

# Canacol Provides Update on Calendar 2015 Corporate Budget and Exploration Operations and Announces Oil Discovery in Colombia

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CALGARY, ALBERTA--(Marketwired - Jan 12, 2015) - [Canacol Energy Ltd.](#) ("Canacol" or the "Corporation") (TSX:CNE)(OTCQX:CNNEF)(BVC:CNEC) announces that due to the recently announced acquisition of the VIM 5 and 19 Exploration and Production ("E&P") contracts in Colombia, and most especially due to the significant gas discovery made at the Clarinete 1 exploration well on the VIM 5 contract, the Corporation plans to release its calendar 2015 budget and production guidance after the Clarinete 1 well has been production tested, which is anticipated to occur during late January 2015. The Corporation anticipates issuing production and capital guidance for calendar 2015 during the first half of February 2015. Both gas sales from Esperanza (currently sold based on the Guajira price index of US\$5.08/MMbtu or US\$28.96/boe) and tariff oil from Ecuador (US\$38.54/bbl), together comprising approximately 42% of production in FQ1 2015, are completely insensitive to world oil prices, offering the Corporation a significant degree of protection from the current effects of falling benchmark oil prices.

## Gas Contracts

As previously announced, the Corporation in 2014 executed three new gas sales contracts for a combined 65 million standard cubic feet per day ("MMcfd") (11,052 barrels of oil equivalent per day "boepd") which is expected to take Canacol's current daily gas production of approximately 20 MMcfd (3,509 boepd) to 83 MMcfd (14,561 boepd) in late calendar 2015. The new contracts each have a five year term, with pricing of US\$ 5.40/MMbtu (US\$ 30.78/barrel of oil equivalent - "boe") escalated at 2% per year for two of the contracts totaling 35 MMcfd, and US\$8.00/MMbtu (US\$ 45.60/boe) escalated at approximately 3% per year for the third contract of 30 MMcfd. Canacol currently sells approximately 18 MMcfd (3,158 barrels of oil equivalent per day) of gas from the Nelson Field to a local ferronickel producer under a 10 year contract that expires in 2021. That contract, unlike the new contracts, is linked to the Guajira price index, which changed effective October 29, 2014 from US\$3.97/MMbtu (US\$22.63/boe) to US\$5.08/MMbtu (US\$28.96/boe).

As reported in December 2014, the Clarinete 1 exploration well drilled on the VIM 5 contract encountered approximately 150 feet ("ft") of net gas pay within the main Cienaga de Oro sandstone reservoir, with a pre drill best estimate of approximately 540 billion cubic feet (95 million barrels of oil equivalent) of gross unrisked prospective resource. The potential scale of drilling and facility construction activity associated with appraising and developing this large gas discovery will have a significant impact on the calendar 2015 capital program, which will be better defined once production testing of the Clarinete 1 well is completed in late January 2015. Upon completion of the testing operations at Clarinete 1, the rig will be mobilized to commence production testing of the Corozo 1 gas discovery located on the adjacent Esperanza contract announced in November 2014, subject to the approval of the Agencia Nacional de Hidrocarburos ("ANH"). The Corporation is currently negotiating a new gas sales contract based associated with this large gas discovery at Clarinete.

Upon making the Clarinete 1 and Corozo 1 gas discoveries in November 2014, and more importantly based upon the significant gas resource potential of the Clarinete discovery, the Corporation decided to defer the drilling of the Canadonga 1 exploration well on the Esperanza contract, and instead drilled the Nelson 5 development well at its operated Nelson gas field. The Nelson 5 well reached total depth on December 11, 2014 and encountered 117 feet of net gas pay within the Cienaga de Oro sandstone, the main producing reservoir within the Nelson gas field, with an average porosity of 22 percent. The Nelson 5 well is currently being tied into the gas gathering system at the Nelson field.

Total productive capacity of the Nelson and Palmer fields from the 5 existing producing wells (Nelson 2, 3, 4, 5, and Palmer 1) is approximately 75 MMscfd. It is anticipated that successful production tests from the Clarinete 1 and Corozo 1 wells will bring total productive capacity of the Esperanza and VIM 5 contracts to approximately 100 MMscfd, more than sufficient to satisfy the contractual commitment of 83 MMscfd for

calendar year end 2015. The Corporation is also commencing the expansion of the gas handling facilities at its operated Jobo station. Current gas handling and treatment capacity of approximately 50 MMscfpd will be increased to 100 MMscfpd by mid-year 2015 in preparation of increasing production from current levels of approximately 20 MMscfpd to 83 MMscfpd by calendar year end.

### **LLA23 E&P Contract**

The Corporation has completed the drilling and testing of the Maltes 1 exploration well located approximately 1.5 kilometers ("kms") to the north of the Labrador oil field. The well tested a gross rate of 1,555 barrels of oil per day ("bopd") of 32° API light oil (1,400 bopd net) from the C7 sandstone reservoir with a water cut of less than 1% using an electrical submersible pump operating at a frequency of 38 Hz at the end of a 6 day flow test. Maltes 1 represents the 5<sup>th</sup> oil discovery the Corporation has made on the LLA 23 contract over the past 2 years. The Maltes 1 discovery will be left on long term production, subject to the approval of the ANH.

The Corporation is also currently acquiring 400 square kms of 3D seismic, and anticipates completion of the acquisition by March 2015. The Corporation plans to use the newly acquired seismic to continue its exploration drilling program on the LLA 23 contract throughout 2015 and 2016.

[Canacol Energy Ltd.](#) is an exploration and production company with operations focused in Colombia and Ecuador. The Corporation's common stock trades on the Toronto Stock Exchange, the OTCQX in the United States of America, and the Colombia Stock Exchange under ticker symbol CNE, CNNEF, and CNE.C, respectively.

*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.*

*\* Prospective Resources are those quantities of oil and gas estimated to be potentially recoverable from undiscovered accumulations. There is no certainty that the Prospective Resources will be discovered. If discovered, there is no certainty that it will be commercially viable to produce any portion of the prospective resources. Application of any geological and economic chance factor does not equate prospective resources to contingent resources or reserves. Low estimate is considered to be a conservative estimate of the quantity that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. If probabilistic methods are used, there should be at least a 90 percent probability (P90) that the quantities actually recovered will equal or exceed the low estimate. Best estimate is considered to be the best estimate of the quantity that will actually be recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. If probabilistic methods are used, there should be at least a 50 percent probability (P50) that the quantities actually recovered will equal or exceed the best estimate. High estimate is considered to be an optimistic estimate of the quantity that will actually be recovered. It is unlikely that the actual remaining quantities recovered will exceed the high estimate. If probabilistic methods are used, there should be at least a 10 percent probability (P10) that the quantities actually recovered will equal or exceed the high estimate. Mean estimate is the arithmetic average from the probabilistic assessment.*

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