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TSX-Venture: CNE
Calgary, Alberta March 4, 2010

Canacol Energy Ltd Completes Workover of Rancho Hermoso 4 Well in Colombia and Tests Combined Gross Rate of 2,339 bopd from 3 Productive Zones

CALGARY, ALBERTA- Canacol Energy Ltd. ("Canacol" or the "Corporation") is pleased to provide an operational update of its workover program at its operated Rancho Hermoso Field located in the Llanos Basin of Colombia, where the Corporation has a 100% operated working interest. The Corporation has completed the workover of the Rancho Hermoso 4 ("RH 4") well, which involved separately perforating and flow testing the Guadalupe Formation and then the Los Cuervos Formation reservoirs. Both of these reservoirs were highly productive at the recently drilled Rancho Hermoso 5 ("RH 5") well, which tested a combined rate of over 8,400 barrels of oil per day ("bopd") of light oil from these 2 zones, as reported on December 14, 2009. The combined gross flow rate in the RH-4 well from the Guadalupe, Los Cuervos and Ubaque reservoirs was 2,339 bopd (585 bopd net).

The RH 4 well, drilled in 2007, is located approximately 2 kilometers to the north of the RH 5 well. Prior to the workover the well was producing from the deeper Ubaque reservoir at a gross rate of 810 bopd (203 net bopd) of 17^{o} API gravity oil with 76% water cut using an electro submersible pump at 63 Hz frequency. Petrophysical analysis of the well indicated the presence of 6 feet of potential bypassed net oil pay in the Guadalupe reservoir and 15 feet of potential bypassed net oil pay in the overlying Los Cuervos reservoir.

Charle Gamba, President and CEO of the Corporation, commented "We are very pleased with the results of the workover on the Rancho Hermoso 4 well, which not only tripled the productivity of the well, but also proves the lateral extent of the new highly productive light oil Guadalupe and Los Cuervos reservoirs within the field. These reservoirs, along with the Mirador and Ubaque reservoirs, will be the target of a development drilling campaign later in 2010."

Guadalupe and Los Cuervos Test Results

The workover was initiated on January 5, 2010, when a removable bridge plug was set above the Ubaque. The Guadalupe was perforated from 9046 to 9052 feet measured depth ("ft md") on January 12, 2010, and flowed at a final stabilized on February 10, 2010 of 632 bopd of 34^{o} API gravity oil (158 net bopd) and 181 thousand standard cubic feet of gas per day, with a water cut of 89 % using an electro submersible pump at 52 Hz frequency.

On February 11, 2010, a removable bridge plug was placed above the Guadalupe, and the Los Cuervos reservoir was perforated from 8992-96, 8998-9004, and 9021-26 ft md. Production from the Los Cuervos reservoir has currently stabilized at a rate of 897 bopd of 33^{o} API gravity oil (224 net bopd) and 268 thousand standard cubic feet of gas per day, with a water cut of 85 % using an electro submersible pump at 52 Hz frequency.

Forward Program

The Corporation is in the process of applying for commerciality for the Los Cuervos reservoir in the RH 4 well from the Ministry of Mines, and upon receipt will seek approval from Ecopetrol to co-mingle production from both the Los Cuervos and Guadalupe reservoirs within the RH 4 well. The Corporation anticipates that this process will take up to 3 months. Until that time, the Los Cuervos reservoir will remain on production as part of a long term production test.

Importantly, as previously disclosed, 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.

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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