
CANELSON DRILLING INC. TO ACQUIRE TOTEM DRILLING LTD.

DATE: May 25, 2010

CALGARY, ALBERTA – CanElson Drilling Inc. (“CanElson”) (TSX VENTURE:CDI) announces that it has entered into an agreement to acquire all of the issued and outstanding shares of Totem Drilling Ltd. (“Totem”), a private corporation which owns and operates drilling rigs in the Bakken area of south east Saskatchewan (the “Acquisition”).

Under the terms of a pre-acquisition agreement with Totem (the “Pre-Acquisition Agreement”), CanElson will make an offer (the “Offer”) to acquire all of Totem’s outstanding common shares (“Totem Shares”) for total consideration of approximately \$40 million, consisting of cash and the issuance of common shares of CanElson (the “CanElson Shares”).

Pursuant to the Offer, holders of Totem Shares (the “Totem Shareholders”) shall receive, at the election of each Totem Shareholder: (i) \$2.00 in cash per Totem Share; (ii) 0.7407 of a CanElson Share; or (iii) a combination thereof, subject to pro-rata based upon a maximum of up to \$10,000,000 in cash.

The assets of Totem include a total of 5 fully crewed modern heavy duty telescopic double rigs (depth ratings of 3500 metres), purpose built for horizontal and resource play drilling, which align with CanElson’s existing drilling rig fleet. Totem’s drilling rig fleet has been focused on drilling in south east Saskatchewan which currently has the highest rates of drilling activity in western Canada. During the 12 month period ended March 31, 2010, Totem operated at 54% utilization compared to the average industry utilization of 29%. Currently 4 of the 5 Totem drilling rigs are operating while the fifth drilling rig’s operations are pending completion of recertification. A more detailed press release describing Totem’s financial history will follow.

The Offer is subject to certain conditions, including the acquisition by CanElson of not less than 90% of the outstanding Totem Shares (on a diluted basis), the receipt of all regulatory approvals including the approval of the TSXV and that Totem has completed a private placement of not less than \$10 million on or prior to CanElson taking-up the Totem Shares at an issue price per Totem share (or security convertible into a Totem share) of not less than \$2.00. Lightyear Capital Inc. has been retained as Totem’s agent with respect to the private placement. The board of directors of Totem has unanimously recommended that the Totem Shareholders accept the offer. Certain Totem Shareholders holding approximately 71.8% of the currently outstanding Totem Shares, on a fully diluted basis, have indicated their agreement to deposit their Totem Shares in acceptance of the Offer.

Totem has agreed not to solicit further offers or initiate discussions or negotiations with any third party concerning the sale of Totem, subject to fiduciary obligations. The Offer is expected to be mailed to all Totem shareholders as soon as practical. It is anticipated that the Acquisition will close on or about June 7, 2010.

Upon closing of the Acquisition, CanElson will have a combined rig fleet of 9 drilling rigs located in the western Canadian sedimentary basin, 3 drilling rigs in the Permian Basin west Texas, 2 (net: 1) sub-contracted drilling rigs in Mexico and 2 (net: 1) service rigs in Mexico.

Upon completion of the Acquisition and assuming Totem Shareholders elect to receive the maximum \$10.0 million in cash, CanElson will have approximately 37.5 million CanElson Shares outstanding (38.25 million on a fully diluted basis).

Peters & Co. Limited and Lightyear Capital Inc. are acting as financial advisors for CanElson on the Acquisition.

CanElson is an Alberta, Canada corporation that is currently engaged in the manufacture, acquisition and operation of drilling rigs for the oil and gas industry. The Corporation 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. All such statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that CanElson anticipates or expects may, or will occur in the future (in whole or in part) should be considered forward-looking information. In some cases, forward-looking information can be identified by terms such as "forecast", "future", "may", "will", "expect", "anticipate", "believe", "potential", "enable", "plan", "continue", "contemplate", "pro-forma", or other comparable terminology.

In particular, this press release makes reference to the completion of the Acquisition. Readers are cautioned that certain conditions must be met before the foregoing transaction can proceed. Such conditions include the receipt of all necessary regulatory approvals, including the approval of the TSXV and completion by Totem of a private placement of at least \$10 million. There is no assurance that the required approvals will be received or that Totem will be able to complete the private placement and there is therefore no assurance that the Acquisition will be completed in the time frame anticipated or at all.

Many factors could cause the performance or achievement by CanElson to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. These factors include the failure to obtain the required approvals, changes to economic conditions that prevent Totem from completing the required private placement and failure to acquire not less than 90% of the Totem Shares pursuant to the Offer.

Neither the TSXV nor its Regulation Services Provider (as that term is defined in the policies of the TSXV) accepts responsibility for the adequacy or accuracy of this release.

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