

CANELSON DRILLING INC. PROVIDES UPDATE IN RESPECT OF TOTEM DRILLING LTD. ACQUISITION

DATE: May 26, 2010

CALGARY, ALBERTA – CanElson Drilling Inc. (“CanElson” or the “Corporation”) (TSX VENTURE:CDI) announced yesterday 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”).

OVERVIEW OF TOTEM

Totem is an Alberta, Canada corporation, registered in Saskatchewan, that began operations in March 2006 and is currently engaged in the operation of drilling rigs for the oil and gas industry. Totem currently operates in Saskatchewan with a field office and shop in Carnduff, Saskatchewan.

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. Prior to the date of this press release Totem has commenced construction of a sixth 3500 metre heavy duty telescopic double drilling rig with the expectation for deployment during the fourth quarter of 2010. Under the terms of a pre-acquisition agreement with Totem dated May 25, 2010, further expenditures in relation to this construction project require the consent of CanElson.

HIGHLIGHTS

The following table presents selected annual financial information based on the audited financial statements of Totem for the years ended March 31, 2009 and March 31, 2008.

As at and for the years ended March 31, 2009 and 2008 (thousands of Canadian dollars)	2009	2008
Revenue	\$13,799	\$16,588
EBITDA ⁽ⁱ⁾	\$3,629	\$6,496
Net income	\$973	\$2,797
Funds flow ⁽ⁱⁱ⁾	\$3,220	\$5,471
Current assets	\$4,002	\$4,426
Total assets	\$29,989	\$23,829
Current liabilities (excluding current portion of bank debt)	\$1,309	\$1,156
Bank debt	\$8,086	\$7,550
Average number of rigs available for operations	3.25	3

This press release contains references to EBITDA and funds flow from operations. These financial measures are not measures that have any standardized meaning prescribed by Generally Accepted Accounting Principles (“GAAP”) and are therefore referred to as non-GAAP measures. The non-GAAP

measures used by the Corporation may not be comparable to similar measures used by other companies.

- (i) EBITDA is defined as “income before interest expense (income), income taxes, depreciation, stock based compensation expense and foreign exchange.” Management believes that in addition to Net income, EBITDA is a useful supplemental measure as it provides an indication of the results generated by the Corporation’s principal business activities prior to consideration of how these activities are financed, how the results are taxed in various jurisdictions, or how the results are effected by the accounting standards associated with the Corporation’s stock based compensation plan.
- (ii) Funds flow from operations is defined as “cash provided by operating activities before the change in non-cash working capital”. Funds flow from operations is a measure that provides shareholders and potential investors additional information regarding the Corporation’s liquidity and its ability to generate funds to finance its operations. Management utilizes this measurement to assess the Corporation’s ability to finance operating activities and capital expenditures.

At March 31, 2009, Totem had available for operation 4 drilling rigs (2008: 3) with an average for the year then ended of 3.25 drilling rigs (2008: 3). Subsequent to March 31, 2009, Totem constructed and made available for operation an additional drilling rig resulting in a total of 5 drilling rigs available for operation at the date of this press release.

CanElsion 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 CanElsion that are based on the expectations of CanElsion as well as assumptions made by and information currently available to CanElsion which may constitute forward-looking information under applicable securities laws. This press release contains forward-looking information related to Totem’s intention to supply an additional drilling rig and the anticipated timing of the commencement of drilling. All such statements and disclosures, other than those of historical fact, which address activities, events, outcomes, results or developments that CanElsion 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 Acquisition which is subject to certain conditions. Readers are cautioned that these 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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