



### ***Canacol Energy Ltd Tests 3,340 BOPD From First of 3 Zones to be Tested at Rancho Hermoso 6 Well in Colombia***

CALGARY, ALBERTA- (AUGUST 17, 2010) Canacol Energy Ltd. (“Canacol” or the “Corporation”) (TSX VENTURE:CNE) (BVC:CNE.C) is pleased to provide an update of its development drilling program at its operated Rancho Hermoso Field located in the Llanos Basin of Colombia, which is operated under a contract with Ecopetrol, the state oil company of Colombia. The Corporation has completed flow testing of the Ubaque reservoir in the recently drilled Rancho Hermoso 6 (“RH 6”) well, the first of five development wells planned for 2010. The RH 6 well encountered 115 ft (“feet”) of net oil pay within 5 different reservoir intervals, which include, from top to bottom, the C7, Mirador, Los Cuervos - Barco, Guadalupe, and Ubaque. The Corporation will test the Ubaque, Guadalupe, and Los Cuervos - Barco reservoirs separately to determine the productive deliverability of each of the reservoirs prior to placing the well on long term production.

Charle Gamba, President and CEO of Canacol, stated “We are very pleased with the flow test results of the Ubaque reservoir in the RH 6 well, the first of 3 flow tests planned for the well. The flow rate from the Ubaque exceeded management’s expectation, and with 2 shallower light oil reservoirs yet to be tested, RH 6 stands to be the best well yet drilled in the field’s history. Our development drilling program at the Rancho Hermoso field continues as planned, with the Rancho Hermoso 7 well currently drilling at approximately 5,700 ft. The 5 well drilling program currently underway at the Rancho Hermoso field, and the excellent results to date from RH 6, will allow the Corporation to reach its 7,000 bopd net production exit target by year end.”

#### **Ubaque Flow Test Results**

The Ubaque reservoir at RH 6 contains 48 ft of net oil pay, and is the deepest reservoir in the well. The Ubaque was perforated between 10,524 and 10,550 ft measured depth (“MD”) and flowed at a final gross rate of 3,340 barrels of oil per day (“bopd”) (835 bopd net) of 17° API oil with 104 barrels of water per day using an electrical submersible pump set to a frequency of 50 Hz during a 24 hour flow period. The volume of water decreased steadily throughout the course of the test, and the Corporation considers the produced water to be drilling filtrate, and not free formation water.

#### **Forward Plans**

Following a 24 hour shut in period to obtain reservoir pressure, the completion string will be pulled from the well and a temporary bridge plug set above the Ubaque, and the overlying Guadalupe reservoir tested. The same Guadalupe reservoir at the RH 5 well, located 1,700 ft to the southwest of the RH 6 well, was tested at a final rate of 3,994 bopd of 33° API light oil under naturally flowing conditions in December 2009, and a similar flow rate is anticipated from this same reservoir in the RH 6 well.

Following the Guadalupe flow test, a removable bridge plug will be set above the top of the Guadalupe reservoir and the Los Cuervos – Barco will be flow tested. A thinner sequence of Los Cuervos – Barco at the RH 5 was tested at a final rate of 4,434 bopd of 36° API light oil under naturally flowing conditions, and similar flow rate is anticipated from the thicker sequence of reservoir encountered at RH 6.

Following this 3<sup>rd</sup> and final test, the highest productivity reservoir will be placed on long term production.

The rig meanwhile is drilling the RH 7 well at a location approximately 1,500 ft to the north of the RH 6 well. The rig is currently drilling at a depth of 5,700 ft MD, and is anticipated to reach a total depth of approximately 10,213 ft MD by late August, 2010.

The Corporation shall provide the results of the subsequent tests as each become available.

*Canacol is a Canadian based international oil and gas corporation with operations in Colombia, Brazil and Guyana. 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](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 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.

**For further information please contact:**

Kevin Flick, Vice President of Capital Markets and Investor Relations  
Toll Free: 1-877-272-4402 / Cell: 1-214-235-4798  
Email: [kflick@canacolenergy.com](mailto:kflick@canacolenergy.com)  
[www.canacolenergy.com](http://www.canacolenergy.com)

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