Canacol Energy Ltd. Provides Drilling Operations Update for the Labrador 2 Well in Colombia

CALGARY, ALBERTA - (May 2, 2013) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; BVC:CNEC) is pleased to announce the results of its Labrador 2 well on the Labrador discovery (announced in December 2012), located on the LLA23 Exploration and Production ("E&P") Contract immediately to the north of the Corporation's Rancho Hermoso field in the Llanos Basin of Colombia. Unlike the Rancho Hermoso field, which is governed by contracts with Ecopetrol S.A., the LLA23 contract is governed by the Agencia Nacional de Hidrocarburos, which receives a variable base royalty beginning in an 8% related to gross production resulting in 2-3 times better netbacks and reserve valuations than those available under the Rancho Hermoso tariff and non-tariff contracts. The Corporation has an 80% operated working interest in the LLA23 contract, with Petromont Colombia S.A, Sucursal Colombia holding the remaining 20% interest. The Labrador 2 well is the second well drilled into the Labrador discovery, situated approximately 5 kilometers to the north of the Corporation's Rancho Hermoso field.

The Labrador 2 well encountered 59 feet of oil pay within the Middle and Lower Gacheta, and Ubaque reservoirs, all of which are productive to the south in the Rancho Hermoso field. The Lower Gacheta reservoir in the offsetting Agueda 1 ST well, located approximately 1 kilometer to the south, was placed on production November 30, 2012 During January 2013 the well had an average gross rate of 1,535 barrels of gross oil per day ("bopd") (1,228 barrels of net oil per day for Canacol before royalty) and has produced a gross cumulative amount of 225,468 gross barrels of 28 degree API light oil from 42 feet of the Lower Gacheta. The Agueda 1 ST is currently producing at a gross rate of 1,331 bopd (1,065 bopd net before royalty) with 1% water cut.

Labrador 2 Well Results and Forward Plans

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 Lower Gacheta will be perforated and brought on to long term production within the following 2 weeks. Meanwhile, the drilling rig will remain on location and commence the drilling of the Labrador 3 well, also targeting the Lower Gacheta reservoir in a position along the western flank of the structure. The Labrador 3 well is anticipated to commence drilling in approximately 2 weeks. The Corporation shall provide information concerning the production testing of the Labrador 2 well as it becomes available.

Canacol is an exploration and production company 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 CNE.C, 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. 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.*

For further information please contact:
Investor Relations
214-235-4798
Email: IR@canacolenergy.com
Website: canacolenergy.com