

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549  
**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2021

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 001-16317

**CONTANGO OIL & GAS COMPANY**

(Exact name of registrant as specified in its charter)

TEXAS

(State or other jurisdiction of  
incorporation or organization)

111 E. 5<sup>th</sup> Street, Suite 300  
Fort Worth, Texas  
(Address of principal executive offices)

95-4079863

(IRS Employer  
Identification No.)

76102  
(Zip Code)

(817) 529-0059

(Registrant's telephone number, including area code)

**Securities registered pursuant to Section 12(b) of the Act:**

| Title of each class                      | Trading Symbol(s) | Name of each exchange on which registered |
|--|-------------------|---|
| Common Stock, Par Value \$0.04 per share | MCF               | NYSE American                             |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

|                         |                                     |                           |                                     |
|-------------------------|-------------------------------------|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/>            | Accelerated filer         | <input type="checkbox"/>            |
| Non-accelerated filer   | <input checked="" type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |
| Emerging growth company | <input type="checkbox"/>            |                           |                                     |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The total number of shares of common stock, par value \$0.04 per share, outstanding as of May 10, 2021 was 200,686,671.

---

**CONTANGO OIL & GAS COMPANY AND SUBSIDIARIES  
QUARTERLY REPORT ON FORM 10-Q  
FOR THE THREE MONTHS ENDED MARCH 31, 2021**

**TABLE OF CONTENTS**

|                                     | <u>Page</u>   |    |
|-------------------------------------|---|----|
| <b>PART I—FINANCIAL INFORMATION</b> |   |    |
| <a href="#">Item 1.</a>             | <a href="#">Consolidated Financial Statements</a>   |    |
|                                     | <a href="#">Consolidated Balance Sheets as of March 31, 2021 (unaudited) and December 31, 2020</a>                            | 3  |
|                                     | <a href="#">Consolidated Statements of Operations (unaudited) for the three months ended March 31, 2021 and 2020</a>          | 4  |
|                                     | <a href="#">Consolidated Statements of Cash Flows (unaudited) for the three months ended March 31, 2021 and 2020</a>          | 5  |
|                                     | <a href="#">Consolidated Statement of Shareholders' Equity (unaudited) for the three months ended March 31, 2021 and 2020</a> | 6  |
|                                     | <a href="#">Notes to the Consolidated Financial Statements (unaudited)</a>  | 8  |
| <a href="#">Item 2.</a>             | <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>                         | 29 |
| <a href="#">Item 3.</a>             | <a href="#">Quantitative and Qualitative Disclosures about Market Risk</a>  | 41 |
| <a href="#">Item 4.</a>             | <a href="#">Controls and Procedures</a>   | 41 |
| <b>PART II—OTHER INFORMATION</b>    |   |    |
| <a href="#">Item 1.</a>             | <a href="#">Legal Proceedings</a>   | 42 |
| <a href="#">Item 1A.</a>            | <a href="#">Risk Factors</a>  | 42 |
| <a href="#">Item 2.</a>             | <a href="#">Unregistered Sales of Equity Securities and Use of Proceeds</a>   | 42 |
| <a href="#">Item 3.</a>             | <a href="#">Defaults upon Senior Securities</a>   | 42 |
| <a href="#">Item 4.</a>             | <a href="#">Mine Safety Disclosures</a>   | 42 |
| <a href="#">Item 5.</a>             | <a href="#">Other Information</a>   | 43 |
| <a href="#">Item 6.</a>             | <a href="#">Exhibits</a>  | 43 |

*Unless the context requires otherwise or unless otherwise noted, all references in this Quarterly Report on Form 10-Q to the "Company", "Contango", "we", "us" or "our" are to Contango Oil & Gas Company and its wholly owned subsidiaries.*

**Item 1. Consolidated Financial Statements**

**CONTANGO OIL & GAS COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except number of shares)

|  | <u>March 31,</u><br><u>2021</u> | <u>December 31,</u><br><u>2020</u> |
|--|---------------------------------|------------------------------------|
|  | <b>(unaudited)</b>              |                                    |
| <b>CURRENT ASSETS:</b>   |                                 |                                    |
| Cash and cash equivalents  | \$ 1,596                        | \$ 1,383                           |
| Accounts receivable, net   | 54,330                          | 37,862                             |
| Prepaid expenses   | 3,778                           | 3,360                              |
| Current derivative asset   | 2,294                           | 2,996                              |
| Inventory  | 535                             | 442                                |
| Deposits and other   | 100                             | 763                                |
| Total current assets   | <u>62,633</u>                   | <u>46,806</u>                      |
| <b>PROPERTY, PLANT AND EQUIPMENT:</b>  |                                 |                                    |
| Oil and natural gas properties, successful efforts method of accounting:   |                                 |                                    |
| Proved properties  | 1,534,757                       | 1,274,508                          |
| Unproved properties  | 16,280                          | 16,201                             |
| Other property & equipment   | 1,912                           | 1,669                              |
| Accumulated depreciation, depletion, amortization and impairment   | <u>(1,197,904)</u>              | <u>(1,190,475)</u>                 |
| Total property, plant and equipment, net   | 355,045                         | 101,903                            |
| <b>OTHER NON-CURRENT ASSETS:</b>   |                                 |                                    |
| Investments in affiliates  | 6,793                           | 6,793                              |
| Long-term derivative asset   | 128                             | 497                                |
| Right-of-use lease assets  | 7,404                           | 5,448                              |
| Debt issuance costs  | 2,493                           | 1,782                              |
| Deposits   | 1,813                           | 7,038                              |
| Total other non-current assets   | <u>18,631</u>                   | <u>21,558</u>                      |
| <b>TOTAL ASSETS</b>  | <u>\$ 436,309</u>               | <u>\$ 170,267</u>                  |
| <b>CURRENT LIABILITIES:</b>  |                                 |                                    |
| Accounts payable and accrued liabilities   | \$ 109,823                      | \$ 83,970                          |
| Current derivative liability   | 8,733                           | 1,317                              |
| Current asset retirement obligations   | 4,197                           | 4,249                              |
| Total current liabilities  | <u>122,753</u>                  | <u>89,536</u>                      |
| <b>NON-CURRENT LIABILITIES:</b>  |                                 |                                    |
| Long-term debt   | 101,969                         | 12,369                             |
| Long-term derivative liability   | 5,258                           | 1,648                              |
| Asset retirement obligations   | 109,960                         | 48,523                             |
| Lease liabilities  | 3,482                           | 2,624                              |
| Total non-current liabilities  | <u>220,669</u>                  | <u>65,164</u>                      |
| <b>TOTAL LIABILITIES</b>   | <u>343,422</u>                  | <u>154,700</u>                     |
| <b>COMMITMENTS AND CONTINGENCIES (NOTE 12)</b>   |                                 |                                    |
| <b>SHAREHOLDERS' EQUITY:</b>   |                                 |                                    |
| Common stock, \$0.04 par value, 400,000,000 shares authorized, 199,393,595 shares issued and 199,267,434 shares outstanding at March 31, 2021, 173,830,390 shares issued and 173,737,816 shares outstanding at December 31, 2020 | 7,963                           | 6,941                              |
| Additional paid-in capital   | 615,949                         | 535,192                            |
| Treasury shares at cost (126,161 shares at March 31, 2021 and 92,574 shares at December 31, 2020)  | (414)                           | (248)                              |
| Accumulated deficit  | <u>(530,611)</u>                | <u>(526,318)</u>                   |
| Total shareholders' equity   | 92,887                          | 15,567                             |
| <b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>  | <u>\$ 436,309</u>               | <u>\$ 170,267</u>                  |

The accompanying notes are an integral part of these consolidated financial statements

**CONTANGO OIL & GAS COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(in thousands, except per share amounts)**

|  | Three Months Ended |                     |
|--|--------------------|---------------------|
|  | March 31,          |                     |
|  | 2021               | 2020                |
|  | (unaudited)        |                     |
| <b>REVENUES:</b>   |                    |                     |
| Oil and condensate sales                                     | \$ 36,993          | \$ 22,782           |
| Natural gas sales  | 14,492             | 8,170               |
| Natural gas liquids sales                                    | 8,281              | 3,621               |
| Other operating revenues                                     | 184                | —                   |
| Total revenues   | <u>59,950</u>      | <u>34,573</u>       |
| <b>EXPENSES:</b>   |                    |                     |
| Operating expenses   | 27,478             | 19,257              |
| Exploration expenses   | 196                | 398                 |
| Depreciation, depletion and amortization                     | 9,143              | 12,854              |
| Impairment and abandonment of oil and natural gas properties | 3                  | 145,878             |
| General and administrative expenses                          | 11,359             | 7,651               |
| Total expenses   | <u>48,179</u>      | <u>186,038</u>      |
| <b>OTHER INCOME (EXPENSE):</b>                               |                    |                     |
| Gain from investment in affiliates, net of income taxes      | —                  | 286                 |
| Gain from sale of assets                                     | 217                | 27                  |
| Interest expense   | (1,197)            | (1,213)             |
| Gain (loss) on derivatives, net                              | (16,080)           | 46,699              |
| Other income   | 1,535              | 805                 |
| Total other income (expense)                                 | <u>(15,525)</u>    | <u>46,604</u>       |
| <b>NET LOSS BEFORE INCOME TAXES</b>                          | <u>(3,754)</u>     | <u>(104,861)</u>    |
| Income tax provision   | (539)              | (394)               |
| <b>NET LOSS</b>  | <u>\$ (4,293)</u>  | <u>\$ (105,255)</u> |
| <b>NET LOSS PER SHARE:</b>                                   |                    |                     |
| Basic  | \$ (0.02)          | \$ (0.80)           |
| Diluted  | \$ (0.02)          | \$ (0.80)           |
| <b>WEIGHTED AVERAGE COMMON SHARES OUTSTANDING:</b>           |                    |                     |
| Basic  | 192,271            | 131,338             |
| Diluted  | 192,271            | 131,338             |

The accompanying notes are an integral part of these consolidated financial statements

**CONTANGO OIL & GAS COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

|   | Three Months Ended<br>March 31, |              |
|---|---------------------------------|--------------|
|   | 2021                            | 2020         |
|   | (unaudited)                     |              |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                                 |              |
| Net loss  | \$ (4,293)                      | \$ (105,255) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: |                                 |              |
| Depreciation, depletion and amortization  | 9,143                           | 12,854       |
| Impairment of oil and natural gas properties  | —                               | 145,878      |
| Amortization of debt issuance costs   | 178                             | 177          |
| Gain on sale of assets  | (217)                           | (27)         |
| Gain from investment in affiliates  | —                               | (286)        |
| Stock-based compensation  | 1,779                           | 350          |
| Non-cash mark-to-market loss (gain) on derivative instruments                             | 13,639                          | (41,391)     |
| Changes in operating assets and liabilities:  |                                 |              |
| Decrease (increase) in accounts receivable & other receivables                            | (12,139)                        | 10,761       |
| Increase in prepaid expenses  | (194)                           | (245)        |
| Increase in inventory   | (93)                            | (1)          |
| Increase (decrease) in accounts payable & advances from joint owners                      | 11,016                          | (14,326)     |
| Increase (decrease) in other accrued liabilities  | 4,304                           | (1,951)      |
| Decrease in income taxes receivable, net  | —                               | 241          |
| Increase in income taxes payable, net   | 578                             | 192          |
| Decrease (increase) in deposits and other   | 7,038                           | (7,219)      |
| Net cash provided by (used in) operating activities                                       | \$ 30,739                       | \$ (248)     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                                 |              |
| Oil and natural gas exploration and development expenditures                              | \$ (1,862)                      | \$ (9,492)   |
| Acquisition of oil & natural gas properties   | (117,555)                       | —            |
| Sale of oil & natural gas properties  | 199                             | 5            |
| Write off of fully depreciated oil & natural gas properties                               | (307)                           | —            |
| Net cash used in investing activities   | \$ (119,525)                    | \$ (9,487)   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>  |                                 |              |
| Borrowings under Credit Agreement   | \$ 127,000                      | \$ 37,000    |
| Repayments under Credit Agreement   | (37,400)                        | (27,000)     |
| Net proceeds (costs) from equity offering   | 453                             | (47)         |
| Purchase of treasury stock  | (166)                           | (157)        |
| Debt issuance costs   | (888)                           | —            |
| Net cash provided by financing activities   | \$ 88,999                       | \$ 9,796     |
| NET CHANGE IN CASH AND CASH EQUIVALENTS   | \$ 213                          | \$ 61        |
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD  | 1,383                           | 1,624        |
| CASH AND CASH EQUIVALENTS, END OF PERIOD  | \$ 1,596                        | \$ 1,685     |

The accompanying notes are an integral part of these consolidated financial statements

**CONTANGO OIL & GAS COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**  
**For the three months ended March 31, 2021**  
**(in thousands, except number of shares)**

|                                | Common Stock       |                 | Additional<br>Paid-in<br>Capital | Treasury<br>Stock | Accumulated<br>Deficit | Total<br>Shareholders'<br>Equity |
|--------------------------------|--------------------|-----------------|----------------------------------|-------------------|------------------------|----------------------------------|
|                                | Shares             | Amount          |                                  |                   |                        |                                  |
| Balance at December 31, 2020   | 173,737,816        | \$ 6,941        | \$ 535,192                       | \$ (248)          | \$ (526,318)           | \$ 15,567                        |
| Equity offering - common stock | 117,000            | 5               | 448                              | —                 | —                      | 453                              |
| Mid-Con Acquisition            | 25,409,164         | 1,015           | 78,514                           | —                 | —                      | 79,529                           |
| Treasury shares at cost        | (33,587)           | —               | —                                | (166)             | —                      | (166)                            |
| Restricted shares activity     | 37,041             | 2               | (2)                              | —                 | —                      | —                                |
| Stock-based compensation       | —                  | —               | 1,797                            | —                 | —                      | 1,797                            |
| Net loss                       | —                  | —               | —                                | —                 | (4,293)                | (4,293)                          |
| Balance at March 31, 2021      | <u>199,267,434</u> | <u>\$ 7,963</u> | <u>\$ 615,949</u>                | <u>\$ (414)</u>   | <u>\$ (530,611)</u>    | <u>\$ 92,887</u>                 |

The accompanying notes are an integral part of these consolidated financial statements

**CONTANGO OIL & GAS COMPANY AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**  
**For the three months ended March 31, 2020**  
**(in thousands, except number of shares)**

|                                | Series C                  |               | Common Stock       |                 | Additional<br>Paid-in<br>Capital<br>(unaudited) | Treasury<br>Stock | Accumulated<br>Deficit | Total<br>Shareholders'<br>Equity |
|--------------------------------|---------------------------|---------------|--------------------|-----------------|---|-------------------|------------------------|----------------------------------|
|                                | Preferred Stock<br>Shares | Amount        | Shares             | Amount          |   |                   |                        |                                  |
| Balance at December 31, 2019   | 2,700,000                 | \$ 108        | 128,977,816        | \$ 5,148        | \$ 471,778                                      | \$ (18)           | \$ (360,976)           | \$ 116,040                       |
| Equity offering - common stock | —                         | —             | —                  | —               | (47)  | —                 | —                      | (47)                             |
| Treasury shares at cost        | —                         | —             | (49,474)           | —               | —   | (157)             | —                      | (157)                            |
| Restricted shares activity     | —                         | —             | 77,485             | 3               | (3)   | —                 | —                      | —                                |
| Stock-based compensation       | —                         | —             | —                  | —               | 350   | —                 | —                      | 350                              |
| Net loss                       | —                         | —             | —                  | —               | —   | —                 | (105,255)              | (105,255)                        |
| Balance at March 31, 2020      | <u>2,700,000</u>          | <u>\$ 108</u> | <u>129,005,827</u> | <u>\$ 5,151</u> | <u>\$ 472,078</u>                               | <u>\$ (175)</u>   | <u>\$ (466,231)</u>    | <u>\$ 10,931</u>                 |

The accompanying notes are an integral part of these consolidated financial statements

**CONTANGO OIL & GAS COMPANY AND SUBSIDIARIES**  
**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. Organization and Business**

Contango Oil & Gas Company (collectively with its subsidiaries, “Contango” or the “Company”) is a Fort Worth, Texas based independent oil and natural gas company. The Company’s business is to maximize production and cash flow from its onshore properties primarily located in its Midcontinent, Permian, Rockies and other smaller onshore areas and its offshore properties in the shallow waters of the Gulf of Mexico and use that cash flow to explore, develop and acquire oil and natural gas properties across the United States.

The following table lists the Company’s primary producing regions as of March 31, 2021:

| <b>Region</b> | <b>Formation</b>  |
|---------------|---|
| Midcontinent  | Cleveland, Bartlesville, Mississippian, Woodford and others   |
| Permian       | San Andres, Yeso, Bone Springs, Wolfcamp and others   |
| Rockies       | Sussex, Shannon, Muddy, Phosphoria, Embar-Tensleep, Madison and others  |
| Other         | Woodbine, Lewisville, Buda, Georgetown, Eagleford and Offshore Gulf of Mexico properties in water depths off of Louisiana in less than 300 feet |

*Impact of the COVID-19 Pandemic*

The coronavirus (“COVID-19”) pandemic has significantly affected the global economy, disrupted global supply chains and created significant volatility in the financial markets. In addition, the COVID-19 pandemic has resulted in travel restrictions, business closures and other restrictions that have disrupted the demand for oil throughout the world and, when combined with the oil supply increase attributable to the battle for market share among the Organization of Petroleum Exporting Countries (“OPEC”), Russia and other oil producing nations, resulted in oil prices declining significantly beginning in late February 2020. While there has been a modest recovery in oil prices in recent months, the length of this demand disruption is unknown, and there is significant uncertainty regarding the long-term impact to global oil demand. Due to the extreme volatility in oil prices and the impact of the COVID-19 pandemic on the financial condition of the Company’s upstream peers, the Company suspended its onshore drilling program in the Southern Delaware Basin in the first quarter of 2020 and further suspended all drilling in the second quarter of 2020 and has focused since then on certain measures that included, but were not limited to, the following:

- work from home initiatives for all but critical staff and the implementation of social distancing measures;
- a company-wide effort to cut costs throughout the Company’s operations;
- utilization of the Company’s available storage capacity to temporarily store a portion of its production for later sale at higher prices when advantageous to do so;
- suspension of all drilling from the second-half of 2020 through the quarter ended March 31, 2021, with the expectation to recommence value added drilling in 2021;
- potential acquisitions of PDP-heavy assets, with attractive, discounted valuations, in stressed/distressed scenarios or from non-natural owners like investment or lender firms that obtained ownership through a corporate restructuring.

*Capital Allocation Strategy*

From the Company’s initial entry into the Southern Delaware Basin in 2016 and through early 2019, the Company was focused on the development of its Southern Delaware Basin acreage in Pecos County, Texas. In the first quarter of 2020, the Company suspended further drilling in this area in response to the dramatic decline in oil prices and further suspended all drilling in the second quarter of 2020. As of March 31, 2021, the Company was producing from eighteen wells over its approximate 16,200 gross operated (7,500 company net) acre position in West Texas, prospective for the Wolfcamp A, Wolfcamp B and Second Bone Spring formations.

The Company’s planned 2021 capital expenditure budget has increased to \$24 - \$27 million from previous guidance of \$13 - \$16 million for recompletions, facility upgrades, waterflood development and select drilling in West Texas (expected 1.5 net locations, 3 gross locations), among other things. The increase in planned capital expenditures

reflects, in part, development opportunities in the Company's recently acquired properties as part of the Mid-Con Acquisition and the Silvertip Acquisition (both as defined below), coupled with recent strength in crude oil prices. The capital expenditure program will continue to be evaluated for revision throughout the year. During the three months ended March 31, 2021, the Company incurred capital expenditures of approximately \$1.6 million primarily related to redevelopment activities of newly acquired properties in its Midcontinent region. The Company believes that its internally generated cash flow will be more than adequate to fund its initial capital expenditure budget and any increase to such initial 2021 capital expenditure budget, when and if such increase is deemed appropriate. The Company plans to retain the flexibility to be more aggressive in its drilling plans should results exceed expectations, commodity prices continue to improve or if the Company reduces drilling and completion costs in certain areas, thereby making an expansion of its drilling program an appropriate business decision.

The Company plans to continue to make balance sheet strength a priority in 2021 and intends to continue to evaluate certain acquisition opportunities that may arise in this challenging commodity price environment. The Company will also aim to pursue additional "fee for service" opportunities similar to that entered into with Mid-Con (defined below) in June 2020 prior to its later acquisition, as well as pursue growth through the acquisition of PDP-heavy assets. Any excess cash flow will likely be used to reduce borrowings outstanding under the Company's Credit Agreement (as defined below). The Company intends to keenly focus on continuing to reduce lease operating costs on its legacy and newly-acquired assets, reducing general and administrative expenses, improving cash margins and lowering its exposure to asset retirement obligations through the possible sale of non-core properties.

On January 21, 2021, the Company closed on the acquisition of Mid-Con Energy Partners, LP ("Mid-Con"), in an all-stock merger transaction in which Mid-Con became a direct, wholly owned subsidiary of Contango (the "Mid-Con Acquisition"). A total of 25,409,164 shares of Contango common stock were issued as consideration in the Mid-Con Acquisition. Effective upon the closing of the Mid-Con Acquisition, the Company's borrowing base under its Credit Agreement increased from \$75.0 million to \$130.0 million, with an automatic \$10.0 million reduction in the borrowing base on March 31, 2021. See Note 3 – "Acquisitions" and Note 10 – "Long-Term Debt" for further details.

On February 1, 2021, the Company closed on the acquisition of certain oil and natural gas properties located in the Big Horn Basin in Wyoming and Montana, in the Powder River Basin in Wyoming and in the Permian Basin in West Texas and New Mexico (collectively the "Silvertip Acquisition") for aggregate consideration of approximately \$58.0 million. After customary closing adjustments, including the results of operations during the period between the effective date of August 1, 2020 and the closing date, the net consideration paid was approximately \$53.2 million. See Note 3 – "Acquisitions" for more information.

On May 3, 2021, the Company entered into the Fifth Amendment to the Credit Agreement which provides for, among other things, an increase in the Company's borrowing base from \$120.0 million to \$250.0 million, effective May 3, 2021, expands the bank group from nine to eleven banks and includes less restrictive hedge requirements and certain modifications to financial covenants. See Note 13 – "Subsequent Events" for further details.

## **2. Summary of Significant Accounting Policies**

The accounting policies followed by the Company are set forth in the notes to the Company's audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2020 ("2020 Form 10-K") filed with the Securities and Exchange Commission ("SEC"). Please refer to the notes to the financial statements included in the 2020 Form 10-K for additional details of the Company's financial condition, results of operations and cash flows. No material items included in those notes have changed except as a result of normal transactions in the interim or as disclosed within this interim report.

### *Basis of Presentation*

The accompanying unaudited consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information, pursuant to the rules and regulations of the SEC, including instructions to Quarterly Reports on Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by GAAP for complete annual financial statements. In the opinion of management, all adjustments considered necessary for a fair statement of the unaudited consolidated financial statements have been included. All such adjustments are of a normal recurring nature. The consolidated financial statements should be read in conjunction with the 2020 Form 10-K. These unaudited interim

consolidated results of operations for the three months ended March 31, 2021 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2021.

The Company's consolidated financial statements include the accounts of Contango Oil & Gas Company and its subsidiaries after elimination of all material intercompany balances and transactions. All wholly owned subsidiaries are consolidated. The Company's investment in Exaro Energy III LLC ("Exaro"), through its wholly owned subsidiary, Contaro Company, is accounted for using the equity method of accounting, and therefore, the Company does not include its share of individual operating results, production or reserves in those reported for the Company's consolidated results of operations.

Certain amounts in prior-period financial statements have been reclassified to conform to the current period's presentation. On the consolidated statements of operations, the Company's working interest percentage share of the overhead billed to the 8/8s joint account for wells it operates has been reclassified from operating expenses to general and administrative expenses.

#### *Oil and Natural Gas Properties - Successful Efforts*

The Company's application of the successful efforts method of accounting for its oil and natural gas exploration and production activities requires judgment as to whether particular wells are developmental or exploratory, since lease acquisition costs and all development costs are capitalized, whereas exploratory drilling costs are continuously capitalized until the results are determined. If proved reserves are not discovered, the drilling costs are expensed as exploration costs. Other exploration related costs, such as seismic costs and other geological and geophysical expenses, are expensed as incurred.

The results from a drilling operation can take considerable time to analyze, and the determination that commercial reserves have been discovered requires both judgment and application of industry experience. Wells may be completed that are assumed to be productive, but then actually deliver oil and natural gas in quantities insufficient to be economic, which may result in the abandonment and/or impairment of the wells at a later date. On occasion, wells are drilled which have targeted geologic structures that are both developmental and exploratory in nature, and in such instances an allocation of costs is required to properly account for the results. Delineation seismic costs incurred to select development locations within a productive oil or natural gas field are typically treated as development costs and capitalized, but often these seismic programs extend beyond the proved reserve areas, and therefore, management must estimate the portion of seismic costs to expense as exploratory.

The evaluation of oil and natural gas leasehold acquisition costs included in unproved properties for write-off or impairment requires management's judgment on exploratory costs related to drilling activity in a given area. Drilling activities in an area by other companies may also effectively condemn leasehold positions.

#### *Impairment of Long-Lived Assets*

Pursuant to GAAP, when circumstances indicate that proved properties may be impaired, the Company compares expected undiscounted future cash flows on a field-by-field basis to the unamortized capitalized cost of the assets in that field. If the estimated future undiscounted cash flows, based on the Company's estimate of future reserves, oil and natural gas prices, operating costs and production levels from oil and natural gas reserves, are lower than the unamortized capitalized cost, then the capitalized cost is reduced to its fair value. The factors used to determine fair value include, but are not limited to, estimates of proved, probable and possible reserves, future commodity prices, the timing of future production and capital expenditures and a discount rate commensurate with the risk reflective of the lives remaining for the respective oil and natural gas properties. Additionally, the Company may use appropriate market data to determine fair value. No impairment of proved properties was recorded during the three months ended March 31, 2021.

In the first quarter of 2020, the COVID-19 pandemic and the resulting deterioration in the global demand for oil, combined with the failure by OPEC and Russia to reach an agreement on lower production quotas until April 2020, caused a dramatic increase in the supply of oil, a corresponding decrease in commodity prices, and reduced the demand for all commodity products. Consequently, during the three months ended March 31, 2020, the Company recorded a \$143.3 million non-cash charge for proved property impairment of its onshore properties related to the dramatic decline in commodity prices, the "PV-10" (present value, discounted at a 10% rate) of its proved reserves, and the associated change in its then forecasted development plans for its proved, undeveloped locations.

## [Table of Contents](#)

Unproved properties are reviewed quarterly to determine if there has been impairment of the carrying value of those properties, with any such impairment charged to expense in the period. No impairment of unproved properties was recorded during the three months ended March 31, 2021. The Company recorded a \$2.6 million non-cash charge for unproved impairment expense during the three months ended March 31, 2020 related to expiring leases in the Company's Midcontinent region.

### *Net Loss Per Common Share*

Basic net loss per common share is computed by dividing the net loss attributable to common stock by the weighted average number of common shares outstanding for the period. Diluted net loss per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Potentially dilutive securities, including unexercised stock options, performance stock units and unvested restricted stock, have not been considered when their effect would be antidilutive. The Company excluded 42,518 shares or units, and 366,749 shares or units of potentially dilutive securities during the three months ended March 31, 2021 and 2020, respectively, as they were antidilutive.

### *Subsidiary Guarantees*

Contango Oil & Gas Company, as the parent company of its subsidiaries, filed a registration statement on Form S-3 on December 18, 2020 with the SEC to register, among other securities, debt securities that the Company may issue from time to time. Contango Resources, Inc., Contango Midstream Company, Contango Operators, Inc., Contaro Company, Contango Alta Investments, Inc. and any other of the Company's future subsidiaries specified in any future prospectus supplement (each a "Subsidiary Guarantor") are co-registrants with the Company under the registration statement, and the registration statement also registered guarantees of debt securities by such Subsidiary Guarantors. The Subsidiary Guarantors are wholly-owned by the Company, either directly or indirectly, and any guarantee by the Subsidiary Guarantors will be full and unconditional. The Company has no assets or operations independent of the Subsidiary Guarantors, and there are no significant restrictions upon the ability of the Subsidiary Guarantors to distribute funds to the Company. Finally, the Company's wholly-owned subsidiaries do not have restricted assets that exceed 25% of net assets as of the most recent fiscal year end that may not be transferred to the Company in the form of loans, advances or cash dividends by such subsidiary without the consent of a third party.

### *Revenue Recognition*

Sales of oil, condensate, natural gas and natural gas liquids ("NGLs") are recognized at the time control of the products are transferred to the customer. Generally, the Company's gas processing and purchase agreements indicate that the processors take control of the Company's gas at the inlet of the plant, and that control of residue gas is returned to the Company at the outlet of the plant. The midstream processing entity gathers and processes the natural gas and remits proceeds to the Company for the resulting sales of NGLs. The Company delivers oil and condensate to the purchaser at a contractually agreed-upon delivery point at which the purchaser takes custody, title and risk of loss of the product.

Generally, the Company's contracts have an initial term of one year or longer but continue month to month unless written notification of termination in a specified time period is provided by either party to the contract. The Company receives purchaser statements from the majority of its customers, but there are a few contracts where the Company prepares the invoice. Payment is unconditional upon receipt of the statement or invoice. Based upon the Company's past experience with its current purchasers and expertise in the market, collectability is probable, and there have not been payment issues with the Company's purchasers over the past year or currently.

The Company records revenue in the month production is delivered to the purchaser. Settlement statements may not be received for 30 to 90 days after the date production is delivered, and therefore the Company is required to estimate the amount of production delivered to the purchaser and the price that will be received for the sale of the product. Differences between the Company's estimates and the actual amounts received for product sales are generally recorded in the following month that payment is received. Any differences between the Company's revenue estimates and actual revenue received historically have not been significant. The Company has internal controls in place for its revenue estimation accrual process. The Company will continue to review all new or modified revenue contracts on a quarterly basis for proper treatment.

