



PRESS RELEASE

February 25, 2010

**CONNACHER OIL AND GAS LIMITED PROVIDES OPERATIONAL UPDATE ON
UPSTREAM ACTIVITY - REPORTS WINTER 2010 PROJECTS ON TRACK OR
COMPLETED EARLY**

CALGARY - Connacher Oil and Gas Limited (CLL-TSX) announced today that it has continued its success in achieving or exceeding milestones for its key projects during the winter months of late 2009 and early 2010.

Algar Project

The Algar Project ("Algar") has advanced in a most favorable manner since our last update. All foundation piles have been installed and all concrete slabs have been poured and cured. All major equipment has been set at the site. Rack modules have all been set and tank mechanical work has been completed. Building fabrication is 95 percent complete and 90 percent of the major equipment has been set in place at the three well pads. Surface emulsion and steam pipelines have been fabricated. Activities including bolting up of the remaining spools, electrical work and installation of instrumentation and insulation of the entire project are all proceeding. Algar is currently on budget and on schedule. Commissioning of Algar is anticipated to occur in mid-April 2010, in line with our project countdown clock we have posted on our website at www.connacheroil.com. We remind readers that pictures of our progress at Algar have been posted on this website on Monday of each week and this will continue until construction is completed.

Great Divide Core Hole Program

Our winter 2010 core hole program was completed this week, under budget and ahead of schedule even though our core hole well count was increased to 68 wells at Great Divide and to 13 gross wells at Halfway Creek. This program was initially anticipated to be approximately 60 gross wells in total, but was increased due to considerable encouragement encountered at both sites while drilling and because of an improved cost structure and efficiencies arising from our experience in core hole drilling. Connacher had conducted 3D seismic over the northern portion of its main lease block in 2008. We believe we experienced considerable success in testing the features arising from the 2008 3D program. In our opinion and assessment, we believe we have delineated additional pods north and northeast of Pod One, with up to 30 meters of net SAGD pay identified in certain wells. We are very encouraged by this program, the results of which will be interpreted along with now-completed additional 3D seismic shot this winter. We also were encouraged by the resources we believe we identified this winter at Halfway Creek, where we hold a 50 percent working interest. An independent evaluation of the results of these programs will be conducted by GLJ Petroleum Consultants Ltd. ("GLJ"). This updated reserve and resource evaluation should be available to Connacher for public disclosure in early July 2010. This 2010 core hole and 3D seismic program is the second largest program conducted by Connacher and historically these programs have been the basis for the consistent expansion of our significant reserve

and resource base since acquiring our main oil sands leases in 2004. There can be no assurance that results of this program will be interpreted by GLJ in a manner similar to that of Connacher's management and technical staff. See Forward Looking Information herein.

Conventional Drilling Program

An eight-well drilling program on our conventional northern Alberta natural gas properties at Parker and Randall was conducted during the past two months. The program was aimed at developing additional production from our Randall area and to follow up on a 2008 natural gas discovery at Parker. The program resulted in one new natural gas exploration discovery, three successful natural gas development wells and four dry holes. Incremental production from Randall will be tied in this winter, while discoveries at Parker will be evaluated for possible follow up drilling and tie-in in the winter of 2011. Over time, these natural gas drilling programs are designed to balance Connacher's production and consumption levels, which then serves to provide a physical hedge to mitigate exposure to upward surges in natural gas prices, an important component of operating costs associated with bitumen production. In the present environment of apparent oversupply of natural gas supplies, Connacher is comfortable with its balance of production to consumption.

Pod One

Bitumen production at Pod One averaged 6,274 bbl/d in 2009 and full year averages were primarily impacted by voluntary production curtailments early in the year due to economic conditions; our annual plant turnaround in September 2009 and other minor interruptions characteristic of early stage bitumen production. Pod One bitumen production, however, averaged 7,924 bbl/d in the month of December 2009 and production in 2010 continues to be optimized and recently has exceeded 8,000 bbl/d of bitumen, above our year-to-date 2010 averages. Our production levels have experienced some volatility since startup over two years ago but were achieved despite the ongoing minor challenges characteristic of bitumen production, especially during startup and during cold winter conditions. These minor issues included achieving appropriate chemical balances in the water treating and evaporator systems, experiencing power surges and pump installation and changes. Our recent steam/oil ratio ("SOR") has been approximately 3.2 and our objective for the full year 2010 is to achieve an SOR of approximately 3.0, as the full impact of our steam distribution efficiencies impact on bitumen production levels. This would compare favorably with our 2009 SOR of 3.68, based on relationship of production to actual steam generated for that year, as reported to the Energy Resources Conservation Board. We have also benefited from somewhat lower diluent blending ratios than in the past, which has been a contributing factor to improved bitumen selling prices, which recently have exceeded \$50.00 per barrel. We continue to truck our dilbit sales to market and are proceeding to expand our trucking terminal at Pod One (part of our 2010 budget) to be positioned to handle approximately 25,000 bbl/d of dilbit, once Algar comes onstream.

