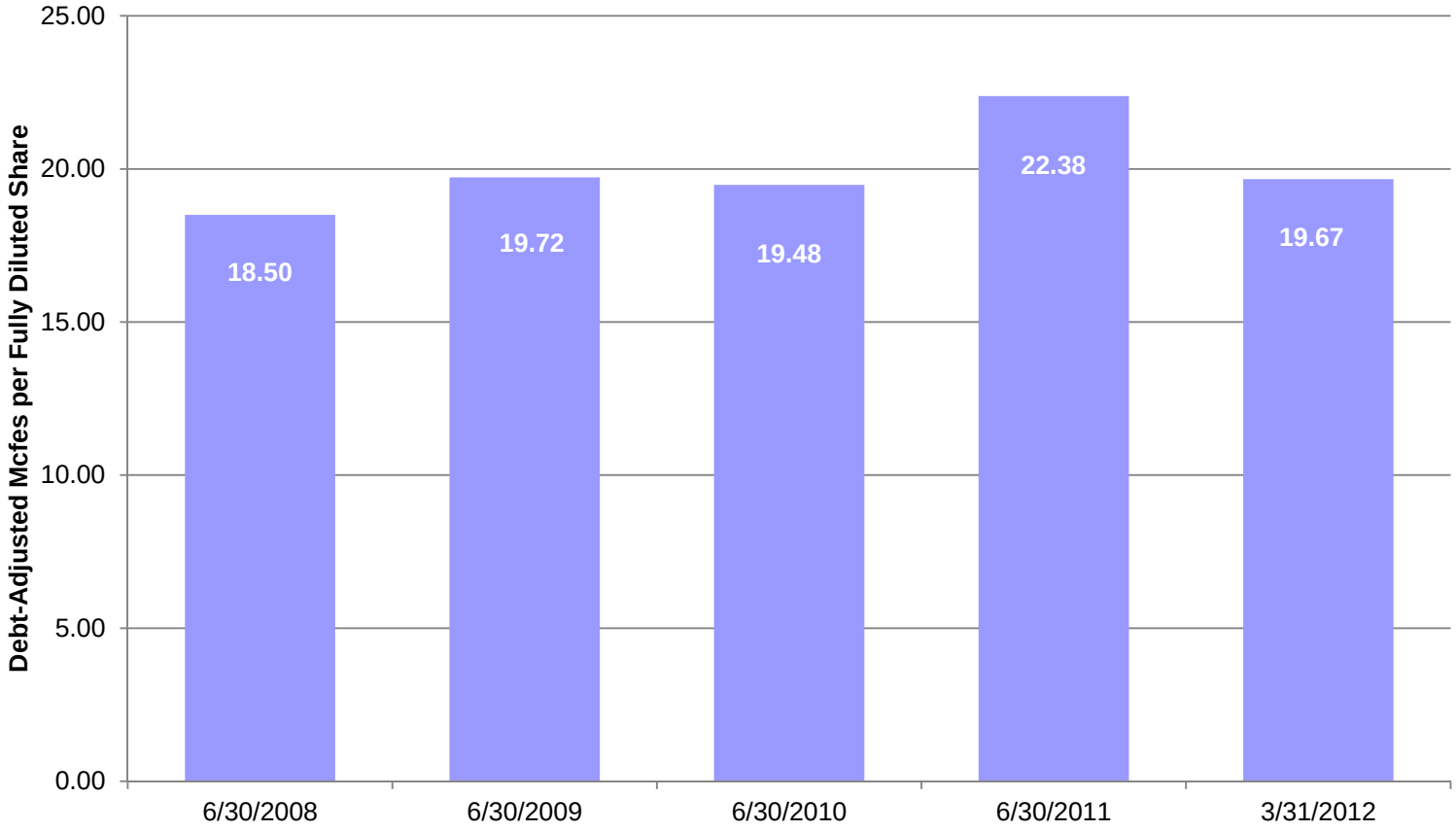
Look Back Economics - SS 263

Finding and Development Costs, net to Contango:							
	Amount Invested			$ 45,625,293	(including JEX purchase)		
	Production commenced 6/28/2010						
	Reserves Produced through 12/31/11 (Bcfe)			6.9			
	Proved Developed Reserves in Place at 12/31			16.1			
				23.0			
	F&D Costs ($/Mcfe)			**$ 1.98**			
Payout:							
	Net Revenues Earned 6/28/10 - 12/31/11			$ 46,349,465			
	Payout			**1.5 Years**			

