Canacol Energy Ltd. Provides Colombia and Ecuador Operations Update

CALGARY, ALBERTA - (May 22, 2013) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; BVC:CNEC) is very pleasedd to provide the following update related to its production and drilling operations in Colombia and Ecuador. The Corporation has recently brought the first 2 of its 9 planned production wells for 2013 on stream: Labrador 2 at its 80% operated working interest Labrador oil discovery on the LLA 23 Exploration and Production ("E&P") Contract in Colombia, and Secoya 44D at its 25% non-operated Libertador – Atacapi oil fields in Ecuador. The Labrador 2 well tested at a stable gross rate of 1,618 barrels of oil per day ("bopd") (1,294 bopd net) before royalty on May 18, 2013. The Secoya 44D well came on production at a gross rate of 968 bopd (242 bopd net) on May 15, 2013.

For the month of April, 2013, average net Corporate production before royalties was approximately 7,500 barrels of oil equivalent per day ("boepd") which consisted of approximately 4,600 bopd and approximately 17 million standard cubic feet per day ("mmscf/d") (2,900 boepd) of gas. The total includes no tariff production whatsoever from the Rancho Hermoso field, as all tariff wells had been converted to net royalty producers earlier in 2013. Average net Corporate production before royalties for the month of May 2013 up to May 14, 2013, prior to commencement of production from the new Labrador 2 and Secoya 44D wells, which occurred after May 14, 2013, was approximately 7,900 boepd, which consisted of approximately 4,900 bopd of crude oil and 17 mmscf/d (3,000 boepd) of gas. The total includes no tariff production whatsoever from the Rancho Hermoso field.

Charle Gamba, President and CEO of Canacol, commented "For the period January through to mid May 2013 the Corporation has managed to keep production basically flat without the benefit of drilling a single new development well. With the first 2 of our 9 production wells planned for 2013 coming on stream late last week, we anticipate steady and significant production growth throughout the remainder of calendar 2013, starting with the 1,500 bopd that we added late last week to our Corporate total from these two wells. The Corporation has also realized a significant reduction in field opex and transportation costs for year to date, as reflected in our recent financial statements, which will increase the profitability of the Corporations production going forward. Following up on the success of our oil discovery at Labrador, the Corporation plans to drill 2 additional exploration wells on the LLA 23 block during the remainder of the year, both located to the north of and on the same fault trend as the Labrador oil discovery.

LLA 23 Labrador Oil Discovery, Colombia (80% operated working interest)

Labrador 2 Well

The Labrador 2 well was spud on April 11, 2013 and reached a total depth of 10,601 feet measure depth ("ft md") on April 29, 2013. The Labrador 2 well encountered 59 feet ("ft") of net oil pay in the following reservoirs: 48 ft of net oil pay within the Middle and Lower Gacheta reservoirs with an average porosity of 20%; and 11 ft of net oil pay within the Ubaque reservoir with an average porosity of 21%. The Middle Gacheta reservoir interval was perforated between 10,200 - 10,210, and 10,225 – 10,248 ft md and flowed at a stable gross rate of 1,618 bopd (1,294 bopd net) before royalty of 32^o API oil with 3% water cut over a period of 24 hours using an electro-submersible pump ("ESP") operating at 40 Hz. Water cut decreased steadily throughout the course of the test and is interpreted as completion fluids related to the drilling of the well. The well will be left on production via the Corporations temporary production facilities. The operating netback from the Agueda 1 ST well, the first producing well drilled into the Labrador discovery, averaged US$ 66 / barrel after royalties, opex and transportation during the months of January through March 2013.

Labrador 3 Well

The Labrador 3 well was spud on May 21, 2013, and will be drilled to a planned total depth of approximately 10,675 ft md. The well is situated approximately 500 meters west of the Labrador 2 well, and will test the potential of the Middle and Lower Gacheta reservoirs, the two main producing zones in the Labrador discovery. It is anticipated that the Labrador 3 well will take approximately 24 days to drill and complete.

Libertador – Atacapi Fields, Ecuador (25% non-operated working interest)

In February 2012, the Corporation, through a consortium, entered into an incremental production contract for the Libertador and Atacapi fields located in the Oriente Basin of Ecuador whereby the Corporation receives a tariff price of $39.53 per barrel of incremental oil produced over a pre-determined production base curve under the incremental production contract. The operator, PetroAmazonas (previously PetroEcuador), is responsible for all production expenses related to the incremental production, while the consortium is responsible for a 2.5% Amazonia Fund contribution on the incremental production. The Corporation plans to participate in the drilling of 7 new development wells within the Libertador – Atacapi fields, and has recently participated in the drilling, completion, an tie in of the first well, Secoya 44D.

Secoya 44D

The Secoya 44D well was spud on March 16, 2013, and reached a total depth of 9,465 ft md on April 3, 2013. The well encountered 50 ft of net oil pay within three productive reservoirs within the field: 7 ft of net oil pay with an average porosity of 19% in the Upper U sandstone reservoir; 14 ft of net oil pay with an average porosity of 15% in the Lower U sandstone reservoir; and 29 ft of net oil pay with an average porosity of 13% in the Lower T sandstone reservoir. The Lower T reservoir was perforated between 9,340 – 9,346 and 9,317 – 9,329 ft md and produced at a gross rate of 968 bopd (242 net bopd) 32^{o} API oil with a water cut of 1% using an ESP set to a frequency of 50 Hz over the course of a 24 hour test. The well was placed on production through the permanent production facilities on May 14, 2013.

Ecuador tariff production has steadily increased throughout the nine months ended March 31, 2013 and is expected to continue to increase through the remainder of calendar 2013, contributing a significant portion to the Corporation's total production and cash flow in the future. The consortium plans to sequentially drill the remaining 6 new development wells and work over eight existing producing wells through the remainder of calendar 2013.

Canacol Energy is an exploration and production corporation with operations focused in Colombia and Ecuador. The Corporation's common stock trades on the Toronto Stock Exchange and the Colombia Stock Exchange under ticker symbol CNE and CNEC, respectively.

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. Information and guidance provided herein supersedes and replaces any forward looking information provided in prior disclosures. 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. Data obtained from the initial testing results at the well identified in this press release, including barrels of oil produced and levels of water-cut, should be considered to be preliminary until a further and detailed analysis or interpretation has been done on such data. The well test results obtained and disclosed in this press release are not necessarily indicative of long-term performance or of ultimate recovery. The reader is cautioned not to unduly rely on such results as such results may not be indicative of future performance of the well or of expected production results for the Corporation in the future. 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. Other risks are more fully described in the Corporation's most recent Management Discussion and Analysis, which is incorporated herein by reference and is filed on www.sedar.com.

Contact:

Canacol Energy Ltd.
Investor Relations
214.235.4798
IR@canacolenergy.com
www.canacolenergy.com