



PRESS RELEASE

July 7, 2010

Connacher's Proved and Probable Reserves Surpass Half a Billion Barrels

Calgary, Alberta – Connacher Oil and Gas Limited (CLL – TSX) announced today that as at June 30, 2010 the 10% present value ("10% PV") of its estimated pre-tax future net revenue of its proved and probable ("2P") bitumen reserves, as evaluated by GLJ Petroleum Consultants Ltd., independent qualified reserves evaluators, ("GLJ"), increased 35 percent over year end 2009 values to surpass \$2.7 billion as a result of a 32% increase in 2P reserves to just over 500 million barrels. The company's proved, probable and possible ("3P") bitumen reserves also increased 31% percent during the same period to reach 605 million barrels. This total includes 104 million barrels of possible reserves. The increases reflect the impact a successful core hole drilling program in first quarter 2010, the completion of Algar, the submission of the Great Divide Expansion Plan and Environmental Impact Assessment ("EIA") and the SAGD infill wells, drilling and completion of several steam assisted gravity drainage ("SAGD") wells at Great Divide Pod One ("Pod One") and provision for future infill wells to improve bitumen recovery.

Henceforth, in this press release, bitumen and unconventional and heavy oil are terms used interchangeably. Also, in this press release, unless otherwise stated, reserves refer to reserves of either bitumen or conventional crude oil, natural gas or natural gas liquids or barrels of oil equivalent ("boe") and resources refers to bitumen resources. Future net revenue is calculated after the deduction of forecast royalties, operating expenses, capital expenditures and well abandonment costs, but before corporate overhead or other indirect costs, including interest and income taxes from forecast revenue. The 10 percent pre-tax present value of future net revenue is also referred to as "present value" or "present worth" or "PV". Certain amounts cited herein have been rounded for presentation purposes. Outstanding financial hedges were not included in the evaluation.

All references to boe are calculated on the basis of 6 Mcf:1 bbl. Readers are cautioned that the conversion used in calculating barrels of oil equivalent is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. Furthermore, boe may be misleading if used in isolation. Future net revenues disclosed herein do not represent fair market value. Also, estimations of reserves, resources and future net revenue discussed in this press release constitute forward looking information. See "Forward Looking Information" below.

The reserve estimates provided herein were prepared by GLJ in a report ("GLJ 2010 Mid-Year Report") with an effective date of June 30, 2010. The GLJ 2010 Mid-Year Report was prepared using assumptions and methodology guidelines outlined in the Canadian Oil and Gas Evaluation Handbook ("COGE Handbook") and in accordance with National

Instrument 51-101 (“NI 51-101”). Comparisons provided herein with respect to Connacher’s conventional and bitumen reserves and resources and 10 percent present values are to estimates contained in a report prepared by GLJ with an effective date of December 31, 2009 (“GLJ 2009 Year-End Report”).

All new reserve estimates are as at June 30, 2010 and include the results of Connacher’s 81 well core hole drilling program at Great Divide in 2010 and drilling or other activities conducted and completed on company properties during the current year. Possible reserves were only evaluated with respect to Connacher’s bitumen reserves. Connacher’s conventional crude oil and natural gas reserves were not evaluated in the possible reserves category.

The GLJ 2010 Mid-Year Report was prepared utilizing the GLJ July 1, 2010 escalated price forecast, effective June 30, 2010. Readers are referred to the notes to the Summary Tables included in this press release for details regarding the price forecast used in the GLJ 2009 Year-End Report and the GLJ 2010 Mid-Year Report.

Highlights are as follows:

Unconventional Reserves (Bitumen or Heavy Oil)

Connacher owns a 100 percent working interest in approximately 98,000 net acres of oil sands leases, primarily located at its Great Divide project in northeastern Alberta, situated 80 kilometers southwest of Fort McMurray and a 50 percent working interest at Halfway Creek, Alberta. Numerous oil accumulations in the McMurray formation have been identified for development.

Great Divide Pod One has been producing bitumen since late 2007, with commercial production commencing March 1, 2009. Additional details regarding Connacher’s development at Great Divide can be accessed at www.connacheroil.com or www.sedar.com. Furthermore, additional information regarding Connacher’s reserves and resources, including the company’s interest in the resources and the risks and the level of uncertainty associated with the recovery of the resources can be found in the company’s annual information form (“AIF”) dated March 19, 2010. This AIF can be accessed at www.sedar.com. In November 2008 the company received regulatory approval to develop Algar, a 10,000 bbl/d facility similar to Great Divide Pod One. Connacher completed and commissioned Algar in the second quarter of 2010 and is currently in the steam circulation phase, with first SAGD production at Algar to commence in August 2010. Incidental production volumes and sales are occurring during the steam circulation phase prior to first SAGD production. Connacher submitted an EIA application in May 2010 to secure regulatory approvals to expand the productive capacity at Algar to 34,000 barrels per day (“Great Divide Expansion Project”).

