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FOR IMMEDIATE RELEASE

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## **CONNACHER SELLS PROPERTIES, REDUCES DEBT**

Calgary, Alberta - Connacher Oil and Gas Limited (CLL-TSX) announced today it has sold its conventional heavy oil properties at Islay and Lloydminster in eastern Alberta, and its Cabri North natural gas properties and related undeveloped shallow gas rights under approximately 35,000 acres in southwest Saskatchewan.

Two large independent companies purchased the properties in separate transactions, each with a July 1, 2004 effective date. Gross proceeds of \$17.8 million will be used to reduce bank indebtedness and trade payables. The sold properties represent approximately 500 barrels of oil equivalent (boe) per day, consisting of approximately 285 barrels per day of heavy oil and 1.3 million cubic feet per day of natural gas. Proceeds from the dispositions equate to approximately \$35,600 per flowing boe. Sayer Securities Limited assisted Connacher in the transactions.

The dispositions mark the beginning of a series of initiatives by Connacher to strengthen its balance sheet. The sale will enable the company to focus on growth from its production and acreage base at Battrum and Tompkins in southwest Saskatchewan and from the evaluation of the deeper petroleum and natural gas rights retained under the Cabri undeveloped acreage sold with the Cabri North reserves, wells and facilities.

Subject to financing and regulatory approval, Connacher also intends to proceed with plans to commercially exploit the first of several oil-bearing channels identified under its Great Divide SAGD oilsands project in the Hangingstone region of northeast Alberta. The company is pursuing financing alternatives for this project. Additionally, Connacher is proceeding with a restructuring of its Argentinean holdings. These initiatives are designed to further strengthen the company's overall financial condition and outlook, with the objective of increasing shareholder value.

All references to boe are calculated on the basis of six thousand cubic feet of gas to one barrel of oil (6 mcf:1 bbl). Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf:1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

### **For further information:**

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