Canacol Energy Ltd. and ExxonMobil Sign Agreement for Shale Oil Exploration Project in Colombia

CALGARY, ALBERTA - (April 4, 2012) Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE) (BVC:CNEC) is pleased to announce that its wholly owned subsidiary, Carrao Energy Sucursal Colombia ("Carrao Colombia"), has entered into a farm-out agreement (the "FOA") with ExxonMobil Exploration Colombia Limited, a wholly-owned subsidiary of ExxonMobil Corporation ("ExxonMobil") (NYSE:XOM) for the exploration of the Corporation's non-operated VMM 2 exploration and production ("E&P") contract located in the Middle Magdalena basin of Colombia. The VMM 2 E&P contract is one of three adjacent contracts that Canacol has interests in, representing 126,000 net acres that expose Canacol to a potentially large, unconventional shale oil play. With $ 91 million in cash, cash equivalents, and restricted cash on hand as of December 31, 2011, and strong cash flow from its operated oil producing assets in Colombia, the Corporation remains fully funded to execute its exploration and development programs for 2012.

Charle Gamba, President and CEO of the Corporation, commented, "As the world's largest publicly-owned integrated oil and gas company, ExxonMobil brings significant experience, technology, research and financial resources to this shale oil joint venture with Canacol. We look forward to working with their team to explore the substantial shale oil potential on the VMM 2 contract. At the same time, Canacol has chosen to retain its 100% interest in the adjacent Santa Isabel E&P contract in order to capture all of the upside on the block should the play prove commercial on the adjacent VMM 2 and VMM 3 blocks."

Key terms and conditions

Pursuant to the terms of the FOA, ExxonMobil will carry the cost of the drilling and testing of up to three wells to test conventional and unconventional targets in the La Luna and Rosablanca formations, both proven oil source rocks in the area. The first two wells will be vertical wells, while the third well will possibly be a horizontal multi-stage fractured well. It is anticipated that prospective intervals of the La Luna and Rosablanca will be cored and logged within the first well, and stimulated and flow tested within the second well. Should ExxonMobil choose to proceed with a third well, it will possibly be a horizontal multi-stage fractured well. Under the terms of the agreement, ExxonMobil will pay 100% of the cost of the three wells, up to a cap of gross US$15 million for each of the first 2 wells, and a cap of gross US$ 17.5 million for the third well should it be a horizontal lateral well exceeding 4,000 feet in lateral length, and US$ 15 million should it be another vertical well. ExxonMobil will also pay Canacol US$ 2.2 million upon execution of the FOA for back-costs related to the acquisition of 3D seismic on the block in 2011. The total potential investment on the block is approximately US$ 50 million. In return, ExxonMobil shall earn 50% of Canacol's 40% interest in the contract. Vetra will remain as operator of VMM 2 during the exploration period and expects to spud the first exploration well in late 2012. The formal assignment of working interests as contemplated by the transaction, including Canacol's 20% interest, remain subject to the approval of the Agencia Nacional de Hidrocarburos (ANH) of Colombia.

Canacol's unconventional shale oil play

VMM 2 (20% interest, 7,561 net acres)
VMM 3 (20% interest, 16,622 net acres) (1)
Santa Isabel (100% interest, 101,542 net acres)

Located in the Middle Magdalena basin, the VMM 2 E&P contract is one of three adjacent contracts that expose Canacol to a potentially large, unconventional shale oil fairway in the thick Cretaceous La Luna and Rosablanca formations analogous to the Eagle Ford formation. Ranked as one of the most productive source rocks in the world, the La Luna is also the primary source rock in Venezuela's Maracaibo basin, which contains over 250 billion barrels of recoverable oil.

Historical vertical wells drilled into the La Luna source rock in the nearby Totumal and Butarama fields in the Middle Magdalena Basin have tested rates of up to 900 barrels of light oil per day natural flow from fractured shales within the La Luna, such as the Buturama 2 well tested in 1953 by Intercol.

In the last year, this unconventional play type has received considerable attention from world-class, international resource play operators and is an area of emphasis in the upcoming 2012 Colombia Bid Round. According to the ANH, approximately 30% of the 109 new E&P contracts planned for the 2012 Colombia Bid Round have exposure to some form of unconventional resource potential. Additionally, Ecopetrol is targeting over 25,000 barrels of production per day from the Middle Magdalena unconventional shale fairway by 2015.