### *Leases*

The Company recognizes a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis; and a right-of-use asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term on the Company's consolidated balance sheet. The Company does not include leases with an initial term of less than twelve months on the balance sheet. The Company recognizes payments on these leases within "Operating expenses" on its consolidated statements of operations. The Company has modified procedures to its existing internal controls to review any new contracts which contain a physical asset on a quarterly basis and determine if an arrangement is, or contains, a lease at inception. The Company will continue to review all new or modified contracts on a quarterly basis for proper treatment. See Note 7 – "Leases" for additional information.

### *Recent Accounting Pronouncements*

In June 2016, the FASB issued ASU 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments ("ASU 2016-13") related to the calculation of credit losses on financial instruments. All financial instruments not accounted for at fair value will be impacted, including the Company's trade and joint interest billing receivables. Allowances are to be measured using a current expected credit loss model as of the reporting date that is based on historical experience, current conditions and reasonable and supportable forecasts. This is significantly different from the current model that increases the allowance when losses are probable. Initially, ASU 2016-13 was effective for all public companies for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, and will be applied with a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The FASB subsequently issued ASU 2019-04 ("ASU 2019-04"), Codification Improvements to Financial Instruments - Credit Losses (Topic 326), Derivatives (Topic 815) and Financial Instruments (Topic 825) and ASU 2019-05 ("ASU 2019-05"), Financial Instruments - Credit Losses (Topic 326): Targeted Transition Relief. ASU 2019-04 and ASU 2019-05 provide certain codification improvements related to implementation of ASU 2016-13 and targeted transition relief consisting of an option to irrevocably elect the fair value option for eligible instruments. In November 2019, the FASB issued ASU 2019-10, Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815) and Leases (Topic 842): Effective Dates. This amendment deferred the effective date of ASU 2016-13 from January 1, 2020 to January 1, 2023 for calendar year-end smaller reporting companies, which includes the Company. The Company plans to defer the implementation of ASU 2016-13, and the related updates.

In March 2020, the FASB issued ASU 2020-04, Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting ("ASU 2020-04"). ASU 2020-04 provides optional expedients and exceptions for applying GAAP to contract modifications and hedging relationships, subject to meeting certain criteria, that reference LIBOR or another rate that is expected to be discontinued. ASU 2020-04 will be in effect through December 31, 2022. In January 2021, the FASB issued ASU 2021-01, Reference Rate Reform (Topic 848): Scope ("ASU 2021-01"), which further clarifies certain topics in ASU 2020-04, such as expedients and exceptions. The Company is currently assessing the potential impact of ASU 2020-04 and ASU 2021-01 on its consolidated financial statements.

## **3. Acquisitions**

### *Mid-Con Acquisition*

On October 25, 2020, the Company entered into an Agreement and Plan of Merger (the "Merger Agreement") with Mid-Con and Mid-Con Energy GP, LLC, the general partner of Mid-Con ("Mid-Con GP"), pursuant to which Mid-Con would merge with and into Michael Merger Sub LLC, a Delaware limited liability company and a wholly-owned, direct subsidiary of the Company. The Mid-Con Acquisition, which closed on January 21, 2021, was unanimously approved by the conflicts committee of the board of directors of Mid-Con, by the full board of directors of Mid-Con, by the disinterested directors of the board of directors of the Company and was subject to shareholder and unitholder approvals and other customary conditions to closing. At the effective time of the Mid-Con Acquisition (the "Effective Time"), each common unit representing limited partner interests in Mid-Con issued and outstanding immediately prior to the Effective Time (other than treasury units or units held by Mid-Con GP) was converted automatically into the right to receive 1.75 shares of the Company's common stock. A total of 25,409,164 shares of Contango common stock were issued as consideration in the Mid-Con Acquisition. As of January 21, 2021, John C. Goff, Chairman of the Board of Directors of the Company, beneficially owned approximately 56.4% of the common units of Mid-Con, and Travis Goff, John C. Goff's son and the President of Goff Capital, Inc., served on the board of directors of the general partner of Mid-Con. The

[Table of Contents](#)

Company's senior management team is running the combined company, and Contango's board of directors remains intact as the board of directors of the combined company. The combined company is headquartered in Fort Worth, Texas.

The Mid-Con Acquisition was accounted for as a business combination using the acquisition method of accounting under FASB ASC 805, Business Combinations ("ASC 805"). Therefore, the purchase price was allocated to the assets acquired and the liabilities assumed based on their estimated acquisition date fair values based on then currently available information. A combination of a discounted cash flow model and market data was used by the Company in determining the fair value of the oil and natural gas properties. Significant inputs into the calculation included future commodity prices, estimated volumes of oil and natural gas reserves, expectations for the timing and amount of future development and operating costs, future plugging and abandonment costs and a risk adjusted discount rate. The preliminary purchase price assessment remains an ongoing process and is subject to change for up to one year subsequent to the closing of the Mid-Con Acquisition.

The following table sets forth the Company's preliminary allocation of the purchase price to the assets acquired and liabilities assumed as of the acquisition date (in thousands):

|  | <u>Purchase Price Allocation</u> |
|--|----------------------------------|
| <b>Consideration:</b>                                      |                                  |
| Cash   | \$ 14,520                        |
| Exchange ratio of Contango shares for Mid-Con common units | 1.75                             |
| Contango common stock to be issued to Mid-Con unitholders  | 25,409                           |
| Issue price  | \$ 3.13                          |
| Stock consideration  | 79,530                           |
| Payment of revolving credit facility                       | 68,667                           |
| Total consideration  | <u>\$ 148,197</u>                |
| <b>Fair value of liabilities assumed:</b>                  |                                  |
| Accounts payable   | \$ 8,892                         |
| Asset retirement obligations                               | 28,252                           |
| Total fair value of liabilities assumed                    | <u>\$ 37,144</u>                 |
| <b>Fair value of assets acquired:</b>                      |                                  |
| Cash and cash equivalents                                  | \$ 3,110                         |
| Accounts receivable  | 5,191                            |
| Current derivative asset                                   | 1,544                            |
| Prepaid expenses   | 225                              |
| Proved oil and natural gas properties                      | 173,878                          |
| Other property and equipment                               | 243                              |
| Other non-current assets                                   | 1,150                            |
| Total fair value of assets acquired                        | <u>\$ 185,341</u>                |

#### *Silvertip Acquisition*

On November 27, 2020, the Company entered into a purchase agreement ("the Purchase Agreement") to acquire certain oil and natural gas properties located in the Big Horn Basin in Wyoming and Montana, in the Powder River Basin in Wyoming and in the Permian Basin in West Texas and New Mexico, for aggregate consideration of approximately \$58.0 million in cash. In connection with the execution of the Purchase Agreement, the Company paid \$7.0 million as a deposit for its obligations under the Purchase Agreement, which is included in the consolidated balance sheet as of December 31, 2020. The Silvertip Acquisition closed on February 1, 2021, and a balance of \$46.2 million was paid upon closing, after customary closing adjustments, including the results of operations during the period between the effective date of August 1, 2020 and the closing date.

The Silvertip Acquisition was accounted for using the accounting for asset acquisitions under ASC 805. Under the accounting for asset acquisitions, the Silvertip Acquisition was recorded using a cost accumulation and allocation model under which the cost of the acquisition was allocated on a relative fair value basis to the assets acquired and liabilities assumed. For asset acquisitions under ASC 805, acquisition-related transaction costs are capitalized as a component of the cost of the assets acquired.

[Table of Contents](#)

A summary of the consideration paid and the preliminary relative fair value of the assets acquired and liabilities assumed, which is subject to change based upon the final settlement statement that is expected to be provided to Contango in the second quarter of 2021, is as follows (in thousands):

|  | <u>Purchase Price Allocation</u> |
|--|----------------------------------|
| <b>Consideration:</b>                            |                                  |
| Purchase price                                   | \$ 58,000                        |
| Closing adjustments                              | (4,739)                          |
| Total consideration                              | 53,261                           |
| Acquisition transaction costs                    | 109                              |
| Total cash paid                                  | \$ 53,370                        |
| <b>Fair value of liabilities assumed:</b>        |                                  |
| Accounts payable                                 | \$ 423                           |
| Lease liabilities                                | 1,014                            |
| Asset retirement obligations                     | 32,367                           |
| Total relative fair value of liabilities assumed | \$ 33,804                        |
| <b>Fair value of assets acquired:</b>            |                                  |
| Proved oil and natural gas properties            | \$ 86,160                        |
| Right-of-use lease assets                        | 1,014                            |
| Total relative fair value of assets acquired     | \$ 87,174                        |

#### *Pro Forma Information*

The following unaudited pro forma combined condensed financial data for the year ended December 31, 2020 was derived from the historical financial statements of the Company after giving effect to the Mid-Con Acquisition and the Silvertip Acquisition, as if they had occurred on January 1, 2020. The below information reflects pro forma adjustments based on available information and certain assumptions that the Company believes are reasonable, including the depletion of the fair-valued proved oil and natural gas properties acquired in the Mid-Con Acquisition and the Silvertip Acquisition. The pro forma results of operations do not include any cost savings or other synergies that may result from the acquisition or any estimated costs that have been or will be incurred by the Company to integrate the assets acquired. The pro forma consolidated statement of operations data has been included for comparative purposes only, is not necessarily indicative of the results that might have occurred had the acquisition taken place on January 1, 2020 and is not intended to be a projection of future results.

| <u>(In thousands except for per share amounts)</u> | <u>Year Ended December 31, 2020</u> |
|--|-------------------------------------|
| Revenues   | \$ 202,442                          |
| Net loss   | \$ (191,975)                        |
| Basic loss per share                               | \$ (0.97)                           |
| Diluted loss per share                             | \$ (0.97)                           |

#### **4. Fair Value Measurements**

The Company's determination of fair value incorporates not only the credit standing of the counterparties involved in transactions with the Company resulting in receivables on the Company's consolidated balance sheets, but also the impact of the Company's nonperformance risk on its own liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price). A fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy assigns the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Level 2 measurements are inputs that are observable for assets or liabilities, either directly or indirectly, other than quoted prices included within Level 1. The Company utilizes market data or assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable. The Company classifies fair value balances based on the observability of those inputs.

[Table of Contents](#)

The following table sets forth, by level within the fair value hierarchy, the Company's financial assets and liabilities that were accounted for at fair value as of March 31, 2021. A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels. There have been no transfers between Level 1, Level 2 or Level 3.

Fair value information for financial assets and liabilities was as follows as of March 31, 2021 (in thousands):

|   | Total<br>Carrying Value | Fair Value Measurements Using |             |         |
|---|-------------------------|-------------------------------|-------------|---------|
|   |                         | Level 1                       | Level 2     | Level 3 |
| Derivatives                             |                         |                               |             |         |
| Commodity price contracts - assets      | \$ 2,422                | \$ —                          | \$ 2,422    | \$ —    |
| Commodity price contracts - liabilities | \$ (13,991)             | \$ —                          | \$ (13,991) | \$ —    |

Derivatives listed above are recorded in "Current derivative asset or liability" and "Long-term derivative asset or liability" on the Company's consolidated balance sheet and include swaps and costless collars that are carried at fair value. The Company records the net change in the fair value of these positions in "Gain (loss) on derivatives, net" in its consolidated statements of operations. The Company is able to value the assets and liabilities based on observable market data for similar instruments, which resulted in reporting its derivatives as Level 2. This observable data includes the forward curves for commodity prices based on quoted market prices and implied volatility factors related to changes in the forward curves. See Note 5 – "Derivative Instruments" for additional discussion of derivatives.

As of March 31, 2021, the Company's derivative contracts were all with major institutions with investment grade credit ratings which are believed to have minimal credit risk, which primarily are lenders within the Company's bank group. As such, the Company is exposed to credit risk to the extent of nonperformance by the counterparties in the derivative contracts discussed above; however, the Company does not anticipate such nonperformance.

Estimates of the fair value of financial instruments are determined at discrete points in time based on relevant market information. These estimates involve uncertainties and cannot be determined with precision. The estimated fair value of cash, accounts receivable and accounts payable approximates their carrying value due to their short-term nature. The estimated fair value of the Company's Credit Agreement approximates carrying value because the facility interest rate approximates current market rates and is reset at least every quarter. See Note 10 – "Long-Term Debt" for further information.

#### Impairments

The Company tests proved oil and natural gas properties for impairment when events and circumstances indicate a decline in the recoverability of the carrying value of such properties, such as a downward revision of the reserve estimates or lower commodity prices. The Company estimates the undiscounted future cash flows expected in connection with the oil and natural gas properties on a field-by-field basis and compares such future cash flows to the unamortized capitalized costs of the properties. If the estimated future undiscounted cash flows are lower than the unamortized capitalized cost, the capitalized cost is reduced to its fair value. The factors used to determine fair value include, but are not limited to, estimates of proved, probable and possible reserves, future commodity prices, the timing of future production and capital expenditures and a discount rate commensurate with the risk reflective of the lives remaining for the respective oil and natural gas properties. Additionally, the Company may use appropriate market data to determine fair value. Because these significant fair value inputs are typically not observable, impairments of long-lived assets are classified as a Level 3 fair value measure.

Unproved properties are reviewed quarterly to determine if there has been impairment of the carrying value, with any such impairment charged to expense in the period.

#### Asset Retirement Obligations

The initial measurement of asset retirement obligations at fair value is calculated using discounted cash flow techniques and based on internal estimates of future retirement costs associated with oil and natural gas properties. The factors used to determine fair value include, but are not limited to, estimated future plugging and abandonment costs and

expected lives of the related reserves. As there is no corroborating market activity to support the assumptions used, the Company has designated these liabilities as Level 3.

## 5. Derivative Instruments

The Company is exposed to certain risks relating to its ongoing business operations, such as commodity price risk. Derivative contracts are typically utilized to hedge the Company's exposure to price fluctuations and reduce the variability in the Company's cash flows associated with anticipated sales of future oil and natural gas production. The Company typically hedges a substantial, but varying, portion of anticipated oil and natural gas production for future periods. The Company believes that these derivative arrangements, although not free of risk, allow it to achieve a more predictable cash flow and to reduce exposure to commodity price fluctuations. However, derivative arrangements limit the benefit of increases in the prices of oil, natural gas and natural gas liquids sales. Moreover, because its derivative arrangements apply only to a portion of its production, the Company's strategy provides only partial protection against declines in commodity prices. Such arrangements may expose the Company to risk of financial loss in certain circumstances. The Company continuously reevaluates its hedging program in light of changes in production, market conditions, commodity price forecasts and requirements under its Credit Agreement.

As of March 31, 2021, the Company's oil and natural gas derivative positions consisted of swaps and costless collars. Swaps are designed so that the Company receives or makes payments based on a differential between fixed and variable prices for oil and natural gas. A costless collar consists of a purchased put option and a sold call option, which establishes a minimum and maximum price, respectively, that the Company will receive for the volumes under the contract.

It is the Company's policy to enter into derivative contracts only with counterparties that are creditworthy institutions deemed by management as competent and competitive market makers. The Company does not post collateral, nor is it exposed to potential margin calls, under any of these contracts, as they are secured under the Credit Agreement (as defined below) or under unsecured lines of credit with non-bank counterparties. See Note 10 – "Long-Term Debt" for further information regarding the Credit Agreement.

The Company has elected not to designate any of its derivative contracts for hedge accounting. Accordingly, derivatives are carried at fair value on the consolidated balance sheets as assets or liabilities, with the changes in the fair value included in the consolidated statements of operations for the period in which the change occurs. The Company records the net change in the mark-to-market valuation of these derivative contracts, as well as all payments and receipts on settled derivative contracts, in "Gain (loss) on derivatives, net" on the consolidated statements of operations.

The Company currently has derivative contracts in place to cover production periods through the first quarter of 2023, which include hedges novated from Mid-Con and additional hedges entered into in the first quarter of 2021. As of March 31, 2021, the Company's oil derivative contracts include hedges for 1.6 MMBbbls of remaining 2021 production with an average floor price of \$55.16 per barrel and 1.4 MMBbbls of 2022 production with an average floor price of \$50.24 per barrel. As of March 31, 2021, the Company's natural gas derivative contracts include 9.2 Bcf of remaining 2021 production with an average floor price of \$2.66 per MMBtu and 10.1 Bcf of 2022 production with an average floor price of \$2.60 per MMBtu. Approximately 97% of the Company's hedges are swaps, and the Company has no three-way collars or short puts.

As of March 31, 2021, the following financial derivative instruments were in place (fair value in thousands):

| Commodity | Period                 | Derivative | Volume/Month |       | Price/Unit |                      | Fair Value |
|-----------|------------------------|------------|--------------|-------|------------|----------------------|------------|
| Oil       | April 2021 - July 2021 | Swap       | 12,000       | Bbbls | \$         | 50.00 <sup>(1)</sup> | (429)      |
| Oil       | Aug 2021 - Sept 2021   | Swap       | 10,000       | Bbbls | \$         | 50.00 <sup>(1)</sup> | (157)      |
| Oil       | April 2021 - July 2021 | Swap       | 62,000       | Bbbls | \$         | 52.00 <sup>(1)</sup> | (1,720)    |
| Oil       | Aug 2021 - Sept 2021   | Swap       | 55,000       | Bbbls | \$         | 52.00 <sup>(1)</sup> | (642)      |
| Oil       | Oct 2021 - Dec 2021    | Swap       | 64,000       | Bbbls | \$         | 52.00 <sup>(1)</sup> | (904)      |
| Oil       | April 2021             | Swap       | 20,647       | Bbbls | \$         | 55.78 <sup>(1)</sup> | (70)       |
| Oil       | May 2021               | Swap       | 20,563       | Bbbls | \$         | 55.78 <sup>(1)</sup> | (69)       |
| Oil       | June 2021              | Swap       | 20,487       | Bbbls | \$         | 55.78 <sup>(1)</sup> | (65)       |
| Oil       | July 2021              | Swap       | 20,412       | Bbbls | \$         | 55.78 <sup>(1)</sup> | (56)       |

[Table of Contents](#)

| Commodity | Period                | Derivative | Volume/Month |      | Price/Unit           | Fair Value |
|-----------|-----------------------|------------|--------------|------|----------------------|------------|
| Oil       | Aug 2021              | Swap       | 20,301       | Bbls | \$ 55.78 (1)         | (47)       |
| Oil       | Sept 2021             | Swap       | 20,228       | Bbls | \$ 55.78 (1)         | (37)       |
| Oil       | Oct 2021              | Swap       | 20,155       | Bbls | \$ 55.78 (1)         | (27)       |
| Oil       | Nov 2021              | Swap       | 20,084       | Bbls | \$ 55.78 (1)         | (19)       |
| Oil       | Dec 2021              | Swap       | 20,012       | Bbls | \$ 55.78 (1)         | (9)        |
| Oil       | April 2021            | Collar     | 20,647       | Bbls | \$ 52.00 - 58.80 (1) | (38)       |
| Oil       | May 2021              | Collar     | 20,563       | Bbls | \$ 52.00 - 58.80 (1) | (48)       |
| Oil       | June 2021             | Collar     | 20,487       | Bbls | \$ 52.00 - 58.80 (1) | (49)       |
| Oil       | July 2021             | Collar     | 20,412       | Bbls | \$ 52.00 - 58.80 (1) | (45)       |
| Oil       | Aug 2021              | Collar     | 20,301       | Bbls | \$ 52.00 - 58.80 (1) | (40)       |
| Oil       | Sept 2021             | Collar     | 20,228       | Bbls | \$ 52.00 - 58.80 (1) | (33)       |
| Oil       | Oct 2021              | Collar     | 20,155       | Bbls | \$ 52.00 - 58.80 (1) | (27)       |
| Oil       | Nov 2021              | Collar     | 20,084       | Bbls | \$ 52.00 - 58.80 (1) | (20)       |
| Oil       | Dec 2021              | Collar     | 20,012       | Bbls | \$ 52.00 - 58.80 (1) | (12)       |
| Oil       | April 2021 - Oct 2021 | Swap       | 25,000       | Bbls | \$ 54.77 (1)         | (630)      |
| Oil       | Nov 2021 - Dec 2021   | Swap       | 15,000       | Bbls | \$ 54.77 (1)         | (52)       |
| Oil       | April 2021            | Swap       | 50,000       | Bbls | \$ 63.13 (1)         | 198        |
| Oil       | May 2021              | Swap       | 50,000       | Bbls | \$ 62.71 (1)         | 179        |
| Oil       | June 2021             | Swap       | 50,000       | Bbls | \$ 62.17 (1)         | 162        |
| Oil       | July 2021             | Swap       | 50,000       | Bbls | \$ 61.50 (1)         | 149        |
| Oil       | Aug 2021              | Swap       | 50,000       | Bbls | \$ 60.94 (1)         | 143        |
| Oil       | Sep 2021              | Swap       | 50,000       | Bbls | \$ 60.38 (1)         | 139        |
| Oil       | Oct 2021              | Swap       | 50,000       | Bbls | \$ 59.89 (1)         | 137        |
| Oil       | Nov 2021              | Swap       | 50,000       | Bbls | \$ 59.46 (1)         | 136        |
| Oil       | Dec 2021              | Swap       | 50,000       | Bbls | \$ 59.01 (1)         | 136        |
| Oil       | April 2022 - Oct 2022 | Swap       | 25,000       | Bbls | \$ 42.04 (1)         | (2,098)    |
| Oil       | Jan 2022              | Swap       | 60,000       | Bbls | \$ 52.94 (1)         | (177)      |
| Oil       | Feb 2022              | Swap       | 60,000       | Bbls | \$ 52.65 (1)         | (175)      |
| Oil       | March 2022            | Swap       | 60,000       | Bbls | \$ 52.29 (1)         | (175)      |
| Oil       | April 2022            | Swap       | 47,500       | Bbls | \$ 51.98 (1)         | (139)      |
| Oil       | May 2022              | Swap       | 45,000       | Bbls | \$ 51.71 (1)         | (131)      |
| Oil       | June 2022             | Swap       | 45,000       | Bbls | \$ 51.41 (1)         | (130)      |
| Oil       | July 2022             | Swap       | 45,000       | Bbls | \$ 51.13 (1)         | (129)      |
| Oil       | Aug 2022              | Swap       | 45,000       | Bbls | \$ 50.89 (1)         | (128)      |
| Oil       | Sep 2022              | Swap       | 45,000       | Bbls | \$ 50.65 (1)         | (127)      |
| Oil       | Oct 2022              | Swap       | 45,000       | Bbls | \$ 50.45 (1)         | (128)      |
| Oil       | Nov 2022              | Swap       | 55,000       | Bbls | \$ 50.26 (1)         | (153)      |
| Oil       | Dec 2022              | Swap       | 55,000       | Bbls | \$ 50.22 (1)         | (151)      |
| Oil       | Jan 2023              | Swap       | 57,500       | Bbls | \$ 49.81 (1)         | (157)      |
| Oil       | Feb 2023              | Swap       | 57,500       | Bbls | \$ 49.63 (1)         | (155)      |
| Oil       | Jan 2022              | Swap       | 60,000       | Bbls | \$ 52.96 (1)         | (176)      |
| Oil       | Feb 2022              | Swap       | 60,000       | Bbls | \$ 52.66 (1)         | (175)      |
| Oil       | March 2022            | Swap       | 60,000       | Bbls | \$ 52.27 (1)         | (176)      |
| Oil       | April 2022            | Swap       | 47,500       | Bbls | \$ 51.96 (1)         | (140)      |
| Oil       | May 2022              | Swap       | 45,000       | Bbls | \$ 51.72 (1)         | (131)      |
| Oil       | June 2022             | Swap       | 45,000       | Bbls | \$ 51.42 (1)         | (130)      |
| Oil       | July 2022             | Swap       | 45,000       | Bbls | \$ 51.13 (1)         | (129)      |
| Oil       | Aug 2022              | Swap       | 45,000       | Bbls | \$ 50.90 (1)         | (128)      |

[Table of Contents](#)

| Commodity   | Period                 | Derivative | Volume/Month |        | Price/Unit |     | Fair Value  |
|---|------------------------|------------|--------------|--------|------------|-----|-------------|
| Oil   | Sep 2022               | Swap       | 45,000       | Bbls   | \$ 50.66   | (1) | (127)       |
| Oil   | Oct 2022               | Swap       | 45,000       | Bbls   | \$ 50.47   | (1) | (125)       |
| Oil   | Nov 2022               | Swap       | 55,000       | Bbls   | \$ 50.26   | (1) | (153)       |
| Oil   | Dec 2022               | Swap       | 55,000       | Bbls   | \$ 50.01   | (1) | (152)       |
| Oil   | Jan 2023               | Swap       | 57,500       | Bbls   | \$ 49.79   | (1) | (158)       |
| Oil   | Feb 2023               | Swap       | 57,500       | Bbls   | \$ 49.62   | (1) | (156)       |
| Natural Gas   | April 2021 - July 2021 | Swap       | 120,000      | MMBtus | \$ 2.51    | (2) | (66)        |
| Natural Gas   | Aug 2021 - Sept 2021   | Swap       | 10,000       | MMBtus | \$ 2.51    | (2) | (5)         |
| Natural Gas   | April 2021 - July 2021 | Swap       | 120,000      | MMBtus | \$ 2.51    | (2) | (69)        |
| Natural Gas   | Aug 2021 - Sept 2021   | Swap       | 10,000       | MMBtus | \$ 2.51    | (2) | (5)         |
| Natural Gas   | April 2021 - Oct 2021  | Swap       | 400,000      | MMBtus | \$ 2.51    | (2) | (514)       |
| Natural Gas   | Nov 2021 - Dec 2021    | Swap       | 580,000      | MMBtus | \$ 2.51    | (2) | (448)       |
| Natural Gas   | April 2021 - Nov 2021  | Swap       | 70,000       | MMBtus | \$ 2.36    | (2) | (197)       |
| Natural Gas   | Dec 2021               | Swap       | 350,000      | MMBtus | \$ 2.36    | (2) | (211)       |
| Natural Gas   | April 2021 - July 2021 | Swap       | 350,000      | MMBtus | \$ 2.96    | (2) | 436         |
| Natural Gas   | Aug 2021 - Oct 2021    | Swap       | 500,000      | MMBtus | \$ 2.96    | (2) | 316         |
| Natural Gas   | Nov 2021               | Swap       | 450,000      | MMBtus | \$ 2.96    | (2) | 58          |
| Natural Gas   | Jan 2022 - March 2022  | Swap       | 780,000      | MMBtus | \$ 2.54    | (2) | (960)       |
| Natural Gas   | April 2022 - July 2022 | Swap       | 650,000      | MMBtus | \$ 2.52    | (2) | 100         |
| Natural Gas   | Aug 2022 - Oct 2022    | Swap       | 350,000      | MMBtus | \$ 2.52    | (2) | 3           |
| Natural Gas   | Jan 2022 - March 2022  | Swap       | 250,000      | MMBtus | \$ 3.15    | (2) | 148         |
| Natural Gas   | April 2022             | Swap       | 175,000      | MMBtus | \$ 2.51    | (2) | 5           |
| Natural Gas   | May 2022 - July 2022   | Swap       | 150,000      | MMBtus | \$ 2.51    | (2) | 18          |
| Natural Gas   | Aug 2022 - Oct 2022    | Swap       | 400,000      | MMBtus | \$ 2.51    | (2) | 2           |
| Natural Gas   | Nov 2022 - Feb 2023    | Swap       | 750,000      | MMBtus | \$ 2.72    | (2) | (105)       |
| Total net fair value of derivative instruments (in thousands) |                        |            |              |        |            |     | \$ (11,569) |

(1) Based on West Texas Intermediate oil prices.

(2) Based on Henry Hub NYMEX natural gas prices.

[Table of Contents](#)

The following summarizes the fair value of commodity derivatives outstanding on a gross and net basis as of March 31, 2021 (in thousands):

|             | <u>Gross</u> | <u>Netting <sup>(1)</sup></u> | <u>Total</u> |
|-------------|--------------|-------------------------------|--------------|
| Assets      | \$ 2,422     | \$ —                          | \$ 2,422     |
| Liabilities | \$ (13,991)  | \$ —                          | \$ (13,991)  |

(1) Represents counterparty netting under agreements governing such derivatives.

The following summarizes the fair value of commodity derivatives outstanding on a gross and net basis as of December 31, 2020 (in thousands):

|             | <u>Gross</u> | <u>Netting <sup>(1)</sup></u> | <u>Total</u> |
|-------------|--------------|-------------------------------|--------------|
| Assets      | \$ 3,493     | \$ —                          | \$ 3,493     |
| Liabilities | \$ (2,965)   | \$ —                          | \$ (2,965)   |

(1) Represents counterparty netting under agreements governing such derivatives.

The following table summarizes the effect of derivative contracts on the consolidated statements of operations for the three months ended March 31, 2021 and 2020 (in thousands):

|                                     | <u>Three Months Ended March 31,</u> |             |
|-------------------------------------|-------------------------------------|-------------|
|                                     | <u>2021</u>                         | <u>2020</u> |
| Oil contracts                       | \$ (1,882)                          | \$ 2,797    |
| Natural gas contracts               | (559)                               | 2,511       |
| Realized gain (loss)                | \$ (2,441)                          | \$ 5,308    |
| Oil contracts                       | \$ (13,786)                         | \$ 40,727   |
| Natural gas contracts               | 147                                 | 664         |
| Non-cash mark-to-market gain (loss) | \$ (13,639)                         | \$ 41,391   |
| Gain (loss) on derivatives, net     | \$ (16,080)                         | \$ 46,699   |

## 6. Stock-Based Compensation

### 2009 Incentive Compensation Plan

The Company has in place the Contango Oil & Gas Company Third Amended and Restated 2009 Incentive Compensation Plan (the "2009 Plan") which allows for stock options, restricted stock or performance stock units to be awarded to executive officers, directors and employees as a performance-based award.