Look Back Economics - VR 170

Finding and Development Costs, net to Contango:				
	Amount Invested		$	26,382,052
	Production commenced 9/13/2011			
	Reserves Produced through 12/31/11 (Bcfe)			1.8
	Proved Developed Reserves in Place at 12/31/11 (Bcfe)			38.1
				39.9
	F&D Costs ($/Mcfe)		**$**	**0.66**
Payout:				
	Net Revenues Earned 9/13/11 - 12/31/11		$	11,299,853
	Estimated Production for first 6 months of 2012 (PV-0)		$	16,828,414
			$	28,128,267
	Payout			**< 1 Year**

In Investing it's NOT HOW MANY– but HOW MANY DO I OWN?



Since debt, P & A liabilities, and preferred stock are "senior" to common shareholders they reduce what shareholders own. Outstanding options also reduce per share ownership and thus "fully diluted" shares must be in the denominator.

Analyzing Contango as a TRIIG Problem

Taxes

By far our largest expense. We have been profitable because of our success with the exploration drill bit in the GOM and two very successful "one-off" investments. We are, however, at a **SIGNIFICANT COMPETITIVE DISADVANTAGE** to the industry in federal income taxes paid. We expect industry taxes to increase, as the immediate expensing of IDC is "bargained" away in the Grand Compromise.

Regulations

Onshore shale plays face multiple and conflicting jurisdictions. Worse yet, ever more costly, confusing and burdensome regulations governing "fracking" and "waste water" are coming soon. Offshore has one major regulator (BOEMRE), much cheaper and simpler land and title issues and a "pre-built," readily available, infrastructure system. We have a **SIGNIFICANT COMPETITIVE ADVANTAGE** with regards to severance taxes

Interest rates

0% interest rates – in full compliance with Steins Law - will not, and indeed cannot, continue. Anathema to savers, pension funds, retirees , the "ants," but a boon to the "grass hoppers." We have a **SIGNIFICANT COMPETITIVE ADVANTAGE** , because we have no debt.

Inflation rates

"Inflation is always and everywhere a monetary phenomenon" Don't argue with Uncle Milton. Technical definition of "Quantative Easing" – printing money. Good to own commodities.

