Canacol Energy Ltd. Announces US$46 Million Capital Program for 2010

CALGARY, ALBERTA -- (February 8, 2010) – Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX VENTURE: CNE) is pleased to announce a US$46 million capital budget in 2010 for exploration and development activities in Colombia, Guyana, and Brazil. The budget includes the drilling of 15 wells, which include 3 exploration wells, one each in Colombia, Guyana, and Brazil, and 3 appraisal and 9 development wells in Colombia. The budget also includes the acquisition of 100 square kilometers ("km") of 3D seismic and 160 km of 2D seismic in Colombia and Brazil, the building of a 2,000 barrel of fluid per day early production facility at the Capella discovery in Colombia, and the expansion of its operated Rancho Hermoso production facilities in Colombia. Canacol also plans to participate in the exploration bid round scheduled in Colombia for late June as a qualified operator.

The Corporation anticipates production to average 4,200 barrels of oil per day ("bopd") net production revenue in 2010, with an exit rate of 7,000 bopd, which excludes any production resulting from exploration success. Canacol has US$25 million in cash at the end of Q4, 2009, and the 2010 work program is expected to be fully funded from a combination of cash on hand and cash-flow from existing operations.

Charle Gamba, President and CEO of Canacol, stated "the 2010 budget will achieve four critical objectives for the Corporation. We will key off our new pool discovery at Rancho Hermoso in Colombia to increase production and free cash flow that will be used to fund the near and midterm capital requirements for the company. We will complete the appraisal of the Capella oil discovery, which includes the drilling of the first horizontal well, and a cyclic steam flood pilot which will quantify the potential increase in ultimate recoverable reserves from this significant discovery. We will also collect the necessary geophysical data on our 100% operated Tamarin and Pacarana contracts offsetting the Capella oil discovery in advance of drilling in 2011 and 2012. Finally, we will appraise a large light oil discovery in Guyana which could have a material effect to the Corporation in the event of success. The 2010 program will be fully funded by a combination of cash on hand and free cash flow from operations."

Colombia

Canacol has interests in 6 exploration and production contracts in Colombia, and plans to spend US$37 million on various exploration and development projects there in 2010. The capital programs, which include the drilling of 13 wells, the acquisition of 60 km of 2D seismic and 100 square km of 3D seismic, and the construction of new facilities and expansion of existing facilities, are outlined below.

Llanos Basin

Canacol has operated interests in the Rancho Hermoso (100%) and Entrerrios (60%) producing fields in the Llanos Basin. Both contracts are operated under Production Sharing and Risked Service contracts with Ecopetrol, the state oil company of Colombia.

Rancho Hermoso Production Contract (100% operated working interest)

The Corporation plans to drill up to 5 infill development wells as a direct result of the success of the Rancho Hermoso 5 well drilled in December 2009, which tested over 8,000 bopd combined flow of 33^{o} to 36^{o} API gravity oil from a new pool discovery in the Guadalupe and Los Cuervos reservoirs. The 5 new wells will target the Mirador, Los Cuervos, Guadalupe, and Ubaque reservoirs, all of which are currently producing in the field. The drilling program is anticipated to commence in Q2 2010, and will continue through to December, focusing primarily on obtaining production from the Los Cuervos, Guadalupe, and

Ubaque reservoirs, in which the Corporation has a net royalty interest. In addition to the new development wells, the Corporation plans to expand the fluid handling capacity of the existing facilities in order to process the additional production.

The Corporation has executed a contract with Gasmocan S.A., a private Colombian gas processing company, to provide electrical power to the Rancho Hermoso field. Currently the Corporation burns diesel in rented power generators to power the producing wells and the facility. Under the terms of the contract, the Corporation will provide field gas that Gasmocan will use to generate electricity. The electricity will be sold to the Corporation for US$0.09 per megawatt, and will eliminate the need for purchasing diesel and renting generators. The Corporation is targeting a 15% reduction in opex for the field as a result of the electrification plan.

Putumayo – Caguan Basin

Canacol is one of the largest exploration landholders in the Putumayo – Caguan Basin of southern Colombia, with working interests in two exploration and production contracts and one technical evaluation area, all of them awarded under the new terms as regulated by the Agencia Nacional de Hidrocarburos (“ANH”).

Ombu E&P Contract – Capella Heavy Oil Discovery (10% non-operated working interest)

Canacol and its joint venture operating partner plan the following activities at the Capella heavy oil discovery. The joint venture will spend approximately US$50 million gross on drilling and infrastructure programs at this significant discovery in 2010.

Commencing in Q1 2010, the Corporation will participate in the drilling of 3 appraisal wells, including the Romero 1 well which will appraise the northeast part of the discovery, 1 one horizontal well within the southwest part of the discovery, a steam injection pilot utilizing one of the existing vertical wells, the construction of an early production facility to handle 2,000 barrels of fluid per day, the laying of flow lines to all producing wells, and the upgrading of existing roads and bridges.

Commencing in Q3 2010, the Corporation will participate in the drilling of 3 infill wells in the central part of the discovery, which may be vertical or horizontal depending on the success of the first horizontal well to be drilled in Q1, 2010, the acquisition of 100 square km of 3D seismic, and the drilling of a water disposal well.

The primary objectives of the program are to 1) continue appraisal of the discovery through the drilling of appraisal wells to increase production, reserves, and resources, 2) formulate a full field development plan by year end through the acquisition of a 3D seismic program, the quantification of horizontal well performance on oil production rate and recovery, and the quantification of the steam injection pilot results in terms of oil rate and ultimate recovery, and 3) install an early production facility, flow lines, and upgrade roads and bridges to increase the volume of oil sales from the field from the currently producing wells and the new wells to be drilled this year.

