

CONNACHER TO SPIN OFF ARGENTINEAN INTERESTS

Calgary, Alberta – Connacher Oil and Gas Limited (CLL – TSX) announced today that merchant bank PowerOne Capital Markets Limited of Toronto, Ontario will work with Connacher to divest its Argentinean oil and natural gas interests to a new public company (Newco).

This is an important transaction for Connacher as the company continues to strengthen its balance sheet and focus on its Canadian assets, with an emphasis on its significant oil sands holdings at Great Divide, Alberta and its extensive land position and growth potential of its conventional holdings at Battrum and Tompkins in southwest Saskatchewan.

In conjunction with the proposed reorganization, Connacher has exercised a US\$1.5 million option, subject to certain closing adjustments, to acquire the remaining 50 percent working interest in its Puesto Morales/Rinconada concession in the Neuquen Basin, Argentina. Upon closing, scheduled for later this month, and in due course upon receipt of government approval with respect to operatorship, this will result in Newco owning and operating 100 percent of the 95,000 acre onshore concession. Current production is approximately 360 barrels of oil equivalent per day (boe/d), consisting of 100 barrels per day (bbl/d) of light 37° API crude oil and approximately 1.6 million cubic feet per day (mmcf/d) of solution and non-associated natural gas. Monthly net operating income exceeds \$100,000, providing cash to fund overhead and a portion of proposed 2004 and 2005 capital programs on the block. Capital programs in the near term will largely be financed through the sale of new equity once Newco is formed. In a reserve report prepared in accordance with National Instrument 51-101 for Connacher by DeGolyer & MacNaughton Canada Limited (D&M) with an effective date of October 1, 2004, proved and probable reserves of 577,000 barrels of crude oil and three billion cubic feet (Bcf) of natural gas were assigned to the property. Using D&M's current forecast price deck, these reserves were estimated to generate \$20.4 million of future net revenue (after royalties and operating costs) with the eight percent present worth of future net revenue forecast at \$12.3 million (\$11.4 million at 10 percent). The present worth calculations are also after deduction of forecast capital requirements of \$1.9 million and a provision for eventual abandonment liabilities of \$384,000.

Under the terms of Connacher's agreement with PowerOne, Connacher will sell the 100 percent Argentinean interest to a wholly-owned subsidiary (Subco) for shares and a \$4-million secured note. PowerOne will then arrange for Subco to raise \$1.5 million through the sale of five million units of Subco, each unit consisting of one common share and one share purchase warrant. Proceeds will be used to reduce the Connacher note to \$2.75 million. The balance will be due and payable to Connacher after Subco completes a going-public transaction and the resultant Newco concurrently raises new capital to fund a planned \$5-million capital program in 2005, and discharges the balance of Subco's obligation to Connacher. It is expected Connacher will retain an approximate 25 percent equity stake in Newco after it is publicly financed. Completion of the transaction is subject to the execution of definitive documentation and receipt of all necessary approvals, including regulatory and board approval by Connacher.

The Puesto Morales/Rinconada concession is located in the Neuquen Basin, approximately 600 miles southwest of Buenos Aires, Argentina. It contains the Puesto Morales Sur oilfield and the Puesto Morales Norte natural gas field, as well as the PMX-1001 La Ramona oil discovery drilled by Connacher and Ingenieria Alpa, a private Argentinean company, in late 2003. This well encountered a 500 foot oil column and is scheduled to be recompleted as part of the proposed 2005 work program on the block. It is anticipated an extensive 3D seismic program will also be completed over the Puesto Morales block in early 2005 prior to initiating a multi-well drilling program. In addition, plans are being developed to reactivate one well in the Rinconada field followed by a 3D program over a portion of this block in preparation for new drilling. Steps have been initiated to acquire additional acreage in the region, which if successful would increase Newco's land holding to more than 150,000 acres. Numerous farm-in opportunities have also been identified.

Newco intends to focus on opportunities in the Neuquen Basin, initially emphasizing low-risk development and near-term cash flow opportunities on the existing concession. As its cash flow grows, Newco will be able to expand from its current acreage base in an area which is highly prospective, served by extensive infrastructure, relatively under explored and in proximity to and on trend with major oilfields.

In consideration for its services, including the initial financing of Subco, PowerOne will receive \$70,000 and warrants to acquire 350,000 units of Subco on identical terms to those being sold by way of private placement. It is anticipated PowerOne will also assist Newco, directly or indirectly, in its planned future financing.

Connacher will manage the affairs of Subco until it completes its going public transaction, after which it will assist Newco pursuant to a management services contract, retaining the right to board representation and certain rights with respect to the appointment of senior management. Management appointments and the composition of the board of directors of Newco will be announced as the transactions evolve.

It is anticipated that as a well-financed Argentinean exploration and production company with experienced management, and an excellent and growing land base with significant exploitation and exploration potential, Newco will provide investors with an opportunity to participate in one of a limited number of junior public oil and gas companies in Argentina, a country which is experiencing an economic turnaround. The initial production and reserve base at Puesto Morales provides Newco with a solid and stable revenue stream, which frees up new capital for modern 3D seismic, drilling and production facilities as new wells are completed and placed onstream. As the area is characterized by multi-zone potential but has not been evaluated with modern technology, it also has exploratory potential. As indicated, the lands are in close proximity to very large oil and natural gas accumulations with associated infrastructure, so newly discovered assets can be readily converted to cash flow. As economic conditions continue to improve in Argentina, it is expected commodity prices will also continue to strengthen in a low-cost constructive policy environment.

Connacher is a Calgary-based oil and natural gas exploration and production company with conventional production, reserves and land in the Battrum and Tompkins regions of southwest Saskatchewan. The company also holds 83 sections of oil sands rights on its Great Divide project situated southwest of Fort McMurray, Alberta, on which extensive bitumen reserves which are exploitable with SAGD technology have been identified.

PowerOne is a Toronto-based merchant banking firm which specializes in raising capital for emerging companies.

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

This press release contains forward-looking statements, including reserves and future net revenue and expectations of future production, cash flow and development and financing activities. These statements are based on current expectations that involve a number of risks and uncertainties, which could cause actual results to differ from those anticipated. These risks include, but are not limited to, 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; the uncertainty of reserve estimates; 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 as well as country risk associated with international activity and capital markets risk relating to the completion of the anticipated financings.

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