Our current steam generating capacity at Pod One is slightly over 27,000 bbl/d, so the efficient distribution of the steam we produce and then inject into the reservoir is ultimately the major determinant of our production performance and productive capacity utilization. An efficient distribution of steam does not occur immediately and takes some time with effective reservoir management, before introducing electric submersible pumps ("ESP") to lower reservoir pressures and reduce SORs. Effective and continuous monitoring and adjustment of downhole conditions to optimize each well's productive

capacity is essential in this process. We have state of the art monitoring and reservoir management tools and experienced SAGD engineers and operators, so we are increasingly confident, with the passage of 24 months of commercial production and with overall production in excess of 4.5 million barrels of bitumen at Pod One, of our ability to manage the day to day challenges of bitumen production. As we improve our SORs, through the effective use of ESPs and other techniques designed to lower SORs on a sustainable basis, we hope to approach full productive capacity in excess of 10,000 bbl/d of bitumen. In the interim, our production to capacity ratio is currently running in excess of 80 percent and we hope to increase this ratio through increasingly reliable, stable and sustainable production. At these levels, our performance is comparable to that being achieved by other larger companies operating similar or larger SAGD projects which have been producing over a longer period of time. Our objective for 2010 is to achieve stabilized production to capacity ratios at Pod One of approximately 90 percent, which would exceed the norm for the industry and see our SOR at approximately 3.0. Higher production levels in turn will contribute to increased operating efficiencies and to lower unit operating costs.

Conclusion

We look forward to the completion and commissioning of Algar, with a view to commencing steam injection in May 2010, followed by a circulation phase prior to the startup of bitumen production from the 17 SAGD well pairs, which were drilled in record time and under budget late last year and have now been completed and await tie-in when the Algar plant is completed.

We are pleased with our results from our extensive core hole programs at Great Divide and Halfway Creek and anticipate positive reserve and resource adjustments, which we anticipate disclosing in July 2010 when our updated independent report is available.

Our guidance for 2010, as provided earlier this year in our Q3 2009 Management's Discussion and Analysis, will be updated on a consistent basis throughout 2010. The next update will coincide with the release of our 2009 results scheduled for March 18, 2010. As previously disclosed, we anticipate full year average daily production of bitumen to reach 10,685 bbl/d in 2010, once Algar comes onstream and ramps up later in the year and continues to increase towards productive capacity in 2011. On a boe basis, we anticipate total corporate production to exceed 13,000 boe/d, with a 2010 exit rate considerably above this level, as our assumption of average Algar production, once commercial and recorded in our financial and operating accounts, is annualized over 365 days but is likely only to be recorded in our accounts during the fourth quarter 2010. Further significant gains can accordingly be anticipated in 2011, if Algar functions as expected, full year Algar production is available to be incorporated into our forecasts and crude oil prices remain at approximately prevailing levels. With anticipated 2010 production expected to increase approximately 40 percent over full-year 2009 equivalent levels of approximately 9,200 boe/d and with further gains anticipated in 2011 from the Algar rampup, Connacher is well positioned to show attractive growth in anticipated earnings before interest, taxes, depreciation and amortization ("EBITDA"). Accordingly, the company anticipates it will grow into its balance sheet, which currently reflects a prudent policy of pre-funding major capital programs. Furthermore, our enhanced production and resultant EBITDA favorably positions the company's ability to substantially finance future growth programs internally while meeting all financial obligations. Connacher Oil and Gas Limited is a Calgary-based exploration, development, production, refining and marketing oil company. Our major asset is our interest in the Great Divide bitumen production projects. Our Pod One 10,000 bbl/d SAGD plant is presently producing and our similar sized Algar project is

nearing completion. We expect it to be commissioned in May 2010. We also own conventional crude oil and natural gas production in Western Canada, own and operate a 10,000 bbl/d heavy oil refinery located at Great Falls, Montana and maintain a 22 percent equity stake in Petrolifera Petroleum Limited, a public oil company active in Argentina, Peru and Colombia in South America. Our common shares and our outstanding convertible debentures are listed for trading on the Toronto Stock Exchange.

Forward Looking Information:

This press release contains forward looking information including information relating to the timing for completion of construction and commencement of commissioning and steaming at Algar, future expansion of the company's resources based on the 2009-2010 winter drilling program and 3D seismic data, plans to tie-in production at Randall and evaluate further drilling opportunities and tie-ins of natural gas wells at Parker, objectives to reduce SORs during 2010 to 3.0 and achieve stabilized production to capacity ratios at Pod One of 90 percent for 2010, the planned expansion of the company's trucking facilities to handle increased dilbit production, anticipated increases in bitumen production from Pod One and commencement of production at Algar, estimates of production for 2010 and 2011 and anticipated enhanced stability of production from Pod One, and anticipated growth in EBITDA. 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, SORs, 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 SORs being different than what was anticipated; the uncertainty of reserve and resource estimates; the uncertainty of geological interpretations; 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. The company assumes no obligation to update or revise the forward-looking information to reflect new events or circumstances, except as required by law.

EBITDA is not defined by generally accepted accounting principles in Canada ("GAAP") and should not be considered an alternative to, or more meaningful than, cash provided by operating activities or net earnings as determined in accordance with GAAP. Connacher's determination of EBITDA may not be comparable to that reported by other companies. When provided, EBITDA will be reconciled to net earnings in the company's MD&A.

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