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**PRESS RELEASE**

**DECEMBER 13, 2005**

**CONNACHER OIL AND GAS LIMITED TO ACQUIRE LUKE ENERGY LTD.**

Calgary, Alberta – Connacher Oil and Gas Limited (“Connacher”) – (CLL – TSX) and Luke Energy Ltd. (“Luke”) – (LKE – TSX) announced today that they have entered into a binding Letter Agreement (“Offer”) pursuant to which Connacher will acquire the outstanding common shares of Luke (“Luke Shares”) by way of a business combination under a proposed Plan of Arrangement.

Under the terms of the Offer, holders of Luke Shares will receive \$2.31 in cash and 0.75 of a common share of Connacher (“Connacher Share”) for each Luke Share, which last traded on the Toronto Stock Exchange (“TSX”) at \$4.50. Connacher Shares last traded at \$3.98 resulting in the Offer providing an indicated premium of 17.7 percent to the most recent closing price for Luke Shares.

The consideration being paid by Connacher includes the assumption of approximately \$6 million of Luke debt at year-end; however the debt is expected to increase prior to closing as a result of Luke’s aggressive winter drilling program scheduled for the first quarter of 2006.

The Offer is subject to a number of conditions including execution of definitive documentation regarding the Plan of Arrangement, financing of the Offer, execution of voting support agreements from all of the Luke directors and senior officers (holding approximately 18 percent of the issued and outstanding Luke Shares on a diluted basis), receipt of Luke shareholder, regulatory and court approval and certain other conditions customary for a transaction of this nature. Furthermore, Luke has undertaken to use its reasonable commercial efforts to secure support from additional shareholders for the transaction.

There are 37,128,924 Luke Shares and 3,583,232 Luke employee options presently outstanding. It is expected the Information Circular will be mailed to Luke shareholders on or about February 15, 2006 with a view to completion of the transaction prior to March 31, 2006.

The Offer has the support of the Boards of Directors of both Connacher and Luke. The Board of Directors of Luke has approved the Offer and has determined that the Offer is fair to the Luke shareholders and has determined to recommend that the Luke shareholders accept the Offer. GMP Securities L.P., the financial advisor to Luke, has provided a verbal opinion, subject to final review of documentation, that the Offer is fair, from a financial point of view, to the Luke shareholders.

The Board of Directors of Luke has agreed that it will not solicit or initiate discussion or negotiations with any third party concerning the sale of Luke or any of its assets. Luke has agreed under certain circumstances to pay to Connacher a non-completion fee of \$10 million. Connacher also has the right to match any unsolicited offer or proposal that Luke may receive.

The Luke transaction provides Connacher with a significant lower risk shallow natural gas project with recognized growth potential in central northern Alberta, along with other prospective acreage, drillable prospects and opportunities in other selected regions of the province. The transaction helps Connacher crystallize its strategy of hedging its initial natural gas requirements to make steam for its Great Divide oil sands project in northeastern Alberta, which is awaiting regulatory approval so Connacher can proceed with a 10,000 bbl/day development. If the potential of the Luke properties is realized as envisaged, the transaction also has the potential to provide a continuing hedge if, as and when additional pods are identified for future development, as well as organic growth of production and cash flow. Furthermore, the transaction helps to diversify Connacher's existing asset base, provides a significant current cash flow base and also brings a project inventory which could result in higher risk/higher reward activity for Connacher.

In addition to the immediate benefit of the premium provided by the Offer, Luke shareholders receive cash together with common shares of Connacher, also a well-financed company. This will afford the Luke shareholders not only the opportunity to continue to participate in the growth potential of Luke's assets, but also secures them exposure to the long-life Connacher oil sands assets at Great Divide and indirectly to exploration and production growth potential in South America through Connacher's 35 percent equity stake in Petrolifera Petroleum Limited ("Petrolifera"). Petrolifera is a public Canadian oil and gas company listed for trading on the Toronto Stock Exchange with extensive petroleum rights under licenses onshore Peru and an active drilling program in the Neuquén Basin, Argentina which has recently yielded four new crude oil discoveries in 2005, including three flowing oil wells. Further drilling is underway in Argentina.

