Canacol Energy Ltd. Tests 7,220 BOPD Gross From the Los Cuervos - Barco and C7 Reservoirs for Combined Total of 26,286 BOPD Gross From the Rancho Hermoso 10 Well in Colombia

CALGARY, ALBERTA- (February 24, 2011) Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX VENTURE:CNE.V) (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. The Corporation has completed four production tests in the recently drilled Rancho Hermoso 10 ("RH 10") well. The Corporation previously tested a combined rate of 19,066 barrels of oil per day ("bopd") from the Ubaque and Guadalupe reservoirs. The RH 10 well encountered 110 feet ("ft") of net oil pay within 5 different reservoir intervals, which include, from top to bottom, the C7, Mirador, Los Cuervos–Barco, Guadalupe, and Ubaque.

Charle Gamba, President and CEO of Canacol, stated "We are very pleased with the test results from the RH 10 well, and by the fact that the C7 reservoir represents a new pool discovery within the Rancho Hermoso Field. The C7 is present and oil bearing within the majority of the wells drilled into the field, and the Corporation will use the results of the production test to formulate a development plan for this new productive reservoir interval in order to increase production and reserves capture from the field. Meanwhile, the Corporation continues to focus on the execution of its high impact exploration programs in Guyana and Colombia this year."

Rancho Hermoso 10 Well Results

The RH 10 well was spud on January 4, 2011, and reached a total depth of 10,305 ft md on January 16, 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, and Ubaque reservoirs while drilling. Petrophysical analysis of the open-hole logs indicates a total of 110 ft of oil pay within the well: 12 ft of oil pay within the C7 reservoir with average porosity of 21%, 9 ft of oil pay in the Mirador reservoir with average porosity of 25%, 19 ft of pay within the Los Cuervos–Barco reservoir with average porosity of 26%, 25 ft of oil pay within the Guadalupe reservoir with average porosity of 28%, and 45 ft of oil pay within the Ubaque reservoir with average porosity of 25%.

Los Cuervos - Barco Production Test Results

The Los Cuervos - Barco reservoir at RH 10 contains 19 ft of net oil pay, and was perforated between 9,410 and 9,425 ft md. The well flowed at a final stable gross rate of 6,791 bopd (1,698 bopd net) of 34^{o} API oil with 28 % water cut using an electrical submersible pump ("ESP") set to a frequency of 70 Hz during a 24 hour flow period.

Carbonera C7 Production Test

The C7 reservoir at RH 10 contains 12 ft of net oil pay, and was perforated between 8,962 and 8,974 ft md. During perforation of the interval a gas kick was encountered, which required bull heading the well to bring it under control, a process which took 3 days to perform. The ESP was then installed and the C7 reservoir flowed at a gross rate of approximately 429 bopd of 34^{o} API oil with a 10% water cut using an ESP set to a frequency of 45 Hz during a 24 hour test. Water cut decreased steadily throughout the course of the production test, and based upon the salinity of the water, management has concluded that the water is completion fluid related to the drilling of the well, and not formation water. Management feels that the formation was significantly damaged during the bull heading process when the well was brought under control, and will investigate the production test results to determine a method whereby this zone may be properly stimulated and tested in future wells.

Forward Plans

A completion string is currently being run to place the Ubaque reservoir, which tested at a gross rate of 8,122 bopd (2,030 bopd net), on permanent production. The well is anticipated to be on line through the permanent production facilities next week. The RH 10 well represents the last of the 5 well development drilling campaign initiated in the field in mid-2010. The Corporation plans to commence an up to 7 well development drilling program in late second quarter 2011 targeting production from the Ubaque, Guadalupe, Los Cuervos – Barco, and Mirador reservoirs.

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 Los Cuervos–Barco, Guadalupe, and Ubaque reservoirs, with Ecopetrol S.A. receiving the remainder, 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 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.

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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