Charle Gamba, President and CEO of the Corporation, commented, “Land values in the Middle Magdalena basin that feature prospective unconventional resources have increased 7-fold from approximately $125/acre to over $700/acre in less than a year.”

VMM 3 E&P contract
Effective January 2012, Shell-Colombia acquired 100% participating interest in the VMM 3 E&P contract. Shell-Colombia has assumed approximately US $50 million in work commitments, which consist of all costs for seismic acquisition and the drilling of three exploratory wells. Effective 2014, Canacol has the option to exercise a 20% participating interest in the VMM 3 E&P contract for no additional cost.

Canacol’s zero cost option to exercise a 20% participating interest in the VMM 3 E&P contract allows the Corporation to not only retain a significant interest in VMM 3’s deep cretaceous potential, but also benefit from having a world-class operator such as Shell-Colombia exploring the area. In addition, Canacol aims to capture valuable information from Shell-Colombia’s activities to de-risk the exploration and development of the Corporation’s 100%-operated interest in the adjacent Santa Isabel E&P contract.

Santa Isabel E&P contract
Canacol retains 100% interest in the Santa Isabel E&P contract, and plans to drill one exploration well in the second half of 2012. Should the Cretaceous shale exploration wells in the adjacent VMM 2 and VMM 3 prove successful, Canacol will have retained significant exposure and upside to the play on its 100% owned contract.

Independent Evaluation by GLJ Petroleum Consultants Ltd. (“GLJ”)
The Corporation engaged GLJ Petroleum Consultants Ltd. “GLJ” to conduct an independent evaluation of the undiscovered petroleum initially-in-place (“UPIIP”) for Canacol’s interests in the Middle Magdalena VMM 2 and Santa Isabel E&P contracts effective December 31, 2011. The Corporation owns 20% interest in VMM 2 and 100% interest in Santa Isabel.

GLJ prepared the evaluation in accordance with resource and reserves definitions, standards, and procedures in the Canadian Oil and Gas Evaluation (“COGE”) Handbook. COGE Handbook defines UPIIP as:

“Undiscovered Petroleum Initially-In-Place (equivalent to undiscovered resources) is that quantity of petroleum that is estimated, on a given date, to be contained in accumulations yet to be discovered. The recoverable portion of Undiscovered Petroleum Initially-In-Place is referred to as Prospective Resources; the remainder as Unrecoverable.”

GLJ has provided low, best, high, and mean estimates* of UPIIP for the La Luna and Rosa Blanca shale formations:

Santa Isabel E&P contract
100% Canacol interest
UPIIP (MMbbl)

	Low	Best	High	Mean
Upper La Luna	337.5	739.2	1,292.6	879.1
La Luna	332.5	743.7	1,456.9	915.3
Rosa Blanca	318.9	665.9	1,208.6	792.0

VMM 2 E&P contract
20% Canacol interest
UPIIP (MMbbl)

	Low	Best	High	Mean
Upper La Luna	105.7	230.5	401.6	273.8
La Luna	83.7	186.7	366.1	230.0
Rosa Blanca	24.9	51.2	93.9	61.4

Santa Isabel and VMM 2 contracts
Total Canacol interest
UPIIP (MMbbl)

	Low	Best	High	Mean
Upper La Luna	443.2	969.7	1,694.2	1,152.9
La Luna	416.2	930.4	1,823.0	1,145.3
Rosa Blanca	343.8	717.1	1,302.5	853.4

Estimates of UPIIP were generally prepared using land and technical information including well information, engineering, geological, and geophysical data available from Canacol to December 31, 2011. There is no certainty that any portion of the resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the resources.

**Low estimate is considered to be a conservative estimate of the quantity that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. If probabilistic methods are used, there should be at least a 90 percent probability (P90) that the quantities actually recovered will equal or exceed the low estimate.*

**Best estimate is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate.*

**High estimate is considered to be an optimistic estimate of the quantity that will actually be recovered. It is unlikely that the actual remaining quantities recovered will exceed the high estimate. If probabilistic methods are used, there should be at least a 10 percent probability (P10) that the quantities actually recovered will equal or exceed the high estimate.*

**Mean estimate is the arithmetic average from the probabilistic assessment.*

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.

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.

(1) Canacol has the right to acquire a 20% undivided interest, at no additional cost, upon fulfillment of certain conditions described in the agreement between the parties

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