Canacol Energy Ltd. Announces Direct Award of the Cedrela E&P Contract in Colombia

CALGARY, ALBERTA- (May 4, 2010) Canacol Energy Ltd. ("Canacol" or the "Corporation") is pleased to announce that it has been awarded the Cedrela Exploration and Production Contract ("Cedrela E&P Contract") by the Agencia Nacional de Hidrocarburos ("ANH") of Colombia. The Cedrela E&P Contract is located in the Putumayo-Caguan Basin, and is approximately 50 kilometers directly to the southwest of the Ombu E&P contract which contains the Corporations Capella heavy oil discovery currently under appraisal. Based upon the available geophysical and geological data in this frontier area, the Corporation has identified 2 large structures similar in character to Capella on the Cedrela block. Canacol was awarded the block through direct negotiation with the ANH, a unique ability that the Corporation possesses as a qualified operator in Colombia. Together with the adjacent Tamarin E&P and Pacarana TEA contracts, which the Corporation also operates with a 100% working interest, Canacol now operates the largest exploration position in the Putumayo – Caguan Basin with approximately 1.6 million net acres under contract.

Charle Gamba, President and CEO of Canacol, stated "Since the discovery of the Capella heavy oil field by Canacol in 2008, the Corporation has been able to leverage its proprietary knowledge of the geology and potential of the area to capture 3 offsetting exploration blocks through direct negotiation with the ANH. These blocks all contain structures similar in character to the Capella discovery. The Corporation is now positioned to execute a significant heavy oil exploration program in this emerging heavy oil play in Colombia."

The Corporation has a 100% working interest in the Cedrela E&P Contract, which is 129,418 hectares (319,799 acres) in size. The terms of the 6 year contract are as follows:

> Phase 1 Exploration Period: The Corporation will acquire, process, and interpret 250 kilometers of 2D seismic, and interpret all existing magnetic and gravity geophysical data. The duration of this phase is 18 months, with an anticipated cost of approximately US$ 5,400,000.
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> Phase 2 Exploration Period: The Corporation will drill 1 exploration well. The duration of this phase is 18 months, with an anticipated cost of approximately US$ 2,000,000.
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> Phase 3 Exploration Period: The Corporation will acquire, process, and interpret 60 square kilometers of 3D seismic. The duration of this phase is 18 months, with an anticipated cost of approximately US$ 3,000,000.
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> Phase 4 Exploration Period: The Corporation will drill 1 exploration well. The duration of this phase is 18 months, with an anticipated cost of approximately US$ 2,000,000.

Based upon the results of the Phase 1 Exploration Period activities, the Corporation has the option to proceed to the Phase 2 Exploration Period and associated activity or relinquish the contract.

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). The Corporation's public filings may be found at 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.

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