

ELLIE MAE INC  
Form SC 13G/A  
February 10, 2014

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

**SCHEDULE 13G**

**Under the Securities Exchange Act of 1934  
(Amendment No. 1)**

ELLIE MAE INC

---

(Name of Issuer)

COM

---

(Title of Class of Securities)

28849P100

---

(CUSIP Number)

January 31, 2014

---

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

Rule 13d-1(b)

Rule 13d-1(c)

Rule 13d-1(d)

The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be 'filed' for the purpose of Section 18 of the Securities Exchange Act of 1934 ('Act') or otherwise subject to the liabilities of that section of

the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 28849P100

---

Person 1

1. (a) Names of Reporting Persons.  
Wells Fargo & Company

(b) Tax ID  
41-0449260

---

2. Check the Appropriate Box if a Member of a Group (See Instructions)

(a)

(b)

---

3. SEC Use Only .....

---

4. Citizenship or Place of Organization Delaware

---

Number of  
Shares  
Beneficially  
Owned by  
Each Reporting  
Person With

5. Sole Voting Power 32,178

---

6. Shared Voting Power 836,069

---

7. Sole Dispositive Power 32,178

---

8. Shared Dispositive Power 1,007,920

---

9. Aggregate Amount Beneficially Owned by Each Reporting Person 1,040,098

---

10. Check if the Aggregate Amount in Row (9) Excludes Certain Shares (See Instructions)

---

11. Percent of Class Represented by Amount in Row (9) 3.78 %

---

12. Type of Reporting Person (See Instructions)

---

HC

---

**Item 1.**

- (a) Name of Issuer  
ELLIE MAE INC
- (b) Address of Issuer's Principal Executive Offices  
4155 HOPYARD ROAD, Suite 200, PLEASANTON, CA 94588

**Item 2.**

- (a) Name of Person Filing  
Wells Fargo & Company
- (b) Address of Principal Business Office or, if none, Residence  
420 Montgomery Street, San Francisco, CA 94104
- (c) Citizenship  
Delaware
- (d) Title of Class of Securities  
COM
- (e) CUSIP Number  
28849P100

**Item 3. If this statement is filed pursuant to 240.13d-1(b) or 240.13d-2(b) or (c), check whether the person filing is a:**

- (a)  Broker or dealer registered under section 15 of the Act (15 U.S.C. 78c)
- (b)  Bank as defined in section 3(a)(6) of the Act (15 U.S.C. 78c).
- (c)  Insurance company as defined in section 3(a)(19) of the Act (15 U.S.C. 78c).
- (d)  Investment company registered under section 8 of the Investment Company Act of 1940 (15 U.S.C 80a-8).
- (e)  An investment adviser in accordance with 240.13d-1(b)(1)(ii)(E);
- (f)  An employee benefit plan or endowment fund in accordance with 240.13d-1(b)(1)(ii)(F);
- (g)  A parent holding company or control person in accordance with 240.13d-1(b)(1)(ii)(G);  
]

- (h)  A savings associations as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);
- (i)  A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940 (15 U.S.C. 80a-3);
- (j)  A non-U.S.institution in accordance with 240.13d-1(b)(1)(ii)(J);
- (k)  Group, in accordance with 240.13d-1(b)(1)(ii)(K).

If filing as a non-U.S.institution in accordance with 240.13d-1(b)(1)(ii)(J), please specify the type of institution: \_\_\_\_\_

**Item 4. Ownership.**

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

- (a) Amount beneficially owned: 1,040,098
- (b) Percent of class: 3.78%
- (c) Number of shares as to which the person has:
  - (i) Sole power to vote or to direct the vote 32,178
  - (ii) Shared power to vote or to direct the vote 836,069
  - (iii) Sole power to dispose or to direct the disposition of 32,178
  - (iv) Shared power to dispose or to direct the disposition of 1,007,920

**Item 5. Ownership of Five Percent or Less of a Class**

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than five percent of the class of securities, check the following.[X ].

**Item 6. Ownership of More than Five Percent on Behalf of Another Person.**

Not applicable

**Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company or Control Person.**

See Exhibit B

**Item 8. Identification and Classification of Members of the Group**

Not applicable.

**Item 9. Notice of Dissolution of Group**

Not applicable.

**Item 10. Certification**

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

**SIGNATURE**

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

February 10, 2014

Date

/s/ Jane E. Washington

Signature

Jane E. Washington, VP Trust Operations

Name/Title

**Exhibit A**

**EXPLANATORY NOTE**

This Schedule 13G is filed by Wells Fargo & Company on its own behalf and on behalf of any subsidiaries listed in Exhibit B. Aggregate beneficial ownership reported by Wells Fargo & Company under Item 9 on page 2 is on a consolidated basis and includes any beneficial ownership separately reported herein by a subsidiary.

**Exhibit B**

The Schedule 13G to which this attachment is appended is filed by Wells Fargo & Company on behalf of the following subsidiaries:

Wells Fargo Advisors Financial Network, LLC (1)

Wells Capital Management Incorporated (2)

Wells Fargo Advisors, LLC (1)

Wells Fargo Funds Management, LLC (2)

Wells Fargo Bank, National Association (3)

(1) Classified as a broker dealer in accordance with Regulation 13d-1(b)(1)(ii)(A). (2) Classified as a registered investment advisor in accordance with Regulation 13d-1(b)(1)(ii)(E). (3) Classified as a bank in accordance with Regulation 13d-1(b)(1)(ii)(B).

**Attention:**

SIGNATURE

**Intentional misstatements or omissions of fact constitute Federal criminal violations  
(See 18 U.S.C. 1001)**

"margin-top:0px;margin-bottom:0px" ALIGN="center">CORPORATE GOVERNANCE

We believe that good corporate governance is important to assure that the Company is managed for the long term benefit of its stockholders. The Board and management are committed to good business practices, transparency in financial reporting and the highest level of corporate governance and ethics. During the past year, the Board has reviewed existing corporate governance policies and practices of other public companies. It has specifically reviewed the provisions of the Sarbanes-Oxley Act of 2002, the rules of the Securities and Exchange Commission ( SEC ) and the listing standards and rules of the American Stock Exchange.

The Board has reaffirmed existing policies and initiated actions adopting policies consistent with new rules and listing standards. In particular, we have:

A majority of independent directors.

An Audit Committee consisting solely of independent directors.

Adopted a formal Audit Committee Charter in May 2000, a copy of which is available on the Company s website at [www.contango.com](http://www.contango.com), which is reviewed annually by the Audit Committee.

An Audit Committee empowered to engage independent auditors.

Provided the Audit Committee with access to independent auditors, legal counsel and all management and employee levels.

Established executive sessions for the Board of Directors consisting exclusively of independent directors.

Adopted a Code of Ethics that satisfies the definition of code of ethics under the rules and regulations of the SEC, a copy of which is available on the Company s website. The Code of Ethics applies to all of the Company s employees, including its principal executive officer and principal financial officer, and controller.

Adopted a formal whistleblower protection policy.

Adopted a formal process for stockholders to communicate with the independent directors.

