

**NEWS RELEASE****CANELSON DRILLING PROVIDES UPDATE  
ON MEXICO OPERATIONS AND GRANTS STOCK OPTIONS****DATE:** July 20, 2010

**CALGARY, ALBERTA** – CanElson Drilling Inc. (“CanElson”) (TSXV: CDI) announced today that its Mexican joint venture company, Diavaz CanElson de Mexico, S.A. de C.V. (“DCM”), has signed a one year contract and commenced operation of the second service rig for DS Servicios Petroleros, S.A. de C.V. (“DS”) in the Ebano-Panuco-Cacalilao fields of the Misantla-Tampico basin of Mexico. The second service rig, along with the first service rig already operating in the region, will assist in the optimization of drilling and operation services provided by DCM to DS by doing primary completions which were previously performed by the drilling rigs. This should benefit the performance of the drilling rigs which currently operate under performance based contracts. DCM provides the management and expertise for the operation of two subcontracted drilling rigs and the two service rigs operating in the region. The two subcontracted drilling rigs have contracts that presently extend to the end of November 2010.

As previously announced, CanElson has a 50% ownership interest in DCM, with D&S Petroleum Services, S.A. de C.V. (a wholly owned subsidiary of Grupo Diavaz, S.A. de C.V.) holding the other 50% ownership interest. The business of DCM is the subcontracting, purchase and operation of drilling and service rigs in Mexico.

“With the commencement of the second service rig operation in Mexico, CanElson continues to capitalize on further opportunities in Mexico through its unique joint venture with Grupo Diavaz”, stated Randy Hawkings, President of CanElson.

In addition, CanElson Drilling Inc. announces that it has granted 63,000 stock options to one of its directors with an exercise price of \$2.65 per share. These options will vest as to one-third one year from the date of grant, one-third two years from the date of grant and one-third three years from the date of grant with each respective one-third expiring on the date that the subsequent one-third vests such that the final one-third of the options expires four years from the date of grant. The total number of options granted to employees and directors outstanding as of the date hereof is 1,721,433.

CanElson is an Alberta, Canada corporation that is currently engaged in the manufacture, acquisition and operation of drilling rigs for the oil and natural gas industry. CanElson currently operates in the Western Canadian Sedimentary Basin, the Permian Basin of west Texas and the Ebano-Panuco-Cacalilao fields of Mexico.

**FORWARD-LOOKING INFORMATION**

This press release contains certain statements or disclosures relating to CanElson that are based on the expectations of CanElson as well as assumptions made by and information currently available to CanElson which may constitute forward-looking information under applicable securities laws. In particular, this press release contains forward-looking information related to the drilling rig performance benefit of using the service rigs operations. 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 and or the lack of qualified personnel. 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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