



FOR IMMEDIATE RELEASE

NOVEMBER 20, 2003

## CONNACHER'S PRODUCTION GROWTH ACCELERATES IN Q3; SUCCESSFUL DRILLING PROGRAMS CONTINUE

Calgary, Alberta – Connacher Oil and Gas Limited (CLL – TSX) is pleased to report that its production growth accelerated in the third quarter. Successful drilling during the summer and fall is expected to result in significant fourth quarter production gains and a 2003 exit rate surpassing 2,500 boe/d. This in turn establishes a strong platform heading into 2004.

Highlights are as follows:

- Production rose 83 percent for the three months and 75 percent for the nine months ended September 30, 2003. This is the tenth successive quarter of production growth for Connacher.
- Buoyed by higher prices, revenue grew at triple-digit rates, as did cash flow from operations, which increased 218 percent for the third quarter and 325 percent for the nine months compared to the same periods in 2002.
- Since June, Connacher has drilled and cased 45 wells, including 31 natural gas wells at Cabri/Shackleton, and seven oil wells at Battrum, both in southwest Saskatchewan. As the wells are brought onstream, their production will materially impact fourth quarter results.
- A 50 percent-owned light oil discovery was made in Argentina on a large seismically-defined structure. Development drilling with attendant production growth is anticipated in 2004.
- Significant land purchases at Stewart Valley, Cabri and Battrum in Saskatchewan increased Connacher's land interests by almost 50,000 acres in the region. Also, a major farm-in in the Tompkins/Gull Lake area of southwest Saskatchewan will enable the company to earn a majority interest in a further 41,000 acres. In November, up to 20 new wells will be licensed for drilling on these lands prior to March 2004.
- Connacher's share price has reacted to the strong growth of the company and marketability has improved with the TSX listing. CLL is up over 185% since March and reached a new high of \$1.29 per share on November 5, 2003.

	Three Months Ended September 30			Nine Months Ended September 30		
	2003	2002	% Change	2003	2002	% Change
<b>FINANCIAL</b>						
(\$000 except per share amounts)						
Net revenue	2,020	912	121	5,812	2,311	152
Cash flow from operations	745	234	218	2,345	551	325
Per basic and diluted share	0.02	0.01	100	0.08	0.03	167
Net earnings (loss)	2,965	41	7,130	3,410	(57)	
Per basic and diluted share	0.08	-		0.11	-	
Capital expenditures	5,715	1,941	194	20,775	5,247	296
Net debt	16,495	3,323	396	16,495	3,323	396
Shareholders' equity	13,613	3,228	322	13,613	3,228	322
Total assets	33,565	8,360	301	33,565	8,360	301
Common shares outstanding (000)						
Weighted average						
Basic	35,820	21,671	65	30,127	19,051	58
Diluted	38,817	21,913	77	31,937	19,294	66
September 30, 2003						
Issued	36,512	21,671	68	36,512	21,671	68
Fully diluted	44,511	31,473	41	44,511	31,473	41

	Three Months Ended September 30			Nine Months Ended September 30		
	2003	2002	% Change	2003	2002	% Change
<b>OPERATING</b>						
Production						
Oil (bbl/d)	839	364	131	725	297	144
Natural gas (mcf/d)	1,012	1,123	(10)	1,086	1,332	(18)
Barrels of oil equivalent (boe/d)	1,008	551	83	906	519	75
Prices						
Oil (\$/bbl)	29.40	25.97	13	31.43	24.21	30
Canadian natural gas (\$/mcf)	4.57	3.22	42	5.68	1.89	200
Argentinian natural gas (\$/mcf)	0.23	0.37	(38)	0.26	0.49	(47)
Total natural gas (\$/mcf)	2.35	1.93	22	2.92	1.90	53
Barrels of oil equivalent (\$/boe)	26.84	21.20	27	28.65	18.73	53
Operating netbacks (\$/boe)	13.87	10.25	35	15.69	9.03	74

Connacher's production growth thus far in 2003 primarily reflects the Batttrum, Saskatchewan acquisitions of the first quarter. None of the oil wells drilled in the third quarter contributed any meaningful production, as they were being completed near the end of September. Also, none of the 31 Cabri/Shackleton natural gas wells which have now been drilled will come onstream until mid-December when they will be tied-in to Connacher's new natural gas plant. The production surge expected in the fourth quarter will lay the foundation for further growth in 2004.

#### **Cabri / Shackleton / Stewart Valley, Saskatchewan**

Connacher now holds a 100 percent interest in and operates over 50,000 acres in this natural gas project in southwest Saskatchewan. Since July 2003 a total of 31 wells have been drilled and cased for completion. Of these, 26 are located on our first development area (Cabri North) where a further five development wells are scheduled for drilling in early December.