Expanded disclosures regarding critical accounting policies.

Determined chief executives officer s compensation by the independent directors.

No history of personal loans to officers and directors.

## Edgar Filing: ELLIE MAE INC - Form SC 13G/A

Taken appropriate Board and management action to achieve timely compliance with Section 404 of the Sarbanes-Oxley Act of 2002 regarding controls and procedures over financial reporting.

### **Board Operations and Organization**

**Mission Statement.** The Company's primary objective is to maximize stockholder value, while at all times observing the highest ethical standards. The Company will pursue this objective through participation in the energy industry.

**Corporate Authority & Responsibility.** All corporate authority resides in the Board, as the representative of the stockholders. Authority is delegated to management by the Board in order to implement the Company's mission. Such delegated authority includes the authorization of spending limits and the authority to hire employees and terminate their services. The independent members of the Board retain responsibility for selection, evaluation and the determination of compensation of the chief executive officer of the Company, oversight of the succession plan, approval of the annual budget, assurance of adequate systems, procedures and controls, and all matters of corporate governance. Each Board member other than Mr. Peak is independent. Additionally, the Board provides advice and counsel to senior management.

**Compensation of Directors.** Directors who are not employees are compensated in the form of both a cash payment and Company equity. During the fiscal year ended June 30, 2007, each outside director received a quarterly retainer of \$8,000 payable in cash, and an annual retainer of \$36,000 payable in Common Stock of the Company valued as of the day immediately preceding the date of the annual stockholder meeting (subject to rounding up or down such that the number of shares issued to each Director is evenly divisible by two). One-half of the shares vested immediately, and one-half vest in one year. The Chairman of the Audit Committee received an additional quarterly retainer of \$3,000 payable in cash. Each outside director also received a \$1,000 cash payment for each Board meeting and separately scheduled Audit Committee meeting attended. Compensation of directors is determined exclusively by Mr. Peak, after comparing the compensation of directors at our peer group of companies.

**Director Compensation Table.** The following table sets forth the compensation paid by the Company to non-employee directors for the fiscal year ended June 30, 2007:

Name (1)	Fees earned or paid in cash (\$ (2))	Stock Awards (\$ (3))	Option Awards (\$ (4))	Non-Equity Incentive Plan Compensation (\$)	Change in Pension Value and Nonqualified Deferred Compensation		Total (\$)
					Earnings (\$ (5))	All Other Compensation (\$)	
Jay D. Brehmer	\$ 49,000	\$ 18,010	\$ 47,515	\$	\$	\$	\$ 114,525
Charles M. Reimer	\$ 40,000	\$ 18,010	\$ 21,277	\$	\$	\$	\$ 79,287
Steven L. Schoonover	\$ 40,000	\$ 18,010	\$ 21,277	\$	\$	\$	\$ 79,287
Darrell W. Williams	\$ 34,000	\$ 18,010	\$ 36,876	\$	\$	\$	\$ 88,886

- (1) Kenneth R. Peak, the Company's Chairman and Chief Executive Officer, is not included in this table as he is an employee of the Company. The compensation he received as an employee of the Company is shown in the Summary Compensation Table.
- (2) Includes fees earned in fiscal year 2007 but paid in fiscal year 2008.
- (3) The amounts shown represent expense recognized in the consolidated financial statements contained in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2007 ( 2007 Consolidated Financial Statements ) related to restricted stock awards in the current fiscal year (no restricted stock awards were granted in previous years), in accordance with Statement of Financial Accounting Standards No. 123(R), Share-Based Payment ( SFAS 123R ), for restricted stock awards granted to non-employee directors during fiscal year 2007, excluding any assumptions for future forfeitures. There were no actual forfeitures of non-employee director restricted stock awards in fiscal year 2007 and all other assumptions used to calculate the expense amounts shown above are set forth in Note 16 to the 2007 Consolidated Financial Statements. For each non-employee director, the grant date fair value of these 2,104 shares of restricted stock granted in fiscal year 2007 was \$36,020. One-half of the shares granted vested immediately on the date of grant and one-half vest on the one year anniversary of the grant date.
- (4) The amounts shown represent expense recognized in the 2007 Consolidated Financial Statements related to option awards in current and prior fiscal years, in accordance with SFAS 123R, excluding any assumption for future forfeitures. There were no actual forfeitures of non-employee director stock options in fiscal year 2007. The assumptions used to calculate the expense amounts shown for stock options granted in fiscal year 2007 are set forth in Note 16 to the 2007 Consolidated Financial Statements.
- (5) The Company has no deferred compensation plan.



Edgar Filing: ELLIE MAE INC - Form SC 13G/A

**Board Size.** In general, smaller to mid-size boards are more cohesive, work better together and tend to be more effective monitors than larger boards. Our Bylaws currently provide for at least three and not more than seven directors.

**Annual Election of Directors.** In order to create greater alignment between the Board's and our stockholders' interests and to promote greater accountability to the stockholders, directors shall be elected annually.

**Meetings.** Our Board has meetings as necessary. During the fiscal year ended June 30, 2007, the Board held seven meetings. During the fiscal year ended June 30, 2007, the Board passed resolutions by unanimous written consent on six occasions. With the exception of Mr. Williams, each director attended 100% of all Board and applicable committee meetings. Mr. Williams, who was ill a portion of the year, attended approximately 70% of all Board meetings. We encourage our Board to attend our annual meeting of stockholders. During fiscal year 2006, the Company had five directors, all of whom were present at the 2006 annual meeting.

**Committee Structure.** It is the general policy of the Company that the Board as a whole will consider all major decisions. As a consequence, the Company does not have a compensation committee, and the committee structure of the Board is limited to the Audit Committee. The Board may form other committees as it determines appropriate.

**Audit Committee.** The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Exchange Act, by the Board for the purpose of overseeing the accounting and financial reporting processes of the Company and audits of the financial statements of the Company. The Audit Committee recommends the appointment of independent public accountants to conduct audits of our financial statements, reviews with the accountants the plan and results of the auditing engagement, approves other professional services provided by the accountants and evaluates the independence of the accountants. The Audit Committee also reviews the scope and adequacy of our system of internal controls and procedures over financial reporting. Members of the Audit Committee are Messrs. Brehmer (Audit Committee Chairman), Reimer and Schoonover. Each member of the Audit Committee is independent, as independence for audit committee members is defined in the listing standards of the American Stock Exchange. The Audit Committee met formally four times during the fiscal year ended June 30, 2007. The Board has determined that Mr. Brehmer is an audit committee financial expert as defined by the rules of the SEC.

More information about the Company's corporate governance practices and procedures is available on the Company's website at [www.contango.com](http://www.contango.com).

