
Canacol Energy Ltd. Tests an Absolute Open Flow Rate of 140 MMSCFPD at Pandereta-2 Confirming Significant Gas Discovery

CALGARY, ALBERTA - (January 15, 2018) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE; OTCQX:CNNEF; BVC:CNEC) is pleased to provide the results of the Pandereta 2 appraisal well located on its 100% operated VIM 5 block in the Lower Magdalena Valley Basin of Colombia. Pandereta 2 encountered 130 feet true vertical depth ("ft tvd") of net gas pay within the Cienaga de Oro ("CDO") reservoir, twice the amount encountered within the CDO in the Pandereta 1 discovery well, thus confirming a significant new gas discovery on the VIM 5 block. The Pandereta 2 well tested an absolute open flow ("AOF") rate of 140 million standard cubic feet per day ("MMscfpd") from the upper part of the CDO sandstone reservoir. The Corporation also provides details of its 2018 gas exploration, appraisal and development drilling programs.

Pandereta 2 Gas Appraisal Well VIM 5 Exploration and Production Contract CNE Oil and Gas S.A.S, 100% Operated Working Interest

The Pandereta 2 appraisal well is located approximately 1 kilometer ("km") to the west of the Pandereta 1 exploration well. As disclosed in November 2017, the Pandereta 1 wildcat exploration well encountered 64 ft tvd of net pay and tested 29 MMscfpd of gas from the CDO sandstone reservoir.

Using the Pioneer 302 drilling rig, Pandereta-2 was spud on December 3, 2017, and reached a total depth of 9,641 ft md in 18 days, a new drilling record for the CDO target. The well encountered 130 ft tvd of net gas pay with average porosity of 23% within the CDO sandstone reservoir target. Two separate production tests were performed in the CDO sandstone reservoir.

The upper part of the CDO was perforated between 8,505 to 8,612 ft md and flowed at a final stable rate of 35 MMscfpd at a 57/64 inch choke and a flowing tubing head pressure of 1,438 pounds per square inch over a test period of 55 hours. Based upon this result, management has calculated an absolute open flow rate of 140 MMscfpd for the upper CDO reservoir in the Pandereta 2 well. The AOF potential is the rate at which the well would produce against an atmospheric sand face back pressure and is used as a measure of gas well performance because it quantifies the ability of a reservoir to deliver gas to the wellbore and to the surface.

The lower part of the CDO was perforated between 8,674 – 8,684 ft md and flowed at a final stable rate of 16 MMscfpd at a 32/64 inch choke and a flowing tubing head pressure of 2,446 pounds per square inch over a test period of 47 hours. The test was terminated prematurely due to a mechanical failure in the testing string, and does not represent a complete test.

2018 Drilling Program

The Corporation has decided to use two drilling rigs to execute its 2018 drilling program in an accelerated program, the objectives of which are to 1) achieve 230 MMscfpd of productive capacity by mid-year 2018 to allow sufficient time for all the necessary tie-backs to Jobo plant, and well in advance of the Corporation's objective to exit 2018 with 230 MMscfpd of production, and 2) add new gas reserves to allow the Corporation to plan future pipeline projects to increase production above 230 MMscfpd.

The Corporation is currently drilling the Pandereta 3 appraisal well, which spud on January 12, 2018. The Pandereta 3 bottom hole location is situated approximately 1.5 kms to the northeast of the Pandereta 2 location and 1 km north of the Pandereta 1 discovery location, and is targeting the reservoir sands within the primary CDO reservoir target. The Pandereta 3 well is anticipated to take approximately 4 weeks to drill and test.

Using the Tuscany 109 drilling rig, the Corporation is planning to spud the Gaiteros 1 exploration well on its VIM 5 contract on January 18, 2018. Gaiteros 1 is targeting potential gas bearing sandstones within the CDO Formation.

Over the remainder of 2018, the Corporation's exploration and appraisal drilling program includes the Brevia 1 exploration well on the VIM 21 contract, and the Borojo 1 exploration well and Canahuate 3 appraisal well on the Esperanza contract. In addition to Pandereta 3, two development well locations will be selected and confirmed as the company's drilling program progresses.

The Corporation will provide regular updates on drilling results as they become available.

Canacol is an exploration and production company with operations focused in Colombia and Mexico. The Corporation's common stock trades on the Toronto Stock Exchange, the OTCQX in the United States of America, and the Colombia Stock Exchange under ticker symbol CNE, CNNEF, and CNE.C, respectively.

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.

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