



**FOR IMMEDIATE RELEASE – December 21, 2011**

**PAINTED PONY PETROLEUM UPDATES PRODUCTION AND  
MONTNEY AND BAKKEN OPERATIONS  
AND ANNOUNCES OFFICER APPOINTMENT**

**December 21, 2011 - Calgary, Alberta** – Painted Pony Petroleum Ltd (“Painted Pony” or the “Company”) (TSXV: PPY.A) is pleased to provide an update on northeast British Columbia Montney and southeast Saskatchewan Bakken operations.

**PRODUCTION**

Field-estimated production for the first 15 days of December averaged approximately 5,500 boe/d (30% oil and liquids). In addition, over 2,200 boe/d of production (initial productive capacity) has been tested and is awaiting tie-in. This production is expected to be brought on stream before the end of January. Furthermore, two 100% working interest Montney wells have been completed but have not yet been tested. Both wells are currently flowing back, with in-line production testing expected to be complete before year-end.

**BRITISH COLUMBIA MONTNEY OPERATIONS**

Painted Pony continues to delineate and develop its Montney assets in northeast British Columbia. During the fourth quarter, 2 (2.0 net) horizontal wells, targeting the upper and lower Montney, were drilled and completed at the Blair d-8-F/94-B-16 pad. Results are expected from both wells before year-end as they are currently flowing back on clean-up.

In anticipation of incremental production from the d-8-F pad, the Altagas Blair Creek gas plant was expanded from 24 mmcf/d to 32 mmcf/d late in November 2011. Expansion of this plant to a licensed gross capacity of 80 mmcf/d is expected by the end of the second quarter of 2012.

At the Daiber d-44-C/94-B-16 pad (50% working interest), Painted Pony is currently drilling one lower Montney well, offsetting the previously announced lower Montney well which flowed in excess of 24.5 gross mmcf/d (over 4,000 boe/d) (see news release dated September 28, 2011). The Company expects the d-44-C facilities and pipeline, which have been augmented in anticipation of additional development, to be completed late in January 2012.

At the Daiber d-60-C/94-B-16 pad (20% working interest), a partner-operated facility was brought on-stream on December 16, 2011 servicing two previously drilled Montney wells. Initial production from the two wells is estimated to be over 12 mmcf/d (2.4 mmcf/d net).

Painted Pony’s Montney delineation program continues. During 2012, the Company intends to transition to more focused development at Blair/Town to take advantage of economies of scale while continuing to delineate additional lands in West Blair and throughout the Cameron block, which includes Kobes, Daiber and Gundy.

## **SASKATCHEWAN BAKKEN OPERATIONS**

On the Flat Lake block in southeast Saskatchewan, Painted Pony has begun a delineation program with 3 (1.2 net) wells drilled in the fourth quarter of 2011. The first well (30% working interest) was completed in mid-December and flowed at a rate of 295 bbls/d of oil with a 30% water cut after approximately one week. The second well (30% working interest) is currently being completed, with the third well (65% working interest) to be completed in January 2012.

## **OFFICER AND MANAGEMENT CHANGES**

Painted Pony is pleased to announce the appointment of Bruce Hall as Vice-President, Corporate Development effective January 2, 2012 (Mr. Hall previously held the title of Negotiations Specialist). Mr. Hall has over 30 years of experience in the oil and gas industry including land negotiations, acquisitions, divestments and strategic planning initiatives. Mr. Hall has been working with Painted Pony since 2008, and has been a key member of our team in the development of corporate strategy, deal generation and partner relationships. Previously, Mr. Hall was Vice-President, Land at Redcliffe Exploration Ltd., Aquest Explorations Ltd. and Causeway Energy Corporation. Mr. Hall holds a Bachelor of Science from the University of Calgary and a Professional Landman (P. Land) designation from the Canadian Association of Petroleum Landmen.

Painted Pony is also pleased to announce the appointment of Slade Thornhill as General Manager, Exploitation & Reservoir Engineering effective January 2, 2012 (Mr. Thornhill previously held the title of Manager, Exploitation Engineering). Mr. Thornhill has 18 years of well-rounded experience with roles in operations, reserves, development and infrastructure. Previously, Mr. Thornhill led a team at Talisman Energy that delivered midstream infrastructure projects including gas-liquids extraction. Prior to that, Mr. Thornhill was in an exploitation leadership role for several properties throughout Western Canada including the Montney and Deep Basin. Mr. Thornhill holds a B.Sc. in Chemical Engineering from the University of Calgary and a Professional Engineering (P. Eng.) designation from the Association of Professional Engineers, Geologists, and Geophysicists of Alberta.

Painted Pony announces the resignation of Mr. Michael Belenkie, Vice-President, Corporate Development & Reservoir Engineering effective December 31, 2011. Mr. Belenkie has been an important part of the management team of Painted Pony since 2008, and has been a major contributor to the success of the Company. Painted Pony thanks Mr. Belenkie for his contributions and wishes him the best in his future endeavors.

For more information please visit [www.paintedpony.ca](http://www.paintedpony.ca) or contact:

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## **Advisory**

*This news release contains certain forward-looking information (collectively referred to herein as "forward-looking statements") within the meaning of applicable Canadian securities laws. Forward-looking statements are often, but not always, identified by the use of words such as "anticipate", "believe", "plan", "potential", "intend", "objective", "continuous", "ongoing", "encouraging", "estimate", "expect", "may", "will", "project", "should", or similar words suggesting future outcomes. These forward-looking statements 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.*

*Forward-looking statements are based upon the opinions and expectations of management of the Company as at the effective date of such statements and, in some cases, information supplied by third parties. Although the Company believes that the expectations reflected in such forward-looking statements are based upon reasonable assumptions and that information received from third parties is reliable, it can give no assurance that those expectations will prove to have been correct. Forward-looking statements are subject to certain risks and uncertainties that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements.*

*With respect to forward-looking statements contained in this document, Painted Pony has made a number of assumptions. The key assumptions underlying the aforementioned forward-looking statements include assumptions that: (i) commodity prices will be volatile throughout 2012; (ii) capital, undeveloped lands and skilled personnel will continue to be available at the level Painted Pony has enjoyed to date; (iii) Painted Pony will be able to obtain equipment in a timely manner to carry out exploration, development and exploitation activities; (iv) Painted Pony will have sufficient financial resources with which to conduct the capital program; (v) the accuracy of geological and geophysical data and Painted Pony's interpretation of that data; (vi) production rates in 2012 are expected to show growth from the fourth quarter of 2011; (vii) that production from new wells will be substantially similar to production rates associated with existing wells in the vicinity of the Company's properties; (viii) the continued ability of the Company to generate internal cash flow and the availability of capital on acceptable terms; and (ix) the current tax and regulatory regime will remain substantially unchanged. Certain or all of the forgoing assumptions may prove to be untrue.*

*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 globally, 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. All subsequent and forgoing 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.*

*Certain natural gas volumes have been converted to barrels of oil equivalent (BOE) on the basis of one barrel (bbl) to six thousand cubic feet (Mcf). BOE 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.*