



PRESS RELEASE

June 22, 2010

Connacher Oil and Gas Limited Announces Ceremonial Opening of Algar SAGD Plant at Great Divide Oil Sands Complex; First Oil Sold on June 17, 2010

Calgary, Alberta – Connacher Oil and Gas Limited (CLL – TSX) announced today the occurrence of the formal ceremonial opening of Algar, the company's second 10,000 bbl/d steam-assisted gravity drainage ("SAGD") plant, at its Great Divide oil sands complex in northeastern Alberta. Participants in the ribbon-cutting ceremony included The Honorable Mel Knight, Minister of Sustainable Resource Development ("ASRD") and Richard A. Gusella, Connacher's Chairman and Chief Executive Officer. Mr. Knight was Minister of Energy when Connacher's Algar application was approved by the Government of Alberta and related regulatory agencies, including the Energy Resources Conservation Board ("ERCB"), Alberta Environment ("AE") and ASRD. The event was also attended by Drayton Valley-Calmar MLA Diane McQueen, who is parliamentary assistant to Alberta's Minister of Energy, by members of Connacher's Board of Directors, other representatives of the Government of Alberta, three Chiefs from the Aboriginal Community, invited guests from the banking and investment community, service providers, Algar staff, members of the construction team and members of the press.

Algar was constructed on time and under budget. It has been designed for subsequent expansion to 34,000 bbl/d of bitumen production and over 100,000 bbl/d of steam generating capacity, pursuant to the company's Great Divide Expansion Program. A photo of the plant site can be seen here http://files.newswire.ca/574/Connacher_Photo1.JPG. Regulatory approvals required for this expansion are anticipated for late 2011. This planned brownfield expansion, which contemplates the addition of a further 24,000 bbl/d of bitumen production capacity at Algar in 2012 for a 2013 startup, would increase Connacher's total designed bitumen productive capacity, including Great Divide Pod One, to 44,000 bbl/d. We anticipate this can be accomplished at lower unit cost than the current levels of investment required for greenfield plants, in keeping with Connacher's continuing commitment to a low capital intensity and attractive steam/oil ratios ("SOR") for its oil sands operations, assisted and enhanced by continuing technical innovations which the company has introduced or plans to introduce. These include the use of high temperature electrical submersible pumps, natural gas coinjection and SAGD plus, using solvents with steam to enhance well productivity and recoveries.

In addition to construction of the Algar plant and site, Connacher constructed three well pads on which there are situated 17 horizontal SAGD well pairs. At this date, 14 well pairs are undergoing steam circulation, designed to heat up the McMurray reservoir before actual steam injection. Steaming of the remaining three well pairs will be initiated in the next several days. Full steam injection and bitumen production is anticipated for August 2010, or approximately 90 days after the initiation of steam circulation, which commenced in late May 2010.

Connacher is also pleased to announce that it has already sold its first diluted bitumen ("dilbit") from Algar. The first load was transported by a contract carrier to market on June 17, 2010. A photo of this can be seen here: http://files.newswire.ca/574/Connacher_Photo2.JPG. We will continue to market available dilbit recovered during the circulation phase with progressively rising volumes anticipated as the reservoir temperature increases with the passage of time. As indicated, the conversion to full production at Algar is anticipated to occur during August 2010. SAGD well pairs will be successively brought onstream during the rampup phase throughout the balance of 2010 and into 2011, as required. Connacher also anticipates achieving commerciality at Algar during the fourth quarter 2010, when volumes and sales are sufficient, on a sustainable basis, to more than cover related costs, including operating costs and royalties. At the time of commerciality, Algar production and related costs will be booked in Connacher's accounts.

Connacher forecasts bitumen production at Algar will approach 7,000 bbl/d by year end 2010 and average approximately 6,740 bbl/d during the fourth quarter 2010 (1,685 bbl/d on a full year 2010 annualized basis), which with anticipated production from Pod One will contribute to a target annualized 2010 level of total corporate bitumen production exceeding

10,000 bbl/d, with a 2010 exit rate of between 16,000 and 17,000 bbl/d. This suggests significant and sustainable growth in 2011 production, on both a quarterly and annualized basis, as compared to the current year.

Significant key learnings from our Pod One experience were introduced at Algar. As a consequence, we anticipate a healthy and vigorous rampup of bitumen production and continuing improvements in plant efficiency, given our strong emphasis on meeting and surpassing established environmental standards for air, water, carbon emissions and wildlife. We set a new standard for wildlife monitoring during construction, including the construction of caribou crossings at key points along our infrastructure rights of way.

