Canacol Energy Announces US $150 million Capital Program for 2012

CALGARY, ALBERTA - (December 12, 2011) Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE) (BVC:CNEC) is pleased to announce its calendar 2012 capital program of US $150 million for exploration and development activities in Colombia, Brazil, and Guyana. The budget includes the drilling of 40 gross wells (16 net wells), which consists of 26 gross development wells and 14 gross exploration wells. The budget also includes the acquisition of 740 kilometers ("km") and 361 square km of 2D and 3D seismic respectively and the expansion of facilities at Canacol's operated Rancho Hermoso field. In total, the Corporation plans to spend US $88 million for exploration programs in Colombia, Brazil, and Guyana and US $62 million for production programs in Colombia in 2012. The budget meets the Corporation's exploration drilling and seismic acquisition work program commitments for 2012.

The Corporation's net after royalty revenue production guidance for 2012 is expected to average between 14,000 to 16,000 barrels of oil per day ("bopd"). This guidance excludes any production from potential future exploration success. Canacol's capital program is fully funded from a combination of cash-on-hand and operating cash flow.

Charle Gamba, President and CEO of Canacol, stated "We expect to exit this year with approximately 14,000 net bopd and within our production guidance of 10,500 and 11,500 net average bopd for 2011. For 2012, Canacol's focus is threefold: (1) achieve strong base production and cash flow growth from drilling and re-completion programs at Rancho Hermoso field, (2) access potential near term, light oil production and solid cash flow from the LLA 23 contract, which is located immediately north of and on trend with Rancho Hermoso field, and (3) execute our large exploration programs, which target heavy oil in the Caguan-Putumayo basin and light oil in the Putumayo and Middle Magdalena basins. Of Canacol's 2012 exploration budget of US $88 million, approximately 60% is dedicated to light oil exploration programs and approximately 40% is committed to heavy oil programs."

COLOMBIA

Canacol is designated operator of 11 of 18 exploration and production contracts representing 1.5 million net acres in Colombia. In 2012 the Corporation plans to spend over US $140 million on various exploration and development programs in Colombia. These programs include the drilling of 3 development wells and 1 injector well at Rancho Hermoso field, 22 development wells at the Capella heavy oil discovery, and 12 high-impact exploration wells. The budget also includes the acquisition of 740 km and 361 square km of 2D and 3D seismic, respectively, and the expansion of facilities at Rancho Hermoso field.

Llanos basin

Canacol is designated operator of 4 of 6 total exploration and production contracts representing 194,000 net acres in the Llanos basin, Colombia.

Rancho Hermoso (100% working interest)

Since acquiring the Rancho Hermoso field in 2008, the Corporation has drilled 10 wells into the field with 100% success. In 2012 Canacol plans to spend US $44 million on drilling, seismic, and facilities expansion. Following the strong development drilling program in 2011, the Corporation will begin 2012 with the drilling of 3 consecutive development wells (RH 14, RH 15, RH 16) and 1 injector well. In addition to the new wells, Canacol intends to acquire 37 square kilometers of 3D seismic to further define the Barco and Carbonera reservoir channels within the field for potential future drilling. The Corporation intends to expand Rancho Hermoso's existing facilities to process additional fluids and incur various construction costs for completion of the gas plant facility, which is anticipated to come online in February 2012.

Caño Los Totumos (Designated Operator, 51% working interest)
LLA 10 (39% working interest)
LLA 23 (Designated Operator, 71% working interest)
Morichito (15% working interest)
After closing the Carrao Energy acquisition in November 2011, Canacol has exposure to light oil exploration contracts representing 175,000 net acres in the Llanos basin, Colombia. For 2012, the Corporation plans on the drilling of 3 light oil exploration wells and seismic acquisition on Caño Los Totumos, LLA 23, and LLA10 contracts. Commencing early in 2012 Canacol plans to acquire 249 square kilometers of 3D seismic on LLA 23, Caño Los Totumos, and Morichito exploration contracts. In the second half of 2012, the Corporation plans to drill 1 well each at LLA 23, Caño Los Totumos and LLA 10.

Caguan-Putumayo basin
Canacol is operator of 4 of 7 total exploration contracts representing 950,000 net acres in the Caguan-Putumayo basin, Colombia.

Ombu – Capella heavy oil discovery (10% working interest)
Since its discovery in 2008, the Corporation has participated in the drilling of 17 appraisal and production wells at Capella, and the acquisition of 189 square kilometers of 3D seismic. For 2012, the Corporation intends to fund its share of the drilling and completion of 22 new horizontal and vertical production wells. In addition, Canacol continues to evaluate the role of steam injection and secondary recovery on enhanced reserves recovery.

