



PRESS RELEASE

July 7, 2009

**CONNACHER OIL AND GAS LIMITED ANNOUNCES RESUMPTION OF FIELD
CONSTRUCTION AT ALGAR**

Calgary, Alberta – Connacher Oil and Gas Limited (CLL - TSX) announced today that construction activities were restarted at its second 10,000 bbl/d steam assisted gravity drainage ("SAGD") facility ("Algar") in the Great Divide region of northeastern Alberta.

On July 7, 2009, field construction at the Algar plant site resumed with the driving of the SAGD facility piles. We anticipate that construction activities at Algar and the drilling of 15 SAGD well pairs will take approximately 275 days to complete. This will be followed by a 30 day requisite commissioning of the SAGD facility and a then 90 day steam circulation phase for the SAGD well pairs, prior to commencement of SAGD production and ramp-up towards full plant capacity of 10,000 bbl/d.

To date approximately \$150 million has been invested in Algar, primarily for the off-site fabrication of long-lead SAGD plant components and equipment, the construction of the access road from Highway 63 to the Algar plant site and civil work at the plant and well pad sites. We estimate a further \$10 million will be required to satisfy outstanding capital commitments, including remaining costs associated with the suspension of Algar. We estimate that it will cost approximately \$200 million to complete Algar. However, due to the recent cancellation and deferral of a number of oil sands projects in the Fort McMurray region, the actual costs for labour, services and equipment may be lower than the cost estimates used in the Algar budget, providing a built-in contingency. We believe the combination of cash (\$96.2 million as at March 31, 2009), cash from our June 2009 \$172.6 million equity issue and June 2009 US\$200 million first lien senior secured note issue and from future cash flow will in the aggregate be more than sufficient to fully fund completion of the Algar project, fund the construction of an estimated \$27 million cogeneration facility at Algar, fund an estimated \$10 million dilbit sales transfer line between Algar and our first 10,000 bbl/d SAGD project at Great Divide (Pod One) and service our indebtedness through 2010.

Connacher Oil and Gas Limited is a Calgary-based integrated oil company. Its primary upstream production is from oil sands operations at its 10,000 bbl/d Great Divide Pod One SAGD plant in northeastern Alberta. The Corporation has reactivated its plan to construct and has fully funded a second similar-sized SAGD oil sands project in Great Divide at Algar. It has conventional crude oil and natural gas production of approximately 3,100 boe/d in Alberta and Saskatchewan, a downstream operation with a 9,500 bbl/d heavy oil refinery in Great Falls, Montana and maintains a 24 percent equity stake in Petrolifera Petroleum Limited (PDP-TSX), a production and exploration company active in Argentina, Colombia and Peru in South America.

Forward-Looking Information

This news release contains certain "forward-looking information" within the meaning of applicable securities laws including information regarding the planned construction of Algar and the drilling of 15 SAGD well pairs and the

timeline associated therewith. 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 risks include, but are not limited to risk 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, risks associated with obtaining, maintaining and the timing of receipt of regulatory approvals, permits and licenses, uncertainties relating to access to capital markets and the risk of continuing deterioration of global economic conditions. In certain circumstances the Corporation may curtail production, defer expenditures and/or modify its plans with respect to capital expenditures, which may impact year-end cash balances and net operating income. Additional risks and uncertainties are described in the Corporation's Annual Information Form which is filed on SEDAR at www.sedar.com. Due to the risks, uncertainties and assumptions inherent in forward looking information, prospective investors in the Corporation's securities should not place undue reliance on forward looking information. Forward looking information contained in this press release is made as of the date hereof and are subject to change. The Corporation assumes no obligation to revise or update forward looking information to reflect new circumstances, except as required by law.

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