Installation of flowlines and construction of the plant site is well-advanced and in the absence of uncontrollable delays, Connacher expects to commence production and deliveries of natural gas around mid-December. Plant capacity is rated at five mmcf/d and initially the 31 wells to be tied in will have excess deliverability relative to initial plant capacity. As declines occur, infill drilling will be scheduled as deliverability approaches plant capacity. This will not likely be required until well into 2004.

While some minor delays have been encountered due to a temporary shortage of certain materials and services, Connacher is pleased with the speed at which its Cabri developments have occurred, having entered the play in April 2003. This represents a considerable achievement by the company's small and effective operating staff.

#### **Batttrum, Saskatchewan**

During the third quarter, Connacher drilled seven oil wells on its property in this region. None were completed until late September and as a result they made minimal contributions to third quarter production. New wells in this region are expected to add a total of 150 - 200 bbls/d to average production for the fourth quarter of 2003. A further four 100 percent-owned wells will be drilled in November to complete the company's 2003 program.

New acreage acquired in October directly offsets Connacher's Batttrum production and is considered prospective for Roserary and Shaunavon oil in addition to shallower Cretaceous gas. Accordingly continued production growth is expected from this region during 2004.

## **Tompkins/Gull Lake, Saskatchewan**

Subsequent to reporting period, Connacher reached an agreement with a senior oil and gas company to earn a majority interest in up to 64 sections (approximately 41,000 acres) of petroleum and natural gas rights in the Tompkins/Gull Lake region of southwest Saskatchewan.

Under the terms of the farm-in agreement, Connacher is committed to drill a minimum of four test wells to a specified depth prior to March 2004. Upon completion of its minimum commitment, Connacher also has the option to drill up to 12 additional wells during the same period to maximize its earning capacity. The farmor has the option of exercising a casing-point election to maintain a minority working interest in each validated block earned by test or option wells, or of remaining in a non-convertible override position. Connacher will have access to specified data to assist in the selection of locations and will become operator of the blocks.

The Tompkins/Gull Lake region is located approximately 32 kilometres southwest of Connacher's Battrum and Cabri/Shackleton properties. The two farm-in blocks are large and contiguous, which will facilitate efficient operations if drilling is successful.

The acreage is prospective for Cretaceous and Jurassic natural gas and oil pools. The lands are bounded on the east by numerous oil pools (Delta, Suffield, Gull Lake) with original oil-in-place between 50 and 100 million barrels and indicated recovery factors of up to 50 percent. On the west, the lands are adjacent to several Hatton / Crane Lake shallow gas fields which originally had about three trillion cubic feet of recoverable natural gas reserves.

In November up to 20 new wells will be licensed for drilling on these lands prior to March 2004.

## **Islay, Alberta**

Subsequent to the reporting period, Connacher has drilled three wells at Islay and is currently drilling an additional horizontal well. If successful, this well should be capable of higher productivity than conventional vertical wells.

## **Argentina**

The PMNX 1001 well on the La Ramona prospect in the Puesto Morales/Rinconada Concession in the Neuquen Basin, Argentina is a new light oil discovery. As previously announced, following stimulation and testing the well was placed onstream on November 11, 2003, initially recovering load fluid. By November 13, 2003 the well was pumping at a rate of approximately 54 bbl/d of light 37° API crude oil from four perforated intervals. Immediate sales are anticipated at a price of approximately 90 percent of prevailing levels of WTI or approximately CDN \$36.00 per barrel. Royalties are set at 13 percent.

The La Ramona prospect covers a significant area based on current geophysical mapping so there is considerable scope for development drilling and related production growth. There is also a deeper play which tested light oil and water in the discovery well, indicating the potential for additional production from this zone in structurally higher positions, which are achievable on the block.

A definitive 2004 development program with the operator will be announced as soon as plans are formalized. Connacher owns a 50 percent working interest in the well and concession.

### **Guidance - Q3 Outlook and 2004 Financial Plan and Budget**

Connacher has updated its guidance for 2003. This 2003 forecast (Q3 Outlook) incorporates actual third quarter 2003 results and takes into account expected fourth quarter developments, including timing of production startups, new drilling and anticipated financing. Based on forecast 2003 year-end production exceeding 2,500 boe/d, Connacher expects to have an acceptable estimated year-end ratio of net debt to exit rate cash flow under 1.5:1.

Connacher is also pleased to provide 2004 guidance based on its Financial Plan and Budget (2004 Plan) for the upcoming year.