Total proved (“1P”) bitumen reserves increased five percent over year-end 2009 levels of 173 million barrels to 182 million barrels. The GLJ 2010 Mid-Year Report estimated Connacher’s 1P bitumen reserves would generate \$4.54 billion of

undiscounted future net revenue with a 10 percent PV of \$1.35 billion, after deduction of future capital requirements of \$2.45 billion and well abandonment costs of \$84.9 million.

Total 2P bitumen reserves were estimated at 501 million barrels, a year over year increase of 32% percent: 2P bitumen reserves were forecast to generate \$12.25 billion of future net revenue, with a 10 percent PV of \$2.70 billion, after provisions for future capital of \$8.49 billion and well abandonment costs of \$292 million. This represents a 35% percent increase in the 10% PV compared to year-end 2009 levels.

Total 3P bitumen reserves were estimated at 605 million barrels, compared to 462 million barrels at year ago, an increase of 31 percent; 3P bitumen reserves were forecast to generate \$16.59 billion of future net revenue with a 10% PV of \$3.38 billion, after provision for future capital of \$9.44 billion and well abandonment costs of \$318 million. The 10% PV of 3P reserves was 7 percent higher than the value assigned to such reserves at year end 2009.

Best Estimate Contingent bitumen resources were estimated to have increased 65 percent from 135 million barrels to 223 million barrels; the associated 10% PV increased 10 percent to \$422 million from \$384 million at December 31, 2009.

Best Estimate Prospective bitumen resources decreased 26 percent to 72 million barrels; the 10% PV decreased 45 percent to \$129 million from \$236 million at year end 2009.

Please refer to the tables attached hereto for the volumes and the estimated undiscounted and 10 percent pre-tax present values assigned to 1P, 2P and 3P reserves and separately to Low Estimate, Best Estimate and High Estimate Contingent and Prospective resources. It should be noted that reserves, contingent resources and prospective resources involve different risks associated with achieving commerciality. There is no certainty that it will be commercially viable to produce any portion of the Contingent resources. There is no certainty that any portion of the Prospective resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources. The prospective resource estimates set forth in this press release have been risked for the chance of discovery but not for the chance of development and hence are considered partially risked estimates. If a discovery is made, there is no certainty that it will be developed or, if it is developed, there is no certainty as to the timing of such development. Reference should be made to "Bitumen Reserves and Resources", "Forward Looking Information" and the notes following the tables set forth below for a description of the risks associated with the company's reserves, contingent resources and prospective resources.

Conventional Reserves

Connacher's conventional reserve base remained fairly stable in the first half of 2010.

After production of approximately 450,000 boe during 2010 year-to-date:

1P reserves declined three percent to 6.7 million boe compared to levels at December 31, 2009. The GLJ 2010 Mid-Year Report estimated that Connacher's conventional 1P reserves had a 10% PV of \$109 million, after provision for future capital requirements and well abandonment costs.

Connacher's 2P conventional reserves increased four percent to 10.1 million boe. The company's 2P conventional reserves were forecast to a 10% pre-tax present value of \$149 million.

The decline in 1P reserves reflected a modest capital program during the first half of 2010 and production during the first six months of the year. The four percent decline in the 10% PV of 2P reserves primarily reflected the lower price assumptions for natural gas.

Total Corporate Bitumen and Conventional (Combined Equivalent boe) Reserves

On a combined equivalent basis, at June 30, 2010 1P bitumen and conventional reserves were estimated by GLJ to be 189 million boe; 2P combined equivalent reserves were estimated to be 512 million boe and 3P combined equivalent reserves were estimated to be 616 million boe.

The future net revenue of the company's 1P combined equivalent reserves at June 30, 2010 was forecast have a 10% PV of \$ 1.453 billion, a decrease of 2 percent over 2009 levels.

The future net revenue of the company's 2P combined equivalent reserves at June 30, 2010 was forecast to have a 10% PV of \$2.85 billion, an increase of 32 percent over 2009 levels.

Connacher's future net revenue of the 3P combined equivalent reserves was forecast to have a 10% PV of \$3.53 billion.

