Canacol Energy Ltd. Provides Rancho Hermoso Operations Update

CALGARY, ALBERTA - (April 23, 2012) Canacol Energy Ltd. (“Canacol” or the “Corporation”) (TSX:CNE) (BVC:CNEC) is pleased to provide an update of its recently drilled Rancho Hermoso 16 (“RH 16”) development well at its operated Rancho Hermoso field located in the Llanos basin of Colombia. The RH 16 well was tested at a stable gross rate of 5,160 barrels of oil per day (“bopd”) from the Mirador reservoir, and is currently on permanent production. The Gacheta reservoir in the RH 16 well was also tested at a stable gross rate of 398 bopd. The Gacheta reservoir is a new oil-producing reservoir identified in the field for which no reserves are currently assigned. The Rancho Hermoso 6 (¨RH 6¨) well has been recompleted in the Mirador reservoir and was tested at a stable gross rate of 5,397 bopd, and is currently on permanent production.

Rancho 16 development well results

The RH 16 well was spud on March 3, 2012 and reached a total depth of 10,480 feet measured depth (“ft md”) on March 13, 2012 in the Ubaque reservoir. Good oil and gas shows were encountered in the C7, Mirador, Los Cuervos-Barco, Guadalupe, Gacheta, and Ubaque reservoirs while drilling. Petrophysical analysis of the open-hole logs indicates a total of 137 ft of net oil pay within the well: 10 ft of net oil pay within the C7 reservoir with average porosity of 24%, 10 ft of oil pay in the Mirador reservoir with average porosity of 23%, 14 ft of net oil pay within the Los Cuervos-Barco reservoir with average porosity of 22%, 28 ft of net oil pay within the Guadalupe reservoir with average porosity of 26%, 41 ft of net oil pay within the Gacheta reservoir with an average porosity of 20%, and 34 ft of net oil pay within the Ubaque reservoir with average porosity of 21%.

Rancho Hermoso 16 production results

The Corporation first production tested the Gacheta reservoir within the RH 16 well. This reservoir has been observed to be oil-bearing in the majority of the wells drilled in the field, but has not been production tested until now. The Gacheta reservoir has been completed between 10,146 and 10,160, 10,164 and 10,177, and 10,186 and 10,200 ft md and equipped with an electro-submersible pump (“ESP”). Over the course of a 24-hour test, the Gacheta flowed at a stable gross rate of approximately 398 bopd of 15-degree API oil with 22% water cut at a pump frequency of 60 Hz. The Corporation will use the results of the production test to book new reserves to the field for year-end 2012, and will complete the Gacheta in the remainder of the existing wells at a future date.

Upon completion of the production test of the Gacheta, the Mirador reservoir within the RH 16 well was completed between 9,438 and 9,456 ft md and equipped with an ESP. The Mirador was tested at a stable gross rate of 5,160 bopd with 36% water cut at a pump frequency of 57 Hz. The water cut has decreased throughout the duration of the test and management considers the water to be associated with the drilling process of the well. The Mirador shall remain on permanent production through the main production facilities.

Rancho Hermoso 6 workover

The RH 6 well, drilled in 2010, has been recompleted in the Mirador reservoir. The well was previously producing oil from the Los Cuervos-Barco reservoir, which has produced at total of 1.1 million barrels of gross reserves to date. Due to high water cut, the decision was made to recomplete the well in the Mirador reservoir.

The Mirador reservoir was completed between 9,604 and 9,623 ft md and equipped with an ESP. The Mirador was production tested at a stable rate of 5,343 bopd with a water cut of 1% at a pump frequency of 57 Hz. The well remains on permanent production through the main production facilities.

Forward plans

The Corporation anticipates completing a 3D seismic survey over the Rancho Hermoso field by early May 2012, and anticipates using the new seismic to define new locations to drill in Q3 2012. In addition, the Corporation has identified more than 25 other workover candidates within the existing wells for recompletion over the next 18 months to increase production from the field.

The Corporation maintains its average calendar 2012 production guidance of between 14,000 and 16,000 bopd net revenue production, which does not include potential production from any of the exploration wells planned for 2012.

Canacol's balance sheet remains strong with $90.7 million in cash, cash equivalents and restricted cash as of December 31, 2011. The Corporation remains fully funded to execute its calendar 2012 production and exploration programs.

The Corporation, through its 100% owned Colombian subsidiary Canacol Energy Colombia 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 approximately 25% (after royalty) of gross production from the C7, Los Cuervos-Barco, Guadalupe, Gacheta, and Ubaque reservoirs, and the remainder (approximately 75%) to Ecopetrol S.A., 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 focused onshore in Colombia and Ecuador. Canacol is publicly traded on Toronto Stock Exchange (TSX: CNE) and the Bolsa de Valores Colombia (BVC: CNEC). The Corporation's public filings are available at www.sedar.com.

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