

Canacol Energy Ltd. Provides Drilling and Production Update from Its Rancho Hermoso Field in Colombia

CALGARY, ALBERTA - (November 3, 2011) Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE) (BVC:CNEC) is pleased to provide an update of its development drilling program at its operated Rancho Hermoso Field located in the Llanos Basin of Colombia. The Corporation has completed the drilling and casing of the second of four new development wells it plans to drill through the remainder of calendar 2011. The Rancho Hermoso 12 ("RH 12") well has been placed on permanent production from the Los Cuervos-Barco reservoir, which is producing at a stabilized gross rate of approximately 14,790 barrels of oil per day ("bopd") (3,697 bopd net to Canacol). The RH 12 well encountered 130 feet ("ft") of net oil pay within 5 different reservoir intervals, which include, from top to bottom, the C7, Mirador, Los Cuervos-Barco, Guadalupe, and Ubaque.

Charle Gamba, President and CEO of the Corporation, commented "We encountered a new Los Cuervos-Barco channel sandstone reservoir within the northern part of the field at apparently virgin reservoir conditions, an outcome that was not anticipated in this part of the field. The production results from the well are significantly better than we had forecast and will ensure that Canacol has a strong finish to calendar 2011 in terms of net revenue production, with an anticipated exit rate in excess of 14,000 bopd. Meanwhile operations are underway to spud the Rancho Hermoso 13 development well, the third of four new wells planned in the field for the remainder of calendar 2011. With US\$ 115 million in cash as of our last reporting period and strong production revenues, the Corporation is fully financed to execute its development and exploration drilling programs throughout 2012."

Rancho Hermoso 12 Well Results

The RH 12 well was spud on September 30, 2011, and reached a total depth of 10,160 ft measured depth ("ft md") on October 15, 2011 in the Ubaque reservoir. Good oil and gas shows were encountered in the C7, Mirador, Los Cuervos-Barco, Guadalupe, and Ubaque reservoirs while drilling. Petrophysical analysis of the open-hole logs indicates a total of 130 ft of oil pay within the well: 13 ft of oil pay within the C7 reservoir with average porosity of 22%, 11 ft of oil pay in the Mirador reservoir with average porosity of 29%, 21 ft of pay within the Los Cuervos-Barco reservoir with average porosity of 20%, 40 ft of oil pay within the Guadalupe reservoir with average porosity of 23%, and 45 ft of oil pay within the Ubaque reservoir with average porosity of 25%.

Production Results

The Corporation completed the Los Cuervos-Barco reservoir between 9,089-9,099 ft md, and 9,072-9,077 ft md, and equipped the well with an electro-submersible pump. The well has been placed on permanent production at a stable gross rate of approximately 14,790 bopd (3,697 bopd net to Canacol) of 34 degree API light oil with no water at a pump frequency of 60 hz.

The Corporation, through its 100% owned Colombian subsidiary Rancho Hermoso S.A., operates the Rancho Hermoso field under two Contracts with Ecopetrol S.A., those being 1) a Participation Contract in the Casanare Area whereby the Corporation receives approximately 25% (after royalty) of gross production from the C7, Los Cuervos-Barco, Guadalupe, Gacheta, and Ubaque reservoirs, and the remainder (approximately 75%) to Ecopetrol S.A., and 2) a Risked Service Production Contract for the Mirador reservoir, whereby the Corporation is paid a tariff for each barrel of oil produced and Ecopetrol S.A. receives the oil.

Annual General Shareholders' Meeting

The Corporation plans to hold its Annual General Shareholders' Meeting on January 27, 2012 at 2:30 pm MST in Calgary, Alberta Canada. Additional details of the meeting, including its specific location in Calgary, will be provided at a later date.

Canacol is a Canadian-based international oil and gas corporation with operations in Colombia, Guyana, and Brazil. Canacol is publicly traded on Toronto Stock Exchange (TSX: CNE) and the Bolsa de Valores Colombia (BVC: CNEC). 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.

For further information please contact:

Kevin Flick
Vice President of Capital Markets and Investor Relations
1-214-235-4798
kflick@canacolenergy.com
www.canacolenergy.com