



PRESS RELEASE

September 8, 2010

Connacher's Algar Electrical Cogeneration Plan Completed On Time, On Budget, Commissioned and Activated

CALGARY - Connacher Oil and Gas Limited announced today that its 13.1 megawatt cogeneration ("cogen") facility at its Algar steam-assisted gravity drainage ("SAGD") bitumen extraction plant in the Great Divide region of northeastern Alberta has been completed, on-time and on-budget. The plant, which is also capable of generating 3,700 bbl/d of steam at full design rate, was commissioned in late August 2010 and was integrated with the Algar plant in early September 2010 following a short plant outage to facilitate the electrical work. Algar is now islanded from the regional electrical grid.

The cogen plant was designed to meet current power needs at Algar. It is anticipated once the local power utility completes a nearby regional substation in 2011, any surplus power could be sold from the cogen plant into the regional electrical grid, as initial utilization will be below design capacity during production rampup and prior to the installation of any pumps and related equipment. The activation of the Algar cogeneration plant is also expected to contribute to increased power reliability at Connacher's Great Divide Pod One facility as grid supply is no longer required at Algar. This improved power reliability should minimize the occurrence of and any potential adverse impact from grid related power outages on pump durability and resultant production performance at Pod One.

The cogeneration plant was constructed at a cost of approximately \$30 million and was completed and activated without incident approximately two weeks ahead of schedule. This on-time, on-budget performance is a positive reflection of the caliber of construction, engineering and operating staff assembled by the company over the past several years and marks the continuation of a track record of meeting capital budgets and executing timetables in a difficult work environment.

Our bitumen production rampup at Algar continues to proceed as anticipated. We now have 12 well pairs on full SAGD and four wells remain on circulation. Currently, Algar rampup is considerably ahead of both the initial Pod One rampup and thus far also ahead of other record rampup rates which have recently been reported for new SAGD operations. Readers should note that Algar production, related costs and revenues will be capitalized and will not be recorded in the company's operating and financial results until such time as a declaration of commerciality occurs. It is anticipated such a declaration may occur on or about October 1, 2010 once volumes further increase and the company is satisfied as to the reliability of such volumes of Algar bitumen production and sales.

Connacher Oil and Gas Limited is a Calgary-based crude oil, bitumen, natural gas and natural gas liquids production company. Principal oil sands assets are held in the Great Divide region of Alberta. Conventional production is held in Alberta and Saskatchewan and Connacher also owns and operates a heavy oil refinery in Great Falls, Montana.

Forward Looking Information

This press release contains forward looking information including but not limited to the steam generating capacity of the Algar cogen plant, anticipated utilization of the cogen plant to meet current power needs at Algar, anticipated increased power reliability as a result of activation of the Algar cogen plant, future sales of surplus power upon completion of an electrical substation in 2011 and anticipated timing for completion of ramp-up at Algar and determination of commerciality in respect thereof. Forward looking information is based on management's expectations regarding future growth, results of operations, production, future commodity prices and foreign exchange rates, future capital and other expenditures (including the amount, nature and sources of funding thereof), plans for and results of drilling activity, environmental matters, business prospects and opportunities and future economic conditions. Forward looking information involves

significant known and unknown risks and uncertainties, which could cause actual results to differ materially from those anticipated. These risks include, but are not limited to: the risks associated with the oil and gas industry (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; timing difficulties or delays and additional costs relating to the start-up of Algar and the cogen facility; the uncertainty of reserve and resource estimates, the uncertainty of geological interpretations, the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, risks associated with the impact of general economic conditions, risks and uncertainties associated with securing and maintaining the necessary regulatory approvals and financing to proceed with the operation and continued expansion of the Great Divide oil sands project. Additional risks and uncertainties affecting Connacher and its business and affairs are described in further detail in Connacher's Annual Information Form for the year ended December 31, 2009, which is available at www.sedar.com. Although Connacher believes that the expectations in such forward looking information are reasonable, there can be no assurance that such expectations shall prove to be correct. The forward looking information included in this press release is expressly qualified in its entirety by this cautionary statement. The forward looking information included herein is made as of the date of this press release and Connacher assumes no obligation to update or revise any forward looking information to reflect new events or circumstances, except as required by law.

For further information:

Richard A. Gusella, Chief Executive Officer

Or

Peter D. Sametz, President and Chief Operating Officer

Or

Grant D. Ukrainetz, Vice President, Corporate Development

Phone (403) 538-6201

Fax (403) 538-6225

Email: inquiries@connacheroil.com

Website: www.connacheroil.com