**THE BOARD RECOMMENDS A VOTE FOR THE ELECTION OF THE SIX  
NOMINEES AS DIRECTORS OF CONTANGO, TO SERVE UNTIL THE NEXT  
ANNUAL MEETING OF STOCKHOLDERS OR UNTIL THEIR SUCCESSORS  
ARE DULY ELECTED AND QUALIFIED.**

**PROPOSAL 2**

**RATIFICATION OF THE SELECTION OF OUR AUDITORS**

The Board has appointed Grant Thornton LLP, independent public accountants, for the examination of the accounts and audit of our financial statements for the fiscal year ending June 30, 2008. Grant Thornton LLP also served in such capacity for the fiscal year ended June 30, 2007. At the Annual

Meeting, the Board will present a proposal to the stockholders to approve and ratify the engagement of Grant Thornton LLP. The Board expects that representatives of Grant Thornton LLP will be present and will have the opportunity to make a statement, if they desire, and to respond to appropriate questions. The Audit Committee will consider the failure to ratify its selection of Grant Thornton LLP as independent public accountants as a direction to select other auditors for the fiscal year ending June 30, 2008.

**Fees**

Aggregate fees for professional services rendered to us by Grant Thornton LLP for the years ended June 30, 2007 and 2006 were:

Category of Service	Year Ended June 30,	
	2007	2006
Audit Fees	\$ 242,025	\$ 221,000
Audit-Related Fees		
Tax Fees	89,410	116,000
All Other		
	\$ 331,435	\$ 337,000

The Audit Fees for the years ended June 30, 2007 and 2006 were for professional services rendered in connection with the audit of the Company's consolidated financial statements, statutory and subsidiary audits, issuance of consents, assistance with and review of documents filed with the SEC, and the audits of management's assessment of the effectiveness of the Company's internal control over financial reporting and the effectiveness of the Company's internal control over financial reporting.

Tax Fees for the years ended June 30, 2007 and 2006 were for services related to tax compliance, including the preparation of tax returns and claims for refund; and tax planning and tax advice, including assistance with tax audits, tax advice related to property sales, and technical advice from tax authorities.

Grant Thornton LLP did not provide to us any financial information systems design or implementation services during years ended June 30, 2007 and 2006.

**Audit Committee Pre-Approval Policies and Procedures**

All of the 2007 audit and non-audit services provided by Grant Thornton LLP were pre-approved by the Audit Committee. The non-audit services which were pre-approved by the Audit Committee were also reviewed to ensure compatibility with maintaining the accounting firm's independence.

The Audit Committee has established pre-approval policies and procedures related to the provision of audit and non-audit services. Under these procedures, the Audit Committee selects and appoints outside auditors, considers the independence and effectiveness of the outside auditors, approves the fees and other compensation to be paid to the outside auditors and is responsible for oversight of the outside auditors and reviews any revisions to the estimates of audit and non-audit fees initially approved. The Audit Committee receives the written disclosures required by generally accepted auditing standards. The Audit Committee annually requires the outside auditors to provide the Audit Committee with a written statement delineating all relationships between the outside auditors and the Company. The Audit Committee actively engages in a dialogue with the outside auditors with respect to any disclosed relationships or services that may impact the objectivity and independence of the outside auditors. The Audit Committee recommends that the Board of Directors take appropriate action in response to the outside auditors' report to satisfy itself of the outside auditors' independence. The scope of services and fees are required to be compatible with the maintenance of the accounting firm's independence, including compliance with SEC rules and regulations.

The Audit Committee, as permitted by its pre-approval policy, from time to time delegates the approval of certain permitted services or classes of services to a member of the Audit Committee. The Audit Committee then reviews the delegate's pre-approval decisions on an annual basis.

**THE BOARD RECOMMENDS A VOTE FOR THE RATIFICATION OF THE SELECTION OF GRANT THORNTON LLP AS INDEPENDENT PUBLIC ACCOUNTANTS.**

**OTHER INFORMATION**

**Executive Officers**

The following sets forth the names, ages and positions of our executive officers together with certain biographical information:

Name	Age	Position
Kenneth R. Peak	62	Chairman, Chief Executive Officer, Chief Financial Officer and Secretary
Lesia Bautina	36	Senior Vice President and Controller
Sergio Castro	38	Vice President and Treasurer
Marc Duncan	55	President and Chief Operating Officer of Contango Operators, Inc.

*Kenneth R. Peak.* Mr. Peak has been Chairman, Chief Executive Officer, Chief Financial Officer and Secretary of Contango since its formation in September 1999. Mr. Peak entered the energy industry in 1972 as a commercial banker and held a variety of financial and executive positions in the oil and gas industry prior to starting Contango in 1999. Mr. Peak served as an officer in the U.S. Navy from 1968 to 1971. Mr. Peak received a BS in physics from Ohio University in 1967, and an MBA from Columbia University in 1972. He currently serves as a director of Patterson-UTI Energy, Inc., a provider of onshore contract drilling services to exploration and production companies in North America.

*Lesia Bautina.* Ms. Bautina joined Contango in November 2001 as Controller and was appointed Vice President and Controller in August 2002. In July 2005, Ms. Bautina was promoted to Senior Vice President. Prior to joining Contango, Ms. Bautina worked as an auditor for Arthur Andersen LLP from 1997 to 2001. Her primary experience is accounting and financial reporting for exploration and production companies. Ms. Bautina received a degree in History from the University of Lvov in the Ukraine in 1990 and a BBA in Accounting in 1996 from Sam Houston State University, where she graduated with honors. Ms. Bautina is a Certified Public Accountant and member of the Petroleum Accounting Society of Houston.

*Sergio Castro.* Mr. Castro joined Contango in March 2006 as Treasurer and was appointed Vice President and Treasurer in April 2006. Prior to joining Contango, Mr. Castro spent two years as a consultant for UHY Advisors TX, LP. From 2001 to 2004, Mr. Castro was a lead credit analyst for Dynegy Inc. From 1997 to 2001, Mr. Castro worked as an auditor for Arthur Andersen LLP, where he specialized in energy companies. Mr. Castro was honorably discharged from the U.S. Navy in 1993 as an E-6, where he served onboard a nuclear powered submarine. Mr. Castro received a BBA in Accounting in 1997 from the University of Houston, graduating summa cum laude. Mr. Castro is a Certified Public Accountant and a Certified Fraud Examiner.

*Marc Duncan.* Mr. Duncan joined Contango in June 2005 as President and Chief Operating Officer of Contango Operators, Inc. Mr. Duncan has over 25 years of experience in the energy industry and has held a variety of domestic and international engineering and senior-level operations management positions relating to natural gas and oil exploration, project development, and drilling and production operations. Prior to joining Contango, Mr. Duncan served in a senior executive position with USENCO International, Inc. and related companies in China and Ukraine from 2000-2004 and as a senior project and drilling engineer for Hunt Oil Company from 2004-2005. He holds an MBA in Engineering Management from the University of Dallas, an MEd from the University of North Texas and a BS in Science and Education from Stephen F. Austin University.

Our executive officers are elected annually by the Board and serve until their successors are duly elected and qualified or until their earlier resignation or removal. All executive officers of the Company are United States citizens. There are no family relationships between any of our directors or executive officers.