#### Restricted Stock

During the three months ended March 31, 2021, the Company issued 37,041 restricted stock awards to the members of the board of directors, in lieu of cash fees earned during the fourth quarter of 2020, which vested immediately. The weighted average fair value of the restricted shares granted during the three months ended March 31, 2021, was \$2.91 per share, with a total fair value of approximately \$0.1 million. There were no forfeitures of restricted stock during the three months ended March 31, 2021. The Company recognized approximately \$0.5 million in restricted stock compensation expense during the three months ended March 31, 2021, related to restricted stock previously granted to its officers, employees and directors. As of March 31, 2021, an additional \$1.9 million of compensation expense related to restricted stock remained to be recognized over the remaining weighted-average vesting period of 2.0 years. Approximately 6.2 million shares remained available for grant under the 2009 Incentive Compensation Plan as of March 31, 2021, assuming PSUs (as defined below) are settled at 100% of target.

In May 2021, the Company granted 1,413,189 shares of restricted common stock to employees, which vest ratably over three years, as part of their overall compensation package.

There were no grants or forfeitures of restricted stock during the three months ended March 31, 2020. The Company recognized approximately \$0.2 million in restricted stock compensation expense during the three months ended March 31, 2020, related to restricted stock previously granted to its officers, employees and directors.

### **Performance Stock Units**

Performance stock units (“PSUs”) represent the opportunity to receive shares of the Company’s common stock at the time of settlement. The number of shares to be awarded upon settlement of the PSUs may range from 0% to 300% of the targeted number of PSUs stated in the award agreements, contingent upon the achievement of certain share price appreciation targets compared to share appreciation of a specific peer group or peer group index over a three-year period. The PSUs vest at the end of the three-year performance period, with the final number of shares to be issued determined at that time, based on the Company’s share performance during the period compared to the average performance of the peer group.

Compensation expense associated with PSUs is based on the grant date fair value of a single PSU as determined using the Monte Carlo simulation model, which utilizes a stochastic process to create a range of potential future outcomes given a variety of inputs. As it is intended that the PSUs will be settled with shares of the Company’s common stock after three years, the PSU awards are accounted for as equity awards, and the fair value is calculated on the grant date. The simulation model calculates the payout percentage based on the stock price performance over the performance period. The concluded fair value is based on the average achievement percentage over all the iterations. The resulting fair value expense is amortized over the life of the PSU award.

There were no grants or forfeitures of PSUs during the three months ended March 31, 2021. The Company recognized approximately \$1.3 million in stock compensation expense related to previously granted PSUs during the three months ended March 31, 2021. As of March 31, 2021, an additional \$10.5 million of compensation expense related to PSUs remained to be recognized over the remaining weighted-average vesting period of 2.1 years.

In May 2021, the Company granted 1,772,066 PSUs to its executive officers and certain employees as part of their overall compensation package. The performance period will be measured between May 1, 2021 and April 30, 2024. The weighted average fair value of these granted PSUs is currently undergoing evaluation via the Monte Carlo simulation model.

There were no grants or forfeitures of PSUs during the three months ended March 31, 2020. In January 2020, 77,485 shares of the PSUs granted in 2017 vested, of which 22,972 PSUs were withheld for taxes, and are included with the restricted stock activity in the consolidated statement of shareholders’ equity. The Company recognized approximately \$0.1 million in stock compensation expense related to PSUs during the three months ended March 31, 2020.

### **Stock Options**

Under the fair value method of accounting for stock options, cash flows from the exercise of stock options resulting from tax benefits in excess of recognized cumulative compensation cost (excess tax benefits) are classified as financing cash flows. For the three months ended March 31, 2021 and 2020, there was no excess tax benefit recognized.

Compensation expense related to stock option grants is recognized over the stock option’s vesting period based on the fair value at the date the options are granted. The fair value of each option is estimated as of the date of grant using the Black-Scholes options-pricing model. No stock options were granted or forfeited during the three months ended March 31, 2021 or 2020.

During the three months ended March 31, 2021, no stock options were exercised, and 19,268 stock options expired. During the three months ended March 31, 2020, no stock options were exercised, and 329 stock options expired. As of March 31, 2021, there were 579 stock options vested and exercisable. The exercise price for such options ranges from \$35.00 to \$38.98 per share, with an average remaining contractual life of 1.0 years.

### **7. Leases**

During the three months ended March 31, 2021, the Company acquired several contracts in the Mid-Con Acquisition and the Silvertip Acquisition related to compressors, vehicle leases and office space with terms of twelve months or more, which qualify as operating or finance leases. The Company also entered into a new contract for its headquarters office in Fort Worth, Texas. As of March 31, 2021, the Company’s operating leases were for compressors and office space, and the Company’s finance leases were for vehicles, compressors and office equipment.

[Table of Contents](#)

The Company also has compressor contracts which are on a month-to-month basis, and while it is probable the contracts will be renewed on a monthly basis, the compressors can be easily substituted or cancelled by either party, with minimal penalties. Leases with these terms are not included on the Company's balance sheet and are recognized on the consolidated statements of operations on a straight-line basis over the lease term.

The following table summarizes the balance sheet information related to the Company's leases as of March 31, 2021 and December 31, 2020 (in thousands):

|  | March 31, 2021    | December 31, 2020 |
|--|-------------------|-------------------|
| Operating lease right of use asset <sup>(1)</sup>    | \$ 3,920          | \$ 2,452          |
| Operating lease liability - current <sup>(2)</sup>   | \$ (2,703)        | \$ (1,832)        |
| Operating lease liability - long-term <sup>(3)</sup> | (1,101)           | (522)             |
| Total operating lease liability                      | <u>\$ (3,804)</u> | <u>\$ (2,354)</u> |
| Financing lease right of use asset <sup>(1)</sup>    | \$ 3,484          | \$ 2,996          |
| Financing lease liability - current <sup>(2)</sup>   | \$ (1,161)        | \$ (940)          |
| Financing lease liability - long-term <sup>(3)</sup> | (2,381)           | (2,102)           |
| Total financing lease liability                      | <u>\$ (3,542)</u> | <u>\$ (3,042)</u> |

(1) Included in "Right-of-use lease assets" on the consolidated balance sheet.

(2) Included in "Accounts payable and accrued liabilities" on the consolidated balance sheet.

(3) Included in "Lease liabilities" on the consolidated balance sheet.

The Company's leases generally do not provide an implicit rate, and therefore the Company uses its incremental borrowing rate as the discount rate when measuring operating and financing lease liabilities. The incremental borrowing rate represents an estimate of the interest rate the Company would incur at lease commencement to borrow an amount equal to the lease payments on a collateralized basis over the term of a lease.

The table below presents the weighted average remaining lease terms and weighted average discount rates for the Company's leases as of March 31, 2021 and December 31, 2020:

|  | March 31, 2021 | December 31, 2020 |
|--|----------------|-------------------|
| Weighted Average Remaining Lease Terms (in years): |                |                   |
| Operating leases                                   | 1.67           | 1.47              |
| Financing leases                                   | 2.96           | 3.24              |
| Weighted Average Discount Rate:                    |                |                   |
| Operating leases                                   | 5.94%          | 5.72%             |
| Financing leases                                   | 5.94%          | 5.92%             |

Maturities for the Company's lease liabilities on the consolidated balance sheet as of March 31, 2021, were as follows (in thousands):

|                                       | March 31, 2021   |                  |
|---------------------------------------|------------------|------------------|
|                                       | Operating Leases | Financing Leases |
| 2021 (remaining after March 31, 2021) | \$ 2,846         | \$ 1,339         |
| 2022                                  | 843              | 1,206            |
| 2023                                  | 199              | 918              |
| 2024                                  | 110              | 428              |
| 2025                                  | —                | 1                |
| Total future minimum lease payments   | 3,998            | 3,892            |
| Less: imputed interest                | (194)            | (350)            |
| Present value of lease liabilities    | <u>\$ 3,804</u>  | <u>\$ 3,542</u>  |

[Table of Contents](#)

The following table summarizes expenses related to the Company's leases for the three months ended March 31, 2021 and 2020 (in thousands):

|  | Three Months Ended<br>March 31, 2021 | Three Months Ended<br>March 31, 2020 |
|--|--------------------------------------|--------------------------------------|
| Operating lease cost <sup>(1)</sup> <sup>(2)</sup>         | \$ 933                               | \$ 687                               |
| Financing lease cost - amortization of right-of-use assets | 279                                  | 135                                  |
| Financing lease cost - interest on lease liabilities       | 53                                   | 24                                   |
| Administrative lease cost <sup>(3)</sup>                   | 19                                   | 19                                   |
| Short-term lease cost <sup>(1)</sup> <sup>(4)</sup>        | 518                                  | 437                                  |
| Total lease cost   | <u>\$ 1,802</u>                      | <u>\$ 1,302</u>                      |

- (1) This total does not reflect amounts that may be reimbursed by other third parties in the normal course of business, such as non-operating working interest owners.
- (2) Costs related to office leases and compressors with lease terms of twelve months or more.
- (3) Costs related primarily to office equipment and IT solutions with lease terms of more than one month and less than one year.
- (4) Costs related primarily to generators and compressor agreements with lease terms of more than one month and less than one year.

During the three months ended March 31, 2021, there were \$1.0 million and \$0.3 million in cash payments related to the Company's operating leases and financing leases, respectively. During the three months ended March 31, 2020, there were \$0.7 million and \$0.2 million in cash payments related to the Company's operating leases and financing leases, respectively.

## 8. Other Financial Information

The following table provides additional detail for accounts receivable, prepaid expenses and accounts payable and accrued liabilities which are presented on the consolidated balance sheets (in thousands):

|   | <u>March 31, 2021</u> | <u>December 31, 2020</u> |
|---|-----------------------|--------------------------|
| <b>Accounts receivable:</b>                       |                       |                          |
| Trade receivables <sup>(1)</sup>                  | \$ 39,714             | \$ 20,306                |
| Receivable for Alta Resources distribution        | 1,712                 | 1,712                    |
| Joint interest billings                           | 13,956                | 15,637                   |
| Income taxes receivable                           | 268                   | 268                      |
| Other receivables                                 | 950                   | 2,209                    |
| Allowance for doubtful accounts                   | (2,270)               | (2,270)                  |
| Total accounts receivable                         | <u>\$ 54,330</u>      | <u>\$ 37,862</u>         |
| <b>Prepaid expenses:</b>                          |                       |                          |
| Prepaid insurance                                 | \$ 3,051              | \$ 2,825                 |
| Other <sup>(2)</sup>                              | 727                   | 535                      |
| Total prepaid expenses                            | <u>\$ 3,778</u>       | <u>\$ 3,360</u>          |
| <b>Accounts payable and accrued liabilities:</b>  |                       |                          |
| Royalties and revenue payable <sup>(1)</sup>      | \$ 35,000             | \$ 23,701                |
| Legal suspense related to revenues <sup>(3)</sup> | 29,433                | 27,983                   |
| Advances from partners                            | 159                   | 76                       |
| Accrued exploration and development               | 240                   | 490                      |
| Trade payables <sup>(1)</sup>                     | 21,429                | 14,273                   |
| Accrued general and administrative expenses       | 5,512                 | 6,191                    |
| Accrued operating expenses <sup>(1)</sup>         | 10,264                | 5,755                    |
| Accrued operating and finance leases              | 3,863                 | 2,772                    |
| Other accounts payable and accrued liabilities    | 3,923                 | 2,729                    |
| Total accounts payable and accrued liabilities    | <u>\$ 109,823</u>     | <u>\$ 83,970</u>         |

(1) Increase in 2021 primarily due to the Mid-Con Acquisition and the Silvertip Acquisition.

(2) Other prepaids primarily includes software licenses.

(3) Suspended revenues primarily relate to amounts for which there is some question as to valid ownership, unknown addresses of payees or some other payment dispute.

Included in the table below are supplemental cash flow disclosures and non-cash investing activities during the three months ended March 31, 2021 and 2020 (in thousands):

|  | <u>Three Months Ended March 31,</u> |             |
|--|-------------------------------------|-------------|
|  | <u>2021</u>                         | <u>2020</u> |
| <b>Cash payments:</b>  |                                     |             |
| Interest payments  | \$ 808                              | \$ 1,267    |
| Income tax payments  | \$ (60)                             | \$ (7)      |
| <b>Non-cash investing activities in the consolidated statements of cash flows:</b> |                                     |             |
| Increase (decrease) in accrued capital expenditures                                | \$ 158                              | \$ (4,676)  |

The Company issued a total of 25,409,164 shares of Contango common stock at the closing of the Mid-Con Acquisition. See Note 3 – “Acquisitions” for more information.

## 9. Investment in Exaro Energy III LLC

The Company maintains an ownership interest in Exaro of approximately 37%. The Company’s share in the equity of Exaro at March 31, 2021 was approximately \$6.8 million. The Company accounts for its ownership in Exaro using the equity method of accounting, and therefore, does not include its share of individual operating results, production or reserves in those reported for the Company’s consolidated results.

The Company's gain or loss attributable to its share in Exaro's results of operations for the three months ended March 31, 2021 was de minimis. The Company recognized a gain of \$0.3 million, net of no tax expense, attributable to its share in Exaro's results of operations for the three months ended March 31, 2020.

## 10. Long-Term Debt

### *Credit Agreement*

On September 17, 2019, the Company entered into its new revolving credit agreement with JPMorgan Chase Bank and other lenders (as amended, the "Credit Agreement"), which established a borrowing base of \$65 million. The Credit Agreement matures on September 17, 2024. The borrowing base is subject to semi-annual redeterminations which will occur on or around May 1<sup>st</sup> and November 1<sup>st</sup> of each year.

On October 30, 2020, the Company entered into the Third Amendment to the Credit Agreement, which became effective on January 21, 2021, upon the satisfaction of certain conditions, including the consummation of the Mid-Con Acquisition. See Note 3 – "Acquisitions" for more information. The Third Amendment provides for, among other things, (i) a 25 basis point increase in the applicable margin at each level of the borrowing base utilization-based pricing grid, (ii) an increase of the borrowing base from \$75.0 million to \$130.0 million on the effective date of the Third Amendment with a \$10.0 million automatic stepdown in the borrowing base on March 31, 2021, (iii) certain modifications to the Company's minimum hedging covenant including requiring hedging for at least 75% of the Company's projected PDP volumes for 24 full calendar months on or prior to 30 days after the effective date of the Third Amendment and on April 1 and October 1 of each calendar year and (iv) the addition of three new banks to the lender group. The Company's borrowing base was decreased to \$120.0 million on March 31, 2021, per the Third Amendment. On January 21, 2021, the Company entered into the Fourth Amendment to the Credit Agreement, which was related to the transfer of a letter of credit for Mid-Con. The semi-annual redetermination occurred in May 2021, as regularly scheduled, and resulted in an increase in the borrowing base from \$130.0 million to \$250.0 million, per the Fifth Amendment to the Credit Agreement, as discussed below.

As of March 31, 2021, the Company had approximately \$98.6 million outstanding under the Credit Agreement, \$2.9 million in outstanding letters of credit and borrowing availability of \$18.5 million under the Credit Agreement. As of December 31, 2020, the Company had approximately \$9.0 million outstanding under the Credit Agreement and \$1.9 million in an outstanding letter of credit.

The Company initially incurred \$1.8 million of arrangement and upfront fees in connection with the Credit Agreement and incurred an additional \$1.6 million in fees for the first amendment to the Credit Agreement, which is to be amortized over the five-year term of the Credit Agreement. No fees were paid for the Second Amendment. The Company incurred \$1.0 million in fees related to the Third Amendment, which became effective upon the closing of the Mid-Con Acquisition on January 21, 2021, of which \$0.1 million were incurred during the fourth quarter of 2020. During the three months ended March 31, 2021, the Company amortized debt issuance costs of \$0.2 million related to the Credit Agreement. As of March 31, 2021, the remaining amortizable balance of these fees was \$2.5 million, which will be amortized through September 17, 2024.

Total interest expense under the Company's Credit Agreement, including commitment fees, was approximately \$1.2 million for each of the three months ended March 31, 2021 and 2020.

The weighted average interest rates in effect at March 31, 2021 and December 31, 2020 were 3.9% and 2.9%, respectively.

The Credit Agreement is collateralized by liens on substantially all of the Company's oil and natural gas properties and other assets and security interests in the stock of its wholly owned and/or controlled subsidiaries. The Company's wholly owned and/or controlled subsidiaries are also required to join as guarantors under the Credit Agreement.

The Credit Agreement contains customary and typical restrictive covenants. The Credit Agreement requires a Current Ratio of greater than or equal to 1.0:1.0 and a Leverage Ratio of less than or equal to 3.5:1.0, both as defined in the Credit Agreement. The Second Amendment included a waiver of the Current Ratio and Leverage Ratio requirements until the quarter ending March 31, 2022. However, the Fifth Amendment (as defined below), reinstates the Current Ratio

and Leverage Ratio requirements beginning in the second quarter of 2021 and reduces the Leverage Ratio to less than or equal to 3.25:1.0. Additionally, the Second Amendment, among other things, includes provisions requiring monthly aged accounts payable reports and typical anti-cash hoarding and cash sweep provisions with respect to a consolidated cash balance in excess of \$5.0 million. The Credit Agreement also contains events of default that may accelerate repayment of any borrowings and/or termination of the facility. Events of default include, but are not limited to, a going concern qualification, payment defaults, breach of certain covenants, bankruptcy, insolvency or change of control events. As of March 31, 2021, the Company was in compliance with all of its covenants under the Credit Agreement.

On May 3, 2021, the Company entered into the Fifth Amendment to the Credit Agreement (the “Fifth Amendment”) which provides for, among other things, an increase in the Company’s borrowing base from \$120.0 million to \$250.0 million, effective May 3, 2021, expands the bank group from nine to eleven banks and includes less restrictive hedge requirements and certain modifications to the financial covenants. See Note 13 – “Subsequent Events” for further details. Adjusted for the borrowing base increase to \$250.0 million, effective on May 3, 2021, the Company had approximately \$86.7 million outstanding under the Credit Agreement and \$2.9 million in outstanding letters of credit, with borrowing availability of \$160.4 million as of April 30, 2021.

#### *Paycheck Protection Program Loan*

On April 10, 2020, the Company entered into a promissory note evidencing an unsecured loan in the amount of approximately \$3.4 million (the “PPP Loan”) made to the Company under the Paycheck Protection Program (the “PPP”). The PPP was established under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), signed into law on March 27, 2020, and is administered by the U.S. Small Business Administration. The PPP Loan to the Company was made through JPMorgan Chase Bank, N.A and is included in “Long-Term Debt” on the Company’s consolidated balance sheet.

The PPP Loan matures on the two-year anniversary of the funding date and bears interest at a fixed rate of 1.00% per annum. Monthly principal and interest payments, less the amount of any potential forgiveness (discussed below), will commence after the six-month anniversary of the funding date. The promissory note evidencing the PPP Loan provides for customary events of default, including, among others, those relating to failure to make payment, bankruptcy, breaches of representations and material adverse effects. The Company may prepay the principal of the PPP Loan at any time without incurring any prepayment charges.

Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under the PPP, subject to an audit. Under the CARES Act, loan forgiveness is available, subject to limitations, for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments and covered utilities during either: (1) the eight-week period beginning on the funding date; or (2) the 24-week period beginning on the funding date. Forgiveness is reduced if full-time employee headcount declines, or if salaries and wages for employees with salaries of \$100,000 or less annually are reduced by more than 25%. The Company utilized the PPP Loan amount for qualifying expenses during the 24-week coverage period, and on September 30, 2020, submitted its application for forgiveness of all of the PPP Loan in accordance with the terms of the CARES Act and related guidance. The Company is currently waiting on a response from the Small Business Administration to its application for forgiveness. In the event the PPP Loan or any portion thereof is forgiven, the amount forgiven is applied to the outstanding principal.

## 11. Income Taxes

The Company's income tax provision for continuing operations consists of the following (in thousands):

|                             | <u>Three Months Ended March 31,</u> |               |
|-----------------------------|-------------------------------------|---------------|
|                             | <u>2021</u>                         | <u>2020</u>   |
| Current tax provision:      |                                     |               |
| Federal                     | \$ —                                | \$ 275        |
| State                       | 539                                 | 119           |
| Total                       | <u>\$ 539</u>                       | <u>\$ 394</u> |
| Total tax provision:        |                                     |               |
| Federal                     | \$ —                                | \$ 275        |
| State                       | 539                                 | 119           |
| Total income tax provision: | <u>\$ 539</u>                       | <u>\$ 394</u> |

State income tax expense relates to income taxes for the quarter which are expected to be owed to the states of Louisiana and Oklahoma resulting from activities within those states and, in each case, that are not shielded by existing Federal tax attributes.

In assessing the realizability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based upon the amount of deferred tax liabilities, level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, the Company believes it is not more-likely-than-not that it will realize the benefits of these deductible differences.

As of March 31, 2021, the Company had federal net operating loss ("NOL") carryforwards of approximately \$407.9 million and state NOLs of \$26.5 million. The Federal NOL carryforwards are made up of: (i) those acquired in the merger with Crimson Exploration, Inc. in 2013 and (ii) from subsequent taxable losses during the years 2014 through 2020, due to lower commodity prices and utilization of various elections available to the Company in expensing capital expenditures incurred in the development of oil and natural gas properties. Generally, these NOLs are available to reduce future taxable income and the related income tax liability subject to the limitations set forth in Internal Revenue Code Section 382 related to changes of more than 50% of ownership of the Company's stock by 5% or greater shareholders over a three-year period (a Section 382 Ownership Change) from the time of such an ownership change. The Company experienced two separate Section 382 Ownership Changes in connection with two of its equity offerings occurring in 2018 and 2019, respectively (the "Ownership Changes"). Market conditions at the time of the 2019 Ownership Change had diminished from the time of the 2018 Ownership Change, thus subjecting virtually all of the Company's tax attributes to an annual limitation of \$0.7 million a year (in pre-tax dollars). This lower annual limitation resulting from the 2019 Ownership Change effectively eliminates the ability to utilize these tax attributes in the future. As a result of the Ownership Changes, the Company has recorded a valuation allowance against substantially all of its NOLs and other deferred tax assets. The Company determined the activity during the three months ended March 31, 2021 resulted in no Section 382 Ownership Change. The valuation allowance balances at March 31, 2021 for federal and state purposes are approximately \$139.7 million and approximately \$6.1 million, respectively.

The Consolidated Appropriations Act of 2021 was signed into law on December 27, 2020 to provide a response by the Federal government to the pandemic, and it contains numerous tax breaks and extensions for businesses. One such provision is a change in the deductibility of meals paid to a restaurant expense. For meals paid to a restaurant in calendar years 2021 and 2022, there is no limitation on meals (compared to a 50% prior limitation). For the quarter ended March 31, 2021, the Company is claiming a 100% benefit for qualifying meal expenses.

## 12. Commitments and Contingencies

### *Legal Proceedings*

From time to time, the Company is involved in legal proceedings relating to claims associated with its properties, operations or business or arising from disputes with vendors in the normal course of business, including the material matters discussed below.

In January 2016, the Company was named as the defendant in a lawsuit filed in the District Court for Harris County in Texas by a third-party operator. The Company participated in the drilling of a well in 2012, which experienced serious difficulties during the initial drilling, which eventually led to the plugging and abandoning of the wellbore prior to reaching the target depth. In dispute is whether the Company is responsible for the additional costs related to the drilling difficulties and plugging and abandonment. In September 2019, the case went to trial, and the court ruled in favor of the plaintiff. Prior to the judgment, the Company had approximately \$1.1 million in accounts payable related to the disputed costs associated with this case. As a result of the judgment, during the three months ended September 30, 2019, the Company recorded an additional \$2.1 million liability for the final judgment plus fees and interest. The Company filed an appeal with the appellate court for a review of the initial trial court's decision. On January 23, 2021, the appellate court notified both parties that it would begin reviewing the merits of the case beginning on February 23, 2021. On March 3, 2021, the appellate court affirmed the trial court's decision. The Company has filed a petition with the Texas Supreme Court requesting a review of the appellate court's decision and is awaiting a response.

While many of these matters involve inherent uncertainty and the Company is unable at the date of this filing to estimate an amount of possible loss with respect to certain of these matters, the Company believes that the amount of the liability, if any, ultimately incurred with respect to these proceedings or claims will not have a material adverse effect on its consolidated financial position as a whole or on its liquidity, capital resources or future annual results of operations. The Company maintains various insurance policies that may provide coverage when certain types of legal proceedings are determined adversely.

## 13. Subsequent Events

### *Fifth Amendment to the Credit Agreement*

On May 3, 2021, the Company entered into the Fifth Amendment to the Credit Agreement. The Fifth Amendment provides for, among other things, (i) an increase in the borrowing base from \$120.0 million to \$250.0 million, (ii) the reinstatement of the Current Ratio test of a minimum of 1.0:1.0 beginning with the quarter ending June 30, 2021, (iii) a slight reduction in the maximum Debt/Adj. EBITDAX from no greater than 3.5:1.0 to no greater than 3.25:1.0, (iv) a reduction in the Company's rolling hedge requirements as a percentage of hedgeable oil and natural gas production on an equivalent barrel basis and other minor changes which are more administrative in nature. The Fifth Amendment also expands the bank group from nine to eleven banks and is effective as of May 3, 2021. The Company incurred \$1.4 million in fees related to the Fifth Amendment, which will be amortized over the remaining term of the Credit Agreement, beginning in the second quarter of 2021. Adjusted for the borrowing base increase to \$250.0 million, effective on May 3, 2021, the Company had approximately \$86.7 million outstanding under the Credit Agreement and \$2.9 million in outstanding letters of credit, with borrowing availability of \$160.4 million as of April 30, 2021.

### *Newly Elected Board of Directors*

On April 28, 2021, the Board of Directors of the Company (the "Board") increased the size of the Board from five to seven directors and appointed Karen Simon and Janet Pasque to fill the vacancies created by the expansion of the Board, effective on April 28, 2021. Concurrent with their election as directors of the Company, Ms. Pasque was appointed to the Compensation Committee and Nominating Committee of the Board and Ms. Simon was appointed to the Audit Committee and Nominating Committee of the Board. The Board determined that Ms. Pasque and Ms. Simon are both independent directors under the applicable rules and regulations of the SEC and within the meaning of the NYSE American listing standards.

*Adoption of Change of Control Severance Plan*

On April 28, 2021, the Company adopted the Contango Oil & Gas Company Change in Control Severance Plan (the “Change in Control Plan”), which provides “double trigger” severance payments and benefits to all employees including the Company’s named executive officers. The policy provides an eligible participant with certain payments and benefits in the event that the participant experiences a qualifying termination event within the 18-month period following a change in control. In the event that an eligible executive’s employment is terminated without cause by the employer or for good reason by the executive within the 18-month period following the occurrence of a change in control, the Company’s Chief Executive Officer and the Company’s President would become entitled to receive 250%, and the Company’s Senior Vice President and Chief Financial Officer would become entitled to receive 200%, of the sum of the executive’s annual base salary and target annual cash bonus. In addition, the executive would receive (1) a prorated annual cash bonus for the year of termination based on actual performance; (2) Company-paid COBRA continuation coverage for up to 18 months following the date of termination; (3) reimbursement for up to \$10,000 in outplacement services; and (4) any outstanding unvested PSU equity awards held by the executive will remain outstanding and vest based on the greatest of (a) actual performance through the execution date of the definitive documentation governing the change in control, (b) actual performance through the date of the participant’s termination of employment, or (c) the target number of shares granted under such PSU award. The Change in Control Plan contains a modified cutback provision whereby payments payable to an executive may be reduced if doing so would put the executive in a more advantageous after-tax provision than if payments were not reduced and the executive became subject to excise taxes under Section 4999 of the Code.

*Adoption of Executive Severance Plan*

On April 28, 2021, the Company adopted the Contango Oil & Gas Company Executive Severance Plan (the “Severance Plan”), which provides severance payments and benefits to its named executive officers outside the context of a change in control. The Severance Plan provides an eligible participant with payments and benefits in the event of involuntary termination without cause or other termination due to a good reason. In the event of such a qualifying termination under the Severance Plan, the participant would become entitled to receive in the case of the Company’s Chief Executive Officer and the Company’s President, 150%, and in the case of the Company’s Senior Vice President and Chief Financial Officer, 100%, of the sum of the participant’s annual base salary and target bonus. In addition, the participant would receive (1) a prorated annual cash bonus for the year of termination based on actual performance; (2) Company-paid COBRA continuation coverage for up to 18 months following the date of termination; (3) reimbursement for up to \$10,000 in outplacement services; (4) all outstanding unvested time-based equity awards held by the executive will 100% accelerate and become exercisable or settle (as applicable); and (5) a pro-rated portion of any outstanding unvested PSU awards held by the executive will remain outstanding and vest based on actual performance over the applicable performance period.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the consolidated financial statements and the accompanying notes and other information included elsewhere in this Quarterly Report on Form 10-Q and with our 2020 Form 10-K, previously filed with the Securities and Exchange Commission ("SEC").

### **Available Information**

General information about us can be found on our website at [www.contango.com](http://www.contango.com). Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K, as well as any amendments and exhibits to those reports, are available free of charge through our website as soon as reasonably practicable after we file or furnish them to the SEC. This report should be read together with our 2020 Form 10-K and our subsequent filings with the SEC. We are not including the information on our website as a part of, or incorporating it by reference into, this report.

