Connacher
OIL AND GAS LIMITED

PRESS RELEASE **OCTOBER 6, 2008**

CONNACHER PROVIDES OPERATIONAL AND FINANCIAL DIRECTION TO CAPITAL MARKETS AND ITS SHAREHOLDERS; SHELVES REFINERY EXPANSION PLANS; SCHEDULES CONFERENCE CALL FOR 9:00 AM MT OCTOBER 6, 2008 TO DISCUSS CONTENTS OF RELEASE

Calgary, Alberta **–** In light of the current uncertainty in capital markets, Connacher Oil and Gas Limited (CLL - TSX) wishes to provide operational and financial direction to capital markets and to its shareholders.

Connacher remains a well-financed company with a solid asset base and with a net asset value well in excess of that currently recognized in the stock market. We believe the company is well-positioned to withstand the current economic downturn and credit and financial market instability. We take this position because we made arrangements to appropriately prefund our second 10,000 barrels per day steam-assisted gravity drainage ("SAGD") oil sands project at Algar before the events of the recent months effectively closed the financing window for almost any new projects. Thanks to sound forward planning, we have the funds and liquidity to carry out our chosen and priority projects. That being said, the company intends to monitor industry, economic and financial market conditions carefully and is reacting to prevailing circumstances beyond its control by adopting a disciplined, conservative, self-financed approach to its capital programs.

Connacher has visible and identified growth programs. We anticipate that, in the absence of a serious decline in oil prices triggered by a deep economic downturn, our programs and projects will result in systematic growth of both operational and financial results in 2008, 2009 and 2010. We anticipate proceeding in an orderly and disciplined manner in our activities while we await the stabilization and then improvement in industry and capital market conditions. During the time this may take to occur, we believe Connacher is still favorably positioned to enhance its underlying asset base and cash generating capacity.

Connacher's management therefore announces that it will be advancing a very conservative, self-reliant financial and operating plan and capital budget to its Board of Directors ("Board"), when the Board convenes in mid-November to review third quarter 2008 and year-to-date 2008 results and its 2009 plan. This will mean the application of a greater focus and emphasis on the execution of low-risk facility maintenance and production optimization programs within the company's ongoing 2008 and 2009 capital programs.

MONTANA REFINERY

Against this backdrop, Connacher is also announcing today that it has set aside plans to expand the capacity of its heavy oil refinery at Great Falls, Montana from current levels of approximately 9,500 barrels per day to 35,000 barrels per day. The project will be shelved and not brought forward to Connacher's Board of Directors in the foreseeable future. As Connacher owns 100 percent of the refinery, it is in a position to make this election immediately and at minimal cost.

The recent addition of heavy oil pipeline capacity to new markets in the United States ("US" or "USA"), together with recently-added US and Canadian upgrading capacity, has greatly increased North American demand for Canadian heavy oil and bitumen, thereby reducing heavy oil discounts and contributing to the ongoing improvement of Connacher's upstream bitumen netbacks. Connacher is currently participating in these higher bitumen netbacks by selling all of its Great Divide diluted bitumen ("dilbit") production into North American oil markets and anticipates continuing this practice in the future. In Connacher's opinion, this narrowing of heavy oil differentials may be expected to continue for some time, as many new or expected oil sands and heavy oil projects are behind schedule, have been shelved or are operating below capacity. These circumstances accordingly alleviate the immediate need for the company to invest capital for expansion of its heavy refining capacity. Connacher's decision to suspend the refinery expansion was also influenced by the emergence of weak overall economic conditions and the volatile and uncertain state of both capital and credit markets.

We would remind shareholders that the Great Falls, Montana refinery, which was acquired in March 2006, has been an outstanding asset. It has fully paid out, continues to be upgraded to meet modern environmental and operating standards and is expected to continue to contribute attractive cash flow from operations before working capital changes ("cash flow") and net income in the future. Owning the refinery created strong synergy with our oil sands and marketing operations and was a critical element of Connacher's integrated strategy which enabled your company to access US capital markets in 2006 and 2007 to pre-fund both the Pod One and Algar projects at Great Divide.

