For Immediate Release

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Palliser Production More than Doubles in 2010

October 7, 2010, Calgary, Alberta – **Palliser Oil & Gas Corporation** ("**Palliser**" or the "**Company**") **(TSXV: PXL**) is pleased to provide an operations update. Production for the month of September, based on field estimates, averaged approximately 840 bbls of oil equivalent per day. September production is weighted approximately 92% to heavy oil. In the third quarter of 2010, the Company grew production to an average of approximately 690 boe/d, up 29% from the second quarter of 2010 production average of 536 boe/d and up 316% compared to the third quarter of 2009 production average of 166 boe/d. Palliser's production has grown in each of the last seven consecutive quarters and the Company remains on track to achieve its 2010 guidance levels for average annual production of 650 to 750 BOE per day and exit production of 1,150 to 1,250 BOE per day. The forecasted 2010 exit rate (December average), is expected to be an increase of more than 175% from last year's exit rate, with all production growth in 2010 attributed to internally generated drilling programs undertaken on Company lands.

"Our operating team and our contractors have delivered exceptional performance, in spite of the challenging weather conditions over the past several months," President and CEO Kevin Gibson stated. Palliser operates and participated in all 2010 wells at a 100% working interest. The Company drilled three wells in the third quarter, resulting in two wells completed and equipped for heavy oil production and one well cased as a potential salt water disposal well. To date in 2010, the Company has reactivated two wells and drilled nine heavy oil wells at a 90% program success rate.

Preparations are underway for the remainder of the 2010 heavy oil capital program, which includes the drilling of seven wells commencing in late October. The Company anticipates that all wells will be drilled and on production by year end.

At Edam, Saskatchewan, the Company's drilling program has yielded excellent results, with production from the first seven wells (three wells in 2009 and four wells to the end of June, 2010) averaging an aggregate of 700boe/d for September. Further production increases at Edam are expected in the fourth quarter as the two wells drilled in September will be brought on production in October. Based on these results, the balance of the 2010 capital program has been re-focused with a greater emphasis on heavy oil targets at Edam. Six of the remaining seven wells are planned to be drilled at Edam and one well is to be drilled at Lloydminster, Alberta. Given that these wells will be completed in the last half of the fourth quarter, the contribution to production from these new wells will continue to grow through the first quarter of 2011.

Palliser has continued to build an inventory of heavy oil prospects through the addition of new lands and the acquisition of additional proprietary seismic in the Company's greater Lloydminster core area, which includes Edam, Saskatchewan. At the present time, in addition to the locations in the remainder of the 2010 capital program, the Company's heavy oil prospect inventory has increased significantly and now stands at 112 locations. This current prospect inventory provides the Company with significant growth opportunities for future capital programs. Palliser is planning to operate all wells at a 100% working interest in the 2011 capital program.

Palliser has maintained a strong balance sheet with a current working capital surplus of approximately $0.1 million and has undrawn total credit facilities with its lender of $4.2 million. Net debt of approximately $2.0 million is forecasted at year end. Discussions with the Company's lender have recently been initiated in anticipation of an increase to Palliser's credit facility.

Outlook

The Company expects to release details of the 2011 capital budget and production guidance in November. At this time Palliser anticipates that an expanded heavy oil focused capital program in 2011 will be funded from the substantial free cash flow generated by the existing asset base and the expected increase to the Company's credit facility. The Company continues to review new opportunities, including asset and corporate acquisitions and participation in farmins, as part of our ongoing activities. Palliser plans to maintain a strong balance sheet and does not anticipate the need to issue any new equity in order to finance the 2011 capital program in the first half of next year, except as may be required for merger and acquisition purposes.

The Company's corporate presentation has been updated with new information contained in this press release, which is available on www.sedar.com or the Company's website at **www.palliserogc.com**.

About Palliser

Palliser is a Calgary-based emerging junior oil and gas company currently focused on high netback conventional heavy oil production in the greater Lloydminster area of both Alberta and Saskatchewan.

Forward-Looking Statements

Certain statements contained in this news release constitute forward-looking statements that involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. No assurance can be given that these expectations will prove to be correct and such forward-looking statements included in this release should not be unduly relied upon. Information and statements in this news release relating to "resources" are deemed to be forward looking information and statements, as they involve the implied assessment, based on certain estimates and assumptions, that the resources described exist in the quantities predicted or estimated, and that the resources described can be profitably produced in the future. Actual results could differ materially as a result of changes in Palliser's plans, changes in commodity prices, regulatory changes, general economic, market and business conditions as well as production, development and operating performance and other risks associated with oil and gas operations including anticipated success of resource prospects and the expected characteristics of resource prospects; uncertainties inherent in estimating quantities of resources; anticipated capital requirements, project rates of return and estimated project life; estimates of original discovered resource; estimates of recovery factors; lack of diversification; and overall technical and economic feasibility of the Company's projects. These statements speak only as of the date of this release or as of the date specified in the documents accompanying this release, as the case may be. The Company undertakes no obligation to publicly update or revise any forward-looking statements except as expressly required by applicable securities laws.

Disclosure provided herein in respect of boes may be misleading, particularly if used in isolation. A boe conversion ratio of 6 mcf to 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All boe conversions in this press release are derived by converting gas to oil according to this 6 mcf to 1 bbl ratio.

The TSX Venture Exchange has neither approved nor disapproved the contents of this press release.

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