### **Cautionary Statement about Forward-Looking Statements**

Certain statements contained in this report may contain "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The words and phrases "should", "could", "may", "will", "believe", "plan", "intend", "expect", "potential", "possible", "anticipate", "estimate", "forecast", "view", "efforts", "goal" and similar expressions identify forward-looking statements and express our expectations about future events. Although we believe the expectations reflected in such forward-looking statements are reasonable, such expectations may not occur. These forward-looking statements are made subject to certain risks and uncertainties that could cause actual results to differ materially from those stated. Risks and uncertainties that could cause or contribute to such differences include, without limitation, those discussed in the section entitled "Risk Factors" included in this report, in our 2020 Form 10-K and those factors summarized below:

- volatility and significant declines in oil, natural gas and natural gas liquids prices, including regional differentials;
- any reduction in our borrowing base from time to time and our ability to repay any excess borrowings as a result of such reduction;
- the impact of the COVID-19 pandemic, including reduced demand for oil and natural gas, economic slowdown, governmental and societal actions taken in response to the COVID-19 pandemic, stay-at-home orders, and interruptions to our operations;
- our ability to execute our corporate strategy of offering a "fee for service" property management service for oil and natural gas companies;
- risks related to the recent Mid-Con Acquisition and the Silvertip Acquisition, including the risk that the businesses will not be integrated successfully, that the anticipated cost savings, synergies and growth from those acquisitions may not be fully realized or may take longer to realize than expected, and that management attention will be diverted to integration-related issues;
- the impact of the climate change initiative by President Biden's administration and Congress, including the January 2021 executive order imposing a moratorium on new oil and natural gas leasing on federal lands and offshore waters pending completion of a comprehensive review and reconsideration of federal oil and natural gas permitting and leasing practices;
- our financial position;
- the potential impact of our derivative instruments;
- potential liability resulting from any future litigation related to the Mid-Con Acquisition;
- our business strategy, including our ability to successfully execute on our consolidation strategy or make any desired changes in our strategy from time to time;
- meeting our forecasts and budgets, including our 2021 capital expenditure budget;
- expectations regarding oil and natural gas markets in the United States and our realized prices;
- the ability of the members of the Organization of Petroleum Exporting Countries ("OPEC") and other oil exporting nations to agree to, adhere to and maintain oil price and production controls;
- outbreaks and pandemics, even outside our areas of operation, including COVID-19;
- operational constraints, start-up delays and production shut-ins at both operated and non-operated production platforms, pipelines and natural gas processing facilities;

- our ability to successfully develop our undeveloped acreage in the Permian Basin and Midcontinent region, and realize the benefits associated therewith;
- increased costs and risks associated with our exploration and development in the Gulf of Mexico or the Permian Basin;
- the risks associated with acting as operator of deep high pressure and high temperature wells, including well blowouts and explosions, onshore and offshore;
- the risks associated with exploration, including cost overruns and the drilling of non-economic wells or dry holes, especially in prospects in which we have made a large capital commitment relative to the size of our capitalization structure;
- the timing and successful drilling and completion of oil and natural gas wells;
- the concentration of drilling in the Permian Basin, including lower than expected production attributable to down spacing of wells;
- our ability to generate sufficient cash flow from operations, borrowings or other sources to enable us to fund our operations, satisfy our obligations, fund our drilling program and support our acquisition efforts;
- the cost and availability of rigs and other materials, services and operating equipment;
- timely and full receipt of sale proceeds from the sale of our production;
- our ability to find, acquire, market, develop and produce new oil and natural gas properties;
- the conditions of the capital markets and our ability to access debt and equity capital markets or other non-bank sources of financing, and actions by current and potential sources of capital, including lenders;
- interest rate volatility;
- our ability to complete strategic dispositions or acquisitions of assets or businesses and realize the benefits of such dispositions or acquisitions;
- uncertainties in the estimation of proved reserves and in the projection of future rates of production and timing of development expenditures;
- the need to take impairments on our properties due to lower commodity prices or other changes in the values of our assets, which results in a non-cash charge to earnings;
- the ability to post additional collateral for current bonds or comply with new supplemental bonding requirements imposed by the Bureau of Ocean Energy Management;
- operating hazards attendant to the oil and natural gas business including weather, environmental risks, accidental spills, blowouts and pipeline ruptures, and other risks;
- downhole drilling and completion risks that are generally not recoverable from third parties or insurance;
- potential mechanical failure or under-performance of significant wells, production facilities, processing plants or pipeline mishaps;
- actions or inactions of third-party operators of our properties;
- actions or inactions of third-party operators of pipelines or processing facilities;
- the ability to retain key members of senior management and key technical employees and to find and retain skilled personnel;
- strength and financial resources of competitors;
- federal and state legislative and regulatory developments and approvals (including additional taxes and changes in environmental regulations);
- the uncertain impact of supply of and demand for oil, natural gas and natural gas liquids;
- our ability to obtain goods and services critical to the operation of our properties;
- worldwide and United States economic conditions;
- the ability to construct and operate infrastructure, including pipeline and production facilities;
- the continued compliance by us with various pipeline and gas processing plant specifications for the gas and condensate produced by us;
- operating costs, production rates and ultimate reserve recoveries of our oil and natural gas discoveries;
- expanded rigorous monitoring and testing requirements;
- the ability to obtain adequate insurance coverage on commercially reasonable terms; and
- the limited trading volume of our common stock and general market volatility.

Any of these factors and other factors described in this report could cause our actual results to differ materially from the results implied by these or any other forward-looking statements made by us or on our behalf. Although we believe our estimates and assumptions to be reasonable when made, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. Our assumptions about future events may prove to be inaccurate.

Moreover, the effects of the COVID-19 pandemic may give rise to risks that are currently unknown or amplify the risks associated with many of the factors summarized above or discussed in this report or our 2020 Form 10-K. We caution you that the forward-looking statements contained in this report are not guarantees of future performance, and we cannot assure you that those statements will be realized or the forward-looking events and circumstances will occur. You should not place undue reliance on forward-looking statements in this report as they speak only as of the date of this report.

All forward-looking statements, expressed or implied, in this report are expressly qualified in their entirety by this cautionary statement. This cautionary statement should also be considered in connection with any subsequent written or oral forward-looking statements that we or any person acting on our behalf may issue. We do not intend to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise, except as required by law.

## Overview

We are a Fort Worth, Texas based, independent oil and natural gas company. Our business is to maximize production and cash flow from our onshore properties primarily located in our Midcontinent, Permian, Rockies and other smaller onshore areas and our offshore properties in the shallow waters of the Gulf of Mexico and use that cash flow to explore, develop and acquire oil and natural gas properties across the United States.

The following table lists our primary producing regions as of March 31, 2021:

| Region       | Formation   |
|--------------|---|
| Midcontinent | Cleveland, Bartlesville, Mississippian, Woodford and others   |
| Permian      | San Andres, Yeso, Bone Springs, Wolfcamp and others   |
| Rockies      | Sussex, Shannon, Muddy, Phosphoria, Embar-Tensleep, Madison and others  |
| Other        | Woodbine, Lewisville, Buda, Georgetown, Eagleford and Offshore Gulf of Mexico properties in water depths off of Louisiana in less than 300 feet |

## Impact of the COVID-19 Pandemic

The coronavirus (“COVID-19”) pandemic has significantly affected the global economy, disrupted global supply chains and created significant volatility in the financial markets. In addition, the COVID-19 pandemic has resulted in travel restrictions, business closures and other restrictions that have disrupted the demand for oil throughout the world and, when combined with the oil supply increase attributable to the battle for market share among the Organization of Petroleum Exporting Countries (“OPEC”), Russia and other oil producing nations, resulted in oil prices declining significantly beginning in late February 2020. While there has been a modest recovery in oil prices in recent months, the length of this demand disruption is unknown, and there is significant uncertainty regarding the long-term impact to global oil demand. Due to the extreme volatility in oil prices and the impact of the COVID-19 pandemic on the financial condition of our upstream peers, the Company suspended its onshore drilling program in the Southern Delaware Basin in the first quarter of 2020 and further suspended all drilling in the second quarter of 2020 and has focused since then on certain measures that included, but were not limited to, the following:

- work from home initiatives for all but critical staff and the implementation of social distancing measures;
- a company-wide effort to cut costs throughout the Company’s operations;
- utilization of the Company’s available storage capacity to temporarily store a portion of its production for later sale at higher prices when advantageous to do so;
- suspension of all drilling since the second-half of 2020 through the quarter ended March 31, 2021, with the expectation to recommence value added drilling in 2021;
- potential acquisitions of PDP-heavy assets, with attractive, discounted valuations, in stressed/distressed scenarios or from non-natural owners like investment or lender firms that obtained ownership through a corporate restructuring.

From our initial entry into the Southern Delaware Basin in 2016 and through early 2019, we were focused on the development of our Southern Delaware Basin acreage in Pecos County, Texas. In the first quarter of 2020, we suspended further drilling in this area in response to the dramatic decline in oil prices and further suspended all drilling in the second quarter of 2020. As of March 31, 2021, we were producing from eighteen wells over our approximate 16,200 gross

operated (7,500 company net) acre position in West Texas, prospective for the Wolfcamp A, Wolfcamp B and Second Bone Spring formations.

Subsequent to the suspension of all drilling in the second half of 2020, we continued to identify opportunities for cost reductions and operating efficiencies in all areas of our operations, while also searching for new producing property acquisition opportunities. Acquisition efforts have been, and we believe will continue to be, focused on PDP-heavy assets where we might also be able to leverage our geological and operational experience and expertise to reduce operating expenses, enhance production and identify and develop additional drilling opportunities that we believe will enable the Company to economically grow production and add reserves.

On January 21, 2021, we closed on the acquisition of Mid-Con Energy Partners, LP (“Mid-Con”), in an all-stock merger transaction in which Mid-Con became a direct, wholly owned subsidiary of Contango (the “Mid-Con Acquisition”). A total of 25,409,164 shares of Contango common stock were issued as consideration in the Mid-Con Acquisition. Effective upon the closing of the Mid-Con Acquisition, our borrowing base under the Credit Agreement increased from \$75.0 million to \$130.0 million, with an automatic \$10.0 million reduction in the borrowing base on March 31, 2021. See Item 1. Note 3 – “Acquisitions” and Item 1. Note 10 – “Long-Term Debt” for further details.

On February 1, 2021, we closed on the acquisition of certain oil and natural gas properties located in the Big Horn Basin in Wyoming and Montana, in the Powder River Basin in Wyoming and in the Permian Basin in West Texas and New Mexico (collectively the “Silvertip Acquisition”) for aggregate consideration of approximately \$58.0 million. After customary closing adjustments, including the results of operations during the period between the effective date of August 1, 2020 and the closing date, the net consideration paid was approximately \$53.2 million. See Item 1. Note 3 – “Acquisitions” for more information.

On May 3, 2021, we entered into the Fifth Amendment to the Credit Agreement which provides for, among other things, an increase in the Company’s borrowing base from \$120.0 million to \$250.0 million, effective May 3, 2021, expands the bank group from nine to eleven banks and includes less restrictive hedge requirements and certain modifications to the financial covenants. See Item 1. Note 13 – “Subsequent Events” for further details.

### **Capital Expenditures**

Our 2021 planned capital expenditure budget has increased to \$24 - \$27 million from previous guidance of \$13 - \$16 million for recompletions, facility upgrades, waterflood development and select drilling in West Texas (expected 1.5 net locations, 3 gross locations), among other things. The increase in planned capital expenditures reflects, in part, development opportunities in our recently acquired properties as part of the Mid-Con Acquisition and the Silvertip Acquisition, coupled with recent strength in crude oil prices. The capital expenditure program will continue to be evaluated for revision throughout the year.

During the three months ended March 31, 2021, we incurred capital expenditures of approximately \$1.6 million primarily related to redevelopment activities of newly acquired properties in our Midcontinent region. We believe that our current financial resources will be more than adequate to fund our initial capital budget through internally generated cash flow, and any increase to such initial 2021 capital expenditure budget, when and if such increase is deemed appropriate. We plan to retain the flexibility to be more aggressive in our drilling plans should results exceed expectations, commodity prices continue to improve or we reduce drilling and completion costs in certain areas, thereby making an expansion of our drilling program an appropriate business decision.

We will continue to make balance sheet strength a priority in 2021 and intend to continue to evaluate certain acquisition opportunities that may arise in this challenging commodity price environment. We will also aim to pursue additional “fee for service” opportunities similar to that entered into with Mid-Con in June 2020 prior to its later acquisition, as well as pursue growth through the acquisition of PDP-heavy assets. Any excess cash flow will likely be used to reduce borrowings outstanding under our Credit Agreement (as defined below). We intend to keenly focus on continuing to reduce lease operating costs on our legacy and newly acquired assets, reducing general and administrative expenses, improving cash margins and lowering our exposure to asset retirement obligations through the possible sale of non-core properties.

## Impairment of Long-Lived Assets

Under GAAP, when circumstances indicate that proved properties may be impaired, the Company compares expected undiscounted future cash flows on a field basis to the unamortized capitalized cost of the assets in that field. If the estimated future undiscounted cash flows based on the Company's estimate of future reserves, oil and natural gas prices, operating costs and production levels from oil and natural gas reserves, are lower than the unamortized capitalized cost, then the capitalized cost is reduced to fair value. We did not record any impairment expense during the three months ended March 31, 2021.

In the first quarter of 2020, the COVID-19 pandemic and the resulting deterioration in the global demand for oil, combined with the failure by the OPEC and Russia to reach an agreement on lower production quotas until April 2020, caused a dramatic increase in the supply of oil and a corresponding decrease in commodity prices, and lowered the demand for all commodity products. Consequently, during the three months ended March 31, 2020, we recorded a \$143.3 million non-cash charge for proved property impairment of our onshore properties related to the dramatic decline in commodity prices, as discussed above, the "PV-10" (present value, discounted at a 10% rate) of our proved reserves, and the associated change in our then forecasted development plans for our proved, undeveloped locations. We recorded a \$2.6 million non-cash charge for unproved impairment expense during the three months ended March 31, 2020, related to expiring leases in our Midcontinent region.

## Summary Production Information

Our production sales for the three months ended March 31, 2021 were comprised of 37% oil, 47% natural gas, and 16% natural gas liquids. Our production sales for the three months ended March 31, 2020, were comprised of approximately 30% oil, 50% natural gas and 20% natural gas liquids.

The table below sets forth our average net daily production sales data in MBoe/d for each of our regions for each of the periods indicated:

|                                      | Three Months Ended |                  |                       |                      |                       |
|--------------------------------------|--------------------|------------------|-----------------------|----------------------|-----------------------|
|                                      | March 31,<br>2020  | June 30,<br>2020 | September 30,<br>2020 | December 31,<br>2020 | March 31,<br>2021 (4) |
| Midcontinent (1)                     | 13.8               | 11.6             | 12.6                  | 9.6                  | 11.1                  |
| Permian (2)                          | 1.2                | 0.9              | 0.7                   | 1.4                  | 2.6                   |
| Rockies (3)                          | 0.1                | —                | 0.1                   | —                    | 2.6                   |
| Other                                | 3.8                | 3.6              | 3.8                   | 3.4                  | 3.4                   |
| Total daily production sales volumes | 18.9               | 16.1             | 17.2                  | 14.4                 | 19.7                  |

- (1) Decrease in production sales during the three months ended June 30, 2020 due to allocating approximately 50,000 Bbls of oil (net to the Company) to inventory storage (0.5 MBoe/d). Increase in production sales during the three months ended September 30, 2020 due to the sale of this inventory. Decrease in production sales during the three months ended December 31, 2020 primarily due to downtime related to workovers and routine repair and maintenance. Increase in production sales during the three months ended March 31, 2021 due to the properties acquired as part of the Mid-Con Acquisition.
- (2) Decrease in production sales beginning in the second quarter of 2020 due to the suspension of our drilling program as a result of the dramatic decline in oil prices and the effects of the COVID-19 pandemic. Increase in production sales during the three months ended March 31, 2021 due to the properties acquired as part of the Silvertip Acquisition.
- (3) Includes our offshore Gulf of Mexico wells located in the shallow waters off the coast of Louisiana as well as our legacy onshore wells located in states near the Texas Gulf coast.
- (4) Increase in production sales during the three months ended March 31, 2021 due to the Mid-Con Acquisition and the Silvertip Acquisition. The Mid-Con Acquisition reflects production sales beginning January 21, 2021, impacting the Midcontinent and Rockies regions by 1.7 MBoe/d and 0.4 MBoe/d, respectively. The Silvertip Acquisition reflects production sales beginning February 1, 2021, impacting the Permian and Rockies regions by 1.4 MBoe/d and 2.5 MBoe/d, respectively.

## Other Investments

### *Jonah Field - Sublette County, Wyoming*

Our wholly owned subsidiary, Contaro Company, owns a 37% ownership interest in Exaro Energy III LLC ("Exaro"). As of March 31, 2021, Exaro had 649 wells on production over its 5,760 gross acres (1,040 net), with a working

interest between 14.6% and 32.5%. These wells were producing at a rate of approximately 2.4 MBoe/d, net to Exaro, during the three months ended March 31, 2021. The gain or loss attributable to our equity investment in Exaro during the three months ended March 31, 2021 was de minimis. During the three months ended March 31, 2020, we recognized an investment gain of approximately \$0.3 million, net of no tax expense, attributable to our equity investment in Exaro. See Item 1. Note 9 – “Investment in Exaro Energy III LLC” for additional details related to this equity investment.

**Results of Operations for the Three Months ended March 31, 2021 and 2020**

The table below sets forth revenue, production sales data, average sales prices and average production costs associated with our sales of oil, natural gas and natural gas liquids ("NGLs") from operations for the three months ended March 31, 2021 and 2020. We report in barrels of oil equivalents ("Boe") instead of natural gas equivalents. Six thousand cubic feet ("Mcf") of natural gas is the energy equivalent of one barrel of oil, condensate or NGL. Reported operating expenses include production taxes, such as ad valorem and severance taxes.

|                          | <u>Three Months Ended March 31,</u> |                  |                 |
|--------------------------|-------------------------------------|------------------|-----------------|
|                          | <u>2021</u>                         | <u>2020</u>      | <u>% Change</u> |
| Revenues (thousands):    |                                     |                  |                 |
| Oil and condensate sales | \$ 36,993                           | \$ 22,782        | 62 %            |
| Natural gas sales        | 14,492                              | 8,170            | 77 %            |
| NGL sales                | 8,281                               | 3,621            | 129 %           |
| Other operating revenues | 184                                 | —                | 100 %           |
| Total revenues           | <u>\$ 59,950</u>                    | <u>\$ 34,573</u> | <u>73 %</u>     |

**Production Sales Volumes:**

|   |              |              |              |
|---|--------------|--------------|--------------|
| <u>Oil and condensate (thousand barrels)</u>      |              |              |              |
| Midcontinent                                      | 354          | 366          | (3)%         |
| Permian   | 134          | 89           | 51 %         |
| Rockies   | 124          | 7            | * %          |
| Other   | 38           | 58           | (34)%        |
| Total oil and condensate                          | <u>650</u>   | <u>520</u>   | <u>25 %</u>  |
| <u>Natural gas (million cubic feet)</u>           |              |              |              |
| Midcontinent                                      | 2,589        | 3,644        | (29)%        |
| Permian   | 534          | 50           | 968 %        |
| Rockies   | 556          | —            | 100 %        |
| Other   | 1,304        | 1,507        | (13)%        |
| Total natural gas                                 | <u>4,983</u> | <u>5,201</u> | <u>(4)%</u>  |
| <u>Natural gas liquids (thousand barrels)</u>     |              |              |              |
| Midcontinent                                      | 213          | 278          | (23)%        |
| Permian   | 14           | 9            | 56 %         |
| Rockies   | 14           | —            | 100 %        |
| Other   | 52           | 46           | 13 %         |
| Total natural gas liquids                         | <u>293</u>   | <u>333</u>   | <u>(12)%</u> |
| <u>Total (thousand barrels of oil equivalent)</u> |              |              |              |
| Midcontinent                                      | 999          | 1,251        | (20)%        |
| Permian   | 237          | 106          | 124 %        |
| Rockies   | 231          | 7            | * %          |
| Other   | 306          | 356          | (14)%        |
| Total production sales volumes                    | <u>1,773</u> | <u>1,720</u> | <u>3 %</u>   |

**Daily Production Sales Volumes:**

|  |             |             |             |
|--|-------------|-------------|-------------|
| <u>Oil and condensate (thousand barrels per day)</u> |             |             |             |
| Midcontinent   | 3.9         | 4.0         | (3)%        |
| Permian  | 1.5         | 1.0         | 50 %        |
| Rockies  | 1.4         | 0.1         | * %         |
| Other  | 0.4         | 0.6         | (33)%       |
| Total oil and condensate                             | <u>7.2</u>  | <u>5.7</u>  | <u>26 %</u> |
| <u>Natural gas (million cubic feet per day)</u>      |             |             |             |
| Midcontinent   | 28.8        | 40.0        | (28)%       |
| Permian  | 5.9         | 0.5         | * %         |
| Rockies  | 6.2         | —           | 100 %       |
| Other  | 14.5        | 16.7        | (13)%       |
| Total natural gas                                    | <u>55.4</u> | <u>57.2</u> | <u>(3)%</u> |

[Table of Contents](#)

|  | Three Months Ended March 31, |            |          |
|--|------------------------------|------------|----------|
|  | 2021                         | 2020       | % Change |
| <b>Natural gas liquids (thousand barrels per day)</b>        |                              |            |          |
| Midcontinent   | 2.4                          | 3.1        | (23)%    |
| Permian  | 0.2                          | 0.1        | 100 %    |
| Rockies  | 0.2                          | —          | 100 %    |
| Other  | 0.5                          | 0.5        | — %      |
| Total natural gas liquids                                    | 3.3                          | 3.7        | (11)%    |
| <b>Total (thousand barrels of oil equivalent per day)</b>    |                              |            |          |
| Midcontinent   | 11.1                         | 13.7       | (19)%    |
| Permian  | 2.6                          | 1.2        | 117 %    |
| Rockies  | 2.6                          | 0.1        | * %      |
| Other  | 3.4                          | 3.9        | (13)%    |
| Total daily production sales volumes                         | 19.7                         | 18.9       | 4 %      |
| <b>Average Sales Price:</b>                                  |                              |            |          |
| Oil and condensate (per barrel)                              | \$ 56.95                     | \$ 43.77   | 30 %     |
| Natural gas (per thousand cubic feet)                        | \$ 2.91                      | \$ 1.57    | 85 %     |
| Natural gas liquids (per barrel)                             | \$ 28.31                     | \$ 10.89   | 160 %    |
| Total (per barrels of oil equivalent)                        | \$ 33.72                     | \$ 20.10   | 68 %     |
| <b>Expenses (thousands):</b>                                 |                              |            |          |
| Operating expenses   | \$ 27,478                    | \$ 19,257  | 43 %     |
| Exploration expenses   | \$ 196                       | \$ 398     | (51)%    |
| Depreciation, depletion and amortization                     | \$ 9,143                     | \$ 12,854  | (29)%    |
| Impairment and abandonment of oil and natural gas properties | \$ 3                         | \$ 145,878 | (100)%   |
| General and administrative expenses                          | \$ 11,359                    | \$ 7,651   | 48 %     |
| Gain from investment in affiliates (net of taxes)            | \$ —                         | \$ 286     | (100)%   |
| <b>Selected data per Boe:</b>                                |                              |            |          |
| Operating expenses   | \$ 15.50                     | \$ 11.20   | 38 %     |
| General and administrative expenses                          | \$ 6.41                      | \$ 4.45    | 44 %     |
| Depreciation, depletion and amortization                     | \$ 5.16                      | \$ 7.47    | (31)%    |

\*Greater than 1,000%

**Three Months Ended March 31, 2021 Compared to Three Months Ended March 31, 2020**

*Oil, Natural Gas and NGL Sales and Production*

Our revenues are primarily from the sale of our oil, natural gas and NGL production. Our revenues may vary significantly from year to year depending on production volumes and changes in commodity prices, each of which may fluctuate widely. As discussed above, oil prices declined significantly in the first quarter of 2020 as a result of the effects of the COVID-19 pandemic and the ongoing disruptions to the global energy markets. While those factors generally kept downward pressure and instability on the commodity price markets in 2020, due to the increase in domestic vaccination programs and the related improvement in, and the forecast for, the economy, we have experienced commodity price improvement in the first quarter of 2021. Our production sales are subject to significant variation as a result of new operations, weather events, transportation and processing constraints and mechanical issues. In addition, our production from individual wells naturally declines over time as we produce our reserves.

We reported revenues of \$60.0 million for the three months ended March 31, 2021, compared to revenues of \$34.6 million for the three months ended March 31, 2020. The current year increase is attributable to the increases in commodity prices in the first quarter of 2021, the additional production sales from the properties acquired in the Mid-Con Acquisition and the Silvertip Acquisition, and the impact of the increase in the Company's percentage of oil/liquids sales as compared to total sales. The revenues related to the properties acquired in the Mid-Con Acquisition were approximately \$10.5 million in the first quarter of 2021, and the revenues related to the properties acquired in the Silvertip Acquisition were approximately \$14.3 million in the first quarter of 2021.

Total production sales for the three months ended March 31, 2021 were approximately 1.8 MMBoe (53% liquids), or 19.7 MBoe/d, compared to approximately 1.7 MMBoe (50% liquids), or 18.9 MBoe/d in the prior year quarter. Net oil production sales were approximately 7,200 barrels per day for the three months ended March 31, 2021 compared to approximately 5,700 barrels per day in the prior year quarter, an increase attributable to the production from the properties acquired in the Mid-Con Acquisition and the Silvertip Acquisition. Net natural gas production sales decreased to approximately 55.4 MMcf per day during the three months ended March 31, 2021, compared with approximately 57.2 MMcf per day during the three months ended March 31, 2020, due to the harsh winter storms in February 2021 and the related downtime. Net NGL production sales decreased to approximately 3,300 barrels per day during the three months ended March 31, 2021 compared to approximately 3,700 barrels per day in the prior year quarter.

#### *Average Sales Prices*

The average equivalent sales price realized for the three months ended March 31, 2021 was \$33.72 per Boe compared to \$20.10 per Boe for the three months ended March 31, 2020. The lower prior year prices were attributable to the decline in all realized commodity prices in early 2020, as a result of the initial spread of the COVID-19 pandemic and its negative impact on the global demand for oil and natural gas. The increase in domestic vaccination programs have helped reduce the spread of COVID-19 in 2021, which has contributed to an improvement in the economy and higher realized prices for commodities in the first quarter of 2021. The realized price of oil averaged \$56.95 per Bbl in the first quarter of 2021 compared to an average \$43.77 per Bbl in the prior year quarter. The realized price of gas averaged \$2.91 per Mcf in the first quarter of 2021 compared to an average of \$1.57 per Mcf in the prior year quarter, and the realized price of NGLs averaged \$28.31 per Bbl in the first quarter of 2021 compared to an average \$10.89 per Bbl in the prior year quarter.

#### *Other Operating Revenues*

Other operating revenues are related to plant and pipeline revenues. We reported \$0.2 million of other operating revenues specifically related to the properties acquired in the Mid-Con Acquisition during the three months ended March 31, 2021. We did not report any other operating revenues during the prior year period.

#### *Operating Expenses*

Operating expenses for the three months ended March 31, 2021 were approximately \$27.5 million, or \$15.50 per Boe, compared to \$19.3 million, or \$11.20 per Boe, for the three months ended March 31, 2020. The table below provides additional detail of operating expenses for the three month periods:

|                                   | <b>Three Months Ended March 31,</b> |                  |                       |                  |
|-----------------------------------|-------------------------------------|------------------|-----------------------|------------------|
|                                   | <b>2021</b>                         |                  | <b>2020</b>           |                  |
|                                   | <b>(in thousands)</b>               | <b>(per Boe)</b> | <b>(in thousands)</b> | <b>(per Boe)</b> |
| Lease operating expenses          | \$ 16,493                           | \$ 9.30          | \$ 10,825             | \$ 6.29          |
| Production & ad valorem taxes     | 3,541                               | 2.00             | 1,746                 | 1.02             |
| Transportation & processing costs | 5,776                               | 3.26             | 5,552                 | 3.23             |
| Workover costs                    | 1,375                               | 0.78             | 1,134                 | 0.66             |
| Other operating expenses          | 293                                 | 0.16             | —                     | —                |
| Total operating expenses          | <u>\$ 27,478</u>                    | <u>15.50</u>     | <u>\$ 19,257</u>      | <u>\$ 11.20</u>  |

Lease operating expenses (“LOE”) were \$16.5 million and \$10.8 million for the three months ended March 31, 2021 and March 31, 2020, respectively. The LOE related to the properties acquired in the Mid-Con Acquisition was approximately \$4.5 million or \$23.56 per Boe, and the LOE related to the properties acquired in the Silvertip Acquisition was approximately \$3.8 million or \$10.81 per Boe in the first quarter of 2021, which is the primary reason for the increase in LOE expense and rate per Boe in the current year quarter compared to the prior year quarter.

Transportation and processing costs were approximately \$5.8 million compared to \$5.6 million for the three months ended March 31, 2021 and 2020, respectively, a slight increase despite the additional acquired properties, as gas sales were a lower percentage of production in the first quarter of 2021 due to the harsh weather conditions and related downtime created by the winter storms in February 2021.

[Table of Contents](#)

Production and ad valorem taxes were \$3.5 million and \$1.7 million for the three months ended March 31, 2021 and March 31, 2020, respectively. The expense related to the properties acquired in the Mid-Con Acquisition was approximately \$0.9 million or \$4.72 per Boe, and the expense related to the properties acquired in the Silvertip Acquisition was approximately \$0.9 million or \$2.48 per Boe, both of which contributed to the increase in production and ad valorem tax expense and rate per Boe in the current year quarter compared to the prior year quarter.

Other operating expenses are related to plant and pipeline expenses. We reported \$0.3 million of other operating expenses specifically related to the properties acquired in the Mid-Con Acquisition during the three months ended March 31, 2021. We did not report any other operating expenses during the prior year period.

#### *Depreciation, Depletion and Amortization*

Depreciation, depletion and amortization expense for the three months ended March 31, 2021, was approximately \$9.1 million, or \$5.16 per Boe. This compares to approximately \$12.9 million, or \$7.47 per Boe, for the three months ended March 31, 2020. The lower depletion expense and rate per Boe for the three months ended March 31, 2021 were a result of lower depletable property balances attributable to the proved property impairments recorded during the first and fourth quarters of 2020, partially offset by depletion expense associated with the properties from the Mid-Con Acquisition and the Silvertip Acquisition.

