FOR IMMEDIATE RELEASE
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Canacol Energy Ltd. Announces Start of Development Drilling Program at the Rancho Hermoso and Entrerrios Oil Fields in Colombia

CALGARY, ALBERTA- Canacol Energy Ltd. ("Canacol" or the "Corporation") is pleased to announce that it has commenced its drilling and workover activities on its operated Rancho Hermoso and Entrerrios oil fields located in the Llanos Basin of Colombia. The Corporation has signed a definitive contract with Saxon Services de Panama ("Saxon") to provide the 1500 horsepower Saxon 126 drilling rig which will be used to drill three wells. The program will commence with the drilling of the Rancho Hermoso 3A well in early August, 2009, followed by the drilling of the Entrerrios 5 and Rancho Hermoso 5 wells, with the entire program scheduled to be completed by late November 2009. The program also includes working over three existing wells to increase productivity by perforating oil bearing reservoir behind pipe and comingling with existing oil production.

The Corporation has also completed the acquisition of a 46 square kilometer 3D seismic program on its operated La Sierra E&P Contract located in the Middle Magdalena Basin. The results of this program will be used to drill an exploration well in the first quarter of 2010.

Charle Gamba, President and CEO of Canacol, stated "The drilling and work over activities at Rancho Hermoso and Entrerrios are expected to add approximately 5,000 initial barrels oil per day ("bopd") of revenue production to our current 1,700 bopd of revenue production from Colombia. At a net cost of US$ 10.1 million, this program captures significant value at a low cost. The results of the 3D seismic program at La Sierra will be used to drill our exploration prospect on that block in early 2010. Both of these programs reflect the Corporation's focus on executing its strategy of low risk organic growth on its operated assets."

Rancho Hermoso and Entrerrios Fields

The new development wells include the drilling of a significant extension of the Entrerrios Field and the drilling of two infill development wells within the Rancho Hermoso Field. The Entrerrios 5 well will test the Cretaceous Mirador and Ubaque reservoirs along a prominent southwest structural extension of the Entrerrios field identified on a new 3D seismic program acquired in 2008. Both of these reservoirs are producing from three wells located approximately 1 km to the northeast along the same faulted structural trend. Management anticipates an initial oil production rate of 1,500 gross bopd (580 net bopd) based on the offset producing wells.

The Corporation will also drill two infill development wells, Rancho Hermoso 3A and Rancho Hermoso 5, in the Rancho Hermoso Field. Management anticipates an initial oil production rate from each well of 2,000 bopd, for a total of 4,000 bopd of new tariff oil, based on the initial production rates of the offsetting three Mirador producers.

The Corporation also plans to workover three existing producing wells in the two fields, perforating oil bearing reservoirs and co-mingling oil production from the new reservoir zone with that of an existing reservoir to increase total oil production from the well. The workovers are expected to add an initial 650 bopd (235 net bopd) from these new zones. The Corporation is currently in the process of tendering a small work over rig, and anticipates commencing the program in September 2009.

La Sierra E&P Contract

The Corporation completed the acquisition of a 46 square kilometer 3D seismic program in early July 2009. The contract contains the La Sierra 1 oil discovery, which was drilled in 1992 and recovered 23 barrels of 17 API oil from 10 feet of net pay in the Tertiary Honda Formation at 1,700 ft measured depth. The Corporation intends to use the results of the 3D seismic survey to drill an exploration well in early 2010 to offset the La Sierra 1 discovery well. The new well will be production tested with a progressive cavity pump to improve deliverability from the reservoir, with possible follow up using cyclic steam injection to increase recovery.

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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