FOR IMMEDIATE RELEASE
TSX-Venture: CNE
Calgary, Alberta August 20, 2009

Canacol Energy Ltd. Provides Update of Operations at its Capella Oil Discovery in Colombia

CALGARY, ALBERTA- Canacol Energy Ltd. ("Canacol" or the "Corporation") is pleased to provide an update of operations at its Capella heavy oil discovery in Colombia. Over the past year, the Corporation has participated in the drilling of 6 vertical and deviated wells related to the discovery. In the third and fourth quarters of 2009, the Corporation is participating in the drilling of 2 slim-hole delineation wells, the drilling of the first horizontal well in the field, and the commencement of a cyclic steam injection pilot on one of the existing vertical producing wells. The Corporation also received formal assignment of its 10% working interest in the contract by the Agencia Nacional de Hidrocarburos in July 2009.

Charle Gamba, President and CEO of Canacol, stated "The information from the slim-hole wells, the horizontal well, and the steam injection pilot will be used to formulate an efficient development program for the field, the objective being to maximize production rate and reserves capture going forward in the development of this significant oil discovery".

The operator, Emerald Energy Plc. ("operator"), has contracted a rig to drill 2 slim-hole test wells in the area around the Capella 6 well. The first of the wells, Capella SH1, was spud in early August and is located approximately 1.6 kilometers to the north-west of the Capella 6 well. The Capella 6 well, located approximately 4.2 km to the southwest of the Capella 1 discovery well, was drilled to a total depth of 3,645 feet on March 30, 2009. The vertical well penetrated both of the Mirador reservoir intervals with good oil and gas shows, encountering 80 feet of net hydrocarbon pay within the upper Mirador in a thick continuous sandstone reservoir exhibiting up to 37% porosity and no bottom water, greatly exceeding the previous maximum thickness of 23 feet of net hydrocarbon pay encountered in the Capella 2 well. These well results indicate that the main reservoir interval thickens considerably towards the southwest portion of the field, 4.2 km away from the discovery well.

The objective of the slim-hole well program is to delineate the extent of this thick oil bearing sandstone to aid in future development planning. The slim-hole wells are designed to recover continuous core from the entire reservoir section in the upper Mirador sand and will be logged using special slim hole tools, but will not be capable of production. As they can be drilled at substantially lower cost than a conventional well designed for production, they are a cost effective way of delineating reservoir thickness in certain areas of the Capella field. The SH-1 well is anticipated to intersect the upper Mirador sands deeper on the structure than the Capella 6 well. The well is planned to take up to one month to drill and evaluate but, as this is the consortium's first such operation, may take longer. The second slim-hole well, Capella SH2, is planned to be located approximately 2.5 kilometers to the south-west of the Capella 6 well and to commence drilling after the Capella SH1 well operations are completed.

The operator also plans to drill the first horizontal well in the field to target the same 80 foot thick oil saturated upper Mirador sand encountered in the Capella 6 well, and has scheduled the drilling of this well for the late third or early fourth quarter 2009. The objective of the well is to determine the production rate from a horizontal well within the porous upper Mirador sandstone interval. Horizontal wells in general produce at higher rates than do vertical wells within porous heavy oil sandstone reservoirs, and, if successful, horizontal wells could form a significant portion of the future development drilling program for the field.

The operator has also completed the mobilization of a steam injection plant to the field in preparation of starting a cyclic steam injection pilot on one of the existing vertical producing wells. The objective of the

program is to determine the benefit of steam injection on improved production rate and ultimate reserves recovery. The pilot is anticipated to commence steam injection in the fourth quarter of 2009.

The Corporation has been notified by the Ministry of Environment that an environmental permit has been granted for the conduct of exploration activities in the area to the north of the Capella wells drilled to date in the Ombu block. This area will be known as the Romero area of the block.

The Corporation has engaged Netherland, Sewell and Associates Inc of Houston Texas to prepare an NI51-101 compliant reserves report current to June 30, 2009 for Canacol's net working interest share in the field. The Corporation anticipates that the report will be completed in September 2009.

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.

For further information please contact:

Mr. Mark Holliday
Phone: 850-819-2688
Email: **markhollidayt@canacolenergy.com**
www.canacolenergy.com