Our plant is designed to recycle over 90 percent of the water used in our boilers to make steam. Our water source is from the subsurface and is non-potable; we do not use any surface water at Algar or at Great Divide Pod One. We are constructing a cogeneration plant for power and supplemental steam, which will further enhance efficiency. Surplus power generated once the plant is onstream will be sold into the regional grid, thereby reducing the use of power generated by burning coal, further enhancing air quality due to lower overall emissions as an indirect consequence of our power generating activity.

We worked effectively with six Aboriginal groups with regional interests during the construction phase of Algar and anticipate continuing this positive relationship during our planned 25 year life of the projects in the area. As an example, we created 36,000 man days of Aboriginal employment during the construction phase at Algar.

Connacher is a pioneer in the development of a modular approach to plant construction in the oil sands. We emphasize the efficiency of smaller scale operations, designed to be applied in a modular fashion using oilfield techniques to effect timely and cost-controlled expansion in the business. Our successful approach is aligned to the nature and scale of the accumulations we have identified on our main lease block at Great Divide, where through the successful use of 3D seismic, innovative interpretation of data and selective core hole programs, we have been able to grow our reserve base and productive capacity in a quick, efficient and consistent manner. Only approximately 15 percent of our total oil sands acreage holdings have thus far been evaluated in this manner, so we envisage significant and sustainable growth of our reserves and resources on a prospective basis. We continue to anticipate surpassing our goal of 50,000 bbl/d of bitumen production from the Great Divide main lease block by 2015 and we envisage additional programs to explore our other holdings in the region and at Halfway Creek, situated approximately 25 miles south of Fort McMurray.

Available with this press release are two pictures of our operations. One is a picture of the first oil hauling truck, which arrived on site on June 17, 2010 to pick up our first batch of Algar dilbit for sale into the market. We have also attached a very recent overhead view of our plant, taken on the same day and we have included a Key Facts sheet which details some of the interesting statistics related to Algar.

Algar is another significant achievement for Connacher and further advances the company's goals and objectives. We had excellent cooperation from our service providers and suppliers during the construction phase. We have also been fortunate to attract new key field employees to complement the excellent staff we had put in place at Pod One. These individuals are already working effectively with each other, with our head office engineering and operations group and with all other departments in the company in their collective pursuit of excellence in all of our operations and business activities.

Connacher is a Calgary based crude oil, natural gas and bitumen producer. We hold extensive bitumen reserves at Great Divide in northeastern Alberta and now have two 100 percent-owned, 10,000 bbl/d SAGD oil sands plants and 36 SAGD well pairs from which the bitumen is produced. We also own a 9,500 bbl/d heavy oil refinery located in Great Falls, Montana and maintain an approximate 19 percent equity stake in Petrolifera Petroleum Limited, active in South America. Our common shares and convertible debentures are listed for trading on the Toronto Stock Exchange.

Forward-Looking Information

This press release contains forward-looking information including but not limited to the proposed expansion of bitumen production capacity at Algar by 24,000 bbl/d for total bitumen production capacity at Great Divide, including Pod One, of 44,000 bbl/d and increases in steam generation capacity associated with such expansion, timing for receipt of regulatory approvals and construction of the Great Divide Expansion Project, anticipated capital costs associated with the Great Divide Expansion Project, planned timing for

steam injection in the remaining three well pairs, first production from Algar and the determination of commerciality, forecast bitumen production for Algar and Pod One for 2010 and 2011, timing for completion of construction of a cogeneration plant, planned utilization of surplus power generated from the company's cogeneration plant and anticipated environmental benefits therefrom, anticipated growth in reserves and resources and forecast bitumen production in 2015. Forward-looking information is based on management's expectations regarding future growth, results of operations, production, future commodity prices and foreign exchange rates, 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 and future economic conditions. Forward-looking information 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 operational risks in development, exploration, start-up and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; 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 uncertainty of geological interpretations; the risk of commodity price and foreign exchange rate fluctuations; risks associated with the impact of general economic conditions; and risks and uncertainties associated with securing and maintaining the necessary regulatory approvals and financing to proceed with the continued expansion of the Great Divide Expansion Project. The timing for receipt of the required regulatory approvals to commence the Great Divide Expansion Project is outside of the control of Connacher and, as a result of the regulatory process, changes or modifications to the proposed expansion design may be required to secure the required approvals. The timing of these approvals and the scope of any required changes to the Great Divide Expansion Project will impact the timing for commencement and completion of construction and the costs associated therewith as well as forecast bitumen production in 2015. Readers should be cautioned that design steam generation capacity for Pod One and Algar is the calculated maximum obtainable steam output based on the applicable plant design and may not be representative of actual steam capacity at Pod One or Algar. Production levels are directly related to the level of steam generation and as such, reductions in steam generation can have a material adverse effect on production levels at Pod One and Algar. These and other risks and uncertainties are described in further detail in Connacher's Annual Information Form for the year ended December 31, 2009 ("AIF"), which is available at www.sedar.com.

