



Media Release

For Immediate Release

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CanElson and SaskEnergy to develop Western Canada's first commercial high-capacity CNG truck-transport supply station

Calgary, Alberta – CanElson Drilling Inc. (TSX: CDI) announced today that its wholly owned subsidiary CanGas Solutions Inc. (“CanGas”) has signed a three-year natural gas delivery agreement with Bayhurst Energy Services Corporation (BESCO), a subsidiary of SaskEnergy, Saskatchewan’s Crown-owned natural gas utility. Under the agreement SaskEnergy will develop a high-capacity compressed natural gas (CNG) facility at Weyburn, Saskatchewan, allowing CanGas to become the first commercial supplier in Western Canada of trucked CNG for diesel engines on oil and gas drilling rigs.

“With this agreement we can start rolling out our plan to substitute diesel fuel with clean and inexpensive natural gas in our own fleet of mobile drilling rigs in Saskatchewan,” said W. Randy Hawkings, CanElson’s President and CEO. “We expect this agreement will serve as a regional model under which we can quickly expand our CNG road transport services business to supply drilling rig engines and other equipment in markets across North America.”

As a result of the agreement with SaskEnergy, CanElson will focus \$9 million of its previously announced \$20 million investment in CanGas to establish a fleet of 30 Saskatchewan-based truck-hauled CNG delivery trailers and to convert the primary diesel engines on all of its 14 drill rigs in Saskatchewan to bi-fuel capability so that the engines can operate on a mixture of natural gas and diesel fuel.

“This agreement demonstrates how SaskEnergy can strategically use existing infrastructure to offer a new service in a region where more than 40 per cent of Saskatchewan’s oil and gas drilling occurs,” said Doug Kelln, President and CEO. “CanElson and SaskEnergy have developed a business relationship that not only supports continued growth of the oil and gas sector, but also provides a viable way for that industry to significantly reduce emissions when drilling rig engines are converted to use cleaner-burning natural gas.”

The three-year agreement with CanGas is projected to generate \$2.3 million in revenue for SaskEnergy. The permanent CNG cardlock loading facility, located at SaskEnergy’s Weyburn Town Border Station, will not impact the Corporation’s ability to provide natural gas services to its residential, business or industrial customers in the Weyburn area. CanGas will use a portion of the Weyburn CNG facility’s capacity, allowing SaskEnergy to pursue other customers in this region.

When completed, SaskEnergy’s Weyburn CNG loading facility will be the first commercial station in Western Canada designed to quickly and efficiently load trailer-sized CNG containers for truck-haul delivery. CanElson expects the station will be partially operational before the end

of the third quarter of 2012 and fully operational next year. CanGas will be the initial and anchor customer for the Weyburn station.

With significant cost savings presently between natural gas and diesel fuel, CanElson has plans to negotiate more CNG supply agreements in other Canadian locations, as well as Texas and North Dakota, where CanElson operates drilling rigs. Once SaskEnergy's facility is operational, CanElson expects that CanGas will be able to offer conversion and CNG delivery services to other contract drillers in the area, as well as other types of applications, such as: diesel engines used to generate electric power; drill rig boilers; and fracturing equipment at drilling sites.

-30-

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Forward-looking Information

This news 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, such statements include CanElson's intention to quickly expand its CNG road transportation services business; intention to establish a fleet of 30 Saskatchewan based truck hauled CNG delivery trailers and to convert the primary diesel engines on all of its 14 drilling rigs in Saskatchewan; expected timing for the Weyburn CNG loading facility to be operational; intention to negotiate more CNG supply agreements in the other areas in which CanElson operates and intention to provide CNG delivery services for other applications.

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.

CanElson Drilling Inc. (TSX:CDI) 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 compressed natural gas (“CNG”) transportation and related services business. CanGas Solutions Inc., a CanElson subsidiary, 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. Information on CanGas can be found on its website: www.cangassolutions.com.

SaskEnergy Incorporated, a Crown Corporation, has been providing natural gas distribution, transmission and storage services to Saskatchewan for more than half a century. SaskEnergy delivers the benefits of safe, convenient and environmentally friendly natural gas to more than 358,000 residential, farm, commercial and industrial customers through its 80,000 kilometre distribution and transmission pipeline network. For more information about the company, visit SaskEnergy’s website at: www.saskenergy.com

Bayhurst Energy Services Corporation (BESCO), a SaskEnergy subsidiary, is an energy services company. BESCO owns a 50 per cent interest in a natural gas processing plant in southeastern Saskatchewan, which is operated through an unincorporated joint venture with ATCO Midstream Incorporated.