Painted Pony Petroleum Announces Increased Production and Capital Budget, Increased Credit Facilities and First Quarter 2014 Financial and Operating Results

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CALGARY, ALBERTA--(Marketwired - May 13, 2014) - Painted Pony Petroleum Ltd. ("Painted Pony" or the "Company") (TSX:PPY) is pleased to present its first quarter 2014 financial and operating results. In addition, Painted Pony announces an increase to its 2014 production forecast based on recent Montney natural gas well performance. The Company is also increasing its 2014 capital program in response to the improved outlook for natural gas prices combined with the forecast production increase. Highlights include:

- field-estimated production volumes in April 2014 exceeded 14,500 barrels of oil equivalent per day ("boe/d"), weighted 86% to natural