



FOR IMMEDIATE RELEASE – January 9, 2012

PAINTED PONY PETROLEUM PROVIDES OPERATIONAL UPDATE ON ITS MONTNEY GAS DEVELOPMENT PROGRAM IN NORTHEAST BRITISH COLUMBIA

January 9, 2012 - Calgary, Alberta – Painted Pony Petroleum Ltd (“Painted Pony” or the “Company”) (TSXV: PPY.A) is pleased to provide an operations update regarding its Montney gas development program in northeast British Columbia.

BLAIR-CAMERON PROJECT

Painted Pony has now completed preliminary production testing on two previously announced horizontal Montney wells (100% working interest) drilled on the Blair d-8-F/94-B-16 pad. Upon termination of these tests, and on a combined basis, the two wells are presently capable of delivering approximately 17.8 MMcf/d (2,967 boe/d) at the wellhead. These two wells will be permanently tied-in to area facilities during the first quarter, however their production will be restricted until additional third-party processing capacity becomes available.

d-8-F Upper Montney: The upper Montney wellbore was tested for a total of 327 hours, including 65 hours on an unrestricted basis after milling out flow-through plugs. During this latter period, the well flowed at an average wellhead rate of 9.1 MMcf/d (1,517 boe/d) with an average casing pressure of 2,007 p.s.i. The final 24-hour wellhead test rate was 8.2 MMcf/d (1,367 boe/d) at an average casing pressure of 1,593 p.s.i.

d-8-F Lower Montney: The lower Montney wellbore was tested for a total of 275 hours, including 64 hours on an unrestricted basis after milling out flow-through plugs. During this latter period, the well flowed at an average wellhead rate of 9.9 MMcf/d (1,650 boe/d) with an average casing pressure of 1,772 p.s.i. The final 24-hour wellhead test rate was 9.6 MMcf/d (1,600 boe/d) at an average casing pressure of 1,110 p.s.i.

At the Daiber (Cameron) d-44-C/94-B-16 pad (50% working interest), Painted Pony recently rig-released drilling operations on a second lower Montney horizontal well. This well is scheduled to be completed and production tested as soon as servicing equipment is available. This well is a direct offset to the Company’s lower Montney well which as previously reported flowed in excess of 24.5 MMcf/d (see news release dated September 28, 2011). The Company anticipates that both lower Montney wells on the d-44-C pad will be pipeline connected and commence production during the first quarter. Painted Pony also plans to spud a third well on this pad targeting the middle Montney on or about January 10, 2012.

At Kobes (Cameron), drilling operations recently commenced on the first well at the c-75-J/94-B-09 pad (20% working interest, non-operated), targeting the lower Montney. This well is expected to be completed and production tested during the second quarter.

Painted Pony's field-estimated production for northeast British Columbia during December 2011 averaged approximately 25 MMcf/d (4,167 boe/d), representing an increase of more than 50% from average third quarter volumes. At the present time, the Company estimates that it has approximately 45 MMcf/d (7,500 boe/d) of total net wellhead productive capacity from the Montney project in northeast British Columbia. Approximately 35% of this capacity (2,600 boe/d) is currently shut-in and waiting on pipeline tie-in and/or plant expansions, all of which are scheduled to be completed and operational by the end of the second quarter.

CYPRESS PROJECT

Painted Pony has recently purchased 100% of a partner's working interest, consisting primarily of undeveloped lands, within the Company's Cypress block. The Cypress area is considered highly prospective for Montney gas development and is located approximately 15 miles west of the Blair-Cameron project. In this transaction, Painted Pony acquired 8,427 net acres (approximately 13 net sections) of additional Montney mineral interests, increasing the Company's overall Montney position at Cypress to a 47% average working interest on 35,404 gross acres.

PRODUCTION

Painted Pony's field-estimated total production during the fourth quarter of 2011 averaged 5,040 boe/d (approximately 34% oil and liquids). For the month of December, the Company's total field-estimated volumes averaged 5,839 boe/d. For the first quarter of 2012, Painted Pony expects field production to average 7,000 boe/d.

CORMARK LNG CONFERENCE

Painted Pony is pleased to announce that it will be participating in the Cormark Securities Canadian LNG Conference taking place on January 11, 2012 in New York, New York and January 12, 2012 in Toronto, Ontario. An updated investor presentation will be available on the Company's website (www.paintedpony.ca) on January 11, 2012.

For more information please visit 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 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) or Painted Pony's website (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 six thousand cubic feet (Mcf) to one barrel (bbl). 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.

Certain oil and natural gas liquids volumes have been converted to thousands of cubic feet of gas equivalent (Mcfge) on the basis of one barrel (bbl) to six thousand cubic feet (Mcf). Mcfges may be misleading, particularly if used in isolation. A Mcfge conversion ratio of 1 bbl: 6 Mcf is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

The well test results disclosed in this news release represent short-term results, which may not necessarily be indicative of long-term well performance or ultimate hydrocarbon recovery therefrom.