---

## EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

**Philosophy.** The Company's compensation philosophy is to pay for performance. Accordingly, the Company's executive compensation program is designed to attract and retain highly qualified executives and to motivate them to maximize stockholder return. It is intended to provide overall competitive compensation levels and incentive pay levels that vary based on the achievement of company-wide performance objectives and individual performance. In particular, the incentive compensation of Mr. Peak, the Company's Chairman and Chief Executive Officer, is determined by the independent directors of the Board, and is based predominantly upon the achievement of corporate performance objectives, and the achievement of these objectives has a significant impact on the incentive compensation of each other senior executive officer. The compensation packages for the other executive officers are determined by Mr. Peak.

In establishing the corporate performance objectives, the Company looks to use metrics that it believes investors use in determining whether to purchase the Company's stock: growth of gas and oil reserves, earnings growth, return on assets, and achievement of high standards in health and safety and environmental stewardship. As a result, compensation is driven by the achievement of the same or similar results the Company believes its investors are looking for.

**Corporate Performance Objectives.** For the fiscal year ended June 30, 2007, the Company's corporate performance objectives consisted of (i) being accident free in operated wells, (ii) earning an economic rate of return of 25% or greater, (iii) beginning production at Grand Isle 72 (Liberty), (iv) adding reserves in the Gulf of Mexico and Fayetteville Shale at less than \$3.00 per million cubic feet equivalent finding and development cost, (v) passing Sarbanes-Oxley audit with no material weaknesses and five or fewer significant deficiencies, (vi) converting our Series D preferred shares into common stock of the Company and (vii) obtaining appropriate financing for the Company's natural gas and oil producing activities. The Company believes these metrics are important to its stockholders, and that a focus on achieving them should eventually manifest itself in an increase in stockholder value. During fiscal year 2007, a year in which the Company met or exceeded all seven corporate performance objectives, the Company's stock price increased over 156%.

**Senior Executive Review Process.** Mr. Peak conducts an annual review of the base salary, bonus and equity awards made to each executive officer. In each case, Mr. Peak takes into account the executive's scope of responsibilities and experience and balances these against competitive compensation levels, including retention requirements and succession planning with respect to each executive.

Mr. Peak works closely with each executive officer on a daily basis. This makes him the best person to form an assessment of the executive's performance. Mr. Peak evaluates each executive with respect to recent contribution and performance, strengths, weaknesses, development plans and succession potential. Based upon this personal evaluation, Mr. Peak makes his own assessment and determines compensation for each executive officer. The independent members of the Board of Directors retain responsibility for selection, evaluation and the determination of compensation of the Chief Executive Officer. The independent directors have set Mr. Peak's base salary at \$150,000 per year. Mr. Peak is evaluated solely with respect to the Company's performance as a whole.

**Components of Senior Executive Compensation.** The primary elements of annual compensation for senior executives are base salary, cash bonuses (which fall within the SEC's definition of Non-Equity Incentive Plan Compensation for the purposes of the Summary Compensation Table and otherwise) and equity awards. Each component is addressed in the context of individual and Company performance and competitive conditions. In determining competitive compensation levels, the Company analyzes data that includes information regarding the general natural gas and oil exploration and production industry. As described further below, senior executives also receive other forms of compensation, including various benefit plans made available to all of the Company's employees, but these are not independently evaluated in connection with the annual determination of senior executive compensation. None of the executive officers have an agreement with the Company that govern aspects of their compensation, as described below under Employment and Severance Agreements.

Aggregate compensation for each senior executive is designed to align the executive's incentives with the long-term interests of the Company's stockholders. Additionally, it is designed to be competitive with that of executives serving in a comparable capacity at peer groups. Contango is unique in that we have only six employees. As a result, our executives are required to wear multiple hats and manage a number of different responsibilities and projects. It is therefore difficult to find companies where executives are asked to perform several different functions as they do at Contango. The Company uses cash bonuses to reward recent performance, and uses equity awards to create incentives for future performance. Contango does not look to assign a fixed weighting to any individual component of compensation, as it believes that aggregate compensation for each executive must be tailored to meet the competitive characteristics applicable to the executive's personal and professional circumstances, as well as the performance of the Company. Mr. Peak has the discretion to modify the individual components of compensation for each senior executive, and the Board of Directors has the discretion to modify the individual components of compensation for Mr. Peak.

Mr. Peak's base salary has been \$150,000 since the Company's inception in 1999. This is significantly less than market value for the Chairman, President, Chief Executive Officer and Chief Financial Officer positions in public oil and gas companies the size of Contango. Mr. Peak prefers a below median salary level with the opportunity to earn larger bonuses and equity awards. This results in Mr. Peak assuming greater risk, because as discussed below, bonuses and equity awards are linked to Company performance. Should the Company not perform well in a given year, Mr. Peak's bonus and equity awards would reflect such lower level of performance. In 2003, for example, Mr. Peak did not receive a bonus.

**Base Salary.** Base salaries are a fundamental component of the Company's compensation system and competitive salary levels are necessary to attract and retain well qualified executives. Mr. Peak determines base salaries for executive officers by evaluating the responsibilities of the position, the experience of the individual, the performance of the individual, and the competitive marketplace for similar management talent. Mr. Peak's salary review process includes a comparison of base salaries for comparable positions at companies of similar type, size and financial performance.

Mr. Peak may make base salary adjustments on a periodic basis to maintain the desired levels of base salaries for the Company's executives. Mr. Peak determines annual salary adjustments by evaluating the competitive marketplace and the performance of Contango and the executive officers, as well as any increased responsibilities assumed by the executive officers. Although Mr. Peak does not give specific weight to any particular factor, the most weight is given to the executive's performance (in determining whether to adjust above or below the current salary level), and a significant but lesser weight is given to the comparative data. Salary adjustments generally are determined and implemented on a 12-month cycle, but Mr. Peak may undertake more frequent adjustments as he deems appropriate. Additionally, the Board of Directors may adjust Mr. Peak's base salary for the same reasons.

Effective July 1, 2006, Mr. Peak increased the base salaries of Ms. Bautina and Mr. Duncan. The fiscal year 2007 average base salaries of those executive officers increased over the previous year's levels as a result of a combination of factors, including individual performance, excellent performance by the Company, increased responsibilities, and the increased competition for experienced people holding similar positions in the industry. Mr. Castro was hired by the Company in March 2006. Accordingly, in June 2006, Mr. Peak determined that the base salary then in effect for Mr. Castro would remain unchanged for fiscal year 2007.

**Bonuses.** All executives, including Mr. Peak, are eligible to receive a cash incentive bonus tied directly to the Company's achievement of specified financial, operational, and strategic objectives and the executive's personal achievements. In fiscal year 2007, all executives received a cash incentive bonus. Bonuses, like annual salary, are determined by Mr. Peak on an annual basis. Mr. Peak began the fiscal year with a target bonus potential for each executive of 100% of base salary. Mr. Peak's target bonus potential was set at \$500,000. Ultimately, Mr. Peak bases executive bonuses on management's achievement during the fiscal year of specific corporate objectives common in the oil and gas industry including (i) increases in cash flow and earnings,

(ii) growth in reserves per share and production per share while maintaining an acceptable ratio of debt to capitalization and (iii) control of costs throughout the Company. Mr. Peak believes that bonuses should be greater than market, when salaries are below industry median pay levels.

