



FOR IMMEDIATE RELEASE
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Canacol Energy Ltd Completes Flow Testing of Second Zone in RH 5 Well For Total Combined Gross Rate of 8,428 bopd Light Oil from New Pool Discovery in Colombia

CALGARY, ALBERTA- Canacol Energy Ltd. ("Canacol" or the "Corporation") is pleased to provide an update of its testing program at its operated Rancho Hermoso Field located in the Llanos Basin of Colombia, where the Corporation has a 100% operated working interest. The recently drilled Rancho Hermoso 5 well ("RH 5"), which targeted an undrilled southern extension of the field, encountered two new oil bearing reservoirs in the Los Cuervos and Guadalupe Formations, in addition to the producing reservoir in the Mirador Formation.

On December 8, 2009, the Corporation reported that it had tested a final rate of 3,994 barrels of oil per day ("bopd") of 33° API light oil from the Guadalupe reservoir, the first and lowermost zone tested in the well. The Corporation is currently flow testing the Los Cuervos reservoir, which lies approximately 30 feet above that of the Guadalupe reservoir.

Charle Gamba, President and CEO of the Corporation, commented "We continue to be very pleased with the results of the ongoing flow testing from this well. With a combined gross flow rate of 8,428 gross bopd from the Guadalupe and Los Cuervos reservoirs, this new pool discovery clearly contains significant reserves and production upside, and we are actively adjusting our 2010 drilling program to include additional development wells in this field."

Los Cuervos Flow Testing Results

RH 5 is located in a southern extension of the field, which until now has remained undrilled since discovery by Ecopetrol, the state oil company of Colombia, in 1984. The well penetrated the Mirador reservoir approximately 40 feet high to prognosis, and encountered interpreted oil pay in 3 separate reservoir intervals: the Mirador from 8,939 to 8,974 feet true vertical depth with 7 feet of net interpreted oil pay thickness and average porosity of 26%, the Los Cuervos from 8,990 to 9,020 feet with 9 feet of net interpreted oil pay thickness and average porosity of 27%, and the Guadalupe from 9,037 to 9,069 feet with 24 feet of interpreted oil pay thickness and average porosity of 28%.

Flow testing and pressure build up of the Los Cuervos reservoir using a temporary testing facility is currently underway. On December 11, 2009, the Los Cuervos reservoir was perforated from 9,010 to 9,016 feet, and flowed at a rate of 4,434 barrels per day of 36° API gravity oil (1,109 net barrels of oil per day) and 685 thousand standard cubic feet of gas per day, with a water cut of 0% under naturally flowing conditions through a choke of 3/4 inches at a flowing tubing head pressure of 210 psi. The interval was tested for a period of 24 hours with rate increasing steadily throughout the course of the test. Currently the Los Cuervos is shut in for a 48 hour pressure build up.

Importantly, unlike current production from the Mirador reservoir within the field, for which the Corporation receives a tariff for each barrel of oil produced, production from the Guadalupe and the Los Cuervos reservoirs will bring the Corporation 25% of gross oil production as per the terms of the Production Sharing Agreement with Ecopetrol.

Forward Plans

The Corporation is currently building a permanent flow line from the well to the production facility located approximately 600 meters away. After completion of the pressure build up in the Los Cuervos reservoir, the Corporation intends to complete the well with an electrical submersible pump and bring the well on production. The Corporation is planning to drill additional wells in 2010 to accelerate the development of this exciting new pool discovery.

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). 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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