#### *Impairment and Abandonment Expenses*

No impairment was recorded during the three months ended March 31, 2021. During the three months ended March 31, 2020, we recorded a \$143.3 million non-cash charge for proved property impairment of our onshore properties as a result of the dramatic decline in commodity prices, the "PV-10" (present value, discounted at a 10% rate) of our proved reserves, and the associated change in our then forecasted development plans for proved, undeveloped locations. We also recorded a \$2.6 million non-cash charge for unproved impairment expense during the three months ended March 31, 2020, related to acquired leases in our Midcontinent region which were expiring in 2020.

#### *General and Administrative Expenses*

Total general and administrative expenses for the three months ended March 31, 2021 were approximately \$11.4 million, compared to \$7.7 million for the three months ended March 31, 2020, with the current year increase primarily related to the Mid-Con Acquisition and the related additional expenses.

The table below provides additional detail of general and administrative expenses for the comparative three month periods:

|  | Three Months Ended March 31, |                 |
|--|------------------------------|-----------------|
|  | 2021                         | 2020            |
|  | (in thousands)               |                 |
| Wages and employee benefits <sup>(1)</sup>       | \$ 4,464                     | \$ 2,568        |
| Non-cash stock-based compensation <sup>(2)</sup> | 1,779                        | 350             |
| Professional fees <sup>(3)</sup>                 | 1,314                        | 1,616           |
| Professional fees - special <sup>(4)</sup>       | 1,846                        | 783             |
| Recouped overhead <sup>(5)</sup>                 | (1,162)                      | (681)           |
| Other <sup>(6)</sup>                             | 3,118                        | 3,015           |
| Total general and administrative expenses        | <u>\$ 11,359</u>             | <u>\$ 7,651</u> |

- (1) Higher wages and employee benefits during the three months ended March 31, 2021 due to additional employees acquired by the Company in connection with the Mid-Con Acquisition.
- (2) Higher stock-based compensation expense for the three months ended March 31, 2021 due to an increase in the number of PSUs granted in the third quarter of 2020, compared to previous grants, and the related increase in expense.
- (3) Primarily includes fees related to recurring legal counsel, technical consultants and accounting and auditing costs.
- (4) Non-recurring fees incurred in conjunction with our pursuit of strategic initiatives, including the integration of the White Star and Will Energy assets acquired during the three months ended March 31, 2020 and the integration of the assets acquired in the Mid-Con Acquisition and the Silvertip Acquisition during the three months ended March 31, 2021. See Item 1. Note 3 – "Acquisitions" for further details.
- (5) These credits relate to overhead expenses we are able to bill out to partners in our operated properties and offset against our other general and administrative costs. The increase in the current year credit is due to the additional overhead related to the acquired properties.

(6) Includes fees related to insurance, office costs and other company expenses.

#### *Gain (Loss) on Derivatives*

During the three months ended March 31, 2021, we recorded a loss on derivatives of \$16.0 million. Of this amount, \$13.6 million was a non-cash reduction in the mark-to-market value of our hedges as commodity prices improved during the first quarter of 2021, and \$2.4 million were realized losses during the first quarter of 2021. During the three months ended March 31, 2020, we recorded a gain on derivatives of \$46.7 million. Of this amount, \$5.3 million were realized gains, and \$41.4 million were non-cash mark-to-market gains.

#### **Capital Resources and Liquidity**

Our primary cash requirements are for capital expenditures, working capital, operating expenses, acquisitions and principal and interest payments on indebtedness. Our primary sources of immediate liquidity are cash generated by operations, net of the realized effect of our hedging agreements, and amounts available to be drawn under our Credit Agreement (as defined below).

#### *Cash Provided by (Used in) Operating Activities*

Cash flows provided by operating activities were approximately \$30.7 million for the three months ended March 31, 2021 compared to cash flows used in operating activities of \$0.2 million for the same period in 2020. The table below provides additional detail of cash flows from operating activities for the three months ended March 31, 2021 and 2020:

|  | <b>Three Months Ended March 31,</b> |                 |
|--|-------------------------------------|-----------------|
|  | <b>2021</b>                         | <b>2020</b>     |
|  | <b>(in thousands)</b>               |                 |
| Cash flows from operating activities, exclusive of changes in working capital accounts | \$ 20,229                           | \$ 12,300       |
| Changes in operating assets and liabilities  | 10,511                              | (12,548)        |
| Net cash provided by (used in) operating activities                                    | <u>\$ 30,740</u>                    | <u>\$ (248)</u> |

#### *Cash Used in Investing Activities*

Net cash flows used in investing activities were \$119.5 million for the three months ended March 31, 2021, compared to cash flows used in investing activities of \$9.5 million for the three months ended March 31, 2020. The 2021 activity is primarily related to the Mid-Con Acquisition and the Silvertip Acquisition, as discussed below.

On January 21, 2021, we closed on the Mid-Con Acquisition and issued a total of 25,409,164 shares of Contango common stock and paid all outstanding borrowings of Mid-Con's existing credit facility for \$68.7 million. See Item 1. Note 3 – "Acquisitions" for further details.

On February 1, 2021, we closed on the Silvertip Acquisition. In connection with the execution of the purchase agreement during the fourth quarter of 2020, we paid a \$7.0 million as a deposit for the Company's obligations. A balance of \$46.2 million was paid upon closing, after customary closing adjustments, including the results of operations during the period between the effective date of August 1, 2020 and the closing date. See Item 1. Note 3 – "Acquisitions" for further details.

During the three months ended March 31, 2021, we incurred capital expenditures of approximately \$1.6 million primarily related to redevelopment activities of newly acquired properties in our Midcontinent region. The capital expenditures in the prior year quarter primarily related to leasehold and drilling costs in the Permian Basin in West Texas.

Our 2021 planned capital expenditure budget has increased to \$24 - \$27 million from previous guidance of \$13 - \$16 million for recompletions, facility upgrades, redevelopment activities, waterflood development and select drilling in West Texas (expected 1.5 net locations, 3 gross locations), among other things. The increase in planned capital expenditures reflects, in part, development opportunities in our recently acquired properties as part of the Mid-Con Acquisition and the Silvertip Acquisition, coupled with recent strength in crude oil prices. The capital expenditure program will continue to be evaluated for revision throughout the year. We believe that we will have the financial resources to increase the currently planned 2021 capital expenditure budget, when and if deemed appropriate, including as a result of changes in commodity prices, economic conditions or operational factors.

### *Cash Provided by Financing Activities*

Cash flows provided by financing activities for the three months ended March 31, 2021 and 2020 were approximately \$89.0 million and \$9.8 million, respectively, and primarily related to net payments under our Credit Agreement (as defined below).

In 2020, we entered into an Open Market Sale Agreement (the “Sale Agreement”) with Jefferies LLC (the “Sales Agent”). Pursuant to the terms of the Sale Agreement, we may sell, from time to time through the Sales Agent in the open market, subject to satisfaction of certain conditions, shares of our common stock having an aggregate offering price of up to \$100,000,000 (the “ATM Program”). We intend to use the net proceeds from any sales through the ATM Program, after deducting the Sales Agent’s commission and any offering expenses, to repay borrowings under our Credit Agreement (as defined below) and for general corporate purposes, including, but not limited to, acquisitions and exploratory drilling. Under the Sale Agreement, we sold 117,000 shares for net proceeds of \$0.5 million during the three months ended March 31, 2021.

We believe that our internally generated cash flow and availability under our Credit Agreement (as defined below) will be sufficient to meet the liquidity requirements necessary to fund our daily operations and planned capital development and to meet our debt service requirements for the next twelve months. Our ability to execute on our growth strategy will be determined, in large part, by our cash flow and the availability of debt and equity capital at that time. Any decision regarding a financing transaction, and our ability to complete such a transaction, will depend on prevailing market conditions and other factors.

### *Credit Agreement*

On September 17, 2019, we entered into a new revolving credit agreement with JPMorgan Chase Bank and other lenders (as amended, the “Credit Agreement”), which established a borrowing base of \$65 million. The Credit Agreement was thereafter amended to add additional banks to the lender group, to provide for certain modifications to the Company’s minimum hedging covenants, cash requirements and financial covenants and adjust the borrowing base pursuant to the regularly scheduled semi-annual redetermination process. The semi-annual redeterminations will occur on or around May 1<sup>st</sup> and November 1<sup>st</sup> of each year. Upon the close of the Mid-Con Acquisition on January 21, 2021, the Company’s borrowing base increased to \$130.0 million with an automatic \$10.0 million stepdown in the borrowing base on March 31, 2021. The Company’s borrowing base was \$120.0 million as of March 31, 2021. See Item 1. Note 10 – “Long-Term Debt” for more information. The semi-annual redetermination occurred in May 2021, as regularly scheduled, and resulted in the Fifth Amendment to the Credit Agreement, as discussed below.

The Credit Agreement matures on September 17, 2024. The Credit Agreement contains customary and typical restrictive covenants. The Second Amendment included a waiver of the Current Ratio requirement of greater than or equal to 1.0:1:0 and the Leverage Ratio of less than or equal to 3.5:1:0, both as defined in the Credit Agreement, until the quarter ending March 31, 2022. However, the Fifth Amendment (as defined below), reinstates the Current Ratio and Leverage Ratio requirements beginning in the second quarter of 2021 and reduces the Leverage Ratio to less than or equal to 3.25:1.0. As of March 31, 2021, we were in compliance with all financial covenants under the Credit Agreement.

The borrowing outstanding under the Credit Agreement was \$98.6 million as of March 31, 2021, and we had \$2.9 million in outstanding letters of credit. The borrowing availability under the Credit Agreement was \$18.5 million as of March 31, 2021.

On May 3, 2021, we entered into the Fifth Amendment to the Credit Agreement (the “Fifth Amendment”) which provides for, among other things, an increase in the Company’s borrowing base from \$120.0 million to \$250.0 million, effective May 3, 2021, expands the bank group from nine to eleven banks and includes less restrictive hedge requirements and certain modifications to the financial covenants. See Item 1. Note 13 – “Subsequent Events” for further details. Adjusted for the borrowing base increase to \$250.0 million, effective on May 3, 2021, we had approximately \$86.7 million outstanding under the Credit Agreement and \$2.9 million in outstanding letters of credit, with borrowing availability of \$160.4 million as of April 30, 2021.

### *Paycheck Protection Program Loan*

On April 10, 2020, we entered into a promissory note evidencing an unsecured loan in the amount of approximately \$3.4 million (the “PPP Loan”) made to the Company under the Paycheck Protection Program (the “PPP”). The PPP was established under the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”), signed into law on March 27, 2020, and is administered by the U.S. Small Business Administration. The PPP Loan to the Company is being made through JPMorgan Chase Bank, N.A and is included in “Long-Term Debt” on the Company’s consolidated balance sheet.

The PPP Loan matures on the two-year anniversary of the funding date and bears interest at a fixed rate of 1.00% per annum. Monthly principal and interest payments, less the amount of any potential forgiveness (discussed below), will commence after the six-month anniversary of the funding date. The promissory note evidencing the PPP Loan provides for customary events of default, including, among others, those relating to failure to make payment, bankruptcy, breaches of representations and material adverse effects. We may prepay the principal of the PPP Loan at any time without incurring any prepayment charges.

Under the terms of the CARES Act, PPP loan recipients can apply for and be granted forgiveness for all or a portion of the loans granted under the PPP, subject to an audit. Under the CARES Act, loan forgiveness is available, subject to limitations, for the sum of documented payroll costs, covered mortgage interest payments, covered rent payments and covered utilities during either: (1) the eight-week period beginning on the funding date; or (2) the 24-week period beginning on the funding date. Forgiveness is reduced if full-time employee headcount declines, or if salaries and wages for employees with salaries of \$100,000 or less annually are reduced by more than 25%. We utilized the PPP Loan amount for qualifying expenses during the 24-week coverage period, and on September 30, 2020, submitted our application for forgiveness of all of the PPP Loan in accordance with the terms of the CARES Act and related guidance. We are currently waiting on a response from the Small Business Administration to our application for forgiveness. In the event the PPP Loan or any portion thereof is forgiven, the amount forgiven is applied to the outstanding principal.

### **Application of Critical Accounting Policies and Management’s Estimates**

Significant accounting policies that we employ and information about the nature of our most critical accounting estimates, our assumptions or approach used and the effects of hypothetical changes in the material assumptions used to develop each estimate are presented in Item 1. Note 2 to our Financial Statements – “Summary of Significant Accounting Policies” of this report and in Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations – “Application of Critical Accounting Policies and Management’s Estimates” in our 2020 Form 10-K.

### **Recent Accounting Pronouncements**

For a discussion of recent accounting pronouncements, see Item 1. Note 2 to our Financial Statements – “Summary of Significant Accounting Policies.”

### **Off Balance Sheet Arrangements**

We may enter into off balance sheet arrangements that can give rise to off-balance sheet obligations. As of March 31, 2021, our off balance sheet arrangements consisted of delay rentals, surface damage payments and rental payments associated with salt water disposal contracts, as discussed in our 2020 Form 10-K.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

As a “smaller reporting company”, we are not required to provide the information required by this Item.

### **Item 4. Controls and Procedures**

#### *Evaluation of Disclosure Controls and Procedures*

Our management, with the participation of our Chief Executive Officer and our Chief Financial and Accounting Officer, evaluated the effectiveness of the Company’s “disclosure controls and procedures” as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as of March 31, 2021. Based upon that

evaluation, our Chief Executive Officer and our Chief Financial and Accounting Officer concluded that, as of March 31, 2021, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and to ensure that the information required to be disclosed by us in reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial and Accounting Officer, as appropriate, to allow timely decisions regarding required disclosure.

#### *Changes in Internal Control Over Financial Reporting*

The Company is in the process of integrating the accounting for the operating results of the assets acquired in the Mid-Con Acquisition and the Silvertip Acquisition into the Company's internal control structure over financial reporting, and in conjunction with that process, and where deemed appropriate or necessary, has incorporated controls similar to Company controls currently existing. As a result of these integration activities, certain controls have been evaluated and revised where deemed appropriate. Other than such changes, there was no change in our internal control over financial reporting during the three months ended March 31, 2021 that materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## **PART II—OTHER INFORMATION**

### **Item 1. Legal Proceedings**

For a discussion of legal proceedings, see Item 1. Note 12 to our Financial Statements – “Commitments and Contingencies.”

### **Item 1A. Risk Factors**

There have been no material changes from the risk factors disclosed in Item 1A. of Part 1 of our 2020 Form 10-K.

### **Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The Company withheld the following shares from employees during the quarter ended March 31, 2021 for the payment of taxes due on shares of restricted stock that vested and were issued under its stock-based compensation plans:

| <b>Period</b> | <b>Total Number of Shares Withheld</b> | <b>Average Price Per Share</b> | <b>Total Number of Shares Purchased as Part of Publicly Announced Program</b> | <b>Approximate Dollar Value of Shares that May Yet be Purchased Under Program</b> |
|---------------|--|--------------------------------|---|---|
| January 2021  | —                                      | \$ —                           | —   | \$ —  |
| February 2021 | —                                      | \$ —                           | —   | \$ —  |
| March 2021    | 33,587                                 | \$ 4.95                        | —   | \$ —  |
| Total         | 33,587                                 | \$ 4.95                        | —   | \$ 31.8 million <sup>(1)</sup>  |

(1) In September 2011, the Company's board of directors approved a \$50 million share repurchase program. All shares are to be purchased in the open market from time to time by the Company or through privately negotiated transactions. The purchases are subject to market conditions and certain volume, pricing and timing restrictions to minimize the impact of the purchases upon the market. The program does not have an expiration date. No shares were purchased for the quarter ended March 31, 2021. As of March 31, 2021, the Company has \$31.8 million available under its share repurchase program, however, those repurchases could be limited by provisions of the Company's Credit Agreement.

### **Item 3. Defaults upon Senior Securities**

None.

### **Item 4. Mine Safety Disclosures**

Not applicable.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

| <b>Exhibit Number</b> | <b>Description</b>   |
|-----------------------|--|
| 3.1                   | <a href="#">Amended and Restated Certificate of Formation of Contango Oil &amp; Gas Company (filed as Exhibit 3.3 to the Company's Report on Form 8-K dated June 14, 2019, as filed with the Securities and Exchange Commission on June 14, 2019 and incorporated by reference herein).</a>  |
| 3.2                   | <a href="#">Bylaws of Contango Oil &amp; Gas Company (filed as Exhibit 3.4 to the Company's Report on Form 8-K dated June 14, 2019, as filed with the Securities and Exchange Commission on June 14, 2019 and incorporated by reference herein).</a>   |
| 3.3                   | <a href="#">Certificate of Amendment to the Amended and Restated Certificate of Formation of Contango Oil &amp; Gas Company, dated June 10, 2020 (filed as Exhibit 3.1 to the Company's Report on Form 8-K dated June 11, 2020, as filed with the Securities and Exchange Commission on June 11, 2020 and incorporated by reference herein).</a>   |
| 10.1                  | <a href="#">Fourth Amendment to Credit Agreement, dated January 21, 2021, by and among Contango Oil &amp; Gas Company, JPMorgan Chase Bank, N.A., as Administrative Agent, and the Lenders Signatory hereto (filed as Exhibit 10.22 to the Company's Report on Form 10-K dated March 10, 2021, as filed with the Securities and Exchange Commission on March 10, 2021 and incorporated by reference herein).</a> |
| 10.2                  | <a href="#">Fifth Amendment to Credit Agreement, dated May 3, 2021, by and among Contango Oil &amp; Gas Company, JPMorgan Chase Bank, N.A., as Administrative Agent, and the Lenders Signatory hereto (filed as Exhibit 10.1 to the Company's Report on Form 8-K dated May 3, 2021, as filed with the Securities and Exchange Commission on May 4, 2021 and incorporated by reference herein).</a>               |
| 10.3*                 | <a href="#">Form of Contango Oil and Gas Company Restricted Stock Award Agreement.</a> †   |
| 10.4*                 | <a href="#">Form of Contango Oil and Gas Company Performance Stock Unit Award Agreement.</a> †   |
| 10.5*                 | <a href="#">Contango Oil and Gas Company Change in Control Severance Plan.</a> †   |
| 10.6*                 | <a href="#">Contango Oil and Gas Company Executive Severance Plan.</a> †   |
| 31.1                  | <a href="#">Certification of Chief Executive Officer required by Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934.</a> †  |
| 31.2                  | <a href="#">Certification of Chief Financial Officer required by Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934.</a> †  |
| 32.1                  | <a href="#">Certification of Chief Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a> ††  |
| 32.2                  | <a href="#">Certification of Chief Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a> ††  |
| 101                   | Interactive Data Files †   |

\* Indicates a management contract or compensatory plan or arrangement

† Filed herewith.

†† Furnished herewith.



**CONTANGO OIL & GAS COMPANY**

**RESTRICTED STOCK AWARD AGREEMENT**

This Stock Award Agreement (this “Agreement”) is made as of **[[GRANTDATE]]** (the “Effective Date”), by and between Contango Oil & Gas Company, a Delaware corporation (the “Company” or “MCF”), and **[[FIRSTNAME]] [[LASTNAME]]** (the “Participant”). Unless otherwise defined herein, capitalized terms used in this Agreement shall have the same meaning ascribed to them in the Second Amended and Restated 2009 Incentive Compensation Plan, as adopted (as the same may be further amended, restated or otherwise modified from time to time, (the “Plan”)).

WHEREAS, the Participant is an Employee, and the Participant’s continued participation is considered by the Company to be important for the Company’s continued growth; and

WHEREAS, the Board has determined that the Company shall make certain Grants to the Participant under the Plan, in furtherance of the purposes of the Plan of strengthening the desire of Employees to continue their employment with the Company and by securing other benefits for the Company;

WHEREAS, this Agreement shall represent the Grant of a Stock Award (referred to herein as “Restricted Stock” or “Award”);

WHEREAS, the Company desires to confirm the Grants and to set forth the terms and conditions of such Grants, and the Participant desires to accept such Grants and agree to the terms and conditions thereof, as set forth in this Agreement;

NOW THEREFORE, in consideration of the mutual covenants contained herein, the parties hereto agree as follows:

**Part I: Grant of Time-Based Restricted Stock Award**

- 1) Grant of Restricted Stock. The Company hereby confirms a Grant, under and pursuant to the Plan, to the Participant as of the Effective Date of **[[SHARESGRANTED]]** shares of Restricted Stock (the “Restricted Stock”) in consideration for the services which the Participant is to render the Company over the vesting period set forth in Section 2 of this Agreement. The Restricted Stock is subject to all of the terms and conditions set forth in this Agreement and the Plan.
  - 2) Vesting: Except as set forth in Section 5 below, provided Participant continues to provide continuous service as an employee of the Company, the Restricted Stock will vest as follows:

|   |     |
|---|-----|
| First anniversary of the date of grant  | 33% |
| Second anniversary of the date of grant | 33% |
| Third anniversary of the date of grant  | 34% |
  - 3) Participant’s Rights. Subject to the terms hereof, the Participant shall have all of the rights of a shareholder with respect to the Restricted Stock while they are held in escrow (or held in book-entry
-

form with the Company's transfer agent), including without limitation, the right to vote the Company Stock and to receive any cash dividends declared thereon. All cash dividends shall be subject to the same vesting terms as the underlying Restricted Stock to which they relate (as well as forfeiture provisions, if applicable), and shall be paid to the Participant at the same time as the related shares of Restricted Stock are settled in accordance with Section 6 below, but in no event later than thirty (30) days following the vesting date for the related shares of Restricted Stock. For purposes of clarity, if Restricted Stock is forfeited by the Participant, then the Participant shall also forfeit the dividends accrued with respect to such Restricted Stock.

4) Restrictions; Forfeiture. The Restricted Stock are restricted in that they may not be sold, transferred or otherwise alienated or hypothecated until these restrictions are removed or expire as contemplated within this Agreement. The Restricted Stock are also restricted in the sense that they may be forfeited to the Company. Participant hereby agrees that if the Restricted Stock are forfeited pursuant to this Agreement the Company shall have the right to deliver the Restricted Stock to the Company's transfer agent for, at the Company's election, cancellation or transfer to the Company.

5) Separation from Service.

a) For Cause or Voluntary Termination. In the event Participant's employment is terminated by the Company for Cause or by the Participant's voluntary resignation for any reason, the Participant shall forfeit any or all of the shares of the Restricted Stock which have not vested, and the Participant shall have no further rights with respect to the Award. For purposes hereof, "Cause" means (i) if Participant is a party to an employment or service agreement or employment policy manual with the Company or its affiliates and such agreement or policy manual provides for a definition of Cause, the definition of Cause as set forth therein, and (ii) if Participant is not party to an agreement or policy described in clause (i), (A) the commission of, or plea of guilty or no contest to, a felony or a crime involving moral turpitude or the commission of any other act involving willful malfeasance or material fiduciary breach with respect to the Company or an affiliate, (B) conduct tending to bring the Company or an affiliate into substantial public disgrace, or disrepute, or (C) gross negligence or willful misconduct with respect to the Company or an affiliate. The Plan administrator, in its absolute discretion, shall determine the effect of all matters and questions relating to whether a Participant has been discharged for Cause.

b) Without Cause. In the event Participant's employment is terminated by the Company without Cause and not within the Protection Period (defined below), for purposes of determining vesting under this Section 5(b), vesting of Participant's Restricted Stock shall be pro-rata accelerated and a portion of the shares of Restricted Stock subject to this agreement shall become immediately vested, with pro-rata acceleration calculated by multiplying the number of outstanding shares of Restricted Stock by a fraction, the numerator of which will be the number of full calendar months during the applicable vesting period that Participant was actively employed by the Company, plus one, and the denominator of which is the number of full calendar months within the applicable vesting period. Upon a termination of employment by the Company without Cause and not within the Protection Period, the Participant shall forfeit any or all of the shares of the Restricted Stock which have not vested after taking into account the vesting acceleration described in this paragraph, and the Participant shall have no further rights with respect to the Award.

In the event Participant's employment is terminated by the Company without Cause during the Protection Period (defined below), vesting shall be accelerated and the shares of Restricted Stock subject to this agreement shall become immediately vested in full.

---

The "Protection Period" is defined as the period of time that begins on the date that a Change of Control transaction is consummated, and ends on the last day of the twelfth month immediately following the consummation of the Change of Control transaction.

- c) Death and Disability. In the event Participant's employment is terminated on account of Participant's death or Disability (defined below), for purposes of determining vesting under this Section 5(c), Participant shall be deemed to continue employment through the date that is the anniversary of the date of grant of the Restricted Stock awarded under this Agreement coincident with or next following the date of such termination and vesting of the shares of Restricted Stock that would have vested on such anniversary shall be accelerated and shall become immediately vested at termination. As used herein, "Disability" means that the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment. The determination of whether an individual has a Disability shall be determined under procedures established by the Plan administrator. The Plan administrator may rely on any determination that a Participant is disabled for purposes of benefits under any long-term disability plan maintained by the Company or any affiliate in which a Participant participates. Upon a termination of employment on account of Participant's death or Disability, the Participant shall forfeit any or all of the shares of the Restricted Stock which have not vested after taking into account the vesting acceleration described in this paragraph, and the Participant shall have no further rights with respect to the Award.
  - 6) Delivery of Stock. Promptly following the expiration of the restrictions on the Restricted Stock as contemplated by this Agreement, the Company shall cause to be issued and delivered to Participant a certificate or other evidence of the number of Restricted Stock as to which restrictions have lapsed, free of any restrictive legend relating to the lapsed restrictions, upon receipt by the Company of any tax withholding as may be requested pursuant to this Agreement. The value of such Restricted Stock shall not bear any interest owing to the passage of time.
  - 7) Tax Elections for Restricted Stock. The Participant understands that under Section 83 of the Code, the difference between the purchase price, if any, paid for the shares of Restricted Stock subject to this Agreement and the fair market value on the date the forfeiture restrictions applicable to such shares lapse will be reportable as ordinary income at that time. The Participant understands that the Participant may elect to be taxed at the time the shares of Restricted Stock are acquired to the extent the fair market value of those shares of Restricted Stock exceeds the purchase price, if any, paid for the shares, rather than when and as such shares of Restricted Stock cease to be subject to forfeiture restrictions, by filing an election under Section 83(b) of the Code with the Internal Revenue Service within thirty (30) days after the date of acquisition of the Restricted Stock. The form for making this election is attached hereto as Exhibit A. Participant understands that failure to make this filing within the thirty (30) day period will result in the recognition of ordinary income by the Participant as the forfeiture restrictions lapse.
    - a) In the event that the Participant files, under Section 83(b) of the Code, an election to be taxed on his receipt of the Restricted Stock as the receipt of ordinary income at the date of grant of the Restricted Stock, the Participant shall at the time of such filing notify the Company of the making of such election and furnish a copy of the notice to the Company.
    - b) THE PARTICIPANT ACKNOWLEDGES THAT IT IS PARTICIPANT'S SOLE RESPONSIBILITY, AND NOT THE COMPANY'S, TO FILE A TIMELY ELECTION UNDER SECTION 83(b), EVEN IF PARTICIPANT REQUESTS THE COMPANY OR ITS REPRESENTATIVES TO MAKE THIS FILING ON PARTICIPANT'S BEHALF. PARTICIPANT IS RELYING SOLELY ON PARTICIPANT'S ADVISORS WITH RESPECT TO THE DECISION AS TO WHETHER OR NOT TO FILE AN 83(b) ELECTION.
-

## Part II: Provisions Applicable to the Award

- 8) Restriction on Transfer. Except for the transfer of the shares subject to this Agreement to the Company or its assignees contemplated by this Agreement, no portion of the Award or any beneficial interest therein shall be transferred, encumbered or otherwise disposed of in any way until such shares subject to this Agreement vest and are thereby released from all forfeiture provisions in accordance with the provisions of this Agreement.
- 9) Tax Withholding. The Company may require the Participant to pay to the Company (or the Company's subsidiary if the Participant is an employee of a subsidiary of the Company), an amount the Company deems necessary to satisfy its (or its subsidiary's) current or future obligation to withhold federal, state or local income or other taxes that the Participant incurs as a result of the Award. With respect to any required tax withholding, the Participant may (a) direct the Company to withhold from the shares of Company Stock to be issued to the Participant under this Agreement the number of shares necessary to satisfy the Company's obligation to withhold taxes; which determination will be based on the shares' Fair Market Value at the time such determination is made; (b) deliver to the Company shares of Company Stock sufficient to satisfy the Company's tax withholding obligations, based on the shares' Fair Market Value at the time such determination is made; or (c) deliver cash to the Company sufficient to satisfy its tax withholding obligations. If the Participant desires to elect to use the stock withholding option described in subparagraph (a), the Participant must make the election at the time and in the manner the Company prescribes. In the event the Company determines that the aggregate Fair Market Value of the shares of Stock withheld as payment of any tax withholding obligation is insufficient to discharge that tax withholding obligation, then the Participant must pay to the Company, in cash, the amount of that deficiency immediately upon the Company's request.
- 10) Investor Representations. Participant represents that he/she is acquiring the Award for his/her own account for investment and has no present intent to resell or distribute all or any portion of the Award. Participant agrees that any Company Stock received pursuant to this Agreement will be sold or otherwise disposed of only in accordance with applicable federal and state statutes, rules and regulations.
- 11) Legends. The share certificate evidencing the Company Stock, if any, issued hereunder shall be endorsed with the following legend (in addition to any legend required under applicable state securities laws):
- THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO CERTAIN RESTRICTIONS UPON TRANSFER AND FORFEITURE PROVISIONS AS SET FORTH IN THAT CERTAIN RESTRICTED STOCK AWARD AGREEMENT BETWEEN THE COMPANY AND THE PARTICIPANT, AS THE SAME MAY BE AMENDED FROM TIME TO TIME, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY, AND, WITHOUT LIMITING THE GENERALITY OF THE FOREGOING, NO SALE, ASSIGNMENT, TRANSFER OR OTHER DISPOSITION OF THESE SHARES SHALL BE VALID OR EFFECTIVE UNLESS MADE IN COMPLIANCE WITH ALL OF THE TERMS AND CONDITIONS OF SUCH AGREEMENT.
- 12) Adjustment for Stock Split. All references to the number of shares of the Award in this Agreement shall be appropriately adjusted to reflect any stock split, stock dividend or other change in the shares that may be made by the Company after the date of this Agreement as set forth in Section 17 of the Plan.
-

