Canacol Energy Ltd. Completes Drilling of Rancho Hermoso 11 Well in Colombia

CALGARY, ALBERTA- (September 27, 2011) Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE) (BVC:CNEC) is pleased to provide an update of its development drilling program at its operated Rancho Hermoso Field located in the Llanos Basin of Colombia. The Corporation has completed the drilling and casing of the first of four new development wells it plans to drill through the remainder of calendar 2011. The Rancho Hermoso 11 ("RH 11") well has been cased and is expected to be completed and brought onto permanent production from the Ubaque reservoir within the next 2 weeks. The RH 11 well encountered 130 feet ("ft") of net oil pay within 6 different reservoir intervals, which include, from top to bottom, the C7, Mirador, Los Cuervos–Barco, Guadalupe, Gacheta, and Ubaque.

Charle Gamba, President and CEO of Canacol, stated "In addition to encountering oil within all of the main producing reservoirs, the RH 11 well also encountered promising oil bearing sandstone within the Gacheta reservoir, which has exhibited similar characteristics in other wells drilled, yet not tested, last year. The Corporation is well within its production guidance of between 10,500 and 11,500 net bopd of average production for calendar 2011. With the addition of production from the RH 11 well, and the three remaining wells to be drilled this year, the Corporation expects to exit 2011 with approximately 14,000 net bopd of production. As of June 30, 2011, Canacol had US$ 115 million in cash and no bank debt, and is fully funded to execute all of its development and exploration programs through to the end of 2012."

Rancho Hermoso 11 Well Results

The RH 11 well was spud on August 29, 2011, and reached a total depth of 10,189 ft measured depth ("ft md") on September 17, 2011 in the Ubaque reservoir, which was the primary producing target of the well. Good oil and gas shows were encountered in the C7, Mirador, Los Cuervos – Barco, Guadalupe, Gacheta, and Ubaque reservoirs while drilling. Petrophysical analysis of the open-hole logs indicates a total of 130 ft of oil pay within the well: 15 ft of oil pay within the C7 reservoir with average porosity of 21%, 13 ft of oil pay in the Mirador reservoir with average porosity of 25%, 12 ft of pay within the Los Cuervos–Barco reservoir with average porosity of 26%, 16 ft of oil pay within the Guadalupe reservoir with average porosity of 28%, 10 ft of oil pay within the Gacheta reservoir with average porosity of 20%, and 64 ft of oil pay within the Ubaque reservoir with average porosity of 25%.

Forward Plans

The Corporation has completed casing the well, and plans to commence the completion of the Ubaque reservoir this week, which will involve perforating the zone and then installing an ECP with a capacity to produce up to 12,000 barrels of fluid per day. The Corporation plans to bring the well onto permanent production within the next 2 weeks.

The Ubaque in the Rancho Hermoso 11 well is anticipated to commence production at a rate of approximately 7,000 to 8,000 gross barrels of oil per day (1,500 to 2,000 net barrels of oil per day), based on the production performance of the same Ubaque reservoir zone in the nearby Rancho Hermoso 10 well. The Ubaque reservoir at Rancho Hermoso 10 contains 45 ft of net oil pay, and flowed at a final stable gross rate of 8,122 bopd (2,030 bopd net) of 18^{o} API oil with 6 % water cut using an electrical submersible pump ("ESP") set to a frequency of 65 Hz during a 24 hour flow period. The Rancho Hermoso 10 well has been on stream from the Ubaque reservoir since February 2011 and has produced a total of 1,129,347 gross barrels of oil at gross rates as high as 8,750 bopd.

The RH 11 well represents the first of 4 development wells the Corporation plans to drill during the remainder of calendar 2011. The Corporation, through its 100% owned Colombian subsidiary Rancho Hermoso S.A., operates the Rancho Hermoso field under two Contracts with Ecopetrol S.A., those being 1) a Participation Contract in the Casanare Area whereby the Corporation receives 25% (after royalty) of gross production from the C7, Los Cuervos–Barco, Guadalupe, Gacheta, and Ubaque reservoirs, and the remainder (approximately 75%) to Ecopetrol S.A., and 2) a Risked Service Production Contract for the Mirador reservoir, whereby the Corporation is paid a tariff for each barrel of oil produced and Ecopetrol S.A. receives the oil.

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 Colombia (BVC: CNEC). The Corporation's public filings may be found at 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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