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**PRESS RELEASE**

**March 31, 2006**

## **CONNACHER CLOSURES ACQUISITION OF MONTANA REFINING ASSETS AND RELATED FINANCING**

Calgary, Alberta – **CONNACHER OIL AND GAS LIMITED (“Connacher”)** - (CLL – TSX) announces that today its wholly-owned subsidiary, Montana Refining Company, Inc. (“MRC”), has completed the acquisition of all right, title and interest in an 8,300 bbl/d refinery, together with related structures and specified tangible assets, located in Great Falls, Montana, U.S.A. The seller was an affiliate of Holly Corporation (NYSE – HOC) of Dallas, Texas.

The acquisition included certain inventory comprised of both petroleum products and equipment. There was also a provision for adjustments related to a planned refinery turnaround, scheduled to commence in April 2006, and for certain capital investments related to the planned installation of a NaHs Unit upgrade to meet emerging air quality standards. All refinery employees and staff have indicated their intention to continue employment with MRC.

The consideration for the purchase was US\$55 million, comprised of cash and one million (1,000,000) Connacher common shares from treasury. Mustang Capital Partners Inc. of Calgary, Alberta acted as Connacher’s advisors in the transaction.

Connacher substantially financed the transaction and related costs with a new US\$51 million bridge financing provided by BNP Paribas (Canada). Connacher also expects it will refinance this indebtedness from a proposed US\$148 million term debt facility, which the company anticipates will be arranged for it by BNP Paribas over the next few months, pursuant to a previously-executed Mandate Letter. If as anticipated the term debt facility is completed on satisfactory terms, forecast surplus proceeds after repayment of the bridge facility would be utilized to supplement Connacher’s available cash flow and cash balances to finance capital expenditures at the Company’s Great Divide SAGD oil sands project, situated approximately fifty miles southwest of Fort McMurray in northeastern Alberta, Canada.

This refinery purchase complements the previous acquisition by Connacher of Luke Energy Ltd. (“Luke”), an Alberta natural gas producer which closed on March 16, 2006. The Luke acquisition provides Connacher with new natural gas production and thereby hedges its anticipated initial requirements for natural gas to create steam for its proposed SAGD operation at Great Divide. Based on Luke production volumes, the Luke purchase also provides surplus natural gas production volumes for sale in the marketplace.

This refinery purchase by MRC provides Connacher with protection against the wider and more volatile crude oil price differential swings which have become increasingly frequent in a higher oil price environment for heavy oil such as would be produced at Great Divide. Furthermore, MRC is anticipated to be a profitable and strong business unit which, based on recent experience, has the potential to contribute to Connacher's anticipated cash flow growth in 2006 and beyond.

In early March 2006, prior to the Luke and refinery purchases, Connacher completed a \$100 million equity financing. After the closing of the Luke and the refinery purchases, Connacher's only indebtedness is \$17.6 million. Connacher maintains cash balances of approximately \$12 million and has undrawn lines of banking credit of approximately \$97 million.

Connacher Oil and Gas Limited is a public Canadian crude oil and natural gas company. Its principal asset is a 100 percent interest in 110 sections (70,400 acres) of leases at its Great Divide oil sands project in northeastern Alberta. In August 2005 Connacher submitted its application to regulatory authorities to develop this project and is awaiting approval to proceed with the proposed development program in 2006. Connacher also holds conventional producing properties in the Provinces of Alberta and Saskatchewan with current production of approximately 3,650 boe/d and owns a 31 percent equity stake in Petrolifera Petroleum Limited (PDP – TSX), which company recently announced a number of significant crude oil discoveries on its Puesto Morales/Rinconada concession located in the Neuquen Basin, Argentina.

*This press release contains forward-looking statements, including statements related to the anticipated financial performance of Luke, MRC and sources of funding. 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 in relation to production, costs and expenses and health, safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations, the risks and uncertainties associated with securing the necessary regulatory approvals and financing to proceed with the Great Divide project.*

*Due to the risks, uncertainties and assumptions inherent in forward-looking statements, prospective investors in the company's securities should not place undue reliance on these forward-looking statements. For additional information relating to the risks and uncertainties facing Connacher, refer to Connacher's 2005 Annual Report and Annual Information Form which is available on SEDAR at [www.sedar.com](http://www.sedar.com). A barrel of oil equivalent (boe), derived by converting gas to oil in the ratio of six thousand cubic feet of gas to oil, and may be misleading, particularly if used in isolation. A boe 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.*

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