Mr. Peak determines the cash bonus amount based upon the degree to which the corporate performance objectives, as well as individual performance goals, are achieved. Individual performance goals for each executive are generally determined by Mr. Peak in the first quarter of the year based upon discussions with the executive. At the end of the year, Mr. Peak reviews each executive's individual performance, and then determines an appropriate bonus amount. For accrual purposes, the Company accrued \$1 million for anticipated fiscal year 2007 cash bonuses.

Based on the Company's performance, the independent directors awarded Mr. Peak an \$800,000 cash bonus for the fiscal year ended June 30, 2007. The award was made in recognition of the performance of the Company during the 2007 fiscal year from an operating, liquidity and balance sheet perspective. The independent members of the Board cited as their basis for compensation, the discoveries at Eugene Island 10 (Dutch) #1 and #2, the Company's acreage position in the Fayetteville Shale play and the \$30 million unutilized term loan facility secured during the fiscal year, all of which contributed to the increase in the stock price of the Company during the fiscal year ended June 30, 2007.

**Equity Awards.** Contango's equity compensation program for senior executive employees includes two forms of long-term incentives: restricted stock and stock options. Award size and frequency is based on each executive's demonstrated level of performance and Company performance over time. Mr. Peak annually reviews award levels to ensure their competitiveness. In making individual awards, Mr. Peak considers industry practices, the recent performance of each executive, the value of the executive's previous awards and the Company's views on executive retention and succession.

Historically, stock option awards were the Company's primary form of equity incentives. Contango selected this form because it tied future performance of the Company to the ultimate value received by the employee. Beginning in 2006, however, as the Company's stock price continued to grow, the Company began using restricted stock as the primary form of equity incentive compensation, since fewer shares of stock are required to achieve the same level of employee compensation and thus less overall dilution in the number of shares of Common Stock outstanding.

During the fiscal year ended June 30, 2007, only one equity award was granted. In December 2006, the Board of Directors granted Mr. Peak options to acquire 200,000 shares of Common Stock to be effective two days after the completion of the Company's \$30 million term loan facility closing, which occurred in February 2007. This grant was in recognition of (i) the Company's achievements in the Gulf of Mexico, including the Company's Dutch discovery, (ii) the Company's acreage position in the Arkansas Fayetteville Shale play and the significant exploration prospects that could be generated, and (iii) the completion of the Company's \$30 million term loan facility.

**Equity Award Mechanics.** Equity awards are granted pursuant to the Company's 1999 Stock Incentive Plans. For Mr. Peak, awards are made by the Board of Directors, at the recommendation of Mr. Peak, at a regularly scheduled meeting or by unanimous written consent. For executive officers, awards are made by Mr. Peak. Awards typically fall into two categories: annual awards and new hire and promotion awards. New hire and promotion awards are made on the date of hire or promotion, and annual awards are made in June. From time to time the Board of Directors or Mr. Peak may make grants at other times in connection with employee retention or otherwise. During the fiscal year ended June 30, 2007 one equity award granted varied from this schedule. As, discussed above, in December 2006, Mr. Peak was granted options in recognition of certain achievements.

All stock option awards have a per share exercise price equal to the closing price of our Common Stock on the grant date. Stock option awards and restricted stock awards vest upon the passage of time. Neither Mr. Peak

nor the Board of Directors has granted, nor does do they intend in the future to grant, equity awards in anticipation of the release of material nonpublic information. Similarly, the Company has not timed, nor does it intend in the future to time, the release of material nonpublic information based upon equity award grant dates.

**Deferred Compensation and Retirement Plans.** The Company does not have a deferred compensation program, pension benefits, a retirement plan, or any sort of post retirement healthcare plan. Additionally, the Company does not have any potential post-employment payments such as termination or a change in control of the Company.

**Perquisites and Other Benefits.** The Company annually reviews the perquisites that senior executives receive. In general, such perquisites are limited. Other than as described in the Summary Compensation Table below, the Company's senior executives are entitled to few benefits that are not otherwise available to all of its employees.

**Regulatory Considerations.** It is the Company's policy to make reasonable efforts to cause executive compensation to be eligible for deductibility under Section 162(m) of the Code. Under Section 162(m), the federal income tax deductibility of compensation paid to the Company's Chief Executive Officer and to each of its four other most highly compensated executive officers may be limited to the extent that such compensation exceeds \$1 million in any one year. Under Section 162(m), the Company may deduct compensation in excess of \$1 million if it qualifies as performance-based compensation, as defined in Section 162(m).

In the recent past, compensation paid to the Company's Chief Executive Officer and to each of its four other most highly compensated executive officers has been deductible by the Company even though certain compensation may not have qualified as performance-based compensation. However, it is possible that non-qualifying compensation paid to the Company's executive officers may exceed \$1 million in a taxable year and therefore limit the deductibility by the Company of a portion of such compensation. For example, the Company's Chief Executive Officer received stock options, some of which will continue to vest over the next several years based upon the passage of time. Please see the Outstanding Equity Awards Table for more details regarding such restricted stock awards.

**Employment and Severance Agreements.** We have no employment or severance agreement with any executive officer.

#### **BOARD OF DIRECTORS REPORT**

The Board has reviewed and discussed the Compensation Discussion and Analysis set forth above with management. Based on such review and discussion with management, the Board has recommended that the Compensation Discussion and Analysis be included in this Proxy Statement and incorporated by reference into our Annual Report on Form 10-K for the fiscal year ended June 30, 2007.

Board of Directors

Jay D. Brehmer

B.A. Berilgen

Charles M. Reimer

Steven L. Schoonover

Darrell W. Williams



## EXECUTIVE COMPENSATION TABLES

## Summary Compensation Table

The following table sets forth certain information concerning compensation of the principal executive officer ( PEO ), the principal financial officer ( PFO ), and the three most highly compensated executive officers (other than the PEO and PFO) who earned at least \$100,000 during the fiscal year ended June 30, 2007 (collectively, the Named Executive Officers ).

Name and Principal Position(s)	Fiscal Year	Salary (\$)	Bonus (\$)	Restricted Stock Awards (\$)	Option Awards (\$)(1)	Non-Equity Incentive Plan Compensation (\$)(2)	All Other Compensation (\$)(3)	Total (\$)
Kenneth R. Peak Chairman, Chief Executive Officer, Chief Financial Officer and Secretary	2007	\$ 150,000	\$	\$	\$ 860,954	\$ 800,000	\$ 19,012	1,829,966
Lesia Bautina Senior Vice President and Controller	2007	\$ 150,000	\$	\$ 47,495	\$ 107,128	\$ 300,000	\$	604,623
Sergio Castro Vice President and Treasurer	2007	\$ 125,000	\$	\$ 7,125	\$ 40,167	\$ 125,000	\$	297,292
Marc Duncan President and Chief Operating Officer, Contango Operators, Inc.	2007	\$ 225,000	\$	\$ 23,741	\$ 78,765	\$ 350,000	\$	677,506

- (1) These amounts do not reflect compensation actually received by the Named Executive Officer. The amounts shown represent expense recognized in the 2007 Consolidated Financial Statements related to option awards in current and prior fiscal years, in accordance with SFAS 123R, excluding any assumption for future forfeitures. There were no actual forfeitures of stock options by any Named Executive Officers in fiscal year 2007. The assumptions used to calculate the expense amounts shown for stock options granted in fiscal year 2007 are set forth in Note 16 to the 2007 Consolidated Financial Statements.
- (2) These amounts reflect the annual performance-based cash incentive compensation awards earned for services rendered in fiscal year 2007. The amounts were paid pursuant to the senior executive bonus program described in Compensation Discussion and Analysis Bonuses.
- (3) This amount represents monthly golf club membership dues paid for by the Company. None of the remaining Named Executive Officers received perquisites with an incremental cost to the Company in excess of \$10,000 in fiscal year 2007.