The refinery expansion project will only be reconsidered when capital markets improve and if a protracted period of wider heavy crude oil differentials emerges on what appears to be a sustained basis, resulting in the prospect of longer term improved downstream returns.

Connacher is nearing completion of the refinery's Ultra Low Sulfur Diesel ("ULSD") project and expects to begin producing ULSD in January 2009. We will also conduct our regularly scheduled refinery turnaround in April 2009 and anticipate a provision for certain key capital investments to further enhance the refinery's performance and to continue our ongoing investment in environmental enhancement programs. Again, while we envisage an improvement in overall refinery returns for 2009 as compared to 2008, which arises in part from our assumption of a lower crude oil price with less volatility for next year, we do not anticipate investments in excess of divisional cash flow.

ALGAR AND AVAILABLE FUNDING

The focus of the fourth quarter 2008 and full year 2009 plan and capital budget will be the construction, completion and commencement of production at the Algar SAGD project. This can proceed once final approval is received from the Cabinet of the Alberta Government, which is expected imminently. Connacher has been one of the strongest performers in the execution of capital projects in the oil sands. Our first 10,000 barrel per day SAGD oil sands project at Great Divide, Pod

One, was delivered in record time and closer to budget than that achieved by many of our peers and recently produced in excess of 9,750 barrels per day, almost at design capacity. We also achieved commerciality in the third month of full operation.

As with Pod One, our Algar project is well-advanced and has been well-planned and well-prepared. Most key required materials have been ordered or acquired, equipment is being prebuilt and the company has greatly reduced its potential exposure to increases in the cost of critical materials or labor. We will endeavour to deliver Algar on time, on budget and at significantly lower cost per barrel of capacity than other recently announced projects in our sector.

In late 2007, Connacher borrowed funds for its Algar project, refinanced Pod One's structured debt and secured funding of the first year's interest on this newly incurred debt. This funding was achieved by the placement of US$600 million of long-term senior notes and the arrangement of a C$150 million and US$50 million, five-year revolving first lien credit facility with a syndicate of large Canadian and international banks. Our first interest payment on the notes was made at mid-year 2008 and we retain $33 million of cash in an escrow account to discharge our upcoming December 2008 interest payment to the note holders. Furthermore, we currently hold unrestricted cash balances of $208 million and have unused available banking lines of credit of approximately $187 million, or a total of $395 million available to complete Algar, which has been budgeted at $375 million, including a provision for a $30 million contingency.

We have already paid for $47 million of items within the Algar budget and had accrued a further $22 million in our accounts as at August 31, 2008. We have also ordered approximately another $32 million of additional equipment which has yet to be booked; this was done to reduce the risk of inflationary pressure on the cost of long lead and high cost items required for the Algar plant.

On a cash basis, our cash and credit balances of $395 million accordingly exceed our estimated $328 million remaining cash requirements for Algar, including the contingency, by the considerable amount of $67 million, which in turn would be available to discharge the company's total interest requirements on its debt in 2009, without supplemental funding from earnings before interest, taxes, depreciation and amortization ("EBITDA"), capital markets or other sources.

Connacher is currently generating a healthy monthly EBITDA and cash flow, which will be reflected in our financial results for the third quarter 2008, to be released to the public on November 14, 2008. Under reasonable assumptions for the balance of 2008 and for 2009 with respect to anticipated production from Pod One and our conventional properties, for crude oil, natural gas and refined product pricing, the Canadian/US dollar exchange rate, heavy oil differentials and operating and administrative expenditures, Connacher envisages having record available EBITDA and resultant cash flow in 2009 to finance its proposed low risk, maintenance-oriented capital budget while meeting all normal financial obligations in the ensuing year and thereafter, without the need to raise additional debt or equity. Once Algar is completed and starts to contribute production revenue, EBITDA and cash flow in 2010, surplus cash is anticipated to be available to restore aggressive growth programs in all aspects of the company's operations while meeting all financial obligations.