Although Connacher believes that the expectations in such forward-looking information are reasonable, there can be no assurance that such expectations shall prove to be correct. The forward-looking information included in this press release is expressly qualified in its entirety by this cautionary statement. The forward-looking information included in this press release is made as of the date hereof and Connacher assumes no obligation to update or revise any forward-looking information to reflect new events or circumstances, except as required by law.

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Fact Sheet

Connacher's Algar completed on time and under budget

About Algar

- Cost \$370 million (original budget was \$375 million)
- Completed in 273 days
- Will initially produce at a design rate of 10,000 barrels of bitumen per day
- Has a current steam generation capacity of 30,000 barrels per day
- Has an economic life of at least 25 years
- Area to be serviced by Algar contains more than 300 million barrels of identified 3P reserves, based upon the independent evaluation of GLJ Petroleum Consultants Ltd. (GLJ) as at December 31, 2009⁽¹⁾
- Will eventually produce at a design rate of 34,000 barrels of bitumen each day⁽²⁾
- Will require an estimated additional \$600 million of capital investment between now and the end of 2012 to facilitate expansion to 34,000 bbl/d of design capacity bitumen production, subject to regulatory approval⁽²⁾

About Construction

- 390 standard loads and an additional 175 large loads of materials, skids and component parts were trucked to the site during construction
- 400 workers were employed on the site at peak construction
- 700,000 hours of labour went into the project, including 36,000 man days of Aboriginal employment
- 1,900,000 kg of structural steel is incorporated in the project
- 280,000 inches of welding with only a 1.1% spool revision rate
- 25 kilometres of surface pipelines
- Numerous caribou crossings introduced

About Efficiency

- Steel building supports (instead of concrete) made buildings cheaper and faster to build
- Using evaporators and packaged boilers uses 15% less energy and reduces CO2 emitted
 - The evaporator technology has been in use for over 50 years, however it's a relatively new technology to oil sands
 - Packaged boiler technology is over 100 years old
 - Series design evaporators use 20% less electricity than parallel design
 - Packaged boilers use about 15% less energy than *Once Through Steam Generators*, a competing steam generation system
 - The boiler fuel is natural gas, the cleanest burning fuel available
- The cogeneration plant under construction at Algar will generate electricity and steam, which will improve the plant's power reliability, as it is more thermally efficient to generate steam and electricity simultaneously⁽²⁾
- Cogeneration using natural gas will reduce the overall emission levels for power generation as compared to coal-based power from the available grid
- The well-pad footprint is 30% smaller than Pod One

- Modularized header buildings were cheaper to build and will be easier to operate as there are fewer pipes outside and less insulation is needed.
- Drilling efficiency reduced drilling time to 183 days, approximately one-third below budget
- Average time per SAGD horizontal well – 5.4 days; quickest well was 3.9 days

About Economics

- Anticipate paying approximately \$300 million in royalties to the Province of Alberta from initial phase at Algar over life of project of approximately 25 years⁽²⁾
- Anticipate Algar initial phase will create approximately 1,500-1,740 man years of employment⁽²⁾
- Anticipate paying approximately \$500 million in taxes to Federal and Alberta governments⁽²⁾

Notes:

(1) *References to reserves are derived from the independent evaluation of Connacher's crude oil, bitumen, natural gas and natural gas liquids reserves prepared by GLJ as at December 31, 2009. Possible bitumen reserves attributed to Algar are approximately 53 million barrels. Information relating to "reserves" constitutes forward-looking information, as it involves the implied assessment, based on certain estimates and assumptions, that the reserves exist in the quantities predicted or estimated, and can be profitably produced in the future. Reference is made to Connacher's Annual Information Form for the year ended December 31, 2009 (AIF) which is available at www.sedar.com for the assumptions relating to Connacher's reserves.*

(2) *Information reflected constitutes forward-looking information which is based on Management's current expectations based on a number of considerations and is subject to certain risks and uncertainties. Reference is made to Connacher's AIF which is available at www.sedar.com and Connacher's press release dated June 22, 2010 for a detailed description of the assumptions and risks and uncertainties associated with the forward-looking information contained herein.*