



## FOR IMMEDIATE RELEASE – January 21, 2010

### PAINTED PONY PROVIDES AN OPERATIONAL UPDATE

**January 21, 2010 - Calgary, Alberta** – Painted Pony Petroleum Ltd. ("Painted Pony" or the "Company") is pleased to provide an operational update.

#### **Production**

In the fourth quarter of 2009, the Company grew production to an average 1,990 boe/d, up 20% compared to the third quarter of 2009, and by 70% compared to the fourth quarter of 2008. Production is weighted approximately 71% oil, 2% condensate and natural gas liquids, and 27% natural gas. This is based on actual sales for October and November and field estimates for December 2009.

#### **Saskatchewan Light Oil Operations**

In 2009, Painted Pony carried out an active horizontal Bakken development drilling program with the drilling of 19 (16.5 net) wells at 98% success. Painted Pony has budgeted to increase its Bakken drilling in 2010, with approximately 30 net wells forecast. In the first quarter of this year, the Company expects to drill 10 (8.8 net) horizontal oil wells in Saskatchewan. The Company has drilled 3 (2.3 net) wells to date, and 2 (2.0 net) wells are currently drilling. Painted Pony expects to have two operated rigs drilling primarily in the Midale and Huntoon development areas for the balance of 2010. In January 2010, ten net Bakken wells were tied in to the newly-constructed Huntoon area battery and gathering system. The Company expects to enjoy reduced operating costs from wells tied into this facility. In addition, Painted Pony is planning solution gas and liquids conservation in this area, which is expected to increase production by 10% to 15% per tied-in well.

#### **North East British Columbia ("NE BC") Natural Gas Operations**

##### **The Montney Formation**

Painted Pony has approximately 72,000 net acres of Montney/ Doig rights in NE BC.

- ***Painted Pony Operated Lands***

Painted Pony is presently drilling two 100% working interest operated wells targeting the Montney formation in the Blair area, one of which is horizontal. A second (0.3 net) horizontal well in the Blair area is being licensed, and is scheduled to commence drilling late in the first quarter.

- ***Farm-out Lands***

Operations continue under two farm-out agreements, whereby a senior oil and gas company has farmed-in on portions of Montney rights held by the Company within the Cypress and Cameron areas of British Columbia. On the Cameron lands, two vertical wells have been drilled and flow-tested from the Montney. One well produced sweet gas at a rate of approximately 2.5 MMcf/d (at 635 Psi flowing pressure) after fifty-three hours of flow-testing and the other well tested 1.4 MMcf/d (at 275 Psi flowing pressure) at the end of a five-day flow test. Two additional horizontal wells targeting the Montney formation are currently being drilled under the terms of the farm-out agreement on the Cameron lands. Painted Pony has a 20% carried working interest in each of these wells.

The Company is currently in discussions with its partners regarding development of the 42,000 gross acre Cameron block. This would result in multi-well pads offsetting the initial positive drilling results. Including the two currently drilling wells, Painted Pony would have a carried 20% WI in up to eleven additional horizontal wells if elections to drill are made on all option wells. The Company would be required to pay 20% of equipping and tie-in costs of each well.

On the Cypress lands, a horizontal well targeting the Montney formation drilled primarily during the first quarter of 2009 is currently being re-completed in up-hole Montney and Doig formations. Painted Pony interest is 6% when the well is placed on production. Painted Pony has farmed out 9,300 net acres for the Montney/ Doig formations, on which the farmee has an option to elect to drill additional wells.

**The Buckinghorse Shale Formation**

In the Blair area, the Company is planning to participate in the drilling of 2 (1.0 net) wells in its third resource play, targeting the Buckinghorse Shale. Drilling operations will likely be undertaken in the third quarter of 2010.

**The Bluesky/ Gething Formation**

In the Cameron area, Painted Pony participated in the drilling of 1 (0.5 net) vertical well targeting the Bluesky/Gething zone in the first quarter of 2010. The well has been cased and is expected to be completed this quarter. A second (0.5 net) well has commenced drilling for Bluesky/ Gething.

**Outlook**

The Company's capital budget is \$90 million for 2010. Approximately 75% of the expected drilling, completion and equipping costs in 2010 are targeted for light oil operations.

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### **Advisory**

*This news release contains certain forward-looking statements, which are based on numerous assumptions including but not limited to (i) drilling success; (ii) production; (iii) future capital expenditures; and (iv) cash flow from operating activities. The reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect.*

*Certain information regarding Painted Pony set forth in this document, including management's assessment of Painted Pony's future plans and operations, number, type and timing of wells to be drilled, the planning and development of certain prospects, production estimates, and expected production growth may constitute forward-looking statements under applicable securities laws and necessarily involve substantial known and unknown risks and uncertainties. These forward-looking statements are subject to numerous risks and uncertainties, certain of which are beyond Painted Pony's control, including without limitation, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, volatility of commodity prices, environmental risks, inability to obtain drilling rigs or other services, capital expenditure costs, including drilling, completion and facility costs, unexpected decline rates in wells, wells not performing as expected, delays resulting from or inability to obtain required regulatory approvals and ability to access sufficient capital from internal and external sources, the impact of general economic conditions in Canada, the United States and overseas, industry conditions, changes in laws and regulations (including the adoption of new environmental laws and regulations) and changes in how they are interpreted and enforced, increased competition, the lack of availability of qualified personnel or management, fluctuations in foreign exchange or interest rates, and stock market volatility and market valuations of companies with respect to announced transactions and the final valuations thereof. Readers are cautioned that the foregoing list of factors is not exhaustive. Painted Pony's actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and, accordingly, no assurance can be given that any of the events anticipated by the forward-looking statements will transpire or occur, or if any of them do so, what benefits, including the amount of proceeds, that the Company will derive therefrom. Readers are cautioned that the foregoing list of factors is not exhaustive. All subsequent forward-looking statements, whether written or oral, attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by these cautionary statements.*

*Additional information on these and other factors that could affect Painted Pony's operations and financial results are included in reports on file with Canadian securities regulatory authorities and may be accessed through the SEDAR website ([www.sedar.com](http://www.sedar.com)) or Painted Pony's website ([www.paintedpony.ca](http://www.paintedpony.ca)).*

*The forward-looking statements contained in this document are made as at the date of this news release and Painted Pony does not undertake any obligation to update publicly or to revise any of the included forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable securities laws.*

*BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.*

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