It should be noted that any drawings on Connacher's 5-year term revolving credit facility and the 8-year term senior note indebtedness require no principal repayments until 2012 in the case of the revolving facility (unless renewed and extended prior thereto) and until 2015 in the case of the company's senior notes, leaving internally generated funds from operations available for either capital programs or cash buildup/debt reduction programs, as deemed prudent and appropriate by the company's management and Board. It is Connacher's intention to be self-sufficient during the period of capital and credit market turmoil.

POD ONE, CORE HOLES AND INFRASTRUCTURE AT GREAT DIVIDE

Our anticipated 2009 capital programs at Pod One and on our Great Divide landholdings will focus on maintenance requirements at Pod One and a limited core hole exploration drilling program at Great Divide, emphasizing data accumulation in preparations for the drilling of Algar's fifteen planned horizontal well pairs, which as previously described will be financed from within the Algar budget. As a consequence of core hole programs conducted since 2004, Connacher has an ample inventory of proved, probable and possible reserves and contingent and prospective resources such that a reduction and scaling back of an exploratory and development core hole program in 2009 will not compromise the company's longer-term development objective of reaching an anticipated 50,000 bbl/d of bitumen production by 2015. In cooperation with another industry participant, the company will also fulfill its obligations under its joint venture at Halfway Creek.

With respect to infrastructure for Connacher's oil sands projects, Connacher will defer making a final decision on its longer-term pipeline alternative at this time and will continue to focus on efficient trucking of its dilbit sales from both Pod One and prospectively from Algar to a variety of available markets and buyers. Longer-run, once capital markets stabilize, the company will examine and select the best pipeline alternative and the best and most suitable financing alternatives.

CONVENTIONAL

Our conventional capital budget in 2009 will be focused on low risk production maintenance and optimization through limited infill drilling and workovers on an as-needed basis. Limited, if any, capital spending on exploratory seismic, drilling or land acquisitions is envisaged for 2009. We will obviously protect the integrity of our assets and previous investments in our play inventory. However, we will await greater clarity in the operating and financial environment, including final details of the new Alberta royalty program, before making any significant capital investments in this space. We would note that until we approach the startup of Algar in late 2009, we are "long natural gas" as we produce in excess of our current requirements for natural gas to make steam at Pod One, so our physical hedge remains firmly in place within our long term integrated approach to production of bitumen. We feel there will be ample time and opportunity to restore our balance between production and consumption by 2010 when Algar is in the ramp up mode.

CONCLUSION

Management wishes to assure its shareholders that should capital market conditions deteriorate further, or should crude oil prices continue to weaken and decline significantly from current levels in response to the anticipated economic downturn, additional steps within management's purview and at its discretion would be taken to ensure the company maintains a very high degree of liquidity. On the other hand, we will also monitor improvements in market conditions and be prepared to capitalize on opportunities as they present themselves. We will do this in order to enhance shareholder value while adhering to cost-conscious conservative spending principles and the retention of a sound balance sheet, appropriately structured to remain in harmony with our underlying long-lived assets.

CONFERENCE CALL

Connacher has scheduled a conference call for 9:00 a.m. MT today, October 6, 2008, to discuss the contents of this press release. To listen to or participate in the live conference call, please dial either (416) 644-3419 or (800) 731-5319. A replay of the event will be available from October 6, 2008 at 12:00 p.m. MT until October 13, 2008 at 11:59 p.m. MT. To listen to the replay please dial either (416) 640-1917 or (877) 289-8525 and enter the passcode 21285604 followed by the pound sign.