On a per share basis, this estimated 10% PV of approximately \$ 2.85 billion for 2P combined equivalent reserves equates to approximately \$6.66 per Connacher common share outstanding, before provision for the value of Contingent and Prospective resources as estimated in the GLJ 2010 Mid-Year Report, the value of the company's refinery and its investment in Petrolifera Petroleum Limited and balance sheet adjustments. There are presently approximately 428 million Connacher common shares outstanding. This indicates the achievement of a substantial uplift of reserve value per share of approximately 32 percent thus far in 2010.

Similarly, the 10% PV of the company's combined equivalent 3P reserves equates to approximately \$8.22 per common share outstanding.

No reserve volumes or future net revenue or present value thereof were assigned herein to Connacher's 19 percent equity interest in Petrolifera Petroleum Limited's crude oil and natural gas reserves.

Connacher Oil and Gas Limited is a Calgary-based crude oil, natural gas and bitumen or heavy oil producer. Our principal asset is located at Great Divide in the oil sands region of Alberta. We also own conventional properties in Alberta and Saskatchewan, a refinery in Montana, USA and hold an approximate 19 percent equity stake in Petrolifera Petroleum Limited, a crude oil and natural gas producer active in Argentina, Colombia and Peru in South America.

Forward Looking Information

This press release contains forward looking information, including but not limited to estimated reserves and resources and future net revenues associated therewith, future capital expenditures, the anticipated impact of Alberta's proposed royalty regime on estimated future net revenues, and development of and production from additional oil sands resources (including Algar). The forward looking information is based on current expectations that involve a number of risks and uncertainties, which could cause actual results to differ materially from those anticipated. These risks include, but are not limited to 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; the uncertainty of reserve and resource estimates; the uncertainty associated with geological interpretations; 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 and maintaining and the timing of receipt of the necessary regulatory approvals, permits, and licenses, risks and uncertainties associated with securing the necessary financing to proceed with the continued expansion of the Great Divide oil sands project and risks associated with the impact of general economic conditions. Additional risks and uncertainties are described in the company's 2009 Annual Information Form and Management's Discussion and Analysis for the three months ended March 31, 2010 and the year ended December 31, 2009 which are filed on SEDAR at www.sedar.com.

This press release includes information pertaining to the reserves, resources and the value of future net revenue of the Corporation as at December 31, 2009 and June 30, 2010 as evaluated by GLJ Petroleum Consultants Ltd. ("GLJ") in their report dated February 13, 2009 (the "GLJ 2009 Year-End Report") and their report dated July 7, 2010 (the "GLJ 2010 Mid-Year Report" and together with the GLJ 2009 Year-End Report, the "GLJ Reports"). Statements relating to reserves and resources are deemed to be forward looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that the reserves and resources described exist in the quantities predicted or estimated, and can be profitably produced in the future. The GLJ Reports are based on a number of assumptions relating to factors such as initial production rates, production decline rates, ultimate recovery of reserves, timing and amount of capital expenditures, marketability of production, future prices of bitumen, crude oil, natural gas liquids and natural gas, operating costs, anticipated reductions in SORs and operating costs as a result of the installation of ESP's in certain wells to improve productivity, well abandonment and salvage values, royalties and other government levies that may be imposed during the producing life of the reserves. Moreover, there is no assurance that the forecast prices and cost assumptions contained in the GLJ Reports will be attained and variances could be material. In addition, the GLJ 2009 Year-End Report does not reflect production obtained during the 2010 year. The reserves and resources estimates of Connacher's properties described herein are estimates only. The actual reserves and resources on Connacher's properties may be greater or less than those calculated. The present value of estimated future net revenues referred to herein should not be construed as the current market value of estimated bitumen, crude oil, natural gas and natural gas liquids reserves attributable to Connacher's properties.

Contingent resources disclosed herein were assigned in regions with lower core-hole drilling density than the reserve regions and are outside Connacher's current areas of application for development. These resource estimates are not classified as reserves at this time, pending further reservoir delineation, project application, facility and reservoir design work. Contingent resources entail additional commercial risk than reserves. Adjustments for commercial risks were not incorporated in the estimates of contingent resources set forth herein. A range of Contingent Resource estimates (Low, Best and High) were prepared to reflect a range of technical uncertainty. Low Estimate Contingent Resources were assigned to mapped regions of oil-in-place with at least 12 m of continuous bitumen pay along with a conservative estimate of recovery factor. Best Estimate Contingent Resources were assigned to mapped regions of oil-in-place of identified pods outside areas of application for development with at least 10 m of continuous bitumen pay along with a best estimate of recovery factor. High Estimate Contingent Resources were assigned to mapped regions of oil-in-place of identified pods outside areas of application for development with at least 9 m of continuous bitumen pay along with a more optimistic estimate of recovery factor. There is no certainty that it will be commercially viable to produce any portion of the Contingent Resources.