- 13) Cash in Lieu. At the sole discretion of the Compensation Committee of the Company's Board of Directors, upon the vesting of any portion of the Restricted Stock, the Compensation Committee of the Company's Board of Directors may make a cash payment to the Participant in an amount equal to the fair market value of the number of shares that would have otherwise been issued upon such vesting, net of any applicable taxes.
- 14) No Guarantee of Employment. Nothing contained in this Agreement shall be deemed to require the Company to maintain the Participant's status as an Employee. Except as may be provided in a written employment contract executed by a duly authorized officer of the Company and approved by the Committee or the Board, the Participant shall at all times be an employee-at-will of the Company and the Company may discharge the Participant at any time for any reason, with or without cause, and with or without severance compensation.
- 15) Indemnification. The Participant agrees to hold harmless and indemnify the Company for any and all liabilities resulting to it through violation by the Participant of the warranties and representations made by the Participant in, and other provisions of, this Agreement.
- 16) Securities Laws. Participant represents and warrants that Participant understands that Rule 144 promulgated under the Securities Act of 1933 (the "Securities Act") may indefinitely restrict transfer of an Award so long as Participant remains an "affiliate" of the Company or if "current public information" about the Company (as defined in Rule 144) is not publicly available. Notwithstanding any provision of this Agreement to the contrary, the issuance of Company Stock will be subject to compliance with all applicable requirements of federal, state, or foreign law with respect to such securities and with the requirements of any stock exchange or market system upon which the Stock may then be listed. No Company Stock will be issued hereunder if such issuance would constitute a violation of any applicable federal, state, or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Company Stock may then be listed. In addition, Company Stock will not be issued hereunder unless (a) a registration statement under the Securities Act is, at the time of issuance, in effect with respect to the shares issued or (b) in the opinion of legal counsel to the Company, the shares issued may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares subject to the Award will relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority has not been obtained. As a condition to any issuance hereunder, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect to such compliance as may be requested by the Company. From time to time, the Board of Directors and appropriate officers of the Company are authorized to take the actions necessary and appropriate to file required documents with governmental authorities, stock exchanges, and other appropriate persons to make shares of Company Stock available for issuance. The Participant agrees to take any action the Company reasonably deems necessary in order to comply with federal and state laws, or the rules and regulations of the National Association of Securities Dealers, Inc. (the "NASD") or any stock exchange or quotation system, or any other obligation of the Company or the Participant relating to the Award or this Agreement.
- 17) General Provisions.
- a) This Agreement shall be governed by the internal substantive laws, but not the choice of law rules, of Delaware.
-

- b) If any provision of this Agreement is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions hereof, but such provision shall be fully severable and this Agreement shall be construed and enforced as if the illegal or invalid provision had never been included herein.
  - c) Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery or upon deposit in the United States Post Office, by registered or certified mail with postage and fees prepaid, addressed to the Participant at his address shown on the Company's employment records and to the Company at the address of its principal corporate offices (attention: President) or at such other address as such party may designate by ten (10) days' advance written notice to the other party hereto.
    - i) Any notice to the Escrow Agent shall be sent to the Company's address with a copy to the other party hereto.
  - d) The rights of the Company under this Agreement shall be transferable to any one or more persons or entities, and all covenants and agreements hereunder shall inure to the benefit of, and be enforceable by the Company's successors and assigns. The rights and obligations of the Participant under this Agreement may not be assigned; however, such rights and obligations shall inure to the benefit of, and be binding upon, the heirs, executors, or administrators of the Participant's estate.
  - e) Either party's failure to enforce any provision of this Agreement shall not in any way be construed as a waiver of any such provision, nor prevent that party from thereafter enforcing any other provision of this Agreement. The rights granted both parties hereunder are cumulative and shall not constitute a waiver of either party's right to assert any other legal remedy available to it.
  - f) The Participant agrees upon request to execute any further documents or instruments necessary or desirable to carry out the purposes or intent of this Agreement.
  - g) The Award has been granted to the Participant under the Plan, a copy of which has been previously provided to the Participant. All of the terms, conditions, and other provisions of the Plan are hereby incorporated by reference into this Agreement. If there is any conflict between the provisions of this Agreement and the provisions of the Plan, the provisions of the Plan shall govern. The Participant hereby acknowledges such prior receipt of a copy of the Plan and agrees to be bound by all the terms and provisions thereof (as presently in effect or hereafter amended), rules and regulations adopted from time to time thereunder, and by all decisions and determinations of the Board and the Committee made from time to time thereunder.
  - h) This Award shall be subject to any clawback or other recovery policy maintained by the Company and its subsidiaries, including, without limitation, any clawback policies required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the Sarbanes-Oxley Act of 2002, or any other applicable law. The Company may seek recovery of an Award to the fullest extent required by any such clawback policy.
  - i) The amounts payable pursuant to this Award are intended to comply with the short term deferral exception to Section 409A of the Code, set forth in Treasury Regulation § 1.409A-1(b)(4), or are intended to be exempt from Section 409A of the Code, and this Agreement shall be interpreted accordingly. However, to the extent that a Participant is a "specified employee" within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code as of the Participant's date of a separation from service (which, for purposes of this Agreement, shall have the meaning given such phrase within Section 409A of the Code) no amount that may constitute a deferral of
- 

[[SIGNATURE]]

compensation and is not otherwise exempt from Section 409A of the Code which is payable on account of the Participant's separation from service shall be paid to the Participant before the date (the "Delayed Payment Date") which is first day of the seventh month after the Participant's date of termination or, if earlier, the date of the Participant's death following such date of termination. All such amounts that would, but for this paragraph, become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date. No interest will be paid by the Company with respect to any such delayed payments. For purposes of Section 409A of the Code, each payment or amount due under this Plan shall be considered a separate payment.

- j) Captions in this Agreement are for convenience of reference only and shall not be considered in the construction hereof. Words used herein, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires. Any requirement of time made hereinabove shall be of the essence of this Agreement.
- k) This Agreement shall be binding upon the heirs, executors, administrators, and successors of the parties. This Agreement and the Plan constitute the entire agreement between the parties with respect to the Award, and supersede any prior agreements or documents with respect thereto. No amendment, alteration, suspension, discontinuation, or termination of this Agreement, which may impose any additional obligation upon the Company or materially impair the rights of Employee with respect to the Award, shall be valid unless in each instance such amendment, alteration, suspension, discontinuation, or termination is expressed in a written instrument duly executed in the name and on behalf of the Company and by the Participant.
- l) In the event of any conflict or inconsistency between the terms of this Agreement and the terms of an employment agreement between Participant and the Company, the terms of which have been approved by the Committee or the Board, the terms contained in such employment agreement shall govern and control.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first written above.

**PARTICIPANT**

\_\_\_\_\_  
[[FIRSTNAME]] [[LASTNAME]]

**CONTANGO OIL & GAS COMPANY**

By: /s/ E. JOSEPH GRADY  
Name: E. Joseph Grady  
Title: Senior Vice President and CFO

---

EXHIBIT A

FORM OF ELECTION UNDER SECTION 83(B)  
OF THE INTERNAL REVENUE TAX CODE

The undersigned hereby elects to include value of restricted property in gross income in the year of transfer pursuant to Section 83(b) of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder, with respect to the property described below and supplies the following information in accordance with the regulations promulgated thereunder:

1. **The name, address and taxpayer identification number of the undersigned are:**

Name: \_\_\_\_\_

Street: \_\_\_\_\_

City, State, Zip: \_\_\_\_\_

Taxpayer I.D. No.: \_\_\_\_\_

2. **Description of property with respect to which the election is being made:** \_\_\_\_\_ shares of common stock of Contango Oil & Gas Company, a Delaware corporation (the "Company") (EIN \_\_\_\_\_) (the "Common Stock").

3. **The date on which property was transferred -** \_\_\_\_\_.

The taxable year to which this election relates is calendar year \_\_\_\_\_

4. **The nature of the restriction(s) to which the property is subject is:** If the taxpayer terminates employment with the Company for certain situations prior to vesting in one or more of the shares of Common Stock, then those unvested shares will be forfeited. The shares of Common Stock will vest and cease to be subject to forfeiture in a series of three (3) successive equal annual installments upon the taxpayer's completion of each year of employment with the Company over the three (3)-year period measured from \_\_\_\_\_.

The Common Stock is subject to transfer restrictions in the taxpayer's hands by virtue of language to that effect stamped on the stock certificate.

5. **Fair market value:** The fair market value at time of transfer (determined without regard to any restrictions other than restrictions which by their terms will never lapse) of the Common Stock with respect to which this election is being made is \$\_\_\_\_\_ per share.

6. **Amount paid for property:** The taxpayer paid \$0 per share of Common Stock.

7. **Furnishing statement to employer:** A copy of this statement has been furnished to the Company.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Print Name: \_\_\_\_\_

---

**CONTANGO OIL & GAS COMPANY**

**PERFORMANCE STOCK UNIT AWARD AGREEMENT**

This Stock Award Agreement (this “Agreement”) is made as of [ ] (the “Effective Date”), by and between Contango Oil & Gas Company, a Texas corporation (the “Company” or “MCF”), and [ ] (the “Participant”). Unless otherwise defined herein, capitalized terms used in this Agreement shall have the same meaning ascribed to them in the Third Amended and Restated 2009 Incentive Compensation Plan, as adopted (as the same may be further amended, restated or otherwise modified from time to time, (the “Plan”)).

WHEREAS, the Participant is an Employee, and the Participant’s continued engagement is considered by the Company to be important for the Company’s continued growth; and

WHEREAS, the Board has determined that the Company shall make certain Grants to the Participant under the Plan, in furtherance of the purposes of the Plan of strengthening the desire of Employees to continue their employment with the Company and by securing other benefits for the Company;

WHEREAS, this Agreement shall represent the Grant of a Performance Stock Unit Award (referred to herein as “Performance Stock” or “Award”), which is an Other Stock-Based Award under the Plan;

WHEREAS, the Company desires to confirm the Award and to set forth the terms and conditions of such Award, and the Participant desires to accept such Award and agree to the terms and conditions thereof, as set forth in this Agreement;

NOW THEREFORE, in consideration of the mutual covenants contained herein, the parties hereto agree as follows:

**Part I: Grant of Performance Stock Unit Award**

- 1) Grant of Restricted Performance Stock Units. The Company hereby confirms a grant, under and pursuant to the Plan, to the Participant as of the Effective Date of [ ] Performance Stock Units that will conditionally vest based on the performance conditions noted below (the “Performance Stock”).
- 2) Performance Vesting Terms. The Performance Stock is conditionally granted as a target award (the “Target Award”) of which 0% to [ ]% of such Target Award may be earned based attainment on of the performance goals described below over the performance period (the “Performance Period” described below), and in consideration for the services which the Participant is to render the Company over the vesting period during the Performance Period. The Performance Stock is subject to all of the terms and conditions set forth in this Agreement and the Plan.
  - a) The Performance Period begins [ ] and ends [ ]. During this period, the Company’s Total Shareholder Return (“TSR”, as further defined below) will be measured against the TSR of the following 12 peer companies (the “Peer Companies”):

[ ]

---

- b) Any Peer Company filing for bankruptcy during the Performance Period shall be moved to the bottom of the group (i.e. -100% TSR). Any Peer Company that is acquired, merged, sells all or substantially all of its assets, ceases to be publicly traded or is otherwise involved in a transaction that makes it an improper comparison for the Company during the Performance Period shall be removed from the comparison group.
- c) At the end of the Performance Period, the TSR for MCF and each of the Peer Companies will be calculated and ranked highest to lowest, with a percentile rank assigned to each Peer Company, and associated payout as percentage of the Target Award granted as set forth in the table contained within section 2(d) (the "Payout as % of Target"). For performance ranks between those listed below, a proportionate fraction of the Payout as % of Target will be applied.

$$\text{TSR} = \frac{\text{End of Period Share Price }^{(1)} - \text{Beginning of Period Share Price }^{(2)} + \text{Dividends }^{(3)}}{\text{Beginning of Period Share Price }^{(2)}}$$

(1) Calculated as the twenty-day volume weighted average of the high and low stock price (VWAP) during the last twenty days of the Performance Period.

(2) \$[ ] Share Price

(3) Assumes dividends are reinvested on a daily basis.

- d) [Any applicable multipliers]
  - e) Continuous Performance Required: Provided Participant continues to provide continuous service as an Employee of the Company through the end of the Performance Period, the Earned Performance Stock will be vested on the last day of the Performance Period.
- 3) Adjustments to Performance Stock. The Board or a committee thereof may make adjustments to the performance goals set forth above as set forth in the Plan, including appropriate adjustments to the Peer Companies to reflect events not addressed herein.
  - 4) Rights of Performance Stock Holders. Performance Stock are not shares of Company Stock and have no voting rights or, except as described in this paragraph, dividend rights. With respect to each share of Performance Stock, the Participant is also awarded Dividend Equivalents with respect to one share of Company Stock, which means that, in the event that the Company declares and pays a cash dividend on its outstanding Company Stock and, on the record date for such dividend, the Participant holds Performance Stock that has not been settled or forfeited pursuant to the terms of this Agreement, then the Participant will be credited on the books and records of the Company with an amount equal to the amount per share of any such cash dividend for each outstanding share of Performance Stock. Any Dividend Equivalent credited to the Participant will be subject to the same vesting and adjustment provisions (or forfeiture provisions, if applicable) as the underlying share of Performance Stock to which the Dividend Equivalent relates. The Company will pay in cash to the Participant an amount equal to the Dividend Equivalents credited to such Participant, adjusted as necessary to reflect the number of Earned Performance Stock at the same time as the Earned Performance Stock is settled in accordance with Section 6 below. For purposes of clarity, if Performance Stock is forfeited by the Participant, then the Participant shall also forfeit the Dividend Equivalents accrued with respect to such Performance Stock.
  - 5) Separation from Service. Except as set forth in the following sentence or as otherwise provided in any Company severance plan or agreement, in the event Participant incurs a separation from service for any
-

reason prior to the end of the Performance Period, the Participant shall forfeit all of the shares of the Performance Stock which have not vested as of the date of the separation from service. Notwithstanding the foregoing, if the Participant's employment is terminated (i) by reason of the Participant's death or (ii) because the Participant is determined by the Board or Committee to be Disabled (which shall be defined as the Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months), then the Award shall remain outstanding and a pro-rated portion of any Earned Performance Stock shall vest based on actual performance over the Performance Period, with such pro-rated portion determined based on the number of full months of the Participant's continuous service during the Performance Period out of the number of full months in the Performance Period. Vesting and settlement of shall not be accelerated and such Awards shall remain subject to achievement of the performance criteria set forth in Section 2 above. The Company and Participant agree that the pro-rata continued vesting provisions set forth in this Section 5 shall apply to any outstanding grants of Performance Stock previously awarded to Participant in the event of the Participant's death or Disability prior to settlement of such Grants.

- 6) Payment of Performance Stock. Except as set forth in Section 12 below, payment for Earned Performance Stock will be made solely in shares of Company Stock, which will be issued to the Participant as promptly as practicable after the Board (or a committee thereof) has certified the attainment of the Company's performance (which such payment and certification shall occur no later than sixty (60) days following the end of the Performance Period).

#### **Part II: Provisions Applicable to the Award**

- 7) Restriction on Transfer. Except for the transfer of the shares subject to this Agreement to the Company or its assignees contemplated by this Agreement, no portion of the Award or any beneficial interest therein shall be transferred, encumbered or otherwise disposed of in any way until such shares subject to this Agreement vest and are thereby released from all forfeiture provisions in accordance with the provisions of this Agreement.
  - 8) Tax Withholding. The Company may require the Participant to pay to the Company (or the Company's subsidiary if the Participant is an employee of a subsidiary of the Company), an amount the Company deems necessary to satisfy its (or its subsidiary's) current or future obligation to withhold federal, state or local income or other taxes that the Participant incurs as a result of the Award. With respect to any required tax withholding, the Participant may (a) direct the Company to withhold from the shares of Company Stock to be issued to the Participant under this Agreement the number of shares necessary to satisfy the Company's obligation to withhold taxes; which determination will be based on the shares' Fair Market Value at the time such determination is made; (b) deliver to the Company shares of Company Stock sufficient to satisfy the Company's tax withholding obligations, based on the shares' Fair Market Value at the time such determination is made; or (c) deliver cash to the Company sufficient to satisfy its tax withholding obligations. If the Participant desires to elect to use the stock withholding option described in subparagraph (a), the Participant must make the election at the time and in the manner the Company prescribes. In the event the Company determines that the aggregate Fair Market Value of the shares of Stock withheld as payment of any tax withholding obligation is insufficient to discharge that tax withholding obligation, then the Participant must pay to the Company, in cash, the amount of that deficiency immediately upon the Company's request.
  - 9) Investor Representations. Participant agrees that any Company Stock received pursuant to this Agreement will be sold or otherwise disposed of only in accordance with applicable federal and state statutes, rules and regulations.
-

- 10) Adjustment for Stock Split. All references to the number of shares of the Award in this Agreement shall be appropriately adjusted to reflect any stock split, stock dividend or other change in the shares that may be made by the Company after the date of this Agreement as set forth in Section 5 of the Plan.
  - 11) Cash in Lieu. At the sole discretion of the Board (or any committee thereof), upon the vesting of any portion of the Performance Stock, the Company may make a cash payment to the Participant in an amount equal to the Fair Market Value of the number of shares that would have otherwise been issued upon such vesting, net of any applicable taxes.
  - 12) No Guarantee of Employment. Nothing contained in this Agreement shall be deemed to require the Company to maintain the Participant's status as an Employee. Except as may be provided in a written employment contract executed by a duly authorized officer of the Company and approved by the Committee or the Board, the Participant shall at all times be an employee-at-will of the Company and the Company may discharge the Participant at any time for any reason, with or without cause, and with or without severance compensation.
  - 13) Indemnification. The Participant agrees to hold harmless and indemnify the Company for any and all liabilities resulting to it through violation by the Participant of the warranties and representations made by the Participant in, and other provisions of, this Agreement.
  - 14) Securities Laws. Participant represents and warrants that Participant understands that Rule 144 promulgated under the Securities Act of 1933 (the "Securities Act") may indefinitely restrict transfer of an Award so long as Participant remains an "affiliate" of the Company or if "current public information" about the Company (as defined in Rule 144) is not publicly available. Notwithstanding any provision of this Agreement to the contrary, the issuance of Company Stock will be subject to compliance with all applicable requirements of federal, state, or foreign law with respect to such securities and with the requirements of any stock exchange or market system upon which the Stock may then be listed. No Company Stock will be issued hereunder if such issuance would constitute a violation of any applicable federal, state, or foreign securities laws or other law or regulations or the requirements of any stock exchange or market system upon which the Company Stock may then be listed. In addition, Company Stock will not be issued hereunder unless (a) a registration statement under the Securities Act is, at the time of issuance, in effect with respect to the shares issued or (b) in the opinion of legal counsel to the Company, the shares issued may be issued in accordance with the terms of an applicable exemption from the registration requirements of the Securities Act. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any shares subject to the Award will relieve the Company of any liability in respect of the failure to issue such shares as to which such requisite authority has not been obtained. As a condition to any issuance hereunder, the Company may require the Participant to satisfy any qualifications that may be necessary or appropriate to evidence compliance with any applicable law or regulation and to make any representation or warranty with respect to such compliance as may be requested by the Company. From time to time, the Board of Directors and appropriate officers of the Company are authorized to take the actions necessary and appropriate to file required documents with governmental authorities, stock exchanges, and other appropriate persons to make shares of Company Stock available for issuance. The Participant agrees to take any action the Company reasonably deems necessary in order to comply with federal and state laws, or the rules and regulations of the National Association of Securities Dealers, Inc. (the "NASD") or any stock exchange or quotation system, or any other obligation of the Company or the Participant relating to the Award or this Agreement.
-

15) General Provisions.

- a) This Agreement shall be governed by the internal substantive laws, but not the choice of law rules, of Texas.
  - b) If any provision of this Agreement is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions hereof, but such provision shall be fully severable and this Agreement shall be construed and enforced as if the illegal or invalid provision had never been included herein.
  - c) Any notice required or permitted hereunder shall be given in writing and shall be deemed effectively given upon personal delivery or upon deposit in the United States Post Office, by registered or certified mail with postage and fees prepaid, addressed to the Participant at his address shown on the Company's employment records and to the Company at the address of its principal corporate offices (attention: General Counsel) or at such other address as such party may designate by ten (10) days' advance written notice to the other party hereto.
  - d) The rights of the Company under this Agreement shall be transferable to any one or more persons or entities, and all covenants and agreements hereunder shall inure to the benefit of, and be enforceable by the Company's successors and assigns. The rights and obligations of the Participant under this Agreement may not be assigned; however, such rights and obligations shall inure to the benefit of, and be binding upon, the heirs, executors, or administrators of the Participant's estate.
  - e) Either party's failure to enforce any provision of this Agreement shall not in any way be construed as a waiver of any such provision, nor prevent that party from thereafter enforcing any other provision of this Agreement. The rights granted both parties hereunder are cumulative and shall not constitute a waiver of either party's right to assert any other legal remedy available to it.
  - f) The Participant agrees upon request to execute any further documents or instruments necessary or desirable to carry out the purposes or intent of this Agreement.
  - g) The Award has been granted to the Participant under the Plan, a copy of which has been previously provided to the Participant. All of the terms, conditions, and other provisions of the Plan are hereby incorporated by reference into this Agreement. If there is any conflict between the provisions of this Agreement and the provisions of the Plan, the provisions of the Plan shall govern. The Participant hereby acknowledges such prior receipt of a copy of the Plan and agrees to be bound by all the terms and provisions thereof (as presently in effect or hereafter amended), rules and regulations adopted from time to time thereunder, and by all decisions and determinations of the Board and the Committee made from time to time thereunder.
  - h) This Award shall be subject to any clawback or other recovery policy maintained by the Company and its subsidiaries, including, without limitation, any clawback policies required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, the Sarbanes-Oxley Act of 2002, or any other applicable law. The Company may seek recovery of an Award to the fullest extent required by any such clawback policy.
  - i) The amounts payable pursuant to this Award are intended to comply with Section 409A of the Code or are intended to be exempt from Section 409A of the Code, and this Agreement shall be interpreted accordingly. However, to the extent that a Participant is a "specified employee" within the meaning of the Treasury Regulations issued pursuant to Section 409A of the Code as of the Participant's date of a separation from service (which, for purposes of this Agreement, shall have
-

the meaning given such phrase within Section 409A of the Code) no amount that may constitute a deferral of compensation and is not otherwise exempt from Section 409A of the Code which is payable on account of the Participant's separation from service shall be paid to the Participant before the date (the "Delayed Payment Date") which is first day of the seventh month after the Participant's date of termination or, if earlier, the date of the Participant's death following such date of termination. All such amounts that would, but for this paragraph, become payable prior to the Delayed Payment Date will be accumulated and paid on the Delayed Payment Date. No interest will be paid by the Company with respect to any such delayed payments. For purposes of Section 409A of the Code, each payment or amount due under this Plan shall be considered a separate payment.

- j) Captions in this Agreement are for convenience of reference only and shall not be considered in the construction hereof. Words used herein, regardless of the number and gender specifically used, shall be deemed and construed to include any other number, singular or plural, and any other gender, masculine, feminine or neuter, as the context requires. Any requirement of time made hereinabove shall be of the essence of this Agreement.
- k) This Agreement shall be binding upon the heirs, executors, administrators, and successors of the parties. This Agreement and the Plan constitute the entire agreement between the parties with respect to the Award, and supersede any prior agreements or documents with respect thereto. No amendment, alteration, suspension, discontinuation, or termination of this Agreement, which may impose any additional obligation upon the Company or materially impair the rights of Employee with respect to the Award, shall be valid unless in each instance such amendment, alteration, suspension, discontinuation, or termination is expressed in a written instrument duly executed in the name and on behalf of the Company and by the Participant.
- l) In the event of any conflict or inconsistency between the terms of this Agreement and the terms of an employment agreement between Participant and the Company, the terms of which have been approved by the Committee or the Board, the terms contained in such employment agreement shall govern and control.

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year first written above.

**PARTICIPANT**

\_\_\_\_\_  
[ ]

**CONTANGO OIL & GAS COMPANY**

By: /s/ E. JOSEPH GRADY  
Name: E. Joseph Grady  
Title: Senior Vice President and CFO

---

**CONTANGO OIL & GAS COMPANY  
CHANGE IN CONTROL SEVERANCE PLAN  
Effective April 28, 2021**

---

---

**CONTANGO OIL & GAS COMPANY  
CHANGE IN CONTROL SEVERANCE PLAN**

**Section 1. Purpose.**

In order to secure the continued services of certain key management and employees of Contango Oil & Gas Company (the “**Company**”), and to ensure their continued dedication to their duties in the event of any threat or occurrence of a Change in Control, the Board of Directors of the Company (the “**Board**”) has adopted this Change in Control Severance Plan (as it may be amended pursuant to the terms hereof, this “**Plan**”).

**Section 2. Term.**

The Plan shall be effective as of April 28, 2021. The Plan shall remain in effect until modified or terminated pursuant to Section 10 hereof.

**Section 3. Definitions.**

(a) “**Base Pay**” means the base salary or base wages that a Participant earns during a week (assuming in the case of hourly employees, a 40-hour work week), based upon the rate of pay in effect for the Participant immediately before the Participant’s termination of employment (without regard to any reduction that constitutes Good Reason), excluding overtime, bonuses, incentive compensation or any other special payments. Base Pay is used to compute the amount of the Severance Benefit.

(b) “**Board**” means the Board of Directors of the Company.

(c) “**Cause**” has the meaning ascribed to such term in the Participation Agreement between the Participant and the Company or, if none or no such definition is stated therein, means a Participant’s: (i) willful and continued failure to substantially perform the Participant’s duties to the Company or any affiliate (other than any such failure resulting from the Participant’s Disability), (ii) conviction of a felony, (iii) willful engagement in gross misconduct materially and demonstrably injurious to the Company or any affiliate or (iv) commission of one or more significant acts of dishonesty as regards the Company or any affiliate.

(d) “**Change in Control**” has the meaning ascribed to such term in the Contango Oil & Gas Company Amended and Restated 2009 Incentive Compensation Plan, as the same may be amended, or any successor equity incentive plan adopted by the Company.

(e) “**Closing**” means the date on which a Change in Control is consummated.

(f) “**Code**” means the Internal Revenue Code of 1986, as amended, and any guidance and regulations promulgated thereunder.

(g) “**Committee**” means the Compensation Committee of the Board or another duly constituted committee of members of the Board.

(h) “**Company**” means Contango Oil & Gas Company and its affiliated companies and subsidiaries, and following the Closing, shall include any successor.

---

(i) **“Disability”** means a Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

(j) **“Employee”** means an individual who is an employee on the payroll of the Company and is normally scheduled to work 30 or more hours per week for the Company. The term “Employee” shall not include any person providing services to the Company through a temporary service or on a leased basis or who is hired by the Company as an independent contractor, consultant, or otherwise as a person who is not an employee for purposes of withholding United States federal income or employment taxes, as evidenced by payroll records or a written agreement with the individual, regardless of any contrary governmental agency determination or judicial holding relating to such status or tax withholding.

(k) **“ERISA”** means the Employee Retirement Income Security Act of 1974, as amended.

(l) **“Good Reason”** has the meaning ascribed to such term in the Participation Agreement between the Participant and the Company or, if none or no such definition is stated therein, means the occurrence of any of the following events or conditions without the prior consent of the Participant: (i) a material reduction in the Participant’s base salary or annual cash incentive compensation opportunity from that in effect immediately prior to the Closing; (ii) the relocation of the Participant to a location more than fifty (50) miles from the location at which the Participant is based immediately prior to the Closing or (iii) a material diminution in the Participant’s title, authority, duties or responsibilities from those in effect as of immediately prior to the Closing.

(m) **“Participant”** means an Employee who participates in the Plan pursuant to Section 4 of the Plan.

(n) **“Person”** means an individual, partnership, corporation, unincorporated organization, joint stock company, limited liability company, trust, joint venture or other legal entity, or a governmental agency or political subdivision thereof.

(o) **“Plan”** means this Contango Oil & Gas Company Change in Control Severance Plan, Effective April 9, 2021, as amended from time to time.

(p) **“Protection Period”** means the period commencing on the Closing and ending on the date that is (i) 24 months following the Closing for any Tier 1 or Tier 2 Participant as set forth on Exhibit A; (ii) 18 months following the Closing for any Tier 3 Participant as set forth on Exhibit A; (iii) 12 months following the Closing for any Tier 4 Participant as set forth on Exhibit A, and (iv) six months following the Closing for all other Participants.

(q) **“Severance Benefit”** means the sum of

- i. the payments set forth in Exhibit A (for the Company’s officers who participate in the Plan in accordance with Section 4) or Exhibit B (for all other Participants),
- ii. an amount (payable in a lump sum) equal to the annual cash bonus, if any, earned by the Participant for the year preceding the year of termination (based on the actual level of performance, with any subjective or discretionary components of such annual bonus deemed achieved at target) to the extent unpaid as of the Participant’s last day of employment,
- iii. if the Participant elects such continuation coverage, Company-subsidized COBRA continuation coverage (at the same contribution rate paid by the Company for active employees) for the Participant and his or her covered dependents following the Participant’s date of termination for the number of weeks with respect to which the

---

lump sum cash Severance Benefit is calculated per Exhibit A or Exhibit B, as applicable (not to exceed 18 months or such shorter period during which COBRA coverage is provided to the Participant),

- iv. with respect to any Participant who holds Performance Stock Units or any other performance-based equity award as of immediately prior to such termination, full vesting of such equity awards with performance deemed achieved at the greatest of (1) actual performance through the execution date of the definitive documentation governing the Change in Control, (2) actual performance through the date of the Participant's termination of employment, or (3) the target number of shares granted under such performance-based equity award; and
- v. with respect to Participants participating in this Plan at Tiers I through IV , reimbursement for documented costs for outplacement services through an agency selected by the Participant, provided that the cost of such reimbursement shall not exceed \$10,000 and such services must be procured within six months following termination.

