



## Canacol Tests 832 BOPD from Morsa 1 at Oso Pardo Light Oil Discovery on the Santa Isabel Contract, Middle Magdalena Valley of Colombia

CALGARY, ALBERTA - (July 21, 2014) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; OTCQX:CNNEF; BVC:CNEC) is pleased to announce the successful appraisal of the Oso Pardo light oil discovery made by Canacol in 2013 with the Morsa 1 well located on its operated Santa Isabel Exploration and Production ("E&P") Contract in the Middle Magdalena Basin of Colombia, which production tested 832 barrels of oil per day gross ("bopd") (832 bopd net) of light oil.

Charle Gamba, President and CEO of the Corporation, commented "Our drilling program continues to deliver in 2014, with Morsa 1 marking the successful appraisal of the Oso Pardo light oil discovery that we made within Tertiary aged sandstones on the Canacol operated Santa Isabel contract in 2013. The Corporation also made an important Tertiary sandstone oil discovery at Mono Arana on the VMM2 contract located next door in 2013, and these consecutive oil discoveries prove up a very promising shallow light oil play within the Tertiary sandstones on these blocks that we are aggressively appraising and bringing onto production throughout the remainder of calendar 2014 and 2015. Our assets in the Middle Magdalena Basin are contributing meaningful low decline light oil production and reserves growth to the Corporation's diverse portfolio in Colombia. Canacol currently has 6 rigs under contract and is drilling the Pointer 1 oil exploration well on the LLA23 contract in the Llanos Basin, the Palmer 1 gas exploration well on the Esperanza contract in the Lower Magdalena Basin, and development and appraisal wells in the producing Pantro, Capella, and Libertador oil fields located in the Llanos, Caguan – Putumayo, and Oriente Basins respectively."

### Morsa 1 Well and Test Results

The Morsa 1 well was spud on May 27, 2014 and reached a total depth of 5,944 feet measured depth ("ft md") on June 19, 2014 with good oil and gas shows encountered while drilling through the primary Umir sandstone reservoir target. The well encountered a total of 66 feet ("ft") of net oil pay in 2 separate sandstone reservoirs within the Tertiary Umir Formation with an average porosity of 17%.

The Umir reservoir was perforated from 3,504 to 3,725 ft md and is currently flowing at a gross rate of 832 bopd (832 bopd net) of 25° API oil with 0.1% water cut and 160 thousand standard cubic feet of gas per day ("mscfpd") using a progressive cavity pump ("PCP") over the course of a 9 day flow period.

### Forward Plans on Santa Isabel

Upon completion of the production test at Morsa 1 the Corporation plans to leave the well on long term production test from the Umir sandstone, subject to the approval of the Agencia Nacional de Hidrocarburos. The rig will spud the Oso Pardo 2 well, designed to test the southwestern extent of the Umir discovery, in the last week of July 2014. Upon the completion of the drilling and testing of the Oso Pardo 2 well, which will take approximately 3 weeks, the Corporation plans to use the drilling rig to do a remediation and install a PCP into the Oso Pardo 1 discovery well which was damaged while drilling in order to increase its production rate to levels similar to the Morsa 1 well. The Oso Pardo 1 discovery well has been on long term production test since September 2013, and in its damaged state is currently producing 120 bopd and 27 mscfpd using a jet pump.

The Corporation will provide updates when relevant information 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, the OTCQX in the United States of America, and the Colombia Stock Exchange under ticker symbol CNE, CNNEF, 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.*

*Data obtained from the initial testing results at the well identified in this press release, including barrels of oil produced and levels of water-cut, should be considered to be preliminary until a further and detailed analysis or interpretation has been done on such data. The well test results obtained and disclosed in this press release are not necessarily indicative of long-term performance or of ultimate recovery. The reader is cautioned not to unduly rely on such results as such results may not be indicative of future performance of the well or of expected production results for the Corporation in the future.*

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