



FOR IMMEDIATE RELEASE

MAY 23, 2003

CONNACHER CONTINUES QUARTER-OVER-QUARTER GROWTH, INCREASES CAPITAL BUDGET, UPDATES GUIDANCE

Calgary, Alberta – Connacher Oil and Gas Limited (CLL – TSX-V) is pleased to report its growth of production, cash flow and reserves continued during the first quarter of 2003. Highlights of the quarter are as follows:

- Connacher completed two major acquisitions of medium-gravity oil reserves, production facilities and land at Battrum, Saskatchewan, establishing a new core area and expanding the company’s established reserve base to over 4 million barrels of oil equivalent (boe), a 128% increase from year-end levels.
- Daily production surpassed 1,000 boe/d in March 2003 as the Battrum purchases started to impact production levels. Production averaged 785 boe/d for the quarter despite modestly lower natural gas sales.
- Cash flow rose 1,202% over first quarter 2002 to \$779,000, while rising 650% on a per share basis to \$0.03.
- Earnings of \$272,000 compared to a loss in the first quarter 2002.
- New hedges for Lloydminster / Islay heavy oil and Battrum oil were put in place at favorable prices prior to the recent decline in oil prices.
- An equity financing was completed, raising over \$2 million of gross proceeds.
- The 3.75 million common shares issued in 2002 to Southward Energy for the Islay properties were widely distributed through secondary distributions, as Southward was involved in a corporate sale. This broadened Connacher’s shareholder base.

	Three Months Ended March 31		
	2003	2002	% Change
FINANCIAL			
(\$000 except per share amounts)			
Net Revenue	1,721	583	195
Cash flow from operations	779	60	1,202
Per basic and diluted share	0.03	0.004	650
Net earnings (loss)	272	(127)	
Per basic and diluted share	0.01	(0.01)	
Capital expenditures	10,768	4,623	133
Net debt	11,514	1,910	503
Shareholders’ equity	7,317	2,613	180
Total assets	21,387	5,412	295
Common shares outstanding (000)			
Weighted average			
Basic	25,021	17,013	47
Diluted	25,528	17,013	50
March 31, 2003			
Issued	28,717	17,971	60
Fully diluted	43,551	26,377	65
OPERATING			
Production			
Oil (bbl/d)	582	237	146
Natural gas (mcf/d)	1,216	1,340	(9)
Barrels of oil equivalent (boe/d)	785	460	71
Prices			
Oil (\$/bbl)	32.22	22.17	45
Natural gas (\$/mcf)	4.03	1.65	144
Barrels of oil equivalent (\$/boe)	30.15	16.22	86
Operating netbacks (\$/boe)	16.86	6.58	156

The first quarter of 2003 marks Connacher's eighth consecutive quarter of production growth. During this two-year period, quarter-over-quarter production has grown on average by 28.5%.

Connacher had a busy first quarter of 2003. The company completed two major purchases at Battrum, Saskatchewan, establishing a second core area to complement its assets at Islay, Alberta. The acquired producing properties are well-known to Connacher's management from previous corporate affiliations. In addition to an attractive production base, there is recognized potential for infill drilling and additional reserves, which may be realized through tertiary recovery techniques. Laboratory analysis has been initiated and may result in a field pilot program.

Included in one of the Battrum purchases was a property at Steelman in southeast Saskatchewan. Upon review, Connacher determined the property has infill development potential for light oil. A horizontal well program to evaluate this is underway. Subsequent to the reporting period, Connacher increased its working interest in this project to 100%.

During the quarter and prior to the decline in oil prices following the cessation of hostilities in Iraq, Connacher completed an attractive hedge of 250 bbls/d of its heavy oil production from the Lloydminster / Islay area at an LLB Hardisty price of \$30.83 for one year from March 1, 2003 until February 28, 2004. Subsequently the company hedged 250 bbls/d of its newly-acquired Battrum production, also for a one-year period ending March 31, 2004, at a WTI reference price of CDN \$45.60 per barrel (before deduction for differentials). Both hedges enhance the company's creditworthiness and the prospect of realizing budgeted prices, important when planning capital spending programs.

Connacher's credit facility was recently expanded from \$5 million to \$21.6 million, with approximately \$8 million currently unutilized and available to fund growth expenditures. During the quarter Connacher raised in excess of \$2 million from a new equity financing. This is consistent with Connacher's intention to maintain a conservative balance sheet while pursuing its aggressive growth program.

Connacher did not drill any new wells in the first quarter of 2003 as it consolidated its new property purchases into its systems. New 2D and 3D seismic programs were shot in the Islay region in anticipation of another round of drilling in this area in 2003.

Subsequent to the reporting period Connacher established a significant land position in the Shackleton, Saskatchewan natural gas play with the purchase of 19.25 sections (12,320 acres) of Crown land for approximately \$900,000. This acreage position lies in close proximity to Connacher's Battrum oil production and is near the town of Cabri, Saskatchewan. A further 13.5 sections (8,640 acres) were acquired in mid-May, taking the company's holdings on this shallow gas play to almost a complete township. Up to 30 new wells are scheduled for this region in 2003 with a view to tying in new gas production by year-end.

