CanElson Announces Strategic Acquisition of Canadian Private Drilling Company, Adds 2014 Triple Rig Build and Renews Credit Facilities

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CALGARY, ALBERTA -- (Marketwired - Dec. 6, 2013) - CanElson Drilling Inc. ("CanElson") (TSX:CDI) announced today that it has acquired Highkelly Drilling Ltd. ("Highkelly"), a private Canadian drilling company, that owns and operates two new AC electric triple drilling rigs in the Montney liquids rich natural gas resource play of northeast British Columbia (the "Acquisition"). CanElson has also agreed to construct a third new AC electric triple rig to be completed and delivered in Q3 2014. Separately, CanElson has renewed its syndicated credit facilities with extended terms and the potential for increased borrowing.

"This strategic acquisition accelerates CanElson's entry into the triple rig market and provides us with new state of the art efficient rigs, high quality experienced personnel and an immediate foothold with an active LNG customer in one of the most prolific liquids rich natural gas drilling regions in North America," said Randy Hawkings, CanElson's President and CEO. "Not only is the transaction accretive, but with our renewed credit facility, our recently completed equity financings and our strong balance sheet we remain well positioned for further growth opportunities with other LNG players and in plays requiring deeper rigs."

DETAILS OF THE ACQUISITION

The consideration paid for all of the issued and outstanding shares of Highkelly was approximately $34.5 million, consisting of $17.8 million in cash and the issuance of approximately 2.6 million CanElson shares at a deemed price of $6.37 per share. As part of the transaction, CanElson has assumed net debt of approximately $6.9 million, for a total purchase price of approximately $41.5 million, including positive working capital of approximately $0.5 million.

Highkelly commenced drilling operations in late 2012 with one newly constructed AC electric triple drilling rig and subsequently added a second newly constructed AC electric triple drilling rig in early 2013.

With the exception of seasonal restrictions, both triple rigs have been operating continuously, are under long term contracts and are fully crewed.

With the completion of the Acquisition, CanElson has approximately 91,699,757 shares outstanding and 6,182,400 options outstanding with a weighted average exercise price of $5.10 per share.

STRATEGIC RATIONALE OF THE ACQUISTION

The addition of the Highkelly triple rigs significantly advances CanElson's strategy of expanding capability to participate in the growing market for deeper wells with new, state-of-the-art triple drilling rigs. In addition, the Acquisition provides the following strategic benefits:

- Immediate accretion to CanElson on an earnings, EBITDA and cash flow basis

- Easy integration of Highkelly rigs within CanElson's existing operating network

- Enables CanElson to service existing and potential new customers who are seeking high efficiencies, similar to those demonstrated by CanElson's tele-double rig fleet, on deeper well programs

- Provides CanElson with further expansion in the Montney and other resource areas of British Columbia requiring deeper rigs

- Additional triple drilling rig to be constructed through an affiliate of Highkelly (see Details of CanElson's Rig Fleet Growth Below) and therefore adding to CanElson's rig build manufacturing capacity

- As part of the transaction CanElson negotiated a right of first refusal on future rig builds through an affiliate of Highkelly (NTD - should the part about this not being part of the acquisition be noted here also - see below highlighted)

DETAILS OF CANELSON'S RIG FLEET GROWTH

With the Acquisition, CanElson's total rig fleet has increased to 50 rigs from 48, and the number of triple rigs has increased from two to four. The acquired triple rigs have a vertical depth rating of approximately 6,000 metres as compared to approximately 4,400 metres for CanElson's new tele-double rigs.

In connection with the Acquisition, CanElson has agreed to construct a third new AC electric triple rig to be manufactured by an affiliate of Highkelly in Shanghai, China for delivery in Q3 2014. This additional manufacturing capacity, along with CanElson's existing rig assembly facility in Nisku, Alberta, provides an option to increase CanElson's ability to construct drilling rigs to meet growing demand for its drilling services. The Highkelly affiliate was not part of the Acquisition.

Currently, CanElson also has two tele-double rigs under construction for delivery next year at its facility in Nisku, Alberta. These additional rigs will bring CanElson's fleet to a total of 53 rigs in 2014, in the absence of further organic rig builds, acquisitions or sales.

The approximate cost of the new AC electric triple rig is expected to be $18.3 million and the cost of the two tele-doubles under construction is expected to be $10.5 million each. Discussions are ongoing with multiple customers to contract the new AC electric triple. The first tele-double is contracted for deployment in January 2014 and the second (which has long lead items already ordered) has a contract that is currently being finalized for deployment in Q2-14 to west Texas.

As a result of the commitment to construct an additional new AC electric triple rig, CanElson's 2014 capital program has been increased from $34.1 million to $52.4 million as detailed below:

($ millions)

Capital Investment Program	Spare equipment, facilities & overhead	Upgrades & maintenance	Expansion	Total
Previously anticipated costs for 2014 capital projects	$ 4.7	$ 21.5	$ 7.9	$ 34.1
Additional 2014 rig capital	$ -	$ -	$ 18.3	$ 18.3
Total 2014 capital projects	$ 4.7	$ 21.5	$ 26.2	$ 52.4

DETAILS OF THE RENEWED CREDIT FACILITIES

CanElson's renewed syndicated credit facilities now have a four year commitment, up from three years previously. The aggregate limit remains at $120 million (consisting of a $110 million extendible revolving term loan facility and a $10 million extendible revolving operating loan facility). The accordion option of the credit facilities was increased from $20 million to $50 million and therefore provides a total credit facility of $170 million available under certain conditions.

Also at CanElson's option, and upon the consent of the lenders, the maturity date of the credit facilities can be extended upon terms acceptable to the parties. The credit facilities require interest to be paid monthly with no scheduled principal repayments until the stated maturity date.

ABOUT CANELSON

CanElson operates contract drilling rigs in Canada, the US and Mexico for oil and natural gas exploration and development companies. CanElson also assembles new drilling rigs at a facility in Nisku, Alberta, operates contract oil and gas service rigs in Mexico, and operates a CNG transportation and related services business. CanGas is a Calgary-based CNG transport company and a North American leader in the development and utilization of containerized natural gas transport. More information on CanElson can be found on its website: www.canelsondrilling.com.

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 contains forward looking information in respect of the construction of a third new AC electric triple rig to be completed and delivered in Q3 2014; CanElson's belief that its renewed credit facility and recently completed equity financings allow it to remain well positioned with a strong balance sheet for further growth opportunities including those with other LNG players, additional expansion in the Montney areas of British Columbia and Alberta, and into other plays requiring deeper rigs; delivery next year of two tele-double rigs under construction; the estimated cost of the new AC electric triple rig and the cost of each of the two tele-doubles under construction; the deployment of the contracted first tele-double in January 2014; the finalization of the contract for the second rig for deployment to west Texas in Q2 2014; the amount of the 2014 capital investment program; and the ability to increase its rig manufacturing capability through an affiliate of Highkelly.

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 information. CanElson's Annual Information Form and other documents filed with securities regulatory authorities (accessible through the SEDAR website www.sedar.com) describe the risks, material assumptions and other factors that could influence actual results and which are incorporated herein by reference. CanElson disclaims any intention or obligation to publicly update or revise any forward looking information, whether as a result of new information, future events or otherwise, except as may be expressly required by applicable securities laws.

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