**Grants of Plan Based Awards Table**

The following table sets forth certain information concerning grants of awards made to each Named Executive Officer during the fiscal year ended June 30, 2007:

Name	Grant Date	Approval Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Target \$(1)	All other option awards; Number of securities underlying options (#) (2)	Exercise or Base Price of Option Award (\$/sh)	Grant Date Fair Value of Option Awards (\$ (3)
Kenneth R. Peak	2/7/07	12/29/06	\$ 500,000	200,000	\$ 21.00	\$ 2,249,700
Lesia Bautina			\$ 150,000			
Sergio Castro			\$ 125,000			
Marc Duncan			\$ 225,000			

- (1) Amounts shown are the targeted cash incentive compensation award potential for each Named Executive Officer under the senior executive bonus program as described in Compensation Discussion and Analysis Bonuses. There are no threshold or maximum payout amounts. These amounts are based upon the individual's fiscal year 2007 base salary. Actual amounts earned by the Named Executive Officers for fiscal year 2007 are reported in the Summary Compensation Table under the column entitled Non-Equity Incentive Plan Compensation.
- (2) Amount shown is the number of shares underlying the options granted to Mr. Peak for the fiscal year ended June 30, 2007. The options will vest at a rate of one-third on the date of grant, and one-third on the next two annual anniversaries of the grant date. The option will expire five years from the date of grant.
- (3) Amount shown represents the aggregate fair value of stock options as of the date of grant calculated in accordance with SFAS 123R. Assumptions used to calculate the grant date fair value amounts are set forth in Note 16 to the 2007 Consolidated Financial Statements. The exercise price equals the share price of Common Stock on the grant date for stock options included in the table above. However, the fair value shown above may not be indicative of the value realized on the date the option is exercised due to variability in the share price of Common Stock.

The Summary Compensation and Grants of Plan-Based Awards Tables should be read in conjunction with both the preceding Compensation Discussion and Analysis, which provides detailed information regarding our compensation philosophy and objectives. For the Named Executive Officers, the amount of salary relative to total compensation averages approximately 19%.

**Outstanding Equity Awards at Fiscal Year-End Table**

The following table sets forth certain information concerning outstanding equity awards for each Named Executive Officer as of June 30, 2007:

Name	Number of Securities Underlying Unexercised Options (#)	Option Awards			Stock Awards	
		Exerciseable	Number of Securities Underlying Unexercised Options (#)	Option Exercise Price (\$)	Option Expiration Date	Number of Shares or Units of Stock that have not vested (#)
Kenneth R. Peak	250,000		\$ 6.82	05/27/09(1)		
	125,000	125,000	\$ 10.23	06/20/10(2)		
	66,667	133,333	\$ 21.00	02/07/12(3)		
Lesia Bautina	35,000		\$ 3.00	07/12/12(4)		
	50,000		\$ 4.05	06/25/08(5)		
	15,000		\$ 6.20	05/27/09(1)		
	42,500	42,500	\$ 9.30	06/20/10(2)	6,667	\$ 241,945(6)
Sergio Castro	8,333	16,667	\$ 11.55	03/02/11(7)	1,000	\$ 36,290(6)
Marc Duncan	25,000		\$ 7.75	06/06/10(8)		
	12,500	12,500	\$ 9.30	06/20/10(2)	3,334	\$ 120,991(6)

- (1) These options were granted on May 27, 2004 and vest at a rate of one-third on the date of grant, and one-third on the next two annual anniversaries of the grant date.
- (2) These options were granted on June 20, 2005 and vest at a rate of one-fourth per year, beginning on June 20, 2006.
- (3) These options were granted on February 7, 2007 and vest at a rate of one-third on the date of grant, and one-third on the next two annual anniversaries of the grant date. These options are the same option awards disclosed in the Grants of Plan Based Award Table.
- (4) These options were granted on July 12, 2002 and vest at a rate of one-fifth on the date of grant, and one-fifth on the next four annual anniversaries of the grant date.
- (5) These options were granted on June 25, 2003 and vest at a rate of one-third on the date of grant, and one-third on the next two annual anniversaries of the grant date.
- (6) Represents restricted stock granted on July 5, 2006. The restricted stock vest in three equal parts starting on the date of grant, and will be fully vested on July 5, 2008. The values contained in this column were calculated by multiplying the number of shares by \$36.29, which was the closing price of the Company's common stock reported on the American Stock Exchange on the last trading day of the fiscal year ended June 30, 2007.
- (7) These options were granted on March 2, 2006 and vest at a rate of one-third per year, beginning on March 2, 2007.

Edgar Filing: ELLIE MAE INC - Form SC 13G/A

- (8) These options were granted on June 6, 2005 and vest at a rate of two-fifths on the one-year anniversary of the grant date and three-fifths on the two-year anniversary of the grant date.

**Option Exercises and Stock Vested Table**

The following table sets forth certain information concerning all exercises of stock options and vesting of restricted stock for each Named Executive Officer during the fiscal year ended June 30, 2007:

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$) (1)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting (\$) (2)
Kenneth R. Peak	70,000	\$ 1,167,500		
Lesia Bautina			3,333	\$ 47,495
Sergio Castro			500	\$ 7,125
Marc Duncan			1,666	\$ 23,741

(1) The value realized equals the difference between the option exercise price and the sale price of Common Stock at the time of exercise, multiplied by the number of shares for which the option was exercised.

(2) The value realized equals the closing price of Common Stock on the vesting date, multiplied by the number of shares that vested.

**Equity Compensation Plans and Other Compensation Arrangements**

The following table provides information as of June 30, 2007 about our Common Stock that may be issued upon the exercise of stock options and warrants under (i) all compensation plans previously approved by stockholders and (ii) individual compensation arrangements not approved by stockholders.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities reserved for future issuance under equity compensation plans
Plans approved by stockholders (1)	1,026,000	\$ 10.87	469,333

(1) Other than indicated, the Company has no other equity compensation plans that have not been approved by the stockholders.