Outlook and Guidance

In response to its expanded and growing production, reserve and undeveloped acreage base, Connacher's board of directors recently endorsed an expanded capital budget for 2003. Including its completed purchases at Battrum, which totaled \$9.9 million after adjustments, Connacher now forecasts a 2003 budget of \$28.6 million, including \$3.3 million for consolidation or acquisition of interests at Battrum, Steelman and Cabri, Saskatchewan and at Romeo, Alberta; \$3.1 million for drilling and workovers at Steelman; \$2.8 million for drilling and workovers and a tertiary recovery study at Battrum; \$6.3 million for drilling and installation of plant and facilities at Cabri, Saskatchewan; \$2.7 million for new drilling and workovers at Islay, Alberta; and the balance of \$0.5 million has been allocated to one well at Romeo, one exploratory well in Argentina and other miscellaneous field and head office expenditures.

This expanded capital program of \$18.7 million will be financed from cash, cash flow, equity proceeds, exercise of outstanding warrants and new borrowings supported by an expanded reserve base. All of the scheduled expenditures are discretionary in nature and may be curtailed or amended depending upon results. On a risk-adjusted basis, Connacher is positioned for a significant cost effective expansion of its reserves and production base, especially with its high level of working interest in most projects.

In light of its expanded capital spending plans, and with first quarter 2003 results in hand, Connacher has updated its guidance for 2003 from that originally issued on January 21, 2003 (2003 Plan). Changes primarily result from the decision to defer the startup of drilling until the second quarter due to delays in closing the Battrum purchases, modification to the risking of the outcome of planned activity to a more project-specific basis and adjustments to expected pricing for the full year, incorporating our new hedges. This revised Plan (Q1 Outlook) will be reviewed again after the second quarter.

Connacher forecasts an exit debt to cash flow ratio of 1.1:1. The company's exit production target exceeds 3,000 boe/d with a natural gas component approaching 40% of total production.

Revised Guidance (May 2003)

		2003 Forecast		2002
		2003 Plan	Q1 Outlook	Actual
Sales Volumes (annual averages)				
Crude Oil	Canada (bbls/d)	1,387	1,151	294
	Argentina (bbls/d)	50	50	46
	Total (bbls/d)	1,437	1,201	340
Natural Gas	Canada (mcf/d)	1,321	2,045	811
	Argentina (mcf/d)	550	553	554
	Total (mcf/d)	1,871	2,598	1,365
Combined	Canada (boe/d)	1,608	1,492	429
	Argentina (boe/d)	141	142	139
	Total (boe/d)	1,749	1,634	568
Pricing				
Crude Oil	Canada (\$/bbl)	26.73	28.11	24.22
Crude Oil	Argentina (\$/bbl)	29.00	33.01	32.22
Natural Gas	Canada (\$/mcf)	3.92	5.17	3.49
Natural Gas	Argentina (\$/mcf)	0.40	0.46	0.49
Combined	Canada (\$/boe)	26.27	28.78	23.19
Combined	Argentina (\$/boe)	11.85	13.24	12.72
Combined	Total (\$/boe)	25.11	27.44	20.64
Financials				
Net revenue, after royalties (\$MM)		13.2	13.3	3.7
Funds from operations (\$MM)		6.9	6 – 7	1.0
Per share (\$)		0.21	0.20 – 0.22	0.05
Earnings (\$MM)		4.0	2.5 – 3.0	0.5
Per share (\$)		0.12	0.08 – 0.10	0.03
Capital expenditures ⁽¹⁾ (\$MM)		18.2	28.6	9.0
Year-end net debt (\$MM)		8.4	17.5	2.6
Weighted Average Shares ⁽²⁾ (MM)		33.0	31.2	19.9

(1) Includes acquisition of properties for \$9.9 million in 2003, \$4.0 million in 2002.

(2) Includes net \$1.9 million of equity raised in March and assumes exercise of certain outstanding warrants in 2003 for aggregate gross proceeds of \$2.8 million.

Connacher is a Calgary-based oil and natural gas company. Its primary assets are located at Battrum, Saskatchewan and at Islay, Alberta. The company has secured a significant land position in the Cabri/Shackleton shallow gas play where an active drilling program is scheduled. Also, horizontal infill drilling for light oil at Steelman, Saskatchewan has been initiated. A non-operated 50% working interest is held in a producing 95,000 acre concession in Argentina.

Certain statements included in this press release that are not historical facts should be considered to be “forward-looking statements”. All estimates and statements that describe the Company’s objectives, goals or future plans (including all estimates and statements with respect to the 2003 Plan or its Q1 Outlook) are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties where actual results will differ and such differences could be material. There can be no assurance that Connacher will achieve the drilling results and levels of production assumed in the 2003 Plan or Q1 Outlook. In addition, oil and gas prices are subject to fluctuation and there can be no assurance that the commodity prices reflected in the 2003 Plan or Q1 Outlook will be attained. The Q1 Outlook incorporates actual first quarter 2003 results and assumes the full exercise of outstanding warrants which expire during 2003 as well as continuing expansion of the company’s credit facility on a basis and on terms similar to those presently in force, as well as completion of certain minor acquisitions which consolidate Connacher’s interests in various properties.

The TSX Venture Exchange has neither approved nor disapproved of the contents herein.

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