



**FOR IMMEDIATE RELEASE**

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## **CONNACHER'S EXPANSION CONTINUES WITH NEW PROJECTS**

Calgary, Alberta – Connacher Oil and Gas Limited (**CLL** – TSX) is pleased to announce a number of new developments that position the company to realize its growth objectives in 2004 and beyond. Connacher has brought significant natural gas production onstream at Cabri, Saskatchewan. The company has also made discoveries at Tompkins, Saskatchewan, has entered into a new 70,000 acre shallow gas farm in southwest Saskatchewan and has acquired over two townships of northern Alberta tar sands leases at the January crown land sale.

At Cabri in the Shackleton area of southwest Saskatchewan, Connacher commenced natural gas production and sales on December 21, 2003. An engine failure at one of two booster compressors plus extremely cold temperatures complicated the startup. Associated problems have now largely been overcome and intraday deliveries reached five mmcf/d (833 boe/d) last weekend. As the plant was not fully operational at year end a meaningful 2003 exit production rate is not available.

Seven wells already tied into the gas delivery system remain to be reactivated and five additional wells drilled in late 2003 are still to be completed, tied-in and placed onstream. Connacher's aggregate initial deliverability from the 26 wells presently tied into the system is indicated at over eight mmcf/d, substantially in excess of targeted production rates. With natural gas prices currently in excess of \$7.00 per mcf, revenue contributions from this first five mmcf/d tranche of planned 2004 Cabri production should be considerable.

Field operations to recomplete and test existing wells on Connacher's 50,000-acre Cabri South, Southeast and River blocks are proceeding. Development plans and equipment orders will be finalized for the second of three planned five mmcf/d tranches of natural gas, targeted for startup in the early summer of 2004. The third tranche is scheduled for startup near year-end 2004.

At Tompkins/Gull Lake, Saskatchewan, Connacher has cased the first four wells drilled on its 40,000-acre farm-in from a senior energy company. This drilling fulfills the minimum requirement of the farm-in, with Connacher retaining a 100 percent working interest in all wells. The four drilled wells are all prospective for multi-zone natural gas accumulations and two wells encountered encouraging oil-bearing zones at depth. These wells will be tested imminently. At the same time, Connacher is preparing to drill the first three of up to twelve additional option-earning wells on this significant acreage block.

Connacher has also secured another farm-in from a senior energy company in the Divide region of southwest Saskatchewan that covers approximately 70,000 acres of leases. This area is considered prospective for multi-zone shallow natural gas reserves as well as deeper oil accumulations. Connacher is obligated to drill at least five test wells and could drill up to 15 wells to maximize its earning power under the terms of the agreement. There is a significant amount of Crown acreage in the region for further expansion. Notably, this area is serviced by transportation facilities to enable natural gas to be brought to market with limited delay. Connacher now has a stake in over 160,000 gross acres of land in the natural-gas-prone region of southwest Saskatchewan, laying the foundation for sustainable growth in 2004 and beyond.

Further enhancing Connacher's strong growth potential is the recent acquisition of approximately 2 1/3 townships (over 54,000 acres) of tar sands leases in the Divide/Hangingstone region of northeast Alberta. Connacher purchased the leases as part of its long-term strategy of securing exposure to big oil accumulations while capitalizing on its in-house expertise in the application of SAGD (steam-assisted gravity drainage) technology to shallow tar sands oil. The company was successful in acquiring six of the eight leases it posted for slightly more than \$1 million.

The blocks are believed to contain upwards of one billion barrels of oil-in-place and are readily accessible from the main Edmonton-to-Fort McMurray highway which intersects the leases. The main pipeline from Fort McMurray that transports tar sands oil also intersects the acquired blocks. Following completion of geological studies, Connacher will initiate a multiwell core-hole program to further delineate the asset and then plans to apply SAGD technology to achieve early production. Upon application of appropriate capital, these accumulations could eventually add material reserves and productivity to Connacher's resource base as recovery factors could average 30 to 40 percent.

Connacher is well positioned for substantial growth with extensive natural gas-prone holdings in southwest Saskatchewan, significant oil potential at Islay/Kitscoty and Divide/Hangingstone, Alberta, a solid oil and gas production base at Cabri and Battrum, Saskatchewan and a significant light oil prospect in Argentina. The company believes exposure to natural gas and the significant oil reserves of Alberta's tar sands regions are fundamental to its objective of becoming a senior producer and meaningful participant in North American energy developments during this decade. Connacher has achieved this exposure within the past twelve months. The company is positioned for accelerated growth as it conducts its planned \$45-million capital program in 2004, while retaining a strong balance sheet and achieving significant expansion in cash flow and underlying value.

Certain statements in this press release are not historical facts and should be considered to be "forward-looking statements." All estimates and statements that describe the company's future plans are forward-looking statements. Forward-looking statements involve inherent risks and uncertainties. Actual results will differ and such differences could be material.

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