Tamarin E&P Contract (100% operated working interest)

The Tamarin contract is located approximately 25 km to the southwest of the Ombu contract, and was awarded to Canacol directly in August 2009. Based upon the available geophysical and geological data in this frontier area, the Corporation has determined that the fault trend present at its Capella discovery to the northeast continues onto the Tamarin contract, setting up the potential for another Capella type heavy oil prospect. Together with the nearby Pacarana TEA, awarded to the Corporation in July 2009, Canacol now has a significant operated exploration position at 100% working interest immediately offsetting its Capella heavy oil discovery. Canacol is currently tendering a 60 km 2D exploration seismic program which will be acquired in Q2, ahead of drilling an exploration well in 2011.

Pacarana TEA (100% operated working interest)

The Pacarana contract is a technical evaluation area awarded directly to Canacol in July 2009, and is located immediately south of the Ombu contract. Canacol is currently in the process of tendering a 2,500 km aeromagnetic gravity survey, which it anticipates completing in Q2.

Middle Magdalena Valley Basin

Sierra E&P Contract (25.5% operated working interest)

The Sierra contract is located along the western margin of the prolific Middle Magdalena Basin, and was also awarded under the new terms as regulated by the ANH. The contract contains a discovery well, Sierra 1, drilled in 1991, which recovered 22 barrels of 17^{o} API medium gravity oil during swabbing from 10 ft of interpreted oil pay within the Tertiary aged Honda sandstone at a depth of 1,700 feet measured depth, a prolific producing reservoir within the Basin. Management estimates that the discovery contains approximately 8 million barrels of gross mean unrisked recoverable prospective resources. Canacol acquired 46 square km of 3D seismic over the discovery in 2009, and plans to drill the Sierra 2 exploration well in March. The Sierra 2 well will be drilled approximately 60 meters away from the discovery well in order to penetrate the same 10 ft of interpreted oil pay encountered in the adjacent Sierra 1 well. Unlike the discovery well however, the Corporation will equip the well and with a progressive cavity pump; production technology commonly used in Western Canada.

Guyana

Takutu PPL (65% non-operated working interest)

Canacol and its joint venture operator, Groundstar Resources Ltd., are currently reviewing bids for a drilling rig and associated services in order to move a rig into the country in Q2 2010 to drill the K-2 exploration well. It is anticipated that the joint venture will award the contracts in late February 2010 and immediately commence mobilization of the drilling rig to Guyana. The bottom hole location for the K-2 well will be approximately 400 meters northwest of the Karanambo 1 discovery well, and will target the same productive reservoirs that tested 411 bopd of 42^{o} API gravity oil in 1982. Gaffney Cline and Associates attributed gross mean risked recoverable prospective resources of 128 million barrels of oil to the discovery in the December 2009 report compiled for the Corporation. The joint venture to date has completed the construction of the drilling pad, access roads, and staging areas in preparation of drilling, and has purchased and mobilized tubulars and wellheads sufficient to drill 3 wells, which are now in country and on location. The well is anticipated to spud in late Q2 of early Q3 2010, and is anticipated to take 50 days to drill and test, and if successful will be put on a long term production test to establish the deliverability and performance of the reservoir. The cost of drilling the K-2 well net to Canacol is US$ 6 million, and upon completion of the drilling operations operatorship will be transferred to Canacol.

Brazil

Canacol has a 47.5% non-operated working interest 5 producing oil fields located onshore in the Reconcavo Basin of Brazil, and working interests varying from 25 to 100% working interest in 10 exploration contracts located onshore in the Espirito Santo, Reconcavo, and Tucano Basins. In 2010 the Corporation plans to drill one exploration well on Block 170 in the Reconcavo Basin, and acquire 100 km of 2D seismic on Block 318 in the Espirito Santo Basin prior to drilling in 2011. The net cost to the Corporation for these activities is US$3 million.

The Corporation also plans to participate in an exploration bid round, should one occur in Brazil this year. Canacol is a qualified Class B operator in Brazil, which allows it to participate both onshore and in shallow water. The Corporation is also actively pursuing strategic alternatives to dispose of its non-operated producing assets in Brazil.

Reconcavo Basin

Block 170 (37.5% non-operated working interest)

Canacol will participate in the drilling of the Catu exploration prospect located on Block 170 in the second quarter of 2010. The prospect contains three prospective stacked reservoir sandstones that management estimates may contain up to 6 million barrels of gross mean unrisked recoverable light oil resource. The preferred well location is situated updip from an old well that recovered light oil from one of the three prospective intervals.

Espiritu Santo Basin

Block 318 (100% operated working interest)

By means of its wholly owned subsidiary, Brazalta Norte, Canacol will acquire 100 km of 2D seismic commencing in Q1 2010. The objective of the survey is to improve the resolution of an exploration lead identified on available high resolution aeromagnetic data. If the lead can be upgraded to prospect, a well may be drilled in 2011.

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 (TSX VENTURE:CNE). The Corporation's public filings may be found at www.sedar.com.

This press release may contain statements within the meaning of safe harbour provisions as defined under Securities Laws and Regulations. The above statements are based on the current expectations and beliefs of Canacol's management and are subject to a number of risks and uncertainties that may cause the actual results to differ materially from those described above. “Prospective Resources” are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. Prospective resources have both an associated chance of discovery and a chance of development. Prospective Resources are further subdivided in accordance with the level of certainty associated with recoverable estimates assuming their discovery and development and may be subclassified based on project maturity.

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. 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.

FOR FURTHER INFORMATION PLEASE CONTACT:

Mr. Charle Gamba
President and CEO
403-228-6419