CALGARY, ALBERTA--(Marketwired - Dec 19, 2016) - Canacol Energy Ltd. ("Canacol" or the "Corporation") (TSX:CNE)(BVC:CNEC)(OTCQX:CNNEF) is pleased to provide the following update for the Clarinete 3, Nelson 5, and Nelson 8 development gas development wells, and the Q1 2017 exploration drilling program.

Clarinete 3 Development Well

VIM 5 Exploration & Production ("E&P") Contract

Lower Magdalena Basin

100% working interest

The Clarinete 3 development well was spud on November 3, 2016 and reached total depth of 9,280 feet measured depth ("ft. md") on November 18, 2016. The Clarinete 3 well is located 1 kilometer ("km") directly west of the Clarinete 2ST well drilled in 2015. The Clarinete 3 well encountered 31 ft. md (28 feet true vertical depth "ft. TVD") of net gas pay with average porosity of 22 % within the primary Cienaga de Oro ("CDO") sandstone target.

The CDO reservoir interval in Clarinete 3 was perforated between 7,404 and 8,585 ft. md and flowed at a final stabilized rate of 18 million standard cubic feet per day ("MMscfpd") (3,158 barrels of oil equivalent per day "boepd") of dry gas with no water at a flowing tubing head pressure of 1,560 pounds per square inch over a 25 hour test period. The well was tested via the Clarinete to Jobo flowline to avoid flaring of the test gas, and was tested against considerable backpressure related to the Clarinete 1, Clarinete 2ST, and Oboe 1 wells which are flowing through the same flowline. The Clarinete 3 well is on permanent production.

Nelson 8 Development Well

Esperanza Production and Exploitation Contract

Lower Magdalena Basin

100% working interest

The Nelson 8 development well was spud on November 13, 2016 and reached total depth of 10,985 ft. md on December 2, 2016. The Nelson 8 well encountered 163 ft. md (132 ft. TVD) of net gas pay with average porosity of 19% within the primary CDO sandstone target. The Corporation is currently preparing to perforate the entire CDO section prior to tying the well into the Bretanna to Jobo flowline. Once the well has been tied into the flowline, the Nelson 8 well will be flow tested via the flowline to avoid flaring the gas. Following flow testing the Nelson 8 well will be placed on permanent production, which is anticipated to occur prior to current year end.

Nelson 5 Porquero Recompletion

With the recent success of the Nelson 6 gas discovery which tested 23 MMscfpd (4,035 boepd) confirming a new shallow exploration play in the Porquero Formation, the Corporation commenced operations to workover the Nelson 5 well in late November 2016. The Nelson 5 well, which has been producing from the CDO for the past 2 years, contains 103 ft. md (79 ft. TVD) of net gas pay with average porosity of 29% within the Porquero sandstone reservoir. The Porquero reservoir was perforated between 6,083 and 6,174 ft. md and flowed at a final stabilized rate of 13 MMscfpd (2,281 boepd) of dry gas with no water at a flowing tubing head pressure of 1,850 psi over a 50-hour test period. The Porquero has been placed on permanent production.

In addition to the established play type involving the deeper CDO sandstones which are productive at the Corporation's Nelson, Palmer, Clarinete, Oboe, Trombon, and Nispero gas fields, the success of both the Nelson 6 discovery, and the production test result from the Porquero at Nelson 5, confirms the commerciality of a new exploration play type in the shallower Porquero sandstones across the Company's acreage position held at 100% working interest on the Esperanza, VIM 21, VIM 5 and VIM 19 blocks, which combined are 785,000 net acres in size.

Mono Capuchino 1 Light Oil Exploration Well

VMM2 E&P Contract

Middle Magdalena Basin

66.7% working interest

The Corporation spud the Mono Capuchino 1 exploration well on December 17, 2016. The well will be drilled to a planned total depth of 12,000 ft. md and is anticipated to take approximately 75 days to drill and test. Mono Capuchino 1 is targeting light oil bearing reservoirs within the Cretaceous La Luna Formation.

The offsetting Mono Arana 1 exploration discovery made in 2012 and located approximately 500 meters to the north of the Mono Capuchino well encountered 593 ft. md of the same Cretaceous La Luna Formation and tested approximately 600 barrels of oil per day ("bopd") with no water from a 335 ft. md perforated interval in 2014. The Corporation anticipates encountering approximately 2,000 feet of La Luna Formation within the Mono Capuchino 1 well. Should Mono Capuchino 1 prove successful, it will be produced directly into existing infrastructure and immediately commercialized. The Corporation has identified 11 additional locations on the prospect for follow up drilling given success.

Near Term Drilling Program

Pumara 1 Light Oil Exploration Well

LLA23 E&P Contract

Llanos Basin

91% working interest

The Corporation plans to spud the Pumara 1 exploration well in early March 2017. The well will be drilled to a planned total depth of approximately 10,000 ft. md and is anticipated to take approximately 15 days to drill and test. Pumara 1 is targeting the reservoirs of the C7, Mirador, Barco, Gacheta, and Ubaque sandstones that are productive in the 5 offsetting light oil discoveries the Corporation has made on the LLA23 block over the past 4 years.

Of the 6 exploration wells Canacol has drilled on LLA23 in the past 4 years, five have resulted in commercial producing light oil discoveries, representing an 83% chance of commercial success for the Corporation on this block. The 5 previous exploration wells (Labrador 1, Maltes 1, Tigro 1, Pantro 1, and Leono 1) tested at initial rates of 1,200 to 3,700 gross bopd of 30° to 36° API light oil with no water.

Cañahuate 1 Gas Exploration Well

Esperanza E&E Contract

Lower Magdalena Basin

100% Working Interest

The Corporation plans to spud the Cañahuate 1 exploration well in February 2017. The well will be drilled to a planned total depth of approximately 10,000 ft. md and is anticipated to take approximately 15 days to drill and test. Cañahuate 1 is targeting the proven CDO sandstone reservoir productive at all of the Corporation's nearby gas fields in the area. The Cañahuate prospect is defined by 3D seismic and exhibits seismic attributes indicative of gas filled CDO sandstone reservoir, as have all the other discoveries Canacol has drilled on the Esperanza and VIM 5 contracts.

Canacol has drilled 7 exploration wells on the Esperanza and VIM 5 contracts in the past 2.5 years, resulting in 6 commercial producing discoveries, representing an 86% chance of commercial success. The previous 6 exploration discoveries (Palmer 1, Clarinete 1, Oboe 1, Nispero 1, Trombon 1, and Nelson 6) tested at initial rates of 16 to 66 MMscfpd (2,800 to 11,580 barrels of oil equivalent per day) of dry gas with no water.

The Corporation will provide updates concerning its drilling program as results become available.

Canacol 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.

Boe conversion - The term "boe" is used in this news release. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of cubic feet of natural gas to barrels oil equivalent is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. In this news release, we have expressed boe using the Colombian conversion standard of 5.7 Mcf: 1 bbl required by the Ministry of Mines and Energy of Colombia.

Contact

Canacol Energy Ltd.
Investor Relations
214-235-4798
IR@canacolenergy.com
www.canacolenergy.com