Gas prices

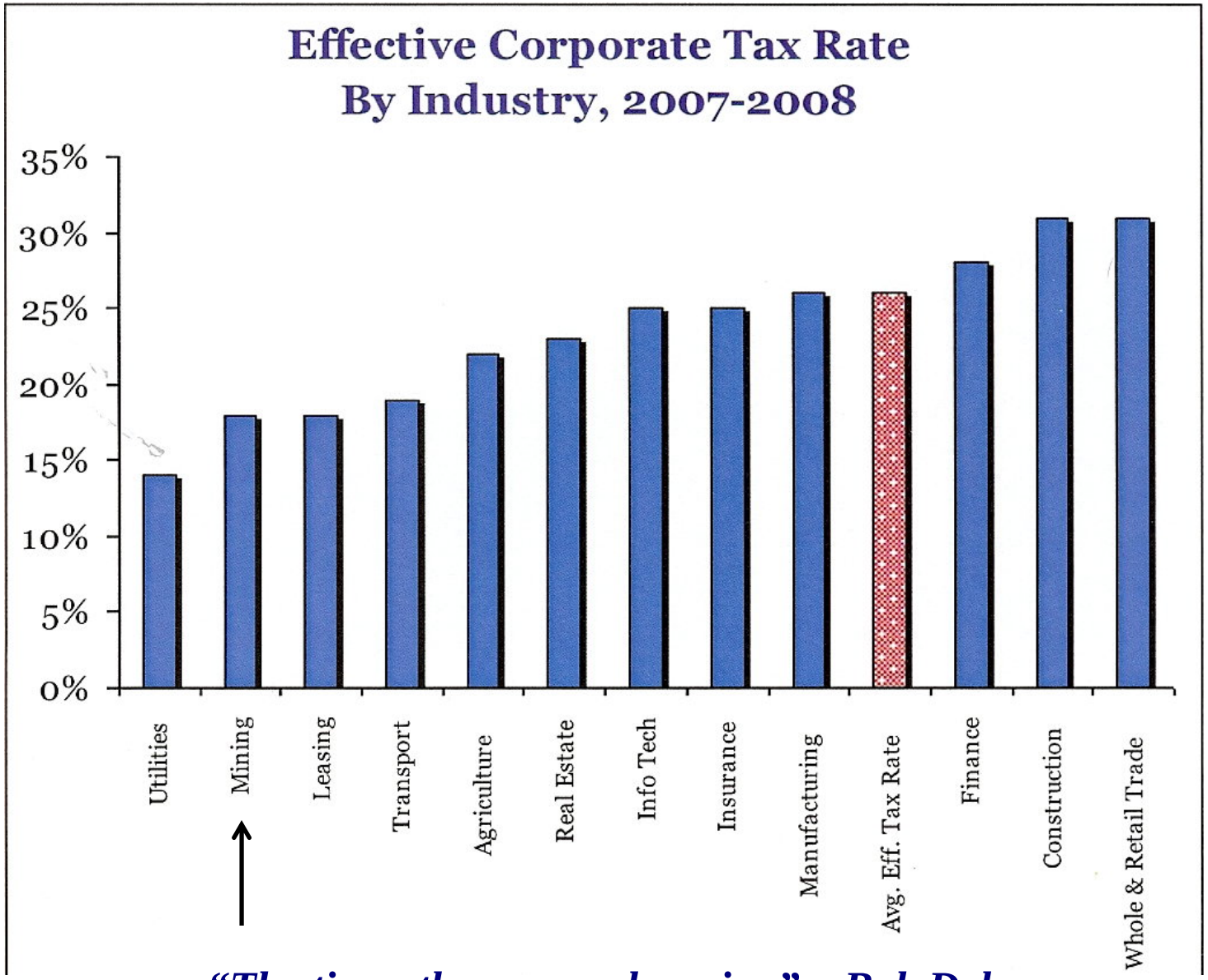
Lower longer for 2012 is the smart bet. A titanic struggle of natural gas as a "by product," together with plentiful and cheap capital – hedge funds and NOC's want in on the action - and improving shale technology applied to ever more reservoirs (Exaro) will continue to push supply vs. increased demand from power generation, manufacturing, transportation and export , and a capital destruction problem for most dry gas basins at sub - $4.00/mcf natural gas.

Taxes - Our Biggest Expense

- We are profitable for both GAAP and IRS Accounting
- The Obama Administration would like to require IDC's to be capitalized and then amortized over some time frame – life of property?
- From Contango's perspective this may not be a bad thing if overall corporate tax rates are also reduced as part of a "grand compromise" – in fact this could be a good thing because natural gas prices would almost certainly rise

	2008	2009	2010	2011	2012	TOTAL
GAAP Pretax Income from continuing operations ($ millions)	$ 134.9	$ 92.8	$ 81.9	$ 98.2		$ 407.8
GAAP Income Tax Provision for Continuing Operations	$ 51.7	$ 36.9	$ 31.7	$ 34.8		$ 155.1
Taxes Paid ($ millions) "Cash wired to the IRS"	$22.0*	$45.6	$11.5	$31.9	$ 50.7**	$161.0
Taxes Paid / GAAP Income Ratio	16.3%	49.1%	14.1%	32.4%		
*We deferred $112 million in taxes via section 1031 like kind exchange						
**Estimated amount						

