

PRESS RELEASE

(Stock Symbol "DSX" – TSX Venture)

July 16, 2002

Calgary, Alberta

DESCO EXPLORATION LTD. ENTERS INTO AN AGREEMENT IN PRINCIPLE FOR QUALIFYING TRANSACTION

Desco Exploration Ltd. ("Desco") (TSX-Venture: DSX) has entered into an Agreement in Principle dated July 13, 2002 with Jarrod Oils Ltd. ("Jarrod") and David J. Wilson to complete a series of transactions, including the purchase from Jarrod of certain oil and gas assets (the "Princess Properties") located in the Princess Area, Alberta (the "Transaction"). Upon the closing of the Transaction, Desco will have fulfilled the requirements of completing a "Qualifying Transaction" within the meaning of the policies of the TSX Venture Exchange (the "Exchange"). Jarrod is a Saskatchewan corporation and 100% of the shares of Jarrod are owned by Eldon A. McIntyre. Mr. McIntyre is an insider (although not an officer or director) of Desco, and therefore the board of directors of Desco will establish an "Independent Committee" and issue a directors certificate in connection with the Transaction, all as contemplated in the policies of the Exchange.

Eldon A. McIntyre has been the sole shareholder, officer and director of Jarrod since its incorporation in 1975. Jarrod has been active in oil and gas exploration, development and production activities in Alberta and Saskatchewan since the late 1970's. Mr. McIntyre was a director of Genesis Exploration Ltd. from 1994 until 2001.

David J. Wilson graduated with honours in Petroleum Technology from the Southern Alberta Institute of Technology in 1984 and has extensive oil and gas industry experience. Mr. Wilson was a co-founder of Genesis Exploration Ltd. and served as its President and Chief Executive Officer from 1993 until 2001. Thereafter, Mr. Wilson served as President of Vintage Petroleum Canada, Inc. for a one year term ending May, 2002.

The closing of the Transaction is conditional upon the satisfactory completion of all usual and appropriate due diligence by Desco, obtaining Exchange acceptance and the other approvals described below, as well as the completion of the following additional transactions, namely: the sale by the five discount seed shareholders of Desco to Mr. Wilson of an aggregate of 1,683,333 common shares of Desco at a price equal to the issuance price thereof; the issuance to Mr. Wilson of 3,000,000 common shares of Desco, as "flow-through shares" within the meaning of the Income Tax Act (Canada) at a price of \$1.00 per share; and the issuance of 2,000,000 common shares of Desco by way of private placement to certain insiders of Desco, as well as to arm's length subscribers, at a price of \$1.00 per share (collectively, the "Concurrent Transactions"). The completion of the Concurrent Transactions is also conditional upon Desco obtaining Exchange acceptance and all other required regulatory and shareholder approvals.

Following the completion of the Transaction, Desco will engage in the business of the exploration for and the development and production of petroleum and natural gas.

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The Princess Properties have been reviewed by Sproule Associates Limited and a report thereon, effective as of August 1, 2002, prepared in accordance with National Policy 2B, provides (using escalated pricing) as follows:

Reserve Category	Net Present Values (\$000)			
	Oil and Liquids (mdbl)	Gas (mmcf)	0%	15%
Proven Reserves	415.4	263	4433	3115
Proven Plus Probable Reserves	1149.8	774	12996	6106
Established Reserves (Probables Risked at 50%)	782.6	518.5	8715	4610.5

The purchase price for the Princess Properties is \$4,150,000 payable by the issuance to Jarrod of 2,650,000 common shares of Desco, at an assigned value of \$1.00 per share and the balance is payable in cash.

Following the completion of the Transaction the board of directors of Desco will be comprised of Robert J. Dales, William C. Guinan, Eldon A. McIntyre, Neil G. Sinclair and David J. Wilson. It is also proposed that after closing David J. Wilson will be appointed as President and Chief Executive Officer of Desco.

Completion of the Transaction is subject to a number of conditions, including but not limited to, Exchange acceptance and majority of the minority shareholder approval. The transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the Transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the management information circular to be prepared in connection with the Transaction, any information released or received with respect to the Transaction may not be accurate or complete and should not be relied upon. Trading in the securities of a capital pool company should be considered highly speculative.

The TSX Venture Exchange Inc. has in no way passed upon the merits of the proposed Transaction and has neither approved nor disapproved the contents of this press release.

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