



**PRESS RELEASE**

**January 5, 2010**

**CONNACHER COMMENCES WINTER DRILLING PROGRAM**

CALGARY - Connacher Oil and Gas Limited (CLL - TSX) announced today the commencement of its first quarter 2010 ("Q1 2010") drilling program. The primary focus of the drilling program is on expanding bitumen resources and reserves through the drilling of core holes on the company's Great Divide and Halfway Creek oil sands leases in northern Alberta. It will also include a conventional oil and gas exploration and exploitation program in northern Alberta and southwest Saskatchewan. In addition, two horizontal well pairs will be added at Great Divide Pod One ("Pod One"), the company's first 10,000 bbl/d steam assisted gravity drainage ("SAGD") oil sands project.

The company's Q1 2010 core hole program anticipates 60 wells at Great Divide; however, subject to budget and other considerations, including per well costs, weather and actual results obtained, it could accommodate up to 70 core holes. Five drilling rigs are contracted to be utilized for the core hole program, three rigs having already commenced operations and two more scheduled to follow later this week. A sixth rig is also being utilized as a surface hole pre-set rig. The program is expected to finish in early March 2010. Additionally, there will be stepout core holes drilled to delineate and extend the existing pods already identified within the main Great Divide lease block.

The Halfway Creek core hole program will also commence this week and is designed to explore the oil sands potential of this block. Ten core holes (50% Connacher or 5 net core holes) will be drilled on this block.

In addition, two 3D seismic programs will be run at Great Divide and at Thornbury, located southwest of Great Divide, to identify potential oil sands accumulations that could be the target of future core hole programs. The budget for the core hole and seismic programs is \$28.3 million and was included in the company's previously announced 2010 capital program. It is anticipated the planned core hole and seismic programs will largely satisfy the company's flow-through obligation, which arose from the October 2009 sale of \$30 million of flow-through common shares, proceeds of which will fund the planned activity.

The company's Q1 2010 conventional drilling program will consist of nine wells to be drilled primarily for natural gas in northern Alberta, including offset locations to a new pool discovery made in 2007. Also, one development oil well will be drilled on the company's lands at Battrum in southwest Saskatchewan. The budget for the 2010 conventional drilling program is \$6.4 million and was also included in the company's previously announced 2010 capital program.

The drilling of the two additional horizontal SAGD well pairs at Pod One commenced in December 2009 and is anticipated to be completed in January 2010. The drilling rig used for this program was one of the two rigs which recently drilled 17 horizontal SAGD well pairs at Connacher's second 10,000 bbl/d oil sands project ("Algar") at Great Divide. The Algar drilling program came in both under budget and ahead of schedule, as previously reported in a December 4, 2009 operational update press release. The two new well pairs will increase the total number of horizontal well pairs at Pod One to 19. It is anticipated these two new well pairs will be completed and tied-in to Pads 101 and 102 at Pod One, but will not receive steam injection until 2011 or until "surplus" steam is available at Pod One, once the full impact of the installation of electrical submersible pumps and other operations procedures is evident. The budget for the two new well pairs is \$10.2 million and was included in the company's previously announced 2010 capital budget.

It is expected that the results from these drilling and seismic programs will be evaluated and included in the company's mid-year 2010 reserve report, scheduled to be prepared by our independent evaluator, GLJ Petroleum Consultants Ltd. ("GLJ"), who will also complete a year-end 2009 evaluation of Connacher's reserves and resources, which is anticipated to be available during February 2010.

As noted in previous press releases and in the company's corporate presentation posted on the company's website at [www.connacheroil.com](http://www.connacheroil.com), Connacher anticipates that the combination of cash on hand and adjusted earnings before interest, taxes, depreciation and amortization ("EBITDA") from operations in 2010 will be sufficient to meet all financial obligations, to fund the company's capital programs in 2010 and leave the company with unutilized cash and available bank credit capacity at year end 2010.

Connacher Oil and Gas Limited is a Calgary-based crude oil, natural gas and bitumen exploration, development and production company. Its principal assets are its Great Divide Pod One and Algar SAGD oil sands projects in northeastern Alberta. Algar, Connacher's second 10,000 bbl/d oil sands project, is under construction and is targeted for completion in April 2010. Connacher also owns a 9,500 bbl/d heavy oil refinery in Great Falls, Montana and a 22% equity stake in Petrolifera Petroleum Limited, a crude oil and natural gas exploration and production company active in Argentina, Colombia and Peru, all in South America.

**Forward-Looking Statements:** This press release contains forward looking information including information relating to the future expansion of the company's reserves and resources base, expectations of future exploration and exploitation activities including the anticipated timing associated therewith, forecast 2010 cash on hand and adjusted EBITDA, planned capital expenditures and anticipated costs thereof, sources of funding, the inclusion of the results of the company's winter drilling program in a mid-year 2010 reserve report, the timing of the availability of the company's year-end 2009 reserve report, the company's ability to self-finance future financial obligations and the company's 2010 capital programs, the company's expected financial position at year end 2010 and general operational and financial performance in future periods. Forward looking information is based on management's expectations regarding future growth, operating costs, average realized bitumen, crude oil and natural gas prices, average throughput, costs of purchased feedstock, steam:oil ratios, results of operations, production, future capital and other expenditures (including the amount, nature and sources of funding thereof), plans for and results of drilling activity, environmental matters, business prospects and

opportunities, future royalty rates, commodity prices and foreign exchange rates and future economic conditions and involves significant known and unknown risks and uncertainties, which could cause actual results to differ materially from those anticipated. These risks include, but are not limited to: the 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; actual steam:oil ratios being different than what was anticipated; the uncertainty of reserve and resource estimates; the uncertainty of estimates and projections relating to production, costs and expenses, and health, safety and environmental risks), the risk of commodity price and foreign exchange rate fluctuations and risks related to future royalty rate changes. These risks and uncertainties are described in detail in Connacher's Annual Information Form for the year ended December 31, 2008, which is available at [www.sedar.com](http://www.sedar.com). The company assumes no obligation to update or revise the forward-looking information to reflect new events or circumstances, except as required by law.

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