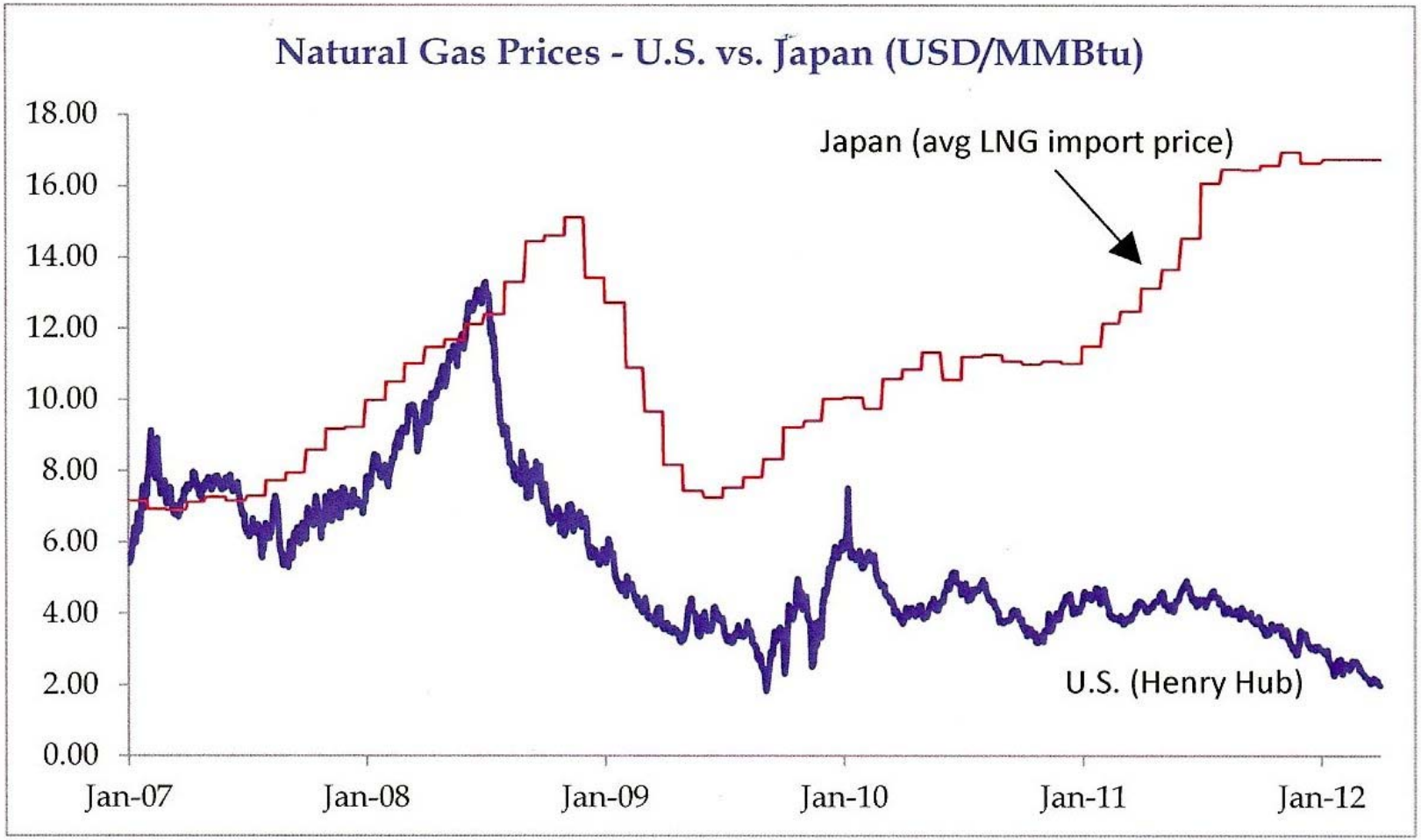
"I wonder how many fortune 500 companies are going to pay less in taxes in 2012 than Contango?"



