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*Canacol Energy Ltd. Announces Update of Drilling Program at its Capella Heavy Oil Discovery in Colombia*

CALGARY, ALBERTA- Canacol Energy Ltd. (“Canacol” or the “Corporation”) is pleased to provide an update of its exploration and appraisal drilling program to date on its 300 square kilometer Ombu E&P contract in the Caguan Putumayo Basin in Colombia. On July 9, 2008, the Corporation entered into a farm-out agreement with Emerald Energy Plc. (“Emerald”), the operator of the contract, earning a 10% working interest, subject to the approval of the ANH, by paying 100% of the cost of the drilling and testing of the Capella 1 well.

To date, 5 wells have been drilled and 1 further well, Capella 6, is being drilled and completed, covering an area of approximately 30 square kilometres within the southern part of the Capella discovery. Using the oil column height information obtained from the wells, and the structural interpretation derived from the existing 2D seismic, the accumulation has a mapped area of approximately 89 square kilometres (22,000 acres). Following the environmental permitting of the northern half of the structure later in 2009, the operator plans further delineation drilling.

Charle Gamba, President and CEO of Canacol, stated “We are pleased with the positive drilling and production test results obtained to date from the Capella discovery. The large areal extent of the structure represents a significant accumulation of heavy oil at Capella. We are looking forward to completion of the drilling program in the southern part of the field shortly, and the future appraisal of the northern part of the field later this year”.

The Capella 1 vertical exploration well was drilled to a total depth of 3,802 feet on July 30, 2008, encountering oil of approximately 10° API gravity in two sandstone reservoirs of the Eocene Mirador formation with a combined 189 feet of potential hydrocarbon bearing interval. Both reservoirs were tested using a progressive cavity pump, and flowed at a stabilized combined rate of 240 barrels of oil per day (“bopd”). The Capella 2 vertical well, located approximately 1.3 km southwest of Capella 1, was drilled to a total depth of 3,550 feet on 19th October, encountering approximately 163 feet of potential hydrocarbon pay within the same two reservoirs in the Mirador. Both reservoirs flow tested at a combined stabilized oil rate of 345 bopd. The Capella 3 well, the first deviated well drilled in the block, was drilled from a surface location adjacent to the Capella 1, penetrating the Mirador approximately 340 meters away, and reaching a total depth of 3,850 feet on November 26, 2008. The well encountered both reservoirs within the Mirador with net hydrocarbon intervals similar to those encountered in the other wells. The lower Mirador reservoir was flow tested at a rate of approximately 135 bopd of oil with a water cut of approximately 8%. The upper Mirador reservoir was encountered with similar thickness and petrophysical properties as in the previous wells but was not flow tested.

The Capella 4 vertical well was drilled approximately 1.6 kilometres to the southwest of the Capella 1 location, reaching a total depth of 3,545 feet on December 24, 2008. Both of the Mirador reservoirs were encountered with the upper reservoir in this well being thinner than in previous wells, with excellent oil and gas shows while drilling. Poor cementing within the well bore resulted in neither of the Mirador reservoirs being effectively flow tested. The operator is evaluating options with respect to remediating the well at some point in the future. The Capella 5 vertical well, located some 3.4 kilometres to the northeast of Capella 1, was drilled to a total depth of 3,314 feet on February 8, 2009, encountering both reservoirs within the Mirador with net hydrocarbon intervals similar to those encountered in the other wells. The lower Mirador reservoir was flow tested at an average rate of approximately 82 bopd with a water cut of approximately 52% and the upper Mirador reservoir was flow tested at an average rate of approximately 26 bopd with a water cut of approximately 4%.

The Capella 6 vertical well, located some 3.6 kilometres to the south of Capella 1, is currently being drilled and completed. The operator plans to drill 1 additional well after testing of the Capella 6 well has been completed.

The 5 wells tested to date have flowed heavy oil in the range of 9 to 11° API gravity at individual well rates of up to 345 bopd under cold flow conditions from predominantly vertical wells. Extended production testing of the Capella 1, 2, and 3 wells in February yielded stable production rates of 400 bopd, with the water cut for the field steadily reducing to a level of approximately 6%. The operator plans to complete extended production testing of all the wells as part of the appraisal of the southern part of the Capella structure. The field production rate is currently constrained by oil trucking and sales capacity, with the crude being sold to local markets. The operator is also planning to commence a cyclic steam injection pilot in one of the vertical wells this year in order to investigate the effects of thermal methods on increasing rate and recovery efficiency.

The Corporation has been made aware that Emerald has announced its updated reserve disclosure in relation to the Capella Field under its reporting requirements in accordance with UK laws, namely on pages 10 and 11 of Emerald's 2008 Annual Report and Accounts, which may be accessed via the Emerald Energy Plc. website. Readers are cautioned that these figures released by Emerald are prepared in accordance with Society of Petroleum Engineering Guidelines and are not in accordance with the Canadian requirements under National Instrument 51-101- Standards Of Disclosure For Oil And Gas Activities and therefore cannot be relied upon by the Corporation for disclosure. The Corporation has not at this time received its reserve update on the Capella Field from its reserve evaluator in accordance with National Instrument 51-101- Standards Of Disclosure For Oil And Gas Activities and therefore cannot release any reserve data. The Corporation anticipates release of such Capella Field reserve data in the near future.

*Canacol is a Canadian based international oil and gas corporation with operations in Colombia, Brazil, Guyana, and Northern Ireland. Canacol is publicly traded on TSX Venture Exchange (TSXV: CNE). The Corporation's public filings may be found at [www.sedar.com](http://www.sedar.com).*

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