Prospective resources disclosed herein were attributable to undiscovered pods in unexplored regions, utilizing average parameters from the pods discovered to date and the statistical success within the explored regions of the leases. Prospective Resources entail additional commercial exploration risks than reserves and Contingent Resources. A range of Prospective Resources estimates were

prepared to reflect a range of technical uncertainty. Best and High estimates of Prospective Resources were assigned using net pay thresholds of 10 m and 9 m, respectively. No Low Estimate Prospective Resources were assigned, given the risk of not encountering an undiscovered pod of sufficient size to be considered commercial. Adjustments for commercial risks were not incorporated in the estimates of Prospective Resources set forth herein. There is no certainty that any portion of the Prospective Resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the Prospective Resources.

Due to the risks, uncertainties and assumptions inherent in forward looking information, prospective investors in the company'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 company assumes no obligation to revise or update forward looking information to reflect new circumstances, except as required by law.

For further information, please contact:

Richard A. Gusella
Chairman and Chief Executive Officer

OR

Peter D. Sametz
President and Chief Operating Officer

OR

Grant D. Ukrainetz
Vice President, Corporate Development

Phone: (403) 538-6201 Fax: (403) 538-6225
inquiries@connacheroil.com Website: connacheroil.com

Summary Tables

Tables may not add due to rounding. Estimates of Reserves, Resources and Future Net Revenue constitute forward looking information. See “Forward Looking Information” in the press release to which these summary tables are attached.

A. Volumes

Connacher Oil and Gas Limited Bitumen Reserves and Resources			
	31/12/09	30/06/10	%Δ
	(mmbbl)		
Proved Reserves (1P) ⁽¹⁾	173,225	182,212	5
Proved and Probable Reserves (2P) ⁽¹⁾⁽²⁾	379,180	501,701	32
Proved, Probable and Possible Reserves (3P) ⁽¹⁾⁽²⁾⁽³⁾	461,672	605,753	31
Low Estimate Contingent Resources ⁽⁴⁾⁽⁶⁾	148,408	215,868	46
Best Estimate Contingent Resources ⁽⁴⁾⁽⁷⁾	134,919	223,245	65
High Estimate Contingent Resources ⁽⁴⁾⁽⁸⁾	188,766	319,821	69
Low Estimate Prospective Resources ⁽⁵⁾⁽⁶⁾	0	0	0
Best Estimate Prospective Resources ⁽⁵⁾⁽⁷⁾	97,142	71,626	-26
High Estimate Prospective Resources ⁽⁵⁾⁽⁸⁾	236,786	195,477	-17

Connacher Oil and Gas Limited Conventional Canadian Reserves									
	Light/Medium Oil/NGL (mmbbl)			Natural Gas (mmcf)			Equivalent (mboe)		
	31/12/09	30/06/10	%Δ	31/12/09	30/06/10	%Δ	31/12/09	30/06/10	%Δ
Proved Reserves (1P)	2,379	2,375	0	27,324	26,195	-4	6,933	6,741	-3
Probable Reserves	845	950	12	11,733	14,597	24	2,801	3,383	21
Proved + Probable Reserves	3,224	3,325	3	39,057	40,792	4	9,734	10,124	4

Connacher Oil and Gas Limited Combined Conventional and Bitumen Reserves⁽⁹⁾			
	31/12/09	30/06/10	%Δ
	(mboe)		
Proved Conventional Reserves ⁽¹⁾	6,933	6,741	-3
Proved Bitumen Reserves ⁽¹⁾	173,225	182,212	5
Total Proved Reserves (1P) ⁽¹⁾	180,158	188,953	5
Probable Conventional Reserves ⁽²⁾	2,801	3,383	21
Probable Bitumen Reserves ⁽²⁾	205,955	319,849	55
Total Probable Reserves ⁽²⁾	208,756	322,872	55
Proved + Probable Conventional Reserves (2P) ⁽¹⁾⁽²⁾	9,734	10,124	4
Proved + Probable Bitumen Reserves ⁽¹⁾⁽²⁾	379,180	501,701	32
Total 2P Reserves ⁽¹⁾⁽²⁾	388,914	511,824	32
Total 3P Reserves ⁽¹⁾⁽²⁾⁽³⁾	471,406	615,876	31