**Section 4. Eligibility.** All Employees below the level of an officer of the Company shall be automatically eligible to participate in the Plan. Officers of the Company shall be eligible to participate in the Plan upon execution of a Participation Agreement with the Company in the form attached hereto as Exhibit D (a "Participation Agreement").

**Section 5. Severance Benefit.**

(a) Termination of Employment without Cause or Resignation for Good Reason. In the event that a Participant's employment is terminated by the Company without Cause or a Participant resigns with Good Reason during the Protection Period, then subject to the terms and conditions of the Plan, *including*, without limitation, Section 5(c) below, such Participant will receive the Severance Benefit.

(b) Termination of Employment for any Other Reason. In the event that a Participant's employment is terminated outside the Protection Period for any reason or during the Protection Period for any other reason, including, without limitation, (A) Participant's resignation without Good Reason or (B) a termination of Participant's employment by the Company for Cause or due to Participant's Disability or death, then such Participant shall not be entitled to receive any payments under this Plan.

(c) Release of Claims; Payment of Benefits. Payment of the Severance Benefit (other than outplacement services reimbursement and COBRA premium subsidies) shall be made on the date that is sixty (60) days following the Participant's last day of employment (or such earlier date as the Company may determine, provided that such earlier date does not violate Code Section 409A to the extent applicable), COBRA subsidies shall be provided monthly, and reimbursement for any officer outplacement services shall be made promptly following the Participant's submission of substantiation for the same, and in all events by no later than the last day of the taxable year following the taxable year in which the expense was incurred, in each case subject to (i) the Participant's execution (and non-revocation) of a general release of claims in favor of the Company and its parent, subsidiaries and affiliates and each of their respective affiliates, agents, employees, directors, equity holders, representatives and such other parties as the Company reasonably determines, which release shall be in substantially the form attached hereto as Exhibit C, and will be delivered by the Company to the Participant within five (5) days following the Participant's last day of employment, and must be executed by the Participant and returned to the Company within forty-five (45) days following Participant's receipt, and (ii) for officers of the Company, the Participant's execution of a separation agreement, in a form provided by the Company, that may include customary post-employment confidentiality, non-disparagement, non-solicitation, and other customary covenants in favor of the Company, which covenants shall be perpetual with respect to confidentiality and

---

non-disparagement, and shall otherwise run for up to (at the Company's option) the same period used to determine the amount of the Severance Benefit for the Participant.

#### **Section 6. Administration.**

(a) In the event of any conflict or inconsistency between another document and the terms of the Plan, the terms and conditions of the Plan shall govern and control; provided, however, that a Participant's Participation Agreement will govern their participation in the Plan to the extent of any conflict between a Participation Agreement and the Plan.

(b) The Plan shall be administered by the Committee in its sole and absolute discretion, and all determinations by the Committee shall be final, binding and conclusive on all parties and be given the maximum possible deference allowed by law. The Committee is the "named fiduciary" of the Plan for purposes of ERISA and will be subject to the fiduciary standards of ERISA when acting in such capacity.

(c) The Committee shall have the authority, consistent with the terms of the Plan, to (i) designate Participants, (ii) determine the terms and conditions relating to the Severance Benefit, if any, (iii) interpret, administer, reconcile any inconsistency, correct any defect and/or supply any omission in the Plan, (iv) establish, amend, suspend or waive any rules and procedures with respect to the Plan, and (v) make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan, including, without limitation, the timing and amount of payments. The Committee may delegate to one or more of the officers of the Company the authority to act on behalf of the Committee.

#### **Section 7. Funding.**

The obligations of the Company under the Plan are not funded through contributions to a trust or otherwise, and all benefits shall be payable from the general assets of the Company. Nothing contained in the Plan shall give a Participant any right, title or interest in any property of the Company. Participants shall be mere unsecured creditors of the Company.

#### **Section 8. ERISA.**

The Plan is not intended to provide retirement income or to defer the receipt of payments hereunder to the termination of a Participant's employment or beyond. The Plan is not a pension that is subject to ERISA. This Plan is an "employee welfare benefit plan," as defined in Section 3(1) of ERISA. This document constitutes both the written instrument under which the Plan is maintained and the required summary plan description for the Plan.

#### **Section 9. Code Section 409A.**

(a) **Compliance.** Notwithstanding anything herein to the contrary, this Plan is intended to be interpreted and applied so that the payments and benefits set forth herein either shall be exempt from the requirements of Code Section 409A or shall comply with the requirements of Code Section 409A, and, accordingly, to the maximum extent permitted, this Plan shall be interpreted to be exempt from or in compliance with Code Section 409A. To the extent that the Company determines that any provision of this Plan would cause a Participant to incur any additional tax or interest under Code Section 409A, the Company shall be entitled to reform such provision to attempt to comply with or be exempt from Code Section 409A through good faith modifications. To the extent that any provision hereof is modified in order to comply with Code Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to Participants

---

and the Company without violating the provisions of Code Section 409A. Notwithstanding any of the foregoing to the contrary, none of the Company or its subsidiaries or affiliates or any of their officers, directors, members, employees, agents, advisors, predecessors, successors, or equity holders shall have any liability for the failure of this Plan to be exempt from, or to comply with, the requirements of Section 409A of the Code. Each payment and/or benefit provided hereunder shall be a payment in a series of separate payments for purposes of Code Section 409A.

(b) **Separation from Service.** Notwithstanding anything in this Plan to the contrary, a termination of employment shall not be deemed to have occurred for purposes of any provision of this Plan unless such termination is also a “separation from service” within the meaning of Code Section 409A.

(c) **Specified Employee.** Notwithstanding anything in this Plan to the contrary, if a Participant is deemed to be a “specified employee” within the meaning of Code Section 409A, any payments or benefits due upon a termination of Participant’s employment under any arrangement that constitutes a “deferral of compensation” within the meaning of Code Section 409A (whether under this Plan or any other plan, program or payroll practice) and which do not otherwise qualify under the exemptions under Treasury Regulations Section 1.409A- 1 (including without limitation, the short-term deferral exemption and the permitted payments under Treasury Regulations Section 1.409A- 1 (b)(9)(iii) (A)), shall be delayed and paid or provided to Participant in a lump sum on the earlier of (i) the date which is six (6) months and one (1) day after Participant’s “separation from service” (as such term is defined in Code Section 409A) for any reason other than death, and (ii) the date of Participant’s death.

(d) **Reimbursements.** To the extent that any right to reimbursement of expenses or payment of any benefit in-kind under this Plan constitutes nonqualified deferred compensation (within the meaning of Code Section 409A), (i) any such expense reimbursement shall be made by the Company no later than the last day of the taxable year following the taxable year in which such expense was incurred by Participant, (ii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (iii) the amount of expenses eligible for reimbursement or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year; *provided*, that the foregoing clause shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period in which the arrangement is in effect.

#### **Section 10. Amendment or Termination.**

Prior to the Closing, the Committee may amend or terminate the Plan at any time, without notice, and for any or no reason, except as prohibited by law; provided, however, that any amendment or termination that is materially adverse to a Participant who has executed a Participation Agreement shall not be effective as to such Participant in the event that a Closing occurs within twelve months thereafter, unless such action is approved in writing by such Participant. Any action of the Company in amending or terminating the Plan will be taken in a non-fiduciary capacity. Upon or after a Closing, the Company and the Committee may not, without a Participant’s written consent, amend or terminate the Plan in any way, nor take any other action, that (i) prevents that Participant from becoming eligible for the Severance Benefits under the Plan, or (ii) reduces or alters to the detriment of the Participant the Severance Benefits payable, or potentially payable, to a Participant under the Plan (including, without limitation, imposing additional conditions). The Plan shall automatically terminate upon the later of the (i) payment of all applicable benefits under the Plan or (ii) 90 days following the end of the longest Protection Period.

---

---

### **Section 11. Employment at Will.**

Nothing in this Plan or any other act of the Company shall be considered effective to change a Participant's status as an at-will employee or guarantee any duration of employment. Either the Company or a Participant may terminate the employment relationship at any time, for any reason or no reason, and with or without advance notice.

### **Section 12. Transfer and Assignment.**

In no event may any Participant sell, transfer, anticipate, assign or otherwise dispose of any right or interest under the Plan. At no time will any such right or interest be subject to the claims of creditors nor liable to attachment, execution, or other legal process.

### **Section 13. Severability.**

If any provision of the Plan is held invalid or unenforceable, its invalidity or unenforceability will not affect any other provision of the Plan, and the Plan will be construed and enforced as if such provision had not been included.

### **Section 14. Successors.**

Any successor to the Company of all or substantially all of the Company's business and/or assets (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or other transaction) will assume the obligations under the Plan and agree expressly to perform the obligations under the Plan in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under the Plan, the term "Company" will include any successor to the Company's business and/or assets which become bound by the terms of the Plan by operation of law, or otherwise.

### **Section 15. Withholding; Taxes.**

The Company shall withhold from any Severance Benefit all federal, state and local income or other taxes required to be withheld therefrom and any other required payroll deductions.

### **Section 16. Compensation.**

Benefits payable hereunder shall not constitute compensation under any other plan or arrangement, except as expressly provided in such plan or arrangement.

### **Section 17. Gender; Number; Headings.**

Except when otherwise indicated by the context, any masculine terminology shall also include the feminine, and the definition of any term in the singular shall also include the plural. The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.

### **Section 18. Entire Agreement.**

This Plan represents the entire agreement of the Company and the Participants with respect to the subject matter hereof and supersedes all prior understandings, whether written or oral.

---

---

## **Section 19. Governing Law.**

The provisions of the Plan will be construed, administered, and enforced in accordance with ERISA and, to the extent applicable, the laws of the State of Texas without regard to its choice of law provisions.

## **Section 20. Claims and Appeals.**

(a) **Claims Procedure.** Any employee or other person who believes he or she is entitled to any payment under the Plan may submit a claim in writing to the Committee within 90 days of the earlier of (i) the date the claimant learned the amount of his or her benefits under the Plan or (ii) the date the claimant learned that he or she will not be entitled to any benefits under the Plan. If the claim is denied (in full or in part), the claimant will be provided a written notice explaining the specific reasons for the denial and referring to the provisions of the Plan on which the denial is based. The notice also will describe any additional information needed to support the claim and the Plan's procedures for appealing the denial. The denial notice will be provided within 90 days after the claim is received. If special circumstances require an extension of time (up to 90 days), written notice of the extension will be given within the initial 90-day period. This notice of extension will indicate the special circumstances requiring the extension of time and the date by which the Committee expects to render its decision on the claim.

(b) **Appeal Procedure.** If the claimant's claim is denied, the claimant (or his or her authorized representative) may apply in writing to the Committee for a review of the decision denying the claim. Review must be requested within 60 days following the date the claimant received the written notice of their claim denial or else the claimant loses the right to review. The claimant (or representative) then has the right to review and obtain copies of all documents and other information relevant to the claim, upon request and at no charge, and to submit issues and comments in writing. The Committee will provide written notice of its decision on review within 60 days after it receives a review request. If additional time (up to 60 days) is needed to review the request, the claimant (or representative) will be given written notice of the reason for the delay. This notice of extension will indicate the special circumstances requiring the extension of time and the date by which the Committee expects to render its decision. If the claim is denied (in full or in part), the claimant will be provided a written notice explaining the specific reasons for the denial and referring to the provisions of the Plan on which the denial is based. The notice also will include a statement that the claimant will be provided, upon request and free of charge, reasonable access to, and copies of, all documents and other information relevant to the claim and a statement regarding the claimant's right to bring an action under Section 502(a) of ERISA.

## **Section 21. Certain Excise Taxes.**

Notwithstanding anything to the contrary in this Plan, if a Participant is a "disqualified individual" (as defined in Section 280G(c) of the Code), and the Severance Benefit provided for under this Plan, together with any other payments and benefits which the Participant has the right to receive from the Company, would constitute a "parachute payment" (as defined in Section 280G(b)(2) of the Code), then the Severance Benefit provided for under this Plan shall be either (a) reduced (but not below zero) so that the present value of such total amounts and benefits received by the Participant from the Company will be one dollar (\$1.00) less than three times the Participant's "base amount" (as defined in Section 280G(b)(3) of the Code) and so that no portion of such amounts and benefits received by the Participant shall be subject to the excise tax imposed by Section 4999 of the Code, or (b) paid in full, whichever produces the better net after-tax position to the Participant (taking into account any applicable excise tax under Section 4999 of the Code and any other applicable taxes). The determination as to whether any such reduction in the amount of the payments provided hereunder is necessary shall be made by the Company in good faith. If a reduced payment is made or provided and through error or otherwise that payment, when aggregated with other payments and benefits from the

---

Company used in determining if a parachute payment exists, exceeds one dollar (\$1.00) less than three times the Participant's base amount, then the Participant shall immediately repay such excess to the Company upon notification that an overpayment has been made. Nothing in this Plan shall require the Company to be responsible for, or have any liability or obligation with respect to, the Participant's excise tax liabilities under Section 4999 of the Code.

## **Section 22. Additional Information.**

**Plan Name:** Contango Oil & Gas Company  
Change in Control Severance Plan

**Plan Sponsor:** Contango Oil & Gas Company  
111 E 5<sup>th</sup> Street, Suite 300  
Fort Worth, Texas 76102

**Identification Numbers:** **EIN:** 95-4079863  
**PLAN:** 501

**Plan Year:** January 1 through December 31

**Plan Administrator:** Contango Oil & Gas Company  
Attn: Compensation Committee  
of the Board of Directors  
111 E 5<sup>th</sup> Street, Suite 300  
Fort Worth, Texas 76102

**Agent for Service  
of Legal Process:** Contango Oil & Gas Company  
Attn: General Counsel  
111 E 5<sup>th</sup> Street, Suite 300  
Fort Worth, Texas 76102

Service of process also may be made upon the Administrator.

**Type of Plan:** Change in Control Severance Plan  
Employee Welfare Benefit Plan

**Plan Costs:** The cost of the Plan is paid by the Company.

## **Section 23. Statement of ERISA Rights.**

As a Participant under the Plan, you have certain rights and protections under ERISA:

You may examine (without charge) all Plan documents, including any amendments and copies of all documents filed with the U.S. Department of Labor. These documents are available for your review in the Company's Human Resources Department.

You may obtain copies of all Plan documents and other Plan information upon written request to the Administrator. A reasonable charge may be made for such copies.

In addition to creating rights for Participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate the Plan (called "fiduciaries") have a duty

---

to do so prudently and in the interests of you and the other Participants. No one, including the Company or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit under the Plan or exercising your rights under ERISA. If your claim for payments or benefits under the Plan is denied, in whole or in part, you must receive a written explanation of the reason for the denial. You have the right to have the denial of your claim reviewed. (The claim review procedure is explained in Section 20 above.)

Under ERISA, there are steps you can take to enforce the above rights. For example, if you request materials and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Administrator to provide the materials and to pay you up to \$110 a day until you receive the materials, unless the materials were not sent due to reasons beyond the control of the Administrator. If you have a claim which is denied or ignored, in whole or in part, you may file suit in a federal court. If you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court.

In any case, the court will decide who will pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds that your claim is frivolous.

If you have any questions regarding the Plan, please contact the Administrator. If you have any questions about this statement or about your rights under ERISA, you may contact the nearest area office of the Employee Benefits Security Administration (formerly the Pension and Welfare Benefits Administration), U.S. Department of Labor, listed in your telephone directory, or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W. Washington, D.C. 20210. You also may obtain certain publications about your rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

[Remainder of Page Intentionally Left Blank]



**EXHIBIT A**

The “**Severance Benefit**” for a Participant who is an officer of the Company will include a lump sum cash payment in an amount equal to (x) the sum of (i) the Participant’s annualized Base Pay and (ii) the Participant’s target annual cash bonus for the year of termination; *multiplied by* (y) the multiplier set forth below for the Tier applicable to such Participant as set forth in his or her Participation Agreement:

| <b>Tier</b> | <b>Multiplier</b> |
|-------------|-------------------|
| Tier 1      | 2.5               |
| Tier 2      | 2.0               |
| Tier 3      | 1.5               |
| Tier 4      | 1.0               |

---

---

**EXHIBIT B**

The “**Severance Benefit**” for all other Participants who are *not* officers of the Company will include:

---

---

## EXHIBIT C

### FORM OF RELEASE AGREEMENT

This Release (the Release) is dated as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ (hereinafter collectively referred to as the Company) and \_\_\_\_\_ (the Employee, together with the Company, the Parties).

**Section 1. Termination of Employment.** The Employee acknowledges that his last day of employment with the Company is \_\_\_\_\_.

#### **Section**

**2. Release.** In exchange for the Severance Benefit (as defined in the Plan) and other valuable consideration (which is hereby acknowledged) provided to the Employee under the Contango Oil & Gas Company Change in Control Severance Plan, Effective April 9, 2021 (as amended from time to time, the Plan), the Employee, for himself, his heirs, executors, administrators, successors and assigns (hereinafter collectively referred to as the Releasers), hereby irrevocably, unconditionally and fully releases, acquits, and discharges the Company, their parents, subsidiaries, affiliates, insurers, predecessors, successors, and assigns, and their respective predecessors, parents, affiliates, subsidiaries, divisions, equityholders, members, managers, partners, officers, directors, officers, employees, legal advisors, representatives, trustees, benefits plans, lenders, investors and agents (all such persons, firms, corporations and entities being deemed beneficiaries hereof and are referred to herein as the Company Entities) from any and all actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, bonuses, controversies, agreements, liabilities, promises, claims, obligations, costs, losses, damages and demands of whatsoever character, in law or in equity, whether or not known, suspected or claimed, which the Releasers ever had, have, or may have from the beginning of time through the date of this Release against the Company Entities arising out of or in any way related to the Employee's employment or termination of his employment; including, but not limited to, claims arising under the Plan, as well as claims arising under the Americans With Disabilities Act, the Age Discrimination in Employment Act (as amended by the Older Workers Benefit Protection Act), the National Labor Relations Act, the Fair Labor Standards Act, the Employee Retirement Income Security Act of 1974, the Equal Pay Act, the Fair Credit Reporting Act, the Genetic Information and Discrimination Act, Title VII of the Civil Rights Act of 1964, as amended, the Civil Rights Acts of 1866, 1871 and 1991, including Section 1981-1988 of the Civil Rights Act, the Labor Management Relations Act, the Vietnam Era Veterans Readjustment Act of 1974, the Rehabilitation Act of 1973, the Worker Adjustment and Retraining Notification Act, Section 806 of the Corporate and Criminal Fraud Accountability Act of 2002, the Immigration Reform Control Act, the Occupational Safety and Health Act, the Family and Medical Leave Act, each as may be amended, and/or any other federal, state or local human rights, civil rights, wage-hour, pension or labor law, rule, statute, regulation, constitution or ordinance and/or public policy, contract or tort law, or any claim of retaliation under such laws, or any claim of breach of any contract (whether express, oral, written or implied from any source), or any claim of intentional or negligent infliction of emotional distress, tortious interference with contractual relations, wrongful or abusive discharge, defamation, prima facie tort, fraud, negligence, loss of consortium, or any action similar thereto against the Company Entities, including any claim for attorneys' fees; provided, however, that the Releasers do not waive any rights or release the Company Entities from (1) any Severance Benefit under the Plan, (2) indemnification and/or contribution or directors and officers insurance rights Employee may have in respect of his employment with the Company, (3) vested benefits, if any, to the Employee under the terms any employee benefit plan, or (4) any claims that cannot be waived by law. In addition, nothing contained in this Release limits the Employee's ability to file a charge or complaint with any federal, state or local governmental agency or commission (collectively "Government Agencies") or limits the Employee's ability to provide information to or communicate with any Government Agencies or otherwise participate in any investigation or proceeding that

---

may be conducted by any Government Agency in connection with any charge or complaint, whether filed by the Employee, on his behalf, or by any other individual. However, to the maximum extent permitted by law, the Employee agrees that if such a charge or complaint is made, the Employee shall not be entitled to recover any individual monetary relief or other individual remedies. This Agreement does not limit or prohibit the Employee's right to receive an award for information provided to any Government Agency to the extent that such limitation or prohibition is a violation of law. Furthermore, if the Employee makes a confidential disclosure of any trade secret or confidential information of the Company to a government official or an attorney for the sole purpose of reporting or investigating a suspected violation of law, or in a court filing under seal, the Employee will not be held liable under this Release or under any federal or state trade secret law for such a disclosure.

By executing this Release, the Employee acknowledges that:

(a) This Release does not include claims arising after the date first set forth above and shall be effective as of the date first set forth above;

(b) The Employee acknowledges that he has had [twenty-one (21)/forty-five (45)] days to consider this Release's terms (commencing from delivery of the Release). The Employee may accept this Release by signing it and returning it to the Company's Chief Legal Officer at [INSERT ADDRESS].

(c) The Employee understands that on the eighth (8th) day after the date of execution of this Release, this Release becomes effective and, as of that date, the Employee may not change his decision or seek any other remuneration in any form; provided, however, that he has a seven (7) day revocation period (beginning on the date of execution) that expires at the end of such seventh (7th) day. If the Employee intends to revoke this Release, he must advise the Company's Chief Legal Officer on or before the expiration of this seven (7) day revocation period by delivering written notification of his intention to revoke this Release, which written notification makes specific reference to this Release.

(d) The Employee by signing this Release acknowledges that he has had a full and fair opportunity to review, consider and negotiate the terms of this Release, that he has been and is hereby advised to seek the advice of an independent attorney of his choosing in connection with his decision whether to accept the benefits that have been offered to him under this Release, including, but not limited, to those offered pursuant to the Plan, and has reviewed this Release with advisors of his choice, that he has read and understands this Release, and that he has signed this Release freely and voluntarily, without duress, coercion or undue influence and with full and free understanding of its terms.

(e) The Release is not intended, and shall not be construed, as an admission that any of the Parties has violated any federal, state or local law (statutory or decisional), ordinance or regulation, breached any contract or committed any wrong whatsoever. Should any provision of this Release require interpretation or construction, it is agreed by the Parties that the entity interpreting or construing this release shall not apply a presumption against one party by reason of the rule of construction that a document is to be construed more strictly against the party who prepared the document.

(f) For the purpose of implementing a full, knowing, and complete release and discharge of the Company Entities, the Employee expressly acknowledges that this Release is intended to include in its effect, without limitation, all claims which the Employee does not know or suspects to exist in his favor at the time of execution hereof, and that this Release contemplates the extinguishment of any such claim or claims.

(g) The Employee represents that neither he nor any person acting on his behalf has filed or caused to be filed any lawsuit, complaint, or charge against any of the Company Entities in any court, any

---

municipal, state or federal agency, or any other tribunal. The Employee agrees that he will not, to the fullest extent permitted by law, sue or file a charge, complaint, grievance, or demand for arbitration in any forum pursuing any claim released under this Release.

(h) The Employee represents and warrants that he has not assigned or conveyed to any other person or entity any part of or interest in any of the claims released in this Release.

(i) The Employee acknowledges and agrees that none of the Company Entities owes him any wages, bonuses, equity compensation, sick pay, personal leave pay, severance pay, vacation pay, or other compensation or payments, or continued coverage under any medical or other benefit policy or plan, qualified or non-qualified retirement benefits or forms of remuneration of any kind or nature, other than as specifically provided in this Release.

(j) The Employee affirms that he has not suffered any known workplace injuries or occupational diseases and that he has not been retaliated against for reporting any allegations of wrongdoing by the Company or its affiliates, or their respective officers or board members, including any allegations of corporate fraud.

### **Section 3. Miscellaneous.**

(a) This Release shall be governed in all respects by the laws of the State of Texas without regard to the principles of conflict of law.

(b) If any one or more of the provisions of this Release is held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby. Moreover, if any one or more of the provisions contained in this Release is held to be excessively broad as to duration, scope, activity, or subject, such provisions will be construed by limiting and reducing them to be enforceable to the maximum extent compatible with applicable law.

(c) This Release may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(d) The headings used in this Release are included solely for convenience and shall not affect or be used in connection with the interpretation of this Release. Wherever the context so requires, the masculine gender includes the feminine or neuter, and the singular number includes the plural and conversely.

(e) This Release and the Plan represent the entire agreement between the Parties with respect to the subject matter hereof and may not be amended except in a writing signed by the Company and the Employee. If any dispute should arise under this Release, it shall be settled in accordance with the terms of the Plan.

(f) This Release shall be binding on the executors, heirs, administrators, successors and assigns of the Employee and the successors and assigns of Company and shall inure to the benefit of the respective executors, heirs, administrators, successors and assigns of the Company Entities and the Releasers.

***BY SIGNING BELOW, THE EMPLOYEE REPRESENTS AND WARRANTS THAT HE HAS CAREFULLY READ AND FULLY UNDERSTAND THE PROVISIONS OF THIS RELEASE AND HE HAS HAD AN OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL. HE SIGNS HIS NAME VOLUNTARILY AND WITH A FULL UNDERSTANDING OF ITS LEGAL***

---

**CONSEQUENCES. THE EMPLOYEE HEREBY ACCEPTS AND AGREES TO ALL OF THE TERMS OF THIS RELEASE KNOWINGLY AND VOLUNTARILY.**

IN WITNESS WHEREOF, the Parties hereto have executed this Release as of the date first set forth above.

**COMPANY**

**CONTANGO OIL & GAS COMPANY**  
a Texas Corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EMPLOYEE**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Date: \_\_\_\_\_

---

---

## EXHIBIT D

### FORM OF PARTICIPATION AGREEMENT

This Participation Agreement (this Agreement) is made and entered into by and between \_\_\_\_\_ (the Executive) and Contango Oil & Gas Company (the Company), effective as of \_\_\_\_\_.

The Company maintains the Contango Oil & Gas Company Change in Control Severance Plan, Effective April 9, 2021 (as amended from time to time, the "Plan"). Capitalized terms used but not defined in this Agreement have the meanings ascribed to them in the Plan. The Plan provides severance payments and benefits in connection with a participant's termination of employment by the Company without Cause or a resignation by such participant with Good Reason, in each case during a Protection Period following a Change in Control.

By signing this Agreement, the Executive acknowledges and agrees that he or she has read and understands all of the terms of the Plan and this Agreement and that the Executive agrees to participate in the Plan with a Tier [ ] Severance Benefit. Participant acknowledges and agrees that such participation is subject to the terms and conditions of the Plan.

#### Miscellaneous.

- (a) This Agreement shall be governed in all respects by the laws of the State of Texas without regard to the principles of conflict of law.
- (b) This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
- (c) This Agreement and the Plan represent the entire agreement between the Parties with respect to the subject matter hereof and may not be amended except in a writing signed by the Company and the Executive. If any dispute should arise under this Agreement, it shall be settled in accordance with the terms of the Plan.
- (d) This Agreement shall be binding on the executors, heirs, administrators, successors and assigns of the Employee and the successors and assigns of Company and shall inure to the benefit of the respective executors, heirs, administrators, successors and assigns of the Company.

[Remainder of Page Intentionally Left Blank]



IN WITNESS WHEREOF, the Executive and the Company hereto have executed this Agreement as of the date first set forth above.

**COMPANY**

**CONTANGO OIL & GAS COMPANY**  
a Texas Corporation

By: \_\_\_\_\_  
Name:  
Title:  
Date:

**EXECUTIVE**

By: \_\_\_\_\_  
Name:  
Title:  
Date:

---

---

**CONTANGO OIL & GAS COMPANY  
EXECUTIVE SEVERANCE PLAN  
Effective April 28, 2021**

---

---

**CONTANGO OIL & GAS COMPANY  
EXECUTIVE SEVERANCE PLAN**

**Section 1. Purpose.**

The purpose of this Executive Severance Plan is to enable Contango Oil & Gas Company (the “Company”) to offer certain protections to key employees if their employment with the Company is terminated by the Company without Cause or by the Participant for Good Reason. Accordingly, the Board of Directors of the Company (the “Board”) has adopted this Executive Severance Plan (as it may be amended pursuant to the terms hereof, this “Plan”).

**Section 2. Term.**

The Plan shall be effective as of April 28, 2021. The Plan shall remain in effect until modified or terminated pursuant to Section 11 hereof.

**Section 3. Definitions.**

(a) **“Base Pay”** means the base salary or base wages that a Participant earns during a week (assuming in the case of hourly employees, a 40-hour work week), based upon the rate of pay in effect for the Participant immediately before the Participant’s termination of employment (without regard to any reduction that constitutes Good Reason), excluding overtime, bonuses, incentive compensation or any other special payments. Base Pay is used to compute the amount of the Severance Benefit.

(b) **“Board”** means the Board of Directors of the Company.

(c) **“Cause”** has the meaning ascribed to such term in the Participation Agreement between the Participant and the Company or, if none or no such definition is stated therein, means a Participant’s: (i) willful and continued failure to substantially perform the Participant’s duties to the Company or any affiliate (other than any such failure resulting from the Participant’s Disability), (ii) conviction of a felony, (iii) willful engagement in gross misconduct materially and demonstrably injurious to the Company or any affiliate or (iv) commission of one or more significant acts of dishonesty as regards the Company or any affiliate.

(d) **“Code”** means the Internal Revenue Code of 1986, as amended, and any guidance and/or regulations promulgated thereunder.

(e) **“Committee”** means the Compensation Committee of the Board or another duly constituted committee of members of the Board.

(f) **“Company”** means Contango Oil & Gas Company and its affiliated companies and subsidiaries.

(g) **“Disability”** means a Participant is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

(h) **“Employee”** means an individual who is an employee on the payroll of the Company and is normally scheduled to work 30 or more hours per week for the Company. The term “Employee” shall not include any person providing services to the Company through a temporary service or on a leased basis or who is hired by the Company as an independent contractor, consultant, or otherwise as a person who is

---

not an employee for purposes of withholding United States federal income or employment taxes, as evidenced by payroll records or a written agreement with the individual, regardless of any contrary governmental agency determination or judicial holding relating to such status or tax withholding.

