Canacol Energy Ltd. Announces Spud of the Apoteri K-2 Exploration Well in Guyana

CALGARY, ALBERTA- (December 29, 2010) Canacol Energy Ltd. (“Canacol” or the “Corporation”) (TSX VENTURE:CNE) (BVC:CNEC) is pleased to announce the planned spud of the Apoteri K-2 (“K-2”) exploration well on the Takutu Block in Guyana during the last week of December 2010. The K-2 well will be drilled to a measured depth of approximately 11,000 feet and will target the same productive reservoirs that tested over 400 barrels of oil per day of 42^{o} API light oil from the Karanambo 1 well drilled in 1982 and located 600 meters away. Gaffney Cline and Associates attributed gross mean recoverable prospective resources of 128 million barrels of oil (83 million barrels net to Canacol’s final working interest) to the discovery in the December 2009 report compiled for the Corporation. Canacol has a 90% working interest in the contract, with Groundstar Resources Limited (“Groundstar”), the operator of the Petroleum Prospecting License (“PPL”), holding the remaining 10%. Sagres Energy Inc. is eligible to earn a 25% working interest in the PPL from Canacol by paying for 30% of the cost to drill the K-2 exploration well.

Charle Gamba, President and CEO of Canacol, commented “The K-2 well represents the first of 6 high impact exploration wells Canacol plans to drill in 2011. This particular well is targeting 83 million barrels of net mean unrisked prosective resources from a discovery that flowed over 400 bopd of light oil in 1982. Later in 2011 Canacol will start drilling on its conventional heavy oil acreage in Colombia adjacent to where we discovered the giant Capella heavy oil field in 2008. The success of any of these programs will generate significant returns for shareholders, and I personally am very excited about the potential of this portfolio to yield significant results.”

Plans are being formulated to drill a second exploration well on the Takutu block by May, 2011, on either the Rewa or Pirara River prospects, depending on the outcome of the K-2 well. Gaffney Cline and Associates attributed gross mean recoverable prospective resources of 171 million barrels (111 million barrels net to Canacol’s final working interest) and 133 million barrels (86 million barrels net to Canacol’s final working interest) to each prospect respectively in the December 2009 report compiled for the Corporation. Under the terms of the farmout agreement between Canacol and Groundstar, Canacol shall be the operator of the contract after the drilling of the K-2 well, and therefore shall operate the second well.

Canacol is a Canadian-based international oil and gas corporation with operations in Colombia, Guyana, and Brazil. 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.

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.

For further information please contact:

Kevin Flick, Vice President of Capital Markets and Investor Relations
Toll Free: 1-877-272-4402 / Cell: 1-214-235-4798
Email: kflick@canacolenergy.com
www.canacolenergy.com