B. Present Value

Connacher Oil and Gas Limited			
10 Percent Present Value of Future Net Revenue			
Bitumen Reserves and Resources – Before Tax			
	31/12/09	30/06/10	%Δ
	(\$MM)		
Proved Reserves (1P) ⁽¹⁾	1,369	1,345	-2
Proved and Probable Reserves (2P) ⁽¹⁾⁽²⁾	2,001	2,702	35
Proved, Probable and Possible Reserves (3P) ⁽¹⁾⁽²⁾⁽³⁾	3,156	3,383	7
Low Estimate Contingent Resources ⁽⁴⁾⁽⁶⁾	176	587	234
Best Estimate Contingent Resources ⁽⁴⁾⁽⁷⁾	384	422	10
High Estimate Contingent Resources ⁽⁴⁾⁽⁸⁾	531	663	25
Low Estimate Prospective Resources ⁽⁵⁾⁽⁶⁾	0	0	0
Best Estimate Prospective Resources ⁽⁵⁾⁽⁷⁾	236	129	-45
High Estimate Prospective Resources ⁽⁵⁾⁽⁸⁾	610	381	-38

Connacher Oil and Gas Limited			
10 Percent Present Value of Future Net Revenue			
Total Company (Conventional and Bitumen) – Before Tax⁽⁹⁾			
	31/12/09	30/06/10	%Δ
	(\$MM)		
Proved Conventional Reserves ⁽¹⁾	122	109	-11
Proved Bitumen Reserves ⁽¹⁾	1,369	1,345	-2
Total Proved Reserves (1P) ⁽¹⁾	1,491	1,453	-2
Probable Conventional Reserves ⁽²⁾	32	40	24
Probable Bitumen Reserves ⁽²⁾	632	1,357	115
Total Probable Reserves ⁽²⁾	664	1,397	110
Proved + Probable Conventional Reserves (2P) ⁽¹⁾⁽²⁾	155	149	-4
Proved + Probable Bitumen Reserves ⁽¹⁾⁽²⁾	2,001	2,702	35
Total 2P Reserves ⁽¹⁾⁽²⁾	2,156	2,851	32
Total 3P Reserves ⁽¹⁾⁽²⁾⁽³⁾	3,311	3,532	7

Notes:

1. Proved reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is 90 percent likely that the actual remaining quantities recovered will exceed the estimated proved reserves.
2. Probable reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.
3. Possible reserves are those additional reserves that are less certain to be recovered than probable reserves. There is only a 10 percent probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves. Possible reserves were only estimated for bitumen. Possible bitumen reserves were estimated to be 82 million barrels at year-end 2009 and 104 million barrels at June 30, 2010.
4. Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but which are not currently considered to be commercially recoverable due to one or more contingencies.
5. Prospective Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects.

6. Low Estimate is considered to be a conservative estimate of the quantity that will actually be recovered from the accumulation. If probabilistic methods are used, this term reflects P90 confidence level.
7. Best Estimate is considered to be the best estimate of the quantity that will actually be recovered from the accumulation. If probabilistic methods are used, this term is a measure of central tendency of the uncertainty distribution (P50).
8. High Estimate is considered to be an optimistic estimate of the quantity that will actually be recovered from the accumulation. If probabilistic methods are used, the term reflects a P10 confidence level.
9. Does not include bitumen resources or undeveloped land value.

Escalated pricing assumptions in the GLJ Year End 2009 Report and GLJ Mid Year 2010 Report were as follows:

	Bitumen (wellhead) (\$/bbl)		WTI (US\$/bbl)		Natural Gas (AECO) (\$/mcf)	
	Year End 2009	Mid-Year 2010	Year End 2009	Mid-Year 2010	Year End 2009	Mid-Year 2010
2010	51.50	48.61	80.00	80.00	5.96	4.82
2011	53.01	50.68	83.00	83.00	6.79	5.50
2012	54.36	52.02	86.00	86.00	6.89	6.20
2013	57.03	54.53	89.00	89.00	6.95	6.65
2014	60.77	58.10	92.00	92.00	7.05	7.05
2015	62.14	59.47	93.84	93.84	7.16	7.40
2016	63.53	60.87	95.72	95.72	7.42	7.73
2017	64.96	62.29	97.64	97.64	7.95	8.03
2018	66.41	63.74	99.59	99.59	8.52	8.20
Thereafter	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr	+2%/yr