(i) **“ERISA”** means the Employee Retirement Income Security Act of 1974, as amended.

(j) **“Good Reason”** has the meaning ascribed to such term in the Participation Agreement between the Participant and the Company or, if none or no such definition is stated therein, means the occurrence of any of the following events or conditions without the prior consent of the Participant: (i) a material reduction in the Participant’s base salary or annual cash incentive compensation opportunity that does not apply to all similarly situated employees; (ii) the required relocation of the Participant’s primary place of employment by more than fifty (50) miles, or (iii) a material diminution in the Participant’s title, authority, duties or responsibilities.

(k) **“Participant”** means an Employee who participates in the Plan pursuant to Section 4 of the Plan.

(l) **“Person”** means an individual, partnership, corporation, unincorporated organization, joint stock company, limited liability company, trust, joint venture or other legal entity, or a governmental agency or political subdivision thereof.

(m) **“Plan”** means this Contango Oil & Gas Company Executive Severance Plan, Effective April 9, 2021, as amended from time to time.

(n) **“Severance Benefit”** means the sum of:

(i) the lump sum cash payment set forth in Exhibit A;

(ii) an amount (payable in a lump sum) equal to the annual cash bonus, if any, earned by the Participant for the year preceding the year of termination (based on the actual level of performance, with any subjective or discretionary components of such annual bonus deemed achieved at target)) to the extent unpaid as of the Participant’s last day of employment;

(iii) if the Participant elects such continuation coverage, Company subsidized COBRA continuation coverage (at the same contribution rate paid by the Company for active employees) for the Participant and his or her covered dependents following the Participant’s date of termination for the number of weeks with respect to which the lump sum cash Severance Benefit is calculated per Exhibit A (not to exceed 18 months or such shorter period during which COBRA coverage is provided to the Participant); and

(iv) reimbursement for documented costs for outplacement services through an agency selected by the Participant, provided that the cost of such reimbursement shall not exceed \$10,000 and such services must be provided within six months following termination.

**Section 4. Eligibility.** Those officers of the Company selected by the Committee shall be eligible to participate in the Plan upon execution of a Participation Agreement with the Company in the form attached hereto as Exhibit C (a **“Participation Agreement”**).

---

---

## Section 5. Severance Benefit.

(a) Termination of Employment without Cause or Resignation for Good Reason. In the event that a Participant's employment is terminated by the Company without Cause or a Participant resigns with Good Reason then, subject to the terms and conditions of the Plan, *including*, without limitation, Section 5(c) below, such Participant will receive the Severance Benefit.

(b) Termination of Employment for any Other Reason. In the event that a Participant's employment is terminated for any other reason, including, without limitation, (A) Participant's resignation without Good Reason or (B) a termination of Participant's employment by the Company for Cause or due to Participant's Disability or death, then such Participant shall not be entitled to receive any payments under this Plan. A Participant shall not be entitled to any benefits under this Plan if the Participant receives Severance Benefits under the Contango Oil & Gas Company Change in Control Severance Plan.

(c) Release of Claims; Payment of Benefits. Payment of the Severance Benefit (other than outplacement services reimbursement and COBRA premium subsidies) shall be made on the date that is sixty (60) days following the Participant's last day of employment (or such earlier date as the Company may determine, provided that such earlier date does not violate Code Section 409A to the extent applicable), COBRA subsidies shall be provided monthly, and reimbursement for any officer outplacement services shall be made promptly following the Participant's submission of substantiation for the same, and in all events by no later than the last day of the taxable year following the taxable year in which the expense was incurred, in each case subject to (i) the Participant's execution (and non-revocation) of a general release of claims in favor of the Company and its parent, subsidiaries and affiliates and each of their respective affiliates, agents, employees, directors, equity holders, representatives and such other parties as the Company reasonably determines, which release shall be in substantially the form attached hereto as Exhibit B, and will be delivered by the Company to the Participant within five (5) days following the Participant's last day of employment, and must be executed by the Participant and returned to the Company within forty-five (45) days following Participant's receipt, and (ii) the Participant's execution of a separation agreement, in a form provided by the Company, that may include customary post-employment confidentiality, non-disparagement, non-solicitation, non-competition and other customary covenants in favor of the Company, which covenants shall be perpetual with respect to confidentiality and non-disparagement, and shall otherwise run for up to (at the Company's option) the same period used to determine the amount of the Severance Benefit for the Participant.

## Section 6. LTIP Awards.

(a) **Time-Based Awards.** Any outstanding unvested time-based equity awards (including cash settleable awards) held by the Participant as of the date of termination shall 100% accelerate and become exercisable or settle (as applicable) within 30 days following the date on which the release as required by Section 5 becomes effective and irrevocable.

(b) **Performance-Based Awards.** A pro-rated portion of any outstanding unvested performance-based equity awards (including cash settleable awards) held by the Participant as of the date of termination shall vest based on actual performance over the applicable performance period, with such pro-rated portion determined based on the number of full months of the Participant's continuous service during the performance period out of the number of full months in the performance period. Vesting and settlement of such pro-rated awards shall not be accelerated and such awards shall remain subject to achievement of applicable performance criteria.

---

## **Section 7. Administration.**

(a) In the event of any conflict or inconsistency between another document and the terms of the Plan, the terms and conditions of the Plan shall govern and control, provided, however, that a Participant's Participation Agreement will govern their participation in the Plan to the extent of any conflict between a Participation Agreement and the Plan.

(b) The Plan shall be administered by the Committee in its sole and absolute discretion, and all determinations by the Committee shall be final, binding and conclusive on all parties and be given the maximum possible deference allowed by law. The Committee is the "named fiduciary" of the Plan for purposes of ERISA and will be subject to the fiduciary standards of ERISA when acting in such capacity.

(c) The Committee shall have the authority, consistent with the terms of the Plan, to (i) designate Participants, (ii) determine the terms and conditions relating to the Severance Benefit, if any, (iii) interpret, administer, reconcile any inconsistency, correct any defect and/or supply any omission in the Plan, (iv) establish, amend, suspend or waive any rules and procedures with respect to the Plan, and (v) make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan, including, without limitation, the timing and amount of payments. The Committee may delegate to one or more of the officers of the Company the authority to act on behalf of the Committee.

## **Section 8. Funding.**

The obligations of the Company under the Plan are not funded through contributions to a trust or otherwise, and all benefits shall be payable from the general assets of the Company. Nothing contained in the Plan shall give a Participant any right, title or interest in any property of the Company. Participants shall be mere unsecured creditors of the Company.

## **Section 9. ERISA.**

The Plan is not intended to provide retirement income or to defer the receipt of payments hereunder to the termination of a Participant's employment or beyond. The Plan is not a pension that is subject to ERISA. This Plan is an "employee welfare benefit plan," as defined in Section 3(1) of ERISA. This document constitutes both the written instrument under which the Plan is maintained and the required summary plan description for the Plan.

## **Section 10. Code Section 409A.**

(a) **Compliance.** Notwithstanding anything herein to the contrary, this Plan is intended to be interpreted and applied so that the payments and benefits set forth herein either shall be exempt from the requirements of Code Section 409A or shall comply with the requirements of Code Section 409A, and, accordingly, to the maximum extent permitted, this Plan shall be interpreted to be exempt from or in compliance with Code Section 409A. To the extent that the Company determines that any provision of this Plan would cause a Participant to incur any additional tax or interest under Code Section 409A, the Company shall be entitled to reform such provision to attempt to comply with or be exempt from Code Section 409A through good faith modifications. To the extent that any provision hereof is modified in order to comply with Code Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to Participants and the Company without violating the provisions of Code Section 409A. Notwithstanding any of the foregoing to the contrary, none of the Company or its subsidiaries or affiliates or any of their officers, directors, members, employees, agents, advisors, predecessors, successors, or equity holders shall have

---

any liability for the failure of this Plan to be exempt from, or to comply with, the requirements of Section 409A of the Code. Each payment and/or benefit provided hereunder shall be a payment in a series of separate payments for purposes of Code Section 409A.

(b) **Separation from Service.** Notwithstanding anything in this Plan to the contrary, a termination of employment shall not be deemed to have occurred for purposes of any provision of this Plan unless such termination is also a “separation from service” within the meaning of Code Section 409A.

(c) **Specified Employee.** Notwithstanding anything in this Plan to the contrary, if a Participant is deemed to be a “specified employee” within the meaning of Code Section 409A, any payments or benefits due upon a termination of Participant’s employment under any arrangement that constitutes a “deferral of compensation” within the meaning of Code Section 409A (whether under this Plan or any other plan, program or payroll practice) and which do not otherwise qualify under the exemptions under Treasury Regulations Section 1.409A- 1 (including without limitation, the short-term deferral exemption and the permitted payments under Treasury Regulations Section 1.409A- 1 (b)(9)(iii) (A)), shall be delayed and paid or provided to Participant in a lump sum on the earlier of (i) the date which is six (6) months and one (1) day after Participant’s “separation from service” (as such term is defined in Code Section 409A) for any reason other than death, and (ii) the date of Participant’s death.

(d) **Reimbursements.** To the extent that any right to reimbursement of expenses or payment of any benefit in-kind under this Plan constitutes nonqualified deferred compensation (within the meaning of Code Section 409A), (i) any such expense reimbursement shall be made by the Company no later than the last day of the taxable year following the taxable year in which such expense was incurred by Participant, (ii) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit, and (iii) the amount of expenses eligible for reimbursement or in-kind benefits provided during any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits to be provided in any other taxable year; *provided*, that the foregoing clause shall not be violated with regard to expenses reimbursed under any arrangement covered by Section 105(b) of the Code solely because such expenses are subject to a limit related to the period in which the arrangement is in effect.

#### **Section 11. Amendment or Termination.**

The Committee may amend or terminate the Plan at any time, without notice, and for any or no reason, except as prohibited by law; provided, however, that any amendment or termination that is materially adverse to a Participant who has executed a Participation Agreement shall not be effective as to such Participant prior to the sixth month anniversary of such amendment or termination, unless such action is approved in writing by such Participant. Any action of the Company in amending or terminating the Plan will be taken in a non-fiduciary capacity.

#### **Section 12. Employment at Will.**

Nothing in this Plan or any other act of the Company shall be considered effective to change a Participant’s status as an at-will employee or guarantee any duration of employment. Either the Company or a Participant may terminate the employment relationship at any time, for any reason or no reason, and with or without advance notice.

---

---

**Section 13. Transfer and Assignment.**

In no event may any Participant sell, transfer, anticipate, assign or otherwise dispose of any right or interest under the Plan. At no time will any such right or interest be subject to the claims of creditors nor liable to attachment, execution, or other legal process.

**Section 14. Severability.**

If any provision of the Plan is held invalid or unenforceable, its invalidity or unenforceability will not affect any other provision of the Plan, and the Plan will be construed and enforced as if such provision had not been included.

**Section 15. Successors.**

Any successor to the Company of all or substantially all of the Company's business and/or assets (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or other transaction) will assume the obligations under the Plan and agree expressly to perform the obligations under the Plan in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under the Plan, the term "Company" will include any successor to the Company's business and/or assets which become bound by the terms of the Plan by operation of law, or otherwise.

**Section 16. Withholding; Taxes.**

The Company shall withhold from any Severance Benefit all federal, state and local income or other taxes required to be withheld therefrom and any other required payroll deductions.

**Section 17. Compensation.**

Benefits payable hereunder shall not constitute compensation under any other plan or arrangement, except as expressly provided in such plan or arrangement.

**Section 18. Gender; Number; Headings.**

Except when otherwise indicated by the context, any masculine terminology shall also include the feminine, and the definition of any term in the singular shall also include the plural. The headings and captions herein are provided for reference and convenience only, shall not be considered part of the Plan, and shall not be employed in the construction of the Plan.

**Section 19. Entire Agreement.**

This Plan represents the entire agreement of the Company and the Participants with respect to the subject matter hereof and supersedes all prior understandings, whether written or oral.

**Section 20. Governing Law.**

The provisions of the Plan will be construed, administered, and enforced in accordance with ERISA and, to the extent applicable, the laws of the State of Texas without regard to its choice of law provisions.

---

---

## Section 21. Claims and Appeals.

(a) **Claims Procedure.** Any employee or other person who believes he or she is entitled to any payment under the Plan may submit a claim in writing to the Committee within 90 days of the earlier of (i) the date the claimant learned the amount of his or her benefits under the Plan or (ii) the date the claimant learned that he or she will not be entitled to any benefits under the Plan. If the claim is denied (in full or in part), the claimant will be provided a written notice explaining the specific reasons for the denial and referring to the provisions of the Plan on which the denial is based. The notice also will describe any additional information needed to support the claim and the Plan's procedures for appealing the denial. The denial notice will be provided within 90 days after the claim is received. If special circumstances require an extension of time (up to 90 days), written notice of the extension will be given within the initial 90-day period. This notice of extension will indicate the special circumstances requiring the extension of time and the date by which the Committee expects to render its decision on the claim.

(b) **Appeal Procedure.** If the claimant's claim is denied, the claimant (or his or her authorized representative) may apply in writing to the Committee for a review of the decision denying the claim. Review must be requested within 60 days following the date the claimant received the written notice of their claim denial or else the claimant loses the right to review. The claimant (or representative) then has the right to review and obtain copies of all documents and other information relevant to the claim, upon request and at no charge, and to submit issues and comments in writing. The Committee will provide written notice of its decision on review within 60 days after it receives a review request. If additional time (up to 60 days) is needed to review the request, the claimant (or representative) will be given written notice of the reason for the delay. This notice of extension will indicate the special circumstances requiring the extension of time and the date by which the Committee expects to render its decision. If the claim is denied (in full or in part), the claimant will be provided a written notice explaining the specific reasons for the denial and referring to the provisions of the Plan on which the denial is based. The notice also will include a statement that the claimant will be provided, upon request and free of charge, reasonable access to, and copies of, all documents and other information relevant to the claim and a statement regarding the claimant's right to bring an action under Section 502(a) of ERISA.

## Section 22. Additional Information.

|                                |   |
|--------------------------------|---|
| <b>Plan Name:</b>              | Contango Oil & Gas Company<br>Executive Severance Plan  |
| <b>Plan Sponsor:</b>           | Contango Oil & Gas Company<br>111 E 5 <sup>th</sup> Street, Suite 300<br>Fort Worth, Texas 76102  |
| <b>Identification Numbers:</b> | <b>EIN:</b> 95-4079863<br><b>PLAN:</b> 502  |
| <b>Plan Year:</b>              | January 1 through December 31   |
| <b>Plan Administrator:</b>     | Contango Oil & Gas Company<br>Attn: Compensation Committee<br>of the Board of Directors<br>111 E 5 <sup>th</sup> Street, Suite 300<br>Fort Worth, Texas 76102 |

---

---

**Agent for Service  
of Legal Process:**

Contango Oil & Gas Company  
Attn: General Counsel  
111 E 5<sup>th</sup> Street, Suite 300  
Fort Worth, Texas 76102

Service of process also may be made upon the Administrator.

**Type of Plan:**

Executive Severance Plan  
Employee Welfare Benefit Plan

**Plan Costs:**

The cost of the Plan is paid by the Company.

**Section 23. Statement of ERISA Rights.**

As a Participant under the Plan, you have certain rights and protections under ERISA:

You may examine (without charge) all Plan documents, including any amendments and copies of all documents filed with the U.S. Department of Labor. These documents are available for your review in the Company's Human Resources Department.

You may obtain copies of all Plan documents and other Plan information upon written request to the Administrator. A reasonable charge may be made for such copies.

In addition to creating rights for Participants, ERISA imposes duties upon the people who are responsible for the operation of the Plan. The people who operate the Plan (called "fiduciaries") have a duty to do so prudently and in the interests of you and the other Participants. No one, including the Company or any other person, may fire you or otherwise discriminate against you in any way to prevent you from obtaining a benefit under the Plan or exercising your rights under ERISA. If your claim for payments or benefits under the Plan is denied, in whole or in part, you must receive a written explanation of the reason for the denial. You have the right to have the denial of your claim reviewed. (The claim review procedure is explained in Section 21 above.)

Under ERISA, there are steps you can take to enforce the above rights. For example, if you request materials and do not receive them within 30 days, you may file suit in a federal court. In such a case, the court may require the Administrator to provide the materials and to pay you up to \$110 a day until you receive the materials, unless the materials were not sent due to reasons beyond the control of the Administrator. If you have a claim which is denied or ignored, in whole or in part, you may file suit in a federal court. If you are discriminated against for asserting your rights, you may seek assistance from the U.S. Department of Labor, or you may file suit in a federal court.

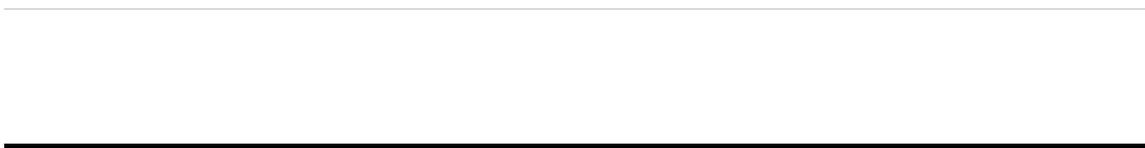
In any case, the court will decide who will pay court costs and legal fees. If you are successful, the court may order the person you have sued to pay these costs and fees. If you lose, the court may order you to pay these costs and fees, for example, if it finds that your claim is frivolous.

If you have any questions regarding the Plan, please contact the Administrator. If you have any questions about this statement or about your rights under ERISA, you may contact the nearest area office of the Employee Benefits Security Administration (formerly the Pension and Welfare Benefits Administration), U.S. Department of Labor, listed in your telephone directory, or the Division of Technical Assistance and Inquiries, Employee Benefits Security Administration, U.S. Department of Labor, 200 Constitution Avenue, N.W. Washington, D.C. 20210. You also may obtain certain publications about your

---

rights and responsibilities under ERISA by calling the publications hotline of the Employee Benefits Security Administration.

[Remainder of Page Intentionally Left Blank]



**EXHIBIT A**

The “**Severance Benefit**” for a Participant will include a lump sum cash payment in an amount equal to (x) the sum of (i) the Participant’s annualized Base Pay and (ii) the Participant’s target annual cash bonus for the year of termination; *multiplied by* (y) the multiplier set forth below for the Tier applicable to such Participant as set forth in his or her Participation Agreement:

| <b>Tier</b> | <b>Multiplier</b> |
|-------------|-------------------|
| Tier 1      | 1.5               |
| Tier 2      | 1.0               |

---

---

## EXHIBIT B

### FORM OF RELEASE AGREEMENT

This Release (the Release) is dated as of this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, by and between \_\_\_\_\_ (hereinafter collectively referred to as the Company) and \_\_\_\_\_ (the Employee, together with the Company, the Parties).

**Section 1. Termination of Employment.** The Employee acknowledges that his last day of employment with the Company is \_\_\_\_\_.

#### **Section**

**2. Release.** In exchange for the Severance Benefit (as defined in the Plan) and other valuable consideration (which is hereby acknowledged) provided to the Employee under the Contango Oil & Gas Company Executive Severance Plan, Effective April 9, 2021 (as further amended from time to time, the Plan), the Employee, for himself, his heirs, executors, administrators, successors and assigns (hereinafter collectively referred to as the Releasers), hereby irrevocably, unconditionally and fully releases, acquits, and discharges the Company, their parents, subsidiaries, affiliates, insurers, predecessors, successors, and assigns, and their respective predecessors, parents, affiliates, subsidiaries, divisions, equity holders, members, managers, partners, officers, directors, officers, employees, legal advisors, representatives, trustees, benefits plans, lenders, investors and agents (all such persons, firms, corporations and entities being deemed beneficiaries hereof and are referred to herein as the Company Entities) from any and all actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, bonuses, controversies, agreements, liabilities, promises, claims, obligations, costs, losses, damages and demands of whatsoever character, in law or in equity, whether or not known, suspected or claimed, which the Releasers ever had, have, or may have from the beginning of time through the date of this Release against the Company Entities arising out of or in any way related to the Employee's employment or termination of his employment; including, but not limited to, claims arising under the Plan, as well as claims arising under the Americans With Disabilities Act, the Age Discrimination in Employment Act (as amended by the Older Workers Benefit Protection Act), the National Labor Relations Act, the Fair Labor Standards Act, the Employee Retirement Income Security Act of 1974, the Equal Pay Act, the Fair Credit Reporting Act, the Genetic Information and Discrimination Act, Title VII of the Civil Rights Act of 1964, as amended, the Civil Rights Acts of 1866, 1871 and 1991, including Section 1981-1988 of the Civil Rights Act, the Labor Management Relations Act, the Vietnam Era Veterans Readjustment Act of 1974, the Rehabilitation Act of 1973, the Worker Adjustment and Retraining Notification Act, Section 806 of the Corporate and Criminal Fraud Accountability Act of 2002, the Immigration Reform Control Act, the Occupational Safety and Health Act, the Family and Medical Leave Act, each as may be amended, and/or any other federal, state or local human rights, civil rights, wage-hour, pension or labor law, rule, statute, regulation, constitution or ordinance and/or public policy, contract or tort law, or any claim of retaliation under such laws, or any claim of breach of any contract (whether express, oral, written or implied from any source), or any claim of intentional or negligent infliction of emotional distress, tortious interference with contractual relations, wrongful or abusive discharge, defamation, prima facie tort, fraud, negligence, loss of consortium, or any action similar thereto against the Company Entities, including any claim for attorneys fees; provided, however, that the Releasers do not waive any rights or release the Company Entities from (1) any Severance Benefit under the Plan, (2) indemnification and/or contribution or directors and officers insurance rights Employee may have in respect of his employment with the Company, (3) vested benefits, if any, to the Employee under the terms any employee benefit plan, or (4) any claims that cannot be waived by law. In addition, nothing contained in this Release limits the Employee's ability to file a charge or complaint with any federal, state or local governmental agency or commission (collectively "Government Agencies") or limits the Employee's ability to provide information to or communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by \_\_\_\_\_

---

any Government Agency in connection with any charge or complaint, whether filed by the Employee, on his behalf, or by any other individual. However, to the maximum extent permitted by law, the Employee agrees that if such a charge or complaint is made, the Employee shall not be entitled to recover any individual monetary relief or other individual remedies. This Agreement does not limit or prohibit the Employee's right to receive an award for information provided to any Government Agency to the extent that such limitation or prohibition is a violation of law. Furthermore, if the Employee makes a confidential disclosure of any trade secret or confidential information of the Company to a government official or an attorney for the sole purpose of reporting or investigating a suspected violation of law, or in a court filing under seal, the Employee will not be held liable under this Release or under any federal or state trade secret law for such a disclosure.

By executing this Release, the Employee acknowledges that:

(a) This Release does not include claims arising after the date first set forth above and shall be effective as of the date first set forth above;

(b) The Employee acknowledges that he has had [twenty-one (21)/forty-five (45)] days to consider this Release's terms (commencing from delivery of the Release). The Employee may accept this Release by signing it and returning it to the Company's Chief Legal Officer at [INSERT ADDRESS].

(c) The Employee understands that on the eighth (8th) day after the date of execution of this Release, this Release becomes effective and, as of that date, the Employee may not change his decision or seek any other remuneration in any form; provided, however, that he has a seven (7) day revocation period (beginning on the date of execution) that expires at the end of such seventh (7th) day. If the Employee intends to revoke this Release, he must advise the Company's Chief Legal Officer on or before the expiration of this seven (7) day revocation period by delivering written notification of his intention to revoke this Release, which written notification makes specific reference to this Release.

(d) The Employee by signing this Release acknowledges that he has had a full and fair opportunity to review, consider and negotiate the terms of this Release, that he has been and is hereby advised to seek the advice of an independent attorney of his choosing in connection with his decision whether to accept the benefits that have been offered to him under this Release, including, but not limited, to those offered pursuant to the Plan, and has reviewed this Release with advisors of his choice, that he has read and understands this Release, and that he has signed this Release freely and voluntarily, without duress, coercion or undue influence and with full and free understanding of its terms.

(e) The Release is not intended, and shall not be construed, as an admission that any of the Parties has violated any federal, state or local law (statutory or decisional), ordinance or regulation, breached any contract or committed any wrong whatsoever. Should any provision of this Release require interpretation or construction, it is agreed by the Parties that the entity interpreting or construing this release shall not apply a presumption against one party by reason of the rule of construction that a document is to be construed more strictly against the party who prepared the document.

(f) For the purpose of implementing a full, knowing, and complete release and discharge of the Company Entities, the Employee expressly acknowledges that this Release is intended to include in its effect, without limitation, all claims which the Employee does not know or suspects to exist in his favor at the time of execution hereof, and that this Release contemplates the extinguishment of any such claim or claims.

(g) The Employee represents that neither he nor any person acting on his behalf has filed or caused to be filed any lawsuit, complaint, or charge against any of the Company Entities in any court, any municipal, state or federal agency, or any other tribunal. The Employee agrees that he will not, to the

---

fullest extent permitted by law, sue or file a charge, complaint, grievance, or demand for arbitration in any forum pursuing any claim released under this Release.

(h) The Employee represents and warrants that he has not assigned or conveyed to any other person or entity any part of or interest in any of the claims released in this Release.

(i) The Employee acknowledges and agrees that none of the Company Entities owes him any wages, bonuses, equity compensation, sick pay, personal leave pay, severance pay, vacation pay, or other compensation or payments, or continued coverage under any medical or other benefit policy or plan, qualified or non-qualified retirement benefits or forms of remuneration of any kind or nature, other than as specifically provided in this Release.

(j) The Employee affirms that he has not suffered any known workplace injuries or occupational diseases and that he has not been retaliated against for reporting any allegations of wrongdoing by the Company or its affiliates, or their respective officers or board members, including any allegations of corporate fraud.

### **Section 3. Miscellaneous.**

(a) This Release shall be governed in all respects by the laws of the State of Texas without regard to the principles of conflict of law.

(b) If any one or more of the provisions of this Release is held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions will not in any way be affected or impaired thereby. Moreover, if any one or more of the provisions contained in this Release is held to be excessively broad as to duration, scope, activity, or subject, such provisions will be construed by limiting and reducing them to be enforceable to the maximum extent compatible with applicable law.

(c) This Release may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

(d) The headings used in this Release are included solely for convenience and shall not affect or be used in connection with the interpretation of this Release. Wherever the context so requires, the masculine gender includes the feminine or neuter, and the singular number includes the plural and conversely.

(e) This Release and the Plan represent the entire agreement between the Parties with respect to the subject matter hereof and may not be amended except in a writing signed by the Company and the Employee. If any dispute should arise under this Release, it shall be settled in accordance with the terms of the Plan.

(f) This Release shall be binding on the executors, heirs, administrators, successors and assigns of the Employee and the successors and assigns of Company and shall inure to the benefit of the respective executors, heirs, administrators, successors and assigns of the Company Entities and the Releasers.

***BY SIGNING BELOW, THE EMPLOYEE REPRESENTS AND WARRANTS THAT HE HAS CAREFULLY READ AND FULLY UNDERSTAND THE PROVISIONS OF THIS RELEASE AND HE HAS HAD AN OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL. HE SIGNS HIS NAME VOLUNTARILY AND WITH A FULL UNDERSTANDING OF ITS LEGAL***

---

**CONSEQUENCES. THE EMPLOYEE HEREBY ACCEPTS AND AGREES TO ALL OF THE TERMS OF THIS RELEASE KNOWINGLY AND VOLUNTARILY.**

IN WITNESS WHEREOF, the Parties hereto have executed this Release as of the date first set forth above.

**COMPANY**

**CONTANGO OIL & GAS COMPANY**  
a Texas Corporation

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_

**EMPLOYEE**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Date: \_\_\_\_\_

---

---

## EXHIBIT C

### FORM OF PARTICIPATION AGREEMENT

This Participation Agreement (this Agreement) is made and entered into by and between \_\_\_\_\_ (the Executive) and Contango Oil & Gas Company (the Company), effective as of \_\_\_\_\_.

1. The Company maintains the Contango Oil & Gas Company Executive Severance Plan, Effective April 9, 2021 (as amended from time to time, the "Plan"). Capitalized terms used but not defined in this Agreement have the meanings ascribed to them in the Plan. The Plan provides severance payments and benefits in connection with a participant's termination of employment by the Company without Cause or a resignation by such participant with Good Reason.
2. By signing this Agreement, the Executive acknowledges and agrees that he or she has read and understands all of the terms of the Plan and this Agreement and that the Executive agrees to participate in the Plan with a Tier [ ] Severance Benefit. Participant acknowledges and agrees that such participation is subject to the terms and conditions of the Plan.
3. Miscellaneous.
  - (a) This Agreement shall be governed in all respects by the laws of the State of Texas without regard to the principles of conflict of law.
  - (b) This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.
  - (c) This Agreement and the Plan represent the entire agreement between the Parties with respect to the subject matter hereof and may not be amended except in a writing signed by the Company and the Executive. If any dispute should arise under this Agreement, it shall be settled in accordance with the terms of the Plan.
  - (d) This Agreement shall be binding on the executors, heirs, administrators, successors and assigns of the Employee and the successors and assigns of Company and shall inure to the benefit of the respective executors, heirs, administrators, successors and assigns of the Company.

[Remainder of Page Intentionally Left Blank]



IN WITNESS WHEREOF, the Executive and the Company hereto have executed this Agreement as of the date first set forth above.

**COMPANY**

**CONTANGO OIL & GAS COMPANY**  
a Texas Corporation

By: \_\_\_\_\_  
Name:  
Title:  
Date:

**EXECUTIVE**

By: \_\_\_\_\_  
Name:  
Title:  
Date:

---

---





## CONTANGO OIL &amp; GAS COMPANY

CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Contango Oil & Gas Company (the "Company") on Form 10-Q for the quarter ended March 31, 2021 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, I, Wilkie S. Colyer, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 13, 2021

By \_\_\_\_\_ /s/ WILKIE S. COLYER

**Wilkie S. Colyer**  
**Chief Executive Officer**  
**(Principal Executive Officer)**

---