Cedrela (Operator, 100% working interest)
Portofino (Designated Operator, 40% working interest)
Sangretoro (Operator, 100% working interest)
Tamarin (Operator, 100% working interest)
Adjacent to and on trend with the Capella heavy oil discovery, Canacol is operator of 4 exploration contracts totalling 877,000 net acres within an exciting heavy oil exploration trend in the northern part of the Caguan-Putumayo basin. Utilizing 500 km of recently acquired 2D seismic and expertise developed at Capella, the Corporation has mapped a total of 50 prospects and leads on its 4 contracts. For 2012, the Corporation plans on drilling 4 consecutive wells and the acquisition of 380 km of 2D seismic on Cedrela, Portofino, and Sangretoro.

Andaquies (36% working interest)
Coati (40% working interest)
With the May 2011 farm-in agreement with C&C Energia, the Corporation is non-operating partner in 2 light oil exploration contracts representing 66,000 net acres in the Putumayo basin. Following the December 2011 spud of Cachalote-1 well on the Andaquies contract, the Corporation intends to participate in the drilling of 2 exploration wells, one on the Andaquies block in Q1/2012, and one on the Coati block later in 2012. The Corporation will also participate in the acquisition of 100 km of 2D seismic acquisition and 75km2 of 3D seismic acquisition on Andaquies and Coati contracts in 2012.

Middle Magdalena and Upper Magdalena basins
Canacol is operator of 3 of 5 total exploration contracts representing 328,507 net acres in the Middle Magdalena and Upper Magdalena basins, Colombia.

Santa Isabel (Designated Operator, 90% working interest)
VMM 2 (40% working interest)
VMM 3 (20% working interest)
With the closing of the Carrao Energy acquisition in November 2011, Canacol has exposure to 138,000 net acres of conventional and unconventional light oil exploration opportunities in the Middle Magdalena basin. The contracts are situated in a potentially large, unconventional oil shale fairway centered on the thick Cretaceous La Luna formation analogous to the Eagle Ford formation, which underlies much of south and east Texas. This unconventional play type has received considerable attention from international resource play operators in recent months. Ecopetrol is targeting over 25,000 barrels of production per day from the Middle Magdalena unconventional shale fairway by 2015. The blocks are also favourably situated on a shallower conventional oil fairway in proven producing reservoirs in the offsetting blocks.

In the first half of 2012, the Corporation plans on drilling 2 shallow exploration wells on the Santa Isabel and VMM 2 contracts targeting conventional sandstone reservoirs which are productive in nearby producing fields. For VMM 3, Canacol will participate in the drilling of 1 unconventional well alongside a world-class partner who is consolidating its position in the area. While participating in the upside at VMM 3, the Corporation aims to capture proprietary information to de-risk its higher working interest in the adjacent Santa Isabel and VMM 2 blocks. The Corporation recently engaged GLJ Consultants to prepare a prospective resource report for these three blocks.

COR-11 (Operator, 70% working interest)
COR-39 (Operator, 70% working interest)
Canacol is operator of 2 exploration contracts representing 190,415 net acres of conventional light oil exploration opportunities in the Cordillera basin, Colombia. For 2012, the Corporation plans on the acquisition of 260 km of 2D seismic followed by drilling of each of the contracts in 2013.

BRAZIL & GUYANA
Canacol is operator of 4 of 5 total exploration contracts representing 1.4 million net acres in the Reconcavo and Tucano basins, Brazil and Takutu basin, Guyana.

Brazil: REC-T-170 (Operator, 100% working interest)
Guyana: Takutu PPL (Operator, 65% working interest)
In the first half of 2012, the Corporation plans to drill 1 light oil exploration well each at REC-T-170 and Takutu PPL in the Reconcavo basin, Brazil and Takutu basin, Guyana respectively.

Canacol is a Canadian-based international oil and gas corporation with operations in Colombia, Guyana, and Brazil. Canacol is publicly traded on Toronto Stock Exchange (TSX: CNE) and the Bolsa de Valores de Colombia S.A (BVC: CNEC). The Corporation's public filings may be found at www.sedar.com.

For further information please contact:
Kevin Flick
Vice President of Capital Markets and Investor Relations
1-214-235-4798
Email: kflick@canacolenergy.com
www.canacolenergy.com