"The times they are a changing" – Bob Dylan

Slide courtesy of Strategas Research Partners

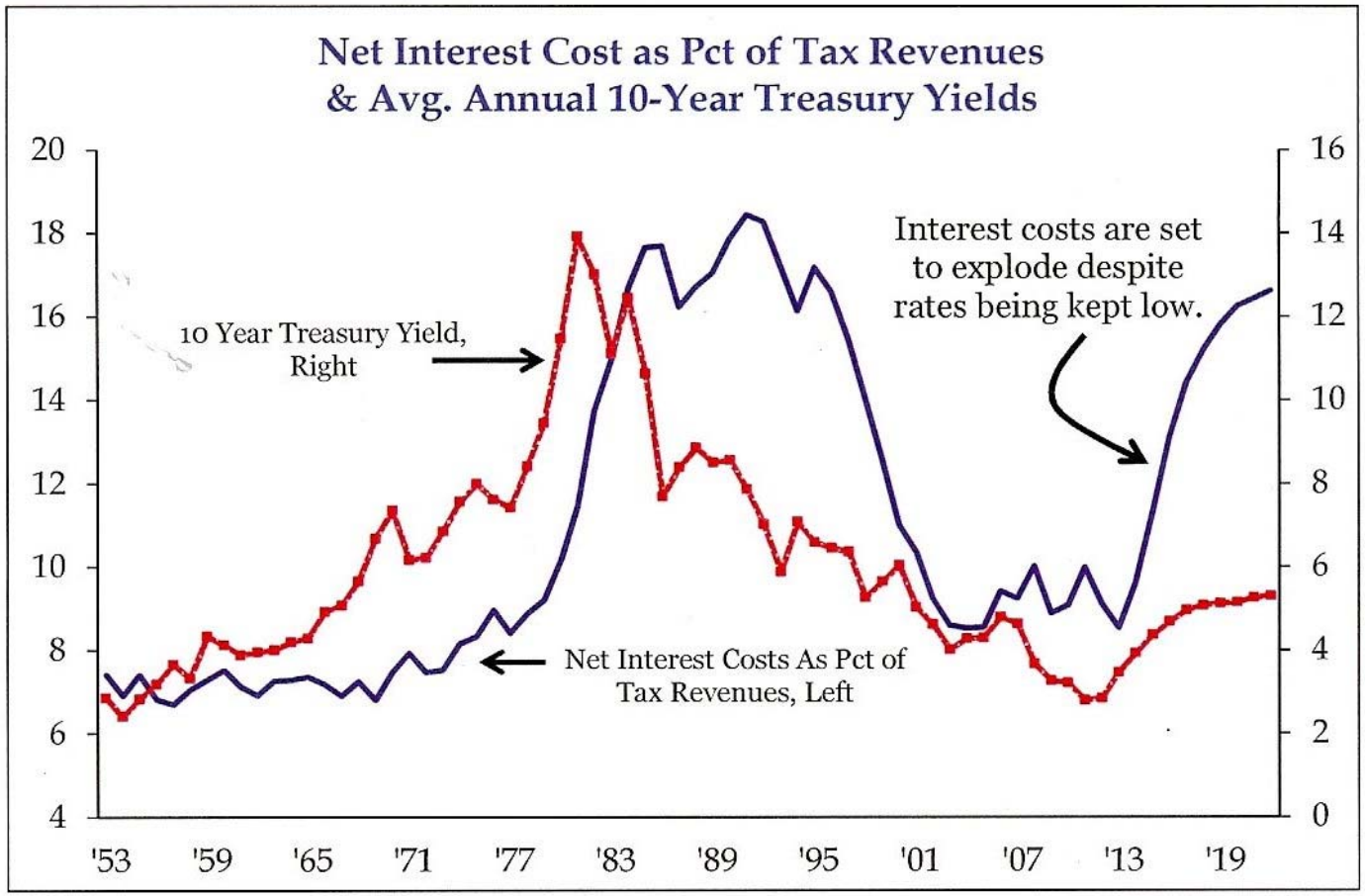
ENERGY AS A SILVER BULLET TO REBUILD AMERICA'S MIDDLE CLASS, EVEN OUR BALANCE OF TRADE



If Webster's used pictures instead of words…this would define "Arbitrage" and "Opportunity"