Highlights of our 2004 Plan are as follows:

- Production increases from 2003 and 2004 drilling will be Connacher's engine of growth.
- A 2004 capital budget of \$45.3 million is expected to result in the drilling of 128 wells in addition to continued expansion of production facilities at Cabri, Saskatchewan. Over 95 percent of the company's spending and growth will be in Canada. Shareholders will be exposed to the potential of strong reserve replacement ratios at a low risk cost per boe.
- Additional seismic and five new wells are included for Argentina. This may be expanded as the year progresses.
- Natural gas, light oil and medium gravity oil are forecast to make up 85 percent of targeted annual average production of 4,700 boe/d. The December 2004 exit rate is forecast to surpass 6,000 boe/d.
- Cash flow growth, overall and per share, is forecast to remain at attractive levels, based on conservative but realistic price assumptions.
- The 2004 Plan does not include any corporate or producing property acquisitions but does make provision for \$5 million of new undeveloped acreage purchases for future growth.
- Conservative financial leverage is utilized; the 2004 Plan's objective is to operate with a ratio of net debt to annualized monthly cash flow of under 1.5:1 throughout 2004.

		2004 Plan	2003 Forecast Q3 Outlook	2002 Actual
<b>Sales Volumes (annual averages)</b>				
Crude Oil	Canada (bbls/d)	2,346	794	294
	Argentina (bbls/d)	413	62	46
	Total (bbls/d)	2,759	856	340
Natural Gas	Canada (mcf/d)	11,135	766	811
	Argentina (mcf/d)	550	553	554
	Total (mcf/d) <sup>(1)</sup>	11,685	1,319	1,365
Combined	Canada (boe/d)	4,202	922	429
	Argentina (boe/d)	505	154	139
	Total (boe/d)	4,707	1,076	568
<b>Pricing (in Canadian dollars)</b>				
Crude Oil	Canada (\$/bbl)	24.09	29.43	24.22
Crude Oil	Argentina (\$/bbl)	29.93	36.73	32.22
Natural Gas	Canada (\$/mcf)	5.00	5.59	3.49
Natural Gas	Argentina (\$/mcf)	0.40	0.26	0.49
Combined	Canada (\$/boe)	26.70	30.00	23.19
Combined	Argentina (\$/boe)	24.92	15.68	12.72
Combined	Total (\$/boe)	26.51	27.96	20.64
<b>Financials</b>				
Net revenue, after royalties (\$MM)		35 – 40	9.0	3.7
Cash flow from operations (\$MM)		19 – 23	3.8 – 4.0	1.0
Per share (\$)		0.39 – 0.47	0.12 – 0.13	0.05
Earnings (\$MM)		5 – 6	4.0	0.5
Per share (\$)		0.10 – 0.13	0.12	0.03
Capital expenditures (\$MM) <sup>(2)</sup>		45.3	36.1	9.0
Year-end net debt (\$MM)		39.5	21.2	3.4
Weighted Average Shares (MM) <sup>(3)</sup>		48.3	31.8	19.9

(1) Assumes Cabri natural gas onstream, December 15, 2003 at 5 mmcf/d; equates to 212 mcf/d average for 2003.

(2) Includes budget of \$5 million for undeveloped land in 2004, \$14.3 million for producing properties and undeveloped land in 2003, \$4.0 million in 2002.

(3) Assumes \$9.1 million net proceeds from new equity in December 2003 and \$5.4 million in 2004.

Connacher is a Calgary-based oil and gas exploration and production company. Its principal assets are located at Battrum and Cabri/Shackleton, Saskatchewan; Islay, Alberta and in Argentina's Neuquen Basin. Simultaneously, Connacher is expanding into the Tompkins/Gull Lake area of southwest Saskatchewan pursuant to a 40,000 acre farmin agreement. The company's common shares are listed for trading on the Toronto Stock Exchange under the symbol "CLL".

*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 Q3 Outlook and 2004 Plan) 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 Q3 Outlook or 2004 Plan. In addition, oil and gas prices are subject to fluctuation and there can be no assurance that the commodity prices reflected in the Q3 Outlook or 2004 Plan will be attained. The Q3 Outlook incorporates actual nine month 2003 results, a continuing expansion of the company's credit facility and trade credit on a basis and on terms similar to those presently in force, as well as completion of various minor acquisitions which consolidate Connacher's interests in various properties.*

**For further information please contact:**

**R.A. Gusella**

*President and Chief Executive Officer*

or

**Paul J. Jespersen**

*Executive Vice President and Chief Operating Officer*

**Connacher Oil and Gas Limited**

**Calgary, Alberta**

**Phone: (403) 538-6201**

**Fax: (403) 538-6225**

**Website: [www.connacheroil.com](http://www.connacheroil.com)**

**Email: [inquiries@connacheroil.com](mailto:inquiries@connacheroil.com)**