



PRESS RELEASE

October 10, 2006

CONNACHER OIL AND GAS PROVIDES OPERATIONAL UPDATE

Calgary, Alberta – Connacher Oil and Gas Limited (**CLL – TSX**) announced today that the company is making excellent operational progress at its Great Divide Pod 1 construction site. This week, Connacher expects to initiate driving piles to support the sizeable storage tanks which have to be constructed onsite. This is occurring ahead of schedule, as this aspect of the plant site construction was originally scheduled to be completed in time for January 2007 startup of tank construction in the field. The storage tanks are one of the few components of the plant that will be field-constructed due to their size.

Connacher can also advise that many of the other constituent parts, such as the evaporators and water knockout facilities which comprise part of its Pod 1 plant, are now constructed and packaged, awaiting shipment to the site as soon as required. This pre-planning and off-site construction is anticipated to enable Connacher to remain on time and on budget in the execution phase of its plant construction. Weather will remain the key exogenous variable over which the company has little, if any, control. It is hoped that colder weather will prevail near term as it makes it easier to work effectively in the field.

Drilling of the initial 15 SAGD well pairs, which will be utilized to inject steam and then produce the bitumen at approximately 10,000 bbl/d for the first six to eight years of operation, will likely commence during November 2006. These wells will be placed onstream to produce bitumen in the middle of 2007, after the plant is commissioned and after steam injection is initiated.

The next additional SAGD well pairs will then be phased in and drilled into undrained portions of the reservoir in approximately 2012 or 2013, depending upon when the initial wells start to decline. The objective of operations at the plant is to maintain anticipated production at the 10,000 bbl/d level over the anticipated 25 year life of the steam injection and production operation at Pod 1 of Great Divide.

With regulatory approval and access to suitable transportable drilling equipment, Connacher will also attempt to drill up to ten stratigraphic tests on Pod 2 and Pod 4 prior to year end 2006. If completed, this should assist in the year end reserve update to be completed in conjunction with year end 2006 financial and other operating results. Connacher had already announced a 60 well core hole program and 3D seismic program for its main Great Divide lease block in 2007. Regulatory initiatives are underway to be positioned to phase in additional pods at Great Divide in a timely manner as Pod 1 construction is completed.

With respect to its conventional oil and natural gas activity, Connacher has an inventory of 25 drill-ready locations prospective for natural gas in the Marten Creek area of north central Alberta. These would be drilled in the first quarter of 2007 after freeze-up and provided there is an indication of improving natural gas prices by that time. All Connacher's drilling is discretionary but Marten Creek is for the most part a winter-only access area. Arrangements have been made for drilling rigs for this program. It will likely be completed due to restricted access, but close attention continues to be paid to prevailing economic conditions associated with short term price declines..

Several other natural gas prospects which are in Connacher's drilling inventory in the Simonette and Seal regions of northern Alberta have attractive calculated reserve and productivity potential and will also likely be drilled this winter. This is due to the improving rig availability, which has recently emerged and the prospect of somewhat improved drilling costs due to a current short-term industry adjustment to lower natural gas prices.

Connacher's refinery in Great Falls, Montana experienced excellent operating and financial results during the summer months, achieving upwards of 10,000 bbl/d of throughput on many occasions following the successful post-purchase turnaround and debottlenecking in April 2006. This higher throughput, combined with strong market conditions, resulted in excellent margins and lower unit costs as a consequence of the efficiencies achieved. The Montana refinery processes Canadian Bow River crude oil, which is very similar in composition to the bitumen blend ("dilbit") which will be sold by Connacher at its Great Divide operation. If necessary, Connacher could process this dilbit at its Montana refinery with minor adjustments and short distance tie-ins to a nearby preferred pipeline and could also rely on the refinery for supply of a portion of its diluent, if required.

The success of Connacher's integrated strategy is starting to be manifested in significant revenue and cash flow growth. With its much expanded reserve and resource base at Great Divide and an active evaluation program aimed at expanding and upgrading this asset to facilitate further development of additional pods, subject to regulatory approval, Connacher is favorably situated to demonstrate stable and sustainable growth for many years as its new assets are converted to revenue generating status.

Connacher's financial condition is also strong. The company anticipates closing its seven year US\$180 million Term Loan B debt financing on October 18, 2006, along with the five year US\$15 million working capital facility for the company's Montana refining operations. This will provide the company with the funding it needs to continue its on-time, on-budget capital program at its Great Divide Pod 1. Reliance upon longer-term debt instruments removes the significant financial risk of short-term price fluctuations and related credit risk when borrowings are short-term in nature. Connacher is now in the fortunate position of being able to anticipate that commissioning and startup at Pod 1 could occur in record time of less than four years from the date when leases were acquired in the region in January 2004. The company's modular approach and emphasis on the efficiencies of small scale operations utilizing oil field techniques and approaches will then be validated.

Connacher's investment in Petrolifera Petroleum Limited continues to appreciate in value due to significant production gains, recently reaching 11,000 bbl/d compared to only 86 bbl/d one year ago. Petrolifera has announced an aggressive exploratory and development drilling program over the ensuing 15 months with a total of 70 wells in 1006 and 2007.

Only four of these wells have been drilled to date in the second half of 2006 and the pace of drilling will accelerate once a second drilling rig arrives from the United States during the ensuing month to six weeks. A second service rig has arrived in Argentina for use by Petrolifera in its program and permanent facilities are nearing completion which will enable the company to pipeline its oil to market, supplemented by trucking if warranted by available production volumes. Petrolifera is also expanding its acreage position in Argentina, is planning to drill its first well in Peru in late 2007 and is examining opportunities in other countries in South America. The company remains in strong financial condition with strong and growing crude oil production and resultant net operating income, a debt-free balance sheet and cash buildup even with its expanded capital programs.

Connacher has retained its entire shareholding of Petrolifera, including warrants acquired upon purchase of the company's new issue in October 2005 and a small option acquired at the time of formation of the this very successful company. With ownership of 13.3 million shares on a fully-diluted basis, Connacher remains the largest shareholder of Petrolifera and continues to be most supportive of that company's initiatives. Connacher's percentage interest in Petrolifera has been reduced as a consequence of the exercise of both outstanding warrants held by third parties and by virtue of the exercise of a modest amount of employee options. This process has added new capital to Petrolifera's treasury.

Connacher Oil and Gas Limited is a Calgary-based oil and natural gas exploration and production company. Its principal asset is its ownership of the Great Divide oil sands project in Alberta, Canada. It also holds a conventional production and land base in northern Alberta at Marten Creek and at Three Hills, Alberta and Battum, Saskatchewan. Current production is approximately 3,300 boe/d. Connacher operates a 9,500 bbl/d refinery in Great Falls, Montana and also is the largest shareholder of Petrolifera Petroleum Limited (PDP – TSX), a public oil company with an 11,000 bbl/d light gravity crude oil production base which it has developed with new drilling and discoveries in the part year. Petrolifera is also active in Peru.

Forward-Looking Statements: 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, 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. As an oil sands enterprise in the development stage, Connacher faces risks, including those associated with exploration, development, approvals and the ability to access sufficient capital from external sources. Connacher undertakes 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. Boe used in isolation may be misleading.

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