Connacher Oil and Gas Limited is a Calgary-based crude oil, natural gas and bitumen producer. The company's principal asset is its Great Divide oil sands project, which includes the producing 10,000 bbl/d project at Pod One, the company's second anticipated 10,000 bbl/d steam assisted gravity drainage ("SAGD") project at Algar, which is awaiting final approval by the Cabinet of the Alberta Government and other lands and reserves and resources in the region. Connacher also owns conventional properties producing approximately 3,400 boe/d-3,600 boe/d of crude oil and natural gas in Alberta and Saskatchewan. Other assets include a 9,500 bbl/d heavy oil refinery at Great Falls, Montana and a 24 percent equity stake in Petrolifera Petroleum Limited, a public TSX-listed oil and gas company active in South America. Connacher's shares trade on the Toronto Stock Exchange under the symbol CLL.

Forward-Looking Information:

This press release contains "forward-looking information" including: anticipated financial and operating results for the balance of 2008 and fiscal 2009 and 2010; details of the anticipated financial plan and capital budget for 2009 (which remains subject to Board approval); anticipated financial results relating to the company's refinery at Great Falls, Montana; planned expenditures in respect of the company's refinery; future conditions for reconsidering the company's suspension of the refinery expansion; the planned 2009 refinery turnaround; management's expectations with respect to heavy oil differentials which impact on bitumen netbacks; anticipated capital costs in respect of Algar; timeline for production at Algar; sources of funding future capital programs; future exploration and development plans; the timing and selection and financing of a pipeline alternative to transport the company's production from Great Divide Pod One and other similar projects to market as an alternative to the company's current practice of trucking diluted bitumen to available markets; and development of additional oil sands projects (including receipt of final approval from the Alberta Cabinet in respect of Algar). Forward-looking information is frequently characterized by words such as "plan", expect", "project", "intend", "believe", "anticipate", estimate", "may", "will", "could", "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 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, difficulties or delays during construction and in start-up operations, the uncertainties involved in interpreting drilling results and other geological data, fluctuating oil and prices, fluctuating differentials, the possibility of unanticipated costs and expenses, uncertainties relating to the availability and costs of financing needed in the future, general economic conditions and other factors including unforeseen delays. As an oil sands enterprise in the development stage, Connacher faces risks including those associated with exploration, development, construction, start-up, approvals and the continuing ability to access sufficient capital from external sources if required. In addition, as a public company in the current deteriorating economic environment, Connacher faces further risks and uncertainties relating to current capital market conditions. Actual production levels at Great Divide Pod One and from conventional oil and gas properties may vary from those anticipated in this press release and such variations may be material. Additionally, financial and operating results for the balance of 2008 and for fiscal 2009 and 2010 are dependent on, among other things, actual commodity prices realized by the company, maintenance or reduction of operating costs in an inflationary environment and foreign exchange rates. Readers are reminded that cash flow and cash flow from operations, total netbacks and per unit netbacks and EBITDA do not have standardized meanings prescribed by Canadian generally accepted accounting principles ("GAAP") and therefore may not be comparable to similar measures used by other companies. Cash flow is calculated before changes in non-cash working capital, pension funding and asset retirement expenditures. The most comparable measure calculated in accordance with GAAP would be net earnings. Cash flow is commonly used in the oil and gas industry and when actual amounts are presented, reconciliation with net earnings is provided by the company. Total netbacks by product are calculated by deducting the related diluent, transportation, field operating costs and royalties form revenues. Unit netbacks are calculated by dividing total netbacks by production volumes. Total netbacks are usually reconciled to net earnings when actual amounts are presented. EBITDA is calculated as earnings before interest, taxes, depreciation and amortization. The most comparable measure calculated in accordance with GAAP would be net earnings and when actual amounts are presented, reconciliation with net earnings is provided by the company. All references to barrels of oil equivalent (boe) are calculated on the basis of 6mcf:1bbl. 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. 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, 2007, which is available at www.sedar.com. Connacher undertakes no obligation to update forward-looking statements if circumstances or management's estimates or opinions should change, unless required by law. Due to the risks and uncertainties inherent in forward-looking information, the reader is cautioned not to place undue reliance on this forward-looking information. For further information, contact:

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