On a combined basis, Connacher would immediately have a production base of approximately 3,500 boe/d consisting of approximately 15.7 mmcf/d of natural gas production and approximately 900 bbl/d of oil production prior to any rationalization activity. The proforma combined reserve base of the company using reserve reports with an effective date of June 30, 2005 for conventional reserves and September 1, 2005 for oil sands reserves is approximately 79.3 million boe, including 69.6 million probable recoverable barrels of bitumen reserves at Connacher's Great Divide Pod One. Assuming Pod One development is approved and the project comes on stream at its application rate of 10,000 bbl/d and these volumes are combined with the proforma conventional production rate of 3,500 boe/d, a calculated reserve life index of 16 years is indicated. A further 38.7 million barrels of possible recoverable reserves have also been assigned to Pod One by a recognized independent consultant.

Connacher intends to finance the cash portion of this transaction initially with a bridge loan from a major international bank. Subsequently, plans are to repay the bridge loan from proceeds of a new revolving term facility and the expected proceeds from the anticipated sale of certain of Connacher's conventional oil and gas assets. This would allow Connacher's management and technical staff to focus on the newly acquired properties and the linkage to the Great Divide development program.

Proforma the transaction and subject to final adjustments, working capital will be approximately \$71 million after discharging Luke's assumed debt of \$6 million. There will be approximately 174 million Connacher Shares outstanding on closing.

*Forward-Looking Statements: Except for statements of historical fact relating to the companies mentioned herein, this press release contains certain forward-looking statements within the meaning of applicable securities law. Forward-looking statements are frequently characterized by words such as “plan”, “expect”, “project”, “intend”, “believe”, “anticipate”:, “estimate” and other similar words, or statements that certain events or conditions “may” or “will” occur. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements.*

*These factors include the inherent risks involved in the exploration and development of oil sands properties, the uncertainties involved in interpreting drilling results and other geological data, fluctuating oil prices, uncertainties associated with obtaining regulatory approvals for Connacher’s Great Divide oil sands project, the possibility of third-party requests for information or intervention which could delay regulatory approvals, the possibility of project cost overruns or unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future and other factors including unforeseen delays. Certain information regarding Connacher and Luke in this news release, including future development plans, anticipated production and expenditures, combined reserves base, reserve life, outstanding share capital and anticipated working capital constitute forward-looking statements under applicable securities law. As an oil sands enterprise in the development stage, Connacher faces risks, including those associated with exploration, development, regulatory approvals and the ability to access sufficient capital from external sources. The proposed acquisition is subject to a number of conditions which must be satisfied prior to completion of the transaction. There is a risk that such conditions will not be satisfied and the transaction will not be completed on time or at all. In addition, actual results will differ, and may differ materially from those anticipated in the forward-looking statements. The companies mentioned herein undertake no obligation to update forward-looking statements if circumstances or management’s estimates or opinions should change, unless required by law. The reader is cautioned not to place undue reliance on forward-looking statements.*

*All references to barrels of oil equivalent (boe) are calculated on the basis of 6 mcf: 1 bbl. Boes may be misleading, particularly if used in isolation. This conversion is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Reserve life is calculated by dividing estimated proved and probable recoverable reserves as estimated by independent consultants by the estimated proforma daily production rate on an annualized basis and expressing the result in years.*

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**For further information, contact:**

Richard A Gusella  
President and Chief Executive Officer  
Connacher Oil and Gas Limited  
Phone: (403) 538-6201  
Fax: (403) 538-6225  
[inquiries@connacheroil.com](mailto:inquiries@connacheroil.com)  
Website: [www.connacheroil.com](http://www.connacheroil.com)

Or  
Harold V. Pedersen  
President and Chief Executive Officer  
Luke Energy Ltd.  
Phone: (403) 261-4811  
Fax: (403) 261-4818  
Website: [www.lukeenergy.com](http://www.lukeenergy.com)

Suite 2600, Watermark Tower  
530 – 8<sup>th</sup> Avenue S.W.  
Calgary, Alberta T2P 3S  
Telephone: (403) 538-6201 Facsimile: (403) 538-6225