

NEWS RELEASE

**CANELSON DRILLING
SIGNS CONTRACT FOR ANOTHER DRILLING RIG IN TEXAS AND
PROVIDES AN OPERATIONAL UPDATE**

DATE: January 7, 2010

CALGARY, ALBERTA – CanElson Drilling Inc. (“CanElson”) (TSXV: CDI) announced today that it has entered into a 15 month multi-well contract with Concho Resources Inc. (“Concho”), US-based resource company, to operate one drilling rig in the Permian Basin region. The drilling rig is anticipated to be operational in Texas by April 2010. CanElson has commenced construction of Rig 5 at an estimated construction cost of \$7.0 million, and once completed will be moved to Texas to work for Concho.

President Randy Hawkings says, “We are pleased to be working for another experienced local customer and add another rig to our Texas based rig fleet which will strengthen our presence in the Permian Basin region of west Texas.”

CanElson would also like to provide an update on the operational status of its rig fleet. CanElson has or expects to have in operation 9 drilling rigs (net: 8) and 2 service rigs (net: 1) working or committed in three jurisdictions. In Alberta, CanElson has 4 rigs currently operating under multi-well contracts. In Texas, the company has one rig currently operating under a multi-well contract and contracts for 2 additional rigs. In Mexico, CanElson’s joint venture company is currently operating 2 subcontracted drilling rigs and expects to begin operating 2 service rigs in the first quarter of 2010. CanElson also has 2 additional rigs that are either under construction or undergoing upgrading for specific future deployment.

CanElson is an Alberta, Canada corporation that is engaged in the manufacture and operation of drilling rigs in Canada’s Western Sedimentary Basin, the United States and Mexico.

Forward Looking Information

This press release contains forward-looking information related to CanElson’s intentions to commence drilling activities in Texas and Mexico, CanElson’s supply of drilling rigs to customers, the anticipated timing of the commencement of drilling and the estimated construction cost of Rig 5. Such forward looking information involves material assumptions and known and unknown risks and uncertainties, certain of which are beyond CanElson’s control. Such assumptions, risks and uncertainties include, without limitation, those associated with, loss of markets, volatility of commodity prices, delays resulting from or inability to obtain required regulatory approvals, the effect of general economic conditions in Canada and the United States, industry conditions, changes in laws and regulations and changes in how they are interpreted and enforced and the lack of qualified personnel or management. CanElson’s actual achievements could differ materially from those expressed in, or implied by, this forward-looking information and, accordingly, no assurances can be given that any of the events anticipated by the forward-looking information will transpire or occur, or occur on such dates, or if any of them do so, what benefits CanElson will derive therefrom. The forward-looking information is made as at the date of this press release and CanElson does not undertake any obligation to update publicly or to revise any of the included forward-looking information, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.

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