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Canacol Energy Ltd Tests 3,944 bopd of Light Oil from New Pool Discovery at Rancho Hermoso Field in Colombia

CALGARY, ALBERTA- Canacol Energy Ltd. (“Canacol” or the “Corporation”) is pleased to provide an update of its development drilling program at its operated Rancho Hermoso Field located in the Llanos Basin of Colombia, where the Corporation has a 100% operated working interest. The Corporation has completed the drilling of the third and final development well for 2009, the Rancho Hermoso 5 (“RH 5”) well, which reached a total depth 9,578 feet measured depth on November 26, 2009 without operational incident. The well, which targeted an undrilled southern extension of the field, encountered two new oil bearing reservoirs in the Los Cuervos and Guadalupe Formations, in addition to the producing reservoir in the Mirador Formation.

Charle Gamba, President and CEO of the Corporation, comments “We are very pleased with the results of the well, which encountered oil pay within 3 reservoirs, 2 of them significant new oil bearing reservoirs with excellent reservoir quality and productivity. This indicates that Rancho Hermoso, discovered in 1984, contains significant additional potential within the southern extension of the field tested by the RH 5 well. We are focused on executing the remaining testing program for the well through December, and are actively incorporating the well results into the regional field mapping to work up additional potential development drilling locations for 2010.”

RH 5 Well Results

RH 5 is located in a southern extension of the field, which until now has remained undrilled since discovery of the field by Ecopetrol, the state oil company of Colombia, in 1984. The well penetrated the Mirador reservoir approximately 40 feet high to prognosis, and encountered interpreted oil pay in 3 separate reservoir intervals: the Mirador from 8,939 to 8,974 feet true vertical depth with 7 feet of net interpreted oil pay thickness and average porosity of 26%, the Los Cuervos from 8,990 to 9,020 feet with 9 feet of net interpreted oil pay thickness and average porosity of 27%, and the Guadalupe from 9,037 to 9,069 feet with 24 feet of interpreted oil pay thickness and average porosity of 28%.

The Corporation has commenced flow testing operations which will test the Guadalupe and Los Cuervos reservoir intervals separately. Flow testing and pressure build up of the Guadalupe reservoir using a temporary testing facility is currently underway. On December 5, 2009, the Guadalupe reservoir was perforated from 9,042 to 9,050 feet, and flowed at a final rate of 3,944 barrels per day of 33° API gravity oil (986 net barrels of oil per day) and 318 thousand standard cubic feet of gas per day, with a water cut decreasing to 6% under naturally flowing conditions through a choke of ¾ inches at a bottom hole flowing pressure of 145 psi. The interval was tested for a period of 24 hours with rate increasing steadily throughout the course of the test as the reservoir cleaned up. The Corporation believes that the produced water is completion fluid related to the drilling and completion of the well. Currently the Guadalupe is shut in for a 48 hour pressure build up.

Importantly, unlike current production from the Mirador reservoir within the field, for which the Corporation receives a tariff for each barrel of oil produced, production from the Guadalupe and the Los Cuervos reservoirs will bring the Corporation 25% of gross oil production as per the terms of the Production Sharing Agreement with Ecopetrol.

Forward Operations Plan

After completion of the pressure build up in the Guadalupe reservoir, the Corporation plans to set a temporary plug above the Guadalupe reservoir and perforate and flow test the overlying Los Cuervos

reservoir. The Corporation is currently building a permanent flow line from the well to the production facility located approximately 600 meters away from the well. The Corporation will provide further updates as testing operations progress.

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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