Canacol Energy Ltd.

Canacol Energy Ltd. Tests 19,066 BOPD Combined from the Ubaque and Guadalupe Reservoirs in the Rancho Hermoso 10 Well in Colombia

CALGARY, ALBERTA- (February 8, 2011) Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX VENTURE:CNE) (BVC:CNEC) is pleased to provide an update of its development drilling program at its operated Rancho Hermoso Field located in the Llanos Basin of Colombia. The Corporation has completed two of four planned production tests in the recently drilled Rancho Hermoso 10 ("RH 10") well, with testing of the Ubaque and Guadalupe reservoirs now complete. The Corporation is currently testing the Los Cuervos - Barco reservoir, which will be followed by testing of the Carbonera 7 ("C7") reservoir, a new potentially productive reservoir within the field. The RH 10 well encountered 110 feet ("ft") of net oil pay within 5 different reservoir intervals, which include, from top to bottom, the C7, Mirador, Los Cuervos–Barco, Guadalupe, and Ubaque.

Charle Gamba, President and CEO of Canacol, stated "The RH10 well encountered all of the main producing reservoirs at the structurally highest position yet encountered in the Rancho Hermoso field. In addition to the main producing reservoirs, all of which are oil bearing, the well also encountered a promising oil bearing sandstone within the C7 reservoir, which has exhibited similar characteristics in other wells drilled, yet not tested, last year. A successful test of this interval may result in potential reserves and production upside currently not realized either in reserves booking or in the future development planning for the field. The Corporation recently announced the expansion of the Rancho Hermoso drilling program up to 7 wells in total for 2011 to follow up on the success of the drilling program to date. With strong results from its development drilling program and Rancho Hermoso, and a drilling program dominated by exploration wells in Colombia and Guyana, five of which each target 100 million barrel plus recoverable conventional oil prospects, 2011 is proving to be a very exciting year for the Corporation, and for our shareholders."

Rancho Hermoso 10 Well Results

The RH 10 well was spud on January 4, 2011, and reached a total depth of 10,305 ft md on January 16, 2011 in the Ubaque reservoir, which was the primary producing target of the well. The well was drilled in a record time of 12 days (approximately 40% less time than the Rancho Hermoso 6, 8, and 9 wells) using advanced drilling techniques which will be applied to all future wells drilled in the field in order to lower drilling costs. Good oil and gas shows were encountered in the C7, Mirador, Los Cuervos – Barco, Guadalupe, and Ubaque reservoirs while drilling. Petrophysical analysis of the open-hole logs indicates a total of 110 ft of oil pay within the well: 12 ft of oil pay within the C7 reservoir with average porosity of 21%, 9 ft of oil pay in the Mirador reservoir with average porosity of 25%, 19 ft of pay within the Los Cuervos–Barco reservoir with average porosity of 26%, 25 ft of oil pay within the Guadalupe reservoir with average porosity of 28%, and 45 ft of oil pay within the Ubaque reservoir with average porosity of 25%.

Production Test Results

The Ubaque reservoir at RH 10 contains 45 ft of net oil pay, and was perforated between 10,192 and 10,221 ft md. The well flowed at a final stable gross rate of 8,122 bopd (2,030 bopd net) of 18^{o} API oil with 6 % water cut using an electrical submersible pump ("ESP") set to a frequency of 65 Hz during a 24 hour flow period. Water cut decreased steadily throughout the course of the production test, and based upon the salinity of the water, management has concluded that the water is completion fluid related to the drilling of the well, and not formation water.

The Guadalupe reservoir at RH 10 contains 25 ft of net oil pay, and was perforated between 9,453 and 9,462 ft md. The well flowed at a final stable gross rate of 10,944 bopd (2,736 bopd net) of 32^{o} API light gravity oil with 5% water cut using an ESP set to a frequency of 70 Hz during a 24 hour flow period. Water cut decreased steadily throughout the course of the production test, and based upon the salinity of the water, management has concluded that the water is completion fluid related to the drilling of the well, and not formation water.

Forward Plans

Testing of the Los Cuervos - Barco reservoir is currently underway, which will be followed by testing of the C7 reservoir. A successful test of the C7 reservoir in this well may prove up additional reserves and development options for the remainder of the field going forward. Other wells drilled in the field in 2010 also encountered similar to better reservoir quality and oil potential within the same reservoir, however none were tested. The Corporation will release the results of these tests when they are available. Upon completion of the production testing the well will be placed immediately on production through the permanent facilities.

The RH 10 well represents the last of the 5 well development drilling campaign initiated in the field in mid-2010. The Corporation plans to commence an up to 7 well development drilling program in late second quarter 2011 targeting production from the Ubaque, Guadalupe, Los Cuervos – Barco, and Mirador reservoirs. Should the C7 reservoir in the RH 10 well demonstrate good production potential, the C7 may also form part of the drilling program in 2011.

The Corporation is expanding the fluid handling capacity of the permanent facilities from the current 32,000 barrels of fluid per day ("bfpd") to approximately 200,000 bfpd, and anticipates that the expansion will be complete in March 2011. Among other things, the expansion includes additional fluid separation capacity and an additional 20,000 barrels of oil storage capacity. This will allow all of the existing and future Rancho Hermoso wells to be lifted at maximum rates.

The Corporation, through its 100% owned Colombian subsidiary Rancho Hermoso S.A., operates the Rancho Hermoso field under two Contracts with Ecopetrol S.A., those being 1) a Participation Contract in the Casanare Area whereby the Corporation receives 25% (after royalty) of gross production from the Los Cuervos–Barco, Guadalupe, and Ubaque reservoirs, with Ecopetrol S.A. receiving the remainder, and 2) a Risked Service Production Contract for the Mirador reservoir, whereby the Corporation is paid a tariff for each barrel of oil produced and Ecopetrol S.A. receives the oil.

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

equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead, especially in various international jurisdictions.

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