



PRESS RELEASE

December 3, 2007

CONNACHER OIL AND GAS LIMITED CLOSES PREVIOUSLY ANNOUNCED FINANCING

- **Sale of US \$600 Million Senior Secured Notes**
- **Establishment of Five-Year \$200 Million Revolving Credit Facility**
- **Proceeds to Be Used to Discharge Existing Secured Indebtedness and to Fully Finance Construction of Algar Project at Company's Great Divide Oil Sands Holdings in Alberta**

Calgary, Alberta - Connacher Oil and Gas Limited (CLL - TSX) announced today it has completed and closed the sale of US\$600 million face value of 10.25% Senior Secured Notes due December 15, 2015 ("Notes"), at a price of 98.657%, resulting in a yield to maturity of 10.50% and gross proceeds of approximately US\$ 592 million. The Notes were resold through a syndicate of investment banks including Credit Suisse, RBC Capital Markets and BNP Paribas as Joint Book Running Managers and Fortis Securities, HSBC and TD Securities as Co-Managers to certain institutional investors pursuant to applicable securities law exemptions.

Using the closing exchange rate of US\$1.00 = C\$1.00, the net proceeds to Connacher from the sale of the Notes (after deducting the estimated costs of the transaction) will be approximately C\$571 million. A portion of the net proceeds will be used to discharge Connacher's outstanding Term Loan B indebtedness (C\$180 million) and to fund a one-year debt service reserve account (C\$64 million). The balance of approximately C\$327 million will be added to Connacher's working capital and will be available to fully fund the construction of the company's second 10,000 barrel per day Algar Project, Algar or Pod Two, at Connacher's Great Divide holdings, situated approximately 50 miles southwest of Fort McMurray, Alberta. Proceeding at Algar is subject to regulatory approval, including from the Alberta Energy Utility Board, or EUB.

Coincident with the sale of the Notes, Connacher has also secured a new five-year term revolving credit facility (the "Facility") with RBC Capital Markets, BNP Paribas (Canada) and Credit Suisse, Toronto Branch as Co-Lead Arrangers and including a syndicate of banks and financial institutions including affiliates of the aforementioned Co-Managers and Alberta Treasury Branches, Export Development Canada and Union Bank of California, Canada Branch. The Facility is comprised of a C\$150 million tranche and a US\$50 million tranche, with the latter for use in the company's refining and marketing operations in Great Falls, Montana.

Both the Facility and the Notes are secured by substantially all of the assets of the company and its subsidiaries, excluding Connacher's equity investment in Petrolifera Petroleum Limited, with the Facility holding a first priority lien and the Notes holding a second priority lien.

Moody's and Standard & Poor's have recently rated the Notes as B1 and BB, respectively. Moody's also affirmed its rating of the company as B1, while S&P increased its rating of the company from B+ to BB-.

Upon receipt of EUB and other regulatory approvals for Algar, Connacher will be prepared to proceed immediately with its construction program. The company anticipates constructing the Algar Project and drilling the initial associated 15 horizontal well pairs within the same 300 day time frame required to construct Pod One. Including contingencies, Connacher estimates the Algar Project will cost approximately \$326 million, with much of the increase in comparison to Pod One related to additional infrastructure charges due to the project's more remote location, approximately seven miles from the main highway in the area. There are also some planned scope changes. These expenditures will be incurred in 2008 and 2009.

Separately, Connacher recently completed the sale of approximately C\$52 million of flow through common shares at a price of C\$5.00 per share, with proceeds primarily dedicated to fully fund this winter's 3D seismic programs and the anticipated drilling of 120 exploratory core holes, primarily on its main oil sands lease block, substantially on anomalies defined by last winter's drilling season. This program will effectively double Connacher's core hole inventory at Great Divide. The results will be incorporated into the company's mid-year 2008 reserve and resource report, anticipated to be prepared by the company's independent qualified reserves evaluator, GLJ Petroleum Consultants Ltd., effective June 30, 2008. A year-end 2007 GLJ reserve report will also be prepared in accordance with National Instrument 51-101, incorporating any developments and information since mid-year 2007.

It is anticipated the company's 2008 capital program on conventional oil and gas properties in Canada and its capital program at its Great Falls, Montana refinery will be financed from internally generated sources. These programs are anticipated to aggregate approximately \$73 million during 2008 and are part of Connacher's previously announced capital plan for next year.

As a result of the foregoing capital raising transactions, Connacher anticipates that it will be able to fully finance all of its new projects and planned 2008 growth programs, in addition to the anticipated completion of Algar in 2009, without the need to raise additional permanent capital, including new equity, for established projects.

Connacher Oil and Gas Limited is a Calgary-based crude oil and natural gas exploration and production company. Its principal asset is its 100 percent ownership of 95,000 acres of oil sands leases in the Great Divide area of Alberta's oil sands. Pod One, the company's first 10,000 bbl/d project, is presently in the steam circulation pre-heat phase and is anticipated to ramp up to target production levels by the third quarter of 2008. An application to build Algar or Pod Two for a second 10,000 bbl/d project has been submitted to the EUB and other regulators. Connacher also produces approximately 2,400 boe/d of conventional crude oil and natural gas, has another 1,000 boe/d of natural gas behind pipe to be tied into market in the winter of 2007-2008, owns and operates a 9,500 bbl/d refinery in Great Falls, Montana and owns 26 percent of Petrolifera Petroleum Limited, a publicly traded oil company active in South America.

Forward-Looking Statements: This news release contains certain "forward-looking information" within the meaning of applicable securities laws including statements regarding the Corporation's exploration and development plans (including the development of Algar) and planned capital expenditure plans for 2008 and 2009. Forward-looking information is frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur. These statements are only predictions. Forward-looking information is based on the opinions and estimates of management at the date the information is provided, and is 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 information. These factors include the inherent risks involved in the exploration and development of oil sands properties, difficulties or delays in start-up operations, the uncertainties involved in interpreting drilling results and other geological data, fluctuating oil prices, the possibility of 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, start-up, receipt and maintenance of required approvals and the ability to access sufficient capital from external sources. For a description of the risks and uncertainties facing Connacher and its business and affairs, readers should refer to Connacher's Annual Information Form for the year ended December 31, 2006. 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.

Readers are cautioned that the conversion used in calculating barrels of oil equivalent (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. Furthermore, boes may be misleading if used in isolation.

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