Slide courtesy of Strategas Research Partners

OUR DEFICITS WILL BE SOLVED EITHER BY OUR POLITICIANS OR THE BOND MARKET

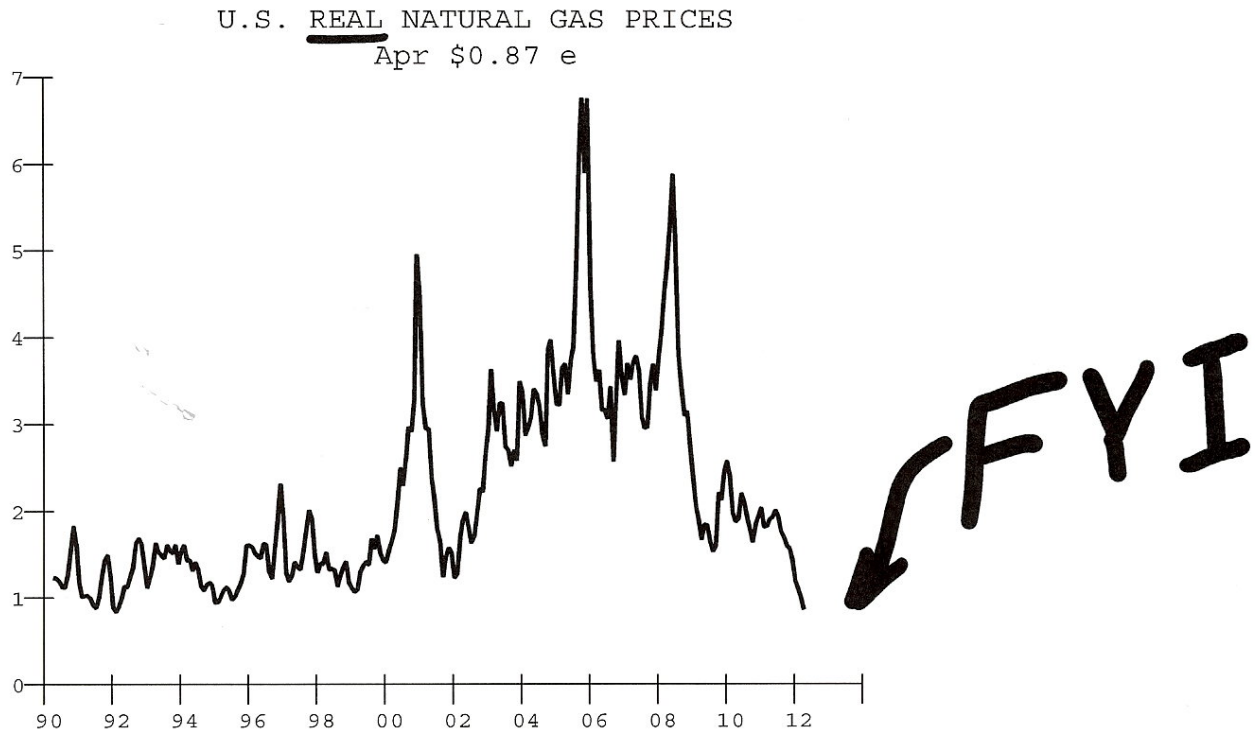


**projections from 2012 onward, from President's Budget*

"You can avoid reality but you can't avoid the consequences of avoiding reality" – Ayn Rand

Slide courtesy of Strategas Research Partners

The Challenge



ISI

- Always be humble when making predictions – especially about the future
- Never never never underestimate the transformative power of technology
- Creating value in a commodity with rising real costs and lower real prices is….

~~Contango~~ (any company) Investment Thesis

PAST: Does the Company have retained earnings? What is the company's return on capital since inception? Contango – 7.50X

PRESENT: What does one "fully diluted" share own - net of all senior obligations? One share of Contango represents 20 Mcfe/share – 95% + of which are Proved Developed.

Is company profitable? What is my "unhedged" Pre-tax profit margin? – Contango averages $3.59/Mcfe

FUTURE: Contango's approach to the TRIIG Problem:

- Grow profits but pay less in taxes
- Grow our margins, even in a low NatGas price environment
- Diversify
- Exploit our GOM advantages
- Horses for courses - JEX Advisory Agreement

America's Energy Company