



## Canacol Energy Ltd. Initiates Heavy Oil Exploration Drilling Program in Colombia

CALGARY, ALBERTA - (June 22, 2011) Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX VENTURE:CNE) (BVC:CNEC) is pleased to announce the start of its heavy oil exploration drilling program on its Tamarin and Cedrela Exploration and Production ("E&P") contracts located in the Caguan - Putumayo Basin in Colombia. The Corporation has 100% working interest and is operator of both contracts, which represent approximately 388,000 net acres. The Corporation plans to drill two stratigraphic wells, one on each of the Tamarin and Cedrela contracts, in a back to back drilling campaign that will commence in mid July 2011. This will be followed by the drilling of five conventional exploration wells, the first to start in late Q3 2011, and the last to end midyear 2012.

Charle Gamba, President and CEO of the Corporation, commented "The stratigraphic wells will target two large structures recently defined by the new 2D seismic acquired on the Tamarin and Cedrela blocks. These wells, which can be drilled relatively inexpensively compared to conventional exploration wells, have the potential to yield useful information concerning the presence and type of oil, as well as basic reservoir thickness and quality information, in advance of the conventional exploration drilling program the Corporation plans to start in late Q3 2011. Since the discovery of the Capella heavy oil field by Canacol and its partner in 2008, the Corporation has been able to leverage its proprietary knowledge of the geology and potential of the area. The Corporation is now positioned to execute a significant heavy oil exploration program in this emerging heavy oil play in Colombia."

### **Tamarin ESTR-1 Stratigraphic Well**

The Tamarin ESTR-1 well is planned to be drilled to a depth of 3,260 feet measured depth ("ft md") and will target potential heavy oil bearing reservoirs in the Mirador sandstones, the main producing sandstones in the Corporation's Capella heavy oil field. The Corporation has a 100% working interest and is operator of the Tamarin contract, which represents 68,000 net acres and is located on trend approximately 25 kilometers to the southwest of the Capella heavy oil field.

The Corporation has executed a contract with LT Geoperaciones y Minería Ltda., a service company that will provide the drilling rig. The Corporation anticipates that the well will take approximately 8 weeks to drill, core, and log. The information that the Corporation anticipates to collect include cores through the prospective reservoir intervals and a full suite of conventional openhole wireline logs. This data will yield information concerning the thickness, porosity, permeability, and fluid content of any prospective reservoir intervals that may be encountered within the well. Given the small size of the wellbore, the Corporation will be unable to flow test any of the prospective reservoirs.

The Corporation is currently constructing the surface location and anticipates that the Tamarin ESTR-1 will commence drilling in mid July 2011.

### **Cedrela ESTR-1 Stratigraphic Well**

The Cedrela ESTR-1 well is planned to be drilled to a depth of 2,600 feet measured depth ("ft md") and will also target potential heavy oil bearing reservoirs in the Mirador sandstones, the main producing sandstones in the Corporation's Capella heavy oil field. The Corporation has a 100% working interest and is operator of the Cedrela contract, which represents 320,000 net acres and is located on trend approximately 50 kilometers to the southwest of the Capella heavy oil field.

The Corporation anticipates spudding the Cedrela ESTR-1 stratigraphic well after the drilling of the Tamarin ESTR-1 well has been completed. The Corporation anticipates that the Cedrela ESTR-1 well will take approximately 8 weeks to drill, core, and log. The same information that the Corporation plans to collect in the Tamarin ESTR-1 well will also be collected in the Cedrela ESTR-1 well.

## Forward Plans

The two stratigraphic wells will provide useful information that will be used to pick the final surface locations for the five conventional exploration wells that the Corporation plans to drill back to back on the Tamarin, Cedrela, and Sangretoro contracts starting in late Q3 2011. The Corporation anticipates that the program will conclude with the fifth well in Q2 2012.

In the meantime, the Corporation advances its 2D seismic acquisition program on its Sangretoro contract. The Corporation has a 100% operated interest in the contract, which represents 385,000 net acres. Once the seismic is complete, the Corporation is prepared to drill additional stratigraphic wells for information purposes before drilling two conventional exploration wells by the end of Q2 2012.

The conventional exploration wells will be drilled with a normal drilling rig, which will allow for any potential oil bearing reservoirs to be flow tested.

*Canacol is a Canadian-based international oil and gas corporation with operations in Colombia, Guyana, and Brazil. Canacol is publicly traded on the Toronto Stock Exchange (TSX: CNE) and the Bolsa de Valores Colombia (BVC: CNEC). The Corporation's public filings may be found at [www.sedar.com](http://www.sedar.com).*

This press release contains certain forward-looking statements within the meaning of applicable securities law. Forward-looking statements are frequently characterized by words such as "plan", "expect", "project", "intend", "believe", "anticipate", "estimate" and other similar words, or statements that certain events or conditions "may" or "will" occur, including without limitation statements relating to estimated production rates from the Corporation's properties and intended work programs and associated timelines. Forward-looking statements are based on the opinions and estimates of management at the date the statements are made and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. The Corporation cannot assure that actual results will be consistent with these forward looking statements. They are made as of the date hereof and are subject to change and the Corporation assumes no obligation to revise or update them to reflect new circumstances, except as required by law. Prospective investors should not place undue reliance on forward looking statements. These factors include the inherent risks involved in the exploration for and development of crude oil and natural gas properties, the uncertainties involved in interpreting drilling results and other geological and geophysical data, fluctuating energy prices, the possibility of cost overruns or unanticipated costs or delays and other uncertainties associated with the oil and gas industry. Other risk factors could include risks associated with negotiating with foreign governments as well as country risk associated with conducting international activities, and other factors, many of which are beyond the control of the Corporation.

A stratigraphic well is a drilling effort, geologically directed, to obtain information pertaining to a specific geologic condition. Such wells customarily are drilled without the intent of being completed for hydrocarbon production. The classification also includes tests identified as core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic tests are classified as "exploratory type" if not drilled in a known area or "development type" if drilled in a known area.

A barrel of oil equivalent (boe) is derived by converting gas to oil in the ratio of six thousand cubic feet of gas to oil and may be misleading, particularly if used in isolation. A boe conversion is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead, especially in various international jurisdictions. Prospective resources are defined as those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

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