



### ***Canacol Energy Ltd Tests Announces Successful Completion of Rancho Hermoso 6 Development Well in Colombia***

CALGARY, ALBERTA- (JULY 28, 2010) Canacol Energy Ltd. (“Canacol” or the “Corporation”) (TSX VENTURE:CNE) (BVC:CNE.C) is pleased to provide an update of its development drilling program at its operated Rancho Hermoso Field located in the Llanos Basin of Colombia, which is operated under a contract with Ecopetrol, the state oil company of Colombia. The Corporation has completed the drilling of the Rancho Hermoso 6 (“RH 6”) well, the first of five development wells planned for 2010.

The Corporation spud the RH 6 well on June 24, 2010, and completed drilling operations on July 20, 2010, reaching a total depth of 10,780 feet (“ft”) measured depth (9,933 ft true vertical depth) without operational incident. The well is located in the southern part of the field, approximately 1,800 ft to the northeast of the RH 5 well, which was drilled in December 2009 and tested 8,428 barrels of oil per day (“bopd”) of light oil under naturally flowing conditions from the Guadalupe and Barco - Los Cuervos reservoirs. The RH 6 well encountered a total of 115 ft True Vertical Depth (“TVD”) of net oil pay in 5 different reservoirs, which is significantly greater than the 40 ft of net oil pay encountered at the RH 5 well located down dip on the structure.

Charle Gamba, President and CEO of Canacol, stated “We are very pleased with the results of the RH 6 well, the first of 5 development wells we plan to drill at Rancho Hermoso in 2010. The 115 feet of net oil pay encountered makes it the best well drilled in the 26 year history of the field, and bodes very well for the remainder of the drilling program we have planned for this year at Rancho Hermoso in order to achieve our production targets for year end.”

#### **RH 6 Results and Forward Plans**

The Rancho Hermoso field produces from 4 different reservoirs, which include light gravity oil from the Mirador, Barco – Los Cuervos, and Guadalupe reservoirs, and medium gravity oil from the Ubaque reservoir. The RH 6 well encountered 5 reservoirs with oil pay, which from top to bottom are described below.

The Carbonera 7 (“C 7”) reservoir was encountered at 8,555 ft TVD and contains 5 ft of net oil pay with an average porosity of 18%. The C 7 is present in all 5 offsetting wells, but is currently not productive within the field, representing potential future upside. The Mirador reservoir was encountered at 8,910 ft TVD and contains 11 feet of net oil pay with an average porosity of 22%. The Barco - Los Cuervos reservoir was encountered at 8,956 ft TVD and contains 33 ft of net oil pay with an average porosity of 21%. The Barco – Los Cuervos reservoir in the nearby RH 5 well contains thinner net pay (9 ft) of identical reservoir quality and was flow tested at a rate of 4,434 bopd of 36° API light oil under naturally flowing conditions. A similar flow rate is anticipated from this reservoir in the RH 6 well. The Guadalupe reservoir was encountered at 9,036 ft TVD and contains 18 ft of net oil pay with an average porosity of 19%. The Guadalupe reservoir in the nearby RH 5 well also contains similar net oil pay to that encountered in the RH 6 well and was flow tested at a rate of 3,994 bopd of 33° API light oil under naturally flowing conditions, and a similar flow rate is anticipated from this reservoir in the RH 6 well. The Ubaque reservoir was encountered at 9,708 ft TVD and contains 48 ft of net oil pay with an average porosity of 24%. The Ubaque at the nearest offset well, RH 4, drilled in 2007, flow tested at a rate of approximately 2,000 bopd of 17° API medium gravity oil, and a similar rate is anticipated in the RH 6 well.

The Corporation plans to conduct a series of flow tests over the next several weeks using a work over rig already in the field in order to determine the deliverability of the well. The tests will include the Ubaque, Guadalupe, and Barco - Los Cuervos, and may include the C7 if warranted. The Corporation will provide an operational update of the testing as the program proceeds. Upon the conclusion of the testing, the most prolific reservoir will be placed on long term production.

The drilling rig meanwhile will be mobilized immediately to the RH 7 drilling location within the northern part of the field to drill the second well in the program, with an anticipated spud date of mid August 2010.

*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) and the Bolsa de Valores Colombia (BVC: CNEC). The Corporation's public filings may be found at [www.sedar.com](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 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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