



Canacol Energy Ltd. Provides Heavy Oil Exploration Operations Update in Colombia

CALGARY, ALBERTA--(September 26, 2011) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; BVC:CNEC) is pleased to announce that the rig scheduled to drill the Tamarin-1 exploration well on the Tamarin Exploration & Production ("E&P") contract is currently mobilizing to location and the Corporation plans to spud the well within the next 3 weeks. The Tamarin-1 well is the first of three exploration wells that the Corporation plans to drill on its Tamarin and Cedrela contracts located in the Caguan-Putumayo Basin. Canacol is operator of and has 100% working interest in the Tamarin, Cedrela, and Sangretoro E&P contracts totaling 773,000 total net acres in this emerging heavy oil basin. Using the recently acquired 2D seismic over the blocks, the Corporation has mapped a total of 26 structural and stratigraphic prospects and leads with an estimated 1.2 billion barrels of total net unrisks recoverable resources on the three E&P contracts. Canacol has executed a new multi-well drilling contract with Beta Energy, an oil field services company with over 30 years of experience in Colombia. The Corporation had previously announced that it planned to drill stratigraphic wells with another contractor commencing in July 2011. Management however has chosen to contract a conventional drilling rig in order to flow test any potential discovery, something that would not have been possible with a stratigraphic well.

Charle Gamba, President and CEO of the Corporation, commented "The Tamarin-1 well will kick off the Corporation's heavy oil exploration program aimed at unlocking significant value from our three E&P contracts in the Caguan-Putumayo Basin of Colombia. Although the program has experienced a start-up delay, in choosing to drill conventional exploration wells instead of stratigraphic wells, the Corporation will be able to not only drill the wells significantly faster, but also will be able to flow test any potential discovery. "

Tamarin-1 Exploration Well

The Tamarin-1 exploration well is planned to be drilled to a depth of 3,260 feet measured depth ("*ft md*") and will target potential heavy oil bearing reservoirs in the Mirador sandstones, the main producing sandstones in the Corporation's Capella heavy oil field. The Tamarin-1 prospect is a 3-way faulted closure identical in character to Capella. The Corporation has a 100% working interest and is operator of the Tamarin contract, which represents 68,000 net acres and is located on trend approximately 25 kilometers to the southwest of the Capella heavy oil field. In 2010 and 2011, Canacol shot and interpreted 114 kilometers of 2D seismic over the contract. The Corporation has mapped a total of 6 structural and stratigraphic leads with an estimated 92 million barrels of total net unrisks recoverable resources or 14 million barrels of total net risks recoverable resources on the Tamarin E&P contract. Canacol anticipates that the well will take approximately 3 weeks to drill and log.

Sangretoro E&P Contract

Canacol's seismic program for Sangretoro includes a total of 300 kilometers of 2D seismic, of which 149 kilometers has been shot and interpreted. The Corporation has a 100% working interest and is operator of the Sangretoro contract, which represents 385,000 net acres and is located approximately 16 kilometers to the southeast of the Capella heavy oil field. The Corporation has mapped a total of 4 structural and stratigraphic leads with an estimated 586 million barrels of total net unrisks recoverable resources or 34 million barrels of total net risks recoverable resources on the Sangretoro E&P contract. The Corporation plans to drill at least 2 conventional exploration wells on Sangretoro in calendar 2012.

The Caguan-Putumayo Basin

The Corporation holds a dominant land position within the relatively unexplored northern part of the Caguan-Putumayo Basin, Colombia. The Caguan-Putumayo basin covers approximately 110,300 square kilometers and

ultimately extends south to Colombia's border with both Ecuador and Peru. Sharing a geological history with the Oriente and Marañon basins of Ecuador and Peru, respectively, the bulk of exploration to date has been focused on the southern part of the basin, where approximately 30 fields have been discovered.

By contrast, the Ombu E&P contract, which holds the Corporation's Capella heavy oil field, lies approximately 300 kilometers south of Bogotá, within the relatively unexplored northern part of the basin. Capella is a large, elongated northeast-southwest fault anticline, representing approximately 27 kilometers in length.

The Capella heavy oil discovery within the Ombu block suggests that the Llanos heavy oil belt, already home to the Castilla and Rubiales heavy oil fields, may extend southwest into the northern part of the basin. To date, the Corporation and its partner have drilled 16 wells at Capella. The Corporation has been able to leverage its proprietary knowledge of the geology and potential of the area to apply to the Corporation's Tamarin, Cedrela, and Sangretoro E&P contracts.

Production Guidance and Current Cash Position

The Corporation confirms its production guidance of 10,500 to 11,500 net average barrels of oil per day ("bopd") for calendar year 2011. Canacol anticipates exiting calendar year 2011 with production of approximately 14,000 net bopd. As of June 2011, the Corporation had approximately US\$ 115 million in cash and remains fully funded to execute all of its development and exploration programs through 2012.

Canacol Energy is an exploration and production corporation with operations in Colombia, Guyana, and Brazil. The Corporation's common stock trades on the Toronto Stock Exchange and the Colombia Stock Exchange under ticker symbol CNE and CNEC, respectively. The Corporation's public filings may be found at <http://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 stratigraphic well is a drilling effort, geologically directed, to obtain information pertaining to a specific geological condition. Such wells customarily are drilled without the intent of being completed for hydrocarbon production. The classification also includes tests identified as core tests and all types of expendable holes related to hydrocarbon exploration. Stratigraphic tests are classified as exploratory type if not drilled in a known area or development type if drilled in a known area.

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