The Company may periodically grant additional cash bonuses, new stock option grants and/or restricted stock awards to provide continuing incentive for future performance. In making the decision to make additional grants and/or awards, the independent directors and the Chairman and Chief Executive Officer would consider factors such as the size of previous grants/awards and the number of stock options and shares of stock already held and the degree to which increasing that ownership stake would provide the additional incentives for future performance, the likelihood that the grants/awards would encourage the executive officer to remain with the Company and the value of the executive's service to the Company.

The Independent Directors of the Board of Directors

Jay D. Brehmer

B. A. Berilgen

Darrell W. Williams

Steven L. Schoonover

Charles M. Reimer

SIGNATURE



## SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following tables show the ownership of our Common Stock and Series E Preferred Stock as of October 12, 2007 by (i) each person known by us to beneficially own 5% or more of our outstanding shares of Common Stock and/or Series E Preferred Stock, (ii) each of our non-employee nominee directors, (iii) our executive officers and (iv) our executive officers and nominee directors taken together as a group. Unless otherwise indicated, each person named in the following table has the sole power to vote and dispose of the shares listed next to his name.

### Our 5% Stockholders

To the Company's knowledge, the following stockholders beneficially owned more than 5% of our outstanding shares of Common Stock and/or Series E Preferred Stock, as set forth below, as of October 12, 2007:

Title Of Class	Name and Address of Beneficial Owner (1)	Amount of Beneficial Ownership (2)	Percent Of Class
Common Stock	Kenneth R. Peak (3)	2,501,011	15.03%
Common Stock	Sellers Capital Master Fund, Ltd (4)	1,906,341	11.45%
Common Stock	West Coast Asset Management, Inc. (5)	953,075	5.7%
Series E Preferred Stock	RCH Energy Opportunity Fund II, LP (6)	2,000	33.00%
Series E Preferred Stock	The Northwestern Mutual Life Insurance Company (7)	1,000	17.00%
Series E Preferred Stock	Palo Alto Global Energy Master Fund, LP (8)	1,000	17.00%
Series E Preferred Stock	West Coast Opportunity Fund, LLC (9)	1,000	17.00%
Series E Preferred Stock	Ironman Energy Capital, LP (10)	600	10.00%

### Directors and Executive Officers

Title Of Class	Name and Address of Beneficial Owner (1)	Amount of Beneficial Ownership (2)	Percent Of Class
<b>Directors Who Are Not Employees</b>			
Common Stock	Jay D. Brehmer (11)	61,604	*
Common Stock	B.A. Berilgen	2,331	*
Common Stock	Charles M. Reimer (12)	250,105	1.50%
Common Stock	Steven L. Schoonover (13)	258,652	1.55%
Common Stock	Darrell W. Williams (14)	25,402	*
<b>Executive Officers</b>			
Common Stock	Kenneth R. Peak (15)	2,501,011	15.03%
Common Stock	Lesia Bautina (16)	194,187	1.17%
Common Stock	Sergio Castro (17)	9,833	*
Common Stock	Marc Duncan (18)	45,100	*
<b>Directors and Executives Combined</b>			
Common Stock	All current directors and executive officers as a group (9 persons)	3,348,225	20.12%

\* Less than 1%.

- (1) Unless otherwise noted, the address of the members of the Board and our executive officers is 3700 Buffalo Speedway, Suite 960, Houston, Texas 77098.
- (2) Beneficial ownership is determined in accordance with the rules of the SEC. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of Common Stock subject to options held by that person that are currently exercisable or exercisable within 60 days of





October 12, 2007 are deemed outstanding. Applicable percentages are based on 16,643,138 shares outstanding on February 28, 2007, adjusted as required by the rules. To the Company's knowledge, except as set forth in the footnotes to this table and subject to applicable community property laws, each person named in the table has sole voting and investment power with respect to the shares set forth opposite such person's name.

- (3) In addition, Mr. Peak maintains voting control over 600,000 shares that were transferred to a family member. Inclusion of the 600,000 shares would increase his Percent of Total Common Stock Outstanding to 18.6%
- (4) Sellers Capital Master Fund, Ltd.'s address is 161 N. Clark Street, Suite 4700, Chicago, IL 60601.
- (5) West Coast Asset Management, Inc.'s address is 2151 Alessandro Drive, Ste 100 Ventura, CA 93001.
- (6) RCH Energy Opportunity Fund II, LP's address is 200 Crescent Court, Suite 1060, Dallas TX 75201.
- (7) The Northwestern Mutual Life Insurance Company's address is 720 E. Wisconsin Avenue, Milwaukee, WI 53202.
- (8) Palo Alto Global Energy Master Fund, LP's address is 470 University Ave., Palo Alto, CA 94301.
- (9) West Coast Opportunity Fund, LLC's address is 2151 Alessandro Drive, Ste 100 Ventura, CA 93001.
- (10) Ironman Energy Capital, LP's address is 4545 Bissonnett, Suite 291, Bellaire, TX 77401
- (11) Includes options to purchase an aggregate of 9,000 shares which are currently exercisable or will be exercisable within 60 days of October 12, 2007.
- (12) Includes options to purchase an aggregate of 4,000 shares which are currently exercisable or will be exercisable within 60 days of October 12, 2007.
- (13) Includes options to purchase an aggregate of 8,000 shares which are currently exercisable or will be exercisable within 60 days of October 12, 2007.
- (14) Includes options to purchase an aggregate of 15,000 shares which are currently exercisable or will be exercisable within 60 days of October 12, 2007.
- (15) Includes options to purchase an aggregate of 391,667 shares which are currently exercisable or will be exercisable within 60 days of October 12, 2007. These are the same shares listed for Mr. Peak on the list of stockholders who beneficially own greater than 5% of the Company's stock.
- (16) Includes options to purchase an aggregate of 142,500 shares which are currently exercisable or will be exercisable within 60 days of October 12, 2007.

(17) Includes options to purchase an aggregate of 8,333 shares which are currently exercisable or will be exercisable within 60 days of October 12, 2007.

(18) Includes options to purchase an aggregate of 37,500 shares which are currently exercisable or will be exercisable within 60 days of October 12, 2007.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act of 1934 requires our officers and directors and persons who own more than 10% of our Common Stock to file reports of ownership and changes in ownership with the SEC. These persons are required by SEC regulations to furnish us with copies of all Section 16(a) reports they file. Based on our review of the copies of such reports, we believe that all officers and directors of the Company were in compliance with such filing requirements during the fiscal year ended June 30, 2007. On or about September 20, 2007, Sellers Capital Master Fund, Ltd. ( Sellers ) filed a Form 3 and Form 4 with the SEC reporting purchase and sale transactions from March 6, 2007, when Sellers first acquired 10% of our Common Stock, through September 4, 2007.

**Certain Relationships and Related Transactions**

Charles M. Reimer, a director of the Company, is President of Freeport LNG Development, L.P. ( Freeport LNG ), a limited partnership formed to develop a 1.5 billion cubic feet per day ( Bcf/d ) liquefied natural gas ( LNG ) receiving terminal in Freeport, Texas. During the fiscal year ended June 30, 2007, the Company did not invest any additional funds in Freeport LNG. As of June 30, 2007, the Company had invested a total of \$3.2 million and owned a 10% limited partnership interest in Freeport LNG.

In July 2006, the Company purchased options from Darrell W. Williams, a director of the Company, for \$91,190. We do not have a publicly announced program to repurchase shares of our common stock.

**Related Person Transaction Policies and Procedures**

The Company has instituted policies and procedures for the review, approval and ratification of related person transactions as defined under SEC rules and regulations. Our Audit Committee Charter requires management to inform the Audit Committee of all related person transactions. In order to identify any such transactions, among other measures, the Company requires its directors and officers to complete questionnaires identifying transactions with any company in which the officer or director or their family members may have an interest. In addition, our Code of Ethics requires that the Audit Committee review and approve any related person transaction before it is consummated.

---

**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee is a standing committee of the Board of Directors. The Audit Committee consists of three members, Jay D. Brehmer (Chairman), Charles M. Reimer and Steven L. Schoonover, each of which is independent as defined in Section 121(A) of the American Stock Exchange listing standards. The Board of Directors has designated Mr. Brehmer as the audit committee financial expert as defined by SEC rules. The Audit Committee assists, advises and reports regularly to the Board in fulfilling its oversight responsibilities related to:

The integrity of the Company's financial statements

The Company's compliance with legal and regulatory requirements

The independent auditor's qualifications and independence

The performance of the Company's outside auditors

In meeting its responsibilities, the Audit Committee is expected to provide an open channel of communication with management, the outside auditors and the Board. The Audit Committee's specific responsibilities are set forth in its charter, as amended. The Audit Committee Charter was amended February 16, 2006.

The Audit Committee has reviewed and discussed Contango's audited consolidated balance sheet as of June 30, 2007 and 2006 and consolidated statements of income, cash flows and stockholders' equity for the three years ended June 30, 2007, 2006 and 2005 with Contango's management. The Audit Committee has discussed with Grant Thornton LLP, Contango's independent auditors, the matters required to be discussed by Statement of Auditing Standards No. 61, as amended, (concerning the accounting methods used in the financial statements).

The Audit Committee has also received and reviewed the written disclosures and the letter from Grant Thornton LLP required by Independent Standards Board No. 1 (concerning matters that may affect an auditor's independence), and has discussed with Grant Thornton LLP their independence.

Based on the foregoing review and discussions, the Audit Committee recommended to the Board of Directors that the audited financial statements be included in Contango's Annual Report on Form 10-K for the year ended June 30, 2007 for filing with the Securities and Exchange Commission.

This report is submitted on behalf of the Audit Committee.

Jay D. Brehmer, Chairman

Steven L. Schoonover

Charles M. Reimer

**DEADLINE FOR RECEIPT OF STOCKHOLDER PROPOSALS FOR THE ANNUAL MEETING OF STOCKHOLDERS IN 2008**

Proposals of stockholders intended to be presented at next year's annual meeting of stockholders must be received by Kenneth R. Peak at Contango Oil & Gas Company's principal office located at 3700 Buffalo Speedway, Suite 960, Houston, Texas 77098 no later than June 25, 2008. If the date of the annual meeting for 2008 is moved by more than 30 days from the date of this year's Annual Meeting, then the deadline for receiving stockholder proposals shall be a reasonable time before the Company begins to print and mail the proxy statement for the 2008 annual meeting.

**ADVANCE NOTICE PROCEDURES FOR NEXT YEAR'S ANNUAL MEETING**

The Company advises stockholders that, until further notice, June 25, 2008 is the date after which notice of a stockholder-sponsored proposal submitted outside the processes of Rule 14a-8 under the Securities Exchange Act of 1934 (i.e. a proposal to be presented at the next annual meeting of stockholders that has not been submitted for inclusion in the Company's Proxy Statement) will be considered untimely under the SEC's proxy rules.

**OTHER PROPOSED ACTIONS**

The Board is not aware of any other business that will come before the Annual Meeting, but if any such matters are properly presented, the proxies solicited hereby will be voted in accordance with the best judgment of the persons holding the proxies. All shares represented by duly executed proxies will be voted at the Annual Meeting.

**AVAILABILITY OF CERTAIN DOCUMENTS REFERRED TO HEREIN**

**THIS PROXY STATEMENT REFERS TO CERTAIN DOCUMENTS OF THE COMPANY THAT ARE NOT PRESENTED HEREIN OR DELIVERED HERewith. SUCH DOCUMENTS ARE AVAILABLE TO ANY BENEFICIAL OWNER, TO WHOM THIS PROXY STATEMENT IS DELIVERED, UPON ORAL OR WRITTEN REQUEST, WITHOUT CHARGE, DIRECTED TO KENNETH R. PEAK, CONTANGO OIL & GAS COMPANY, 3700 BUFFALO SPEEDWAY, SUITE 960, HOUSTON, TEXAS 77098, TELEPHONE NUMBER (713) 960-1901. IN ORDER TO ENSURE TIMELY DELIVERY OF THE DOCUMENTS, SUCH REQUESTS SHOULD BE MADE BY NOVEMBER 8, 2007.**

By order of the Board of Directors,

/s/ KENNETH R. PEAK

Kenneth R. Peak

*Chairman, Chief Executive Officer*

*Chief Financial Officer and Secretary*

[Form of Proxy]

**CONTANGO OIL & GAS COMPANY**

**THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS FOR THE ANNUAL  
MEETING OF STOCKHOLDERS CALLED FOR NOVEMBER 15, 2007**

The undersigned stockholder(s) of CONTANGO OIL & GAS COMPANY, a Delaware corporation, having received the Notice of Annual Meeting of Stockholders and Proxy Statement dated October 15, 2007, hereby appoints Kenneth R. Peak as Proxy, with the power to appoint a substitute and hereby authorizes him to represent the undersigned at the Annual Meeting of Stockholders of CONTANGO OIL & GAS COMPANY to be held on Thursday, November 15, 2007 at 8:00 a.m., Central Time, at 3700 Buffalo Speedway, Second Floor, Houston, Texas 77098, and at any adjournments thereof, and to vote all shares of Common Stock which the undersigned would be entitled to vote thereat on all matters set forth below, as described in the accompanying Proxy Statement.

THIS PROXY WHEN PROPERLY EXECUTED WILL BE VOTED IN THE MANNER DIRECTED HEREIN BY THE UNDERSIGNED STOCKHOLDER. IF NO DIRECTION IS MADE, THIS PROXY WILL BE VOTED FOR ALL OF THE DIRECTORS NOMINATED BY THE BOARD AND FOR RATIFICATION OF THE APPOINTMENT OF GRANT THORNTON LLP AS INDEPENDENT PUBLIC ACCOUNTANTS. THE PERSON NAMED AS PROXY WILL USE HIS DISCRETION WITH RESPECT TO ANY MATTER REFERRED TO IN PROPOSAL 3. THIS PROXY IS REVOCABLE AT ANY TIME BEFORE IT IS EXERCISED.

*IMPORTANT PLEASE SIGN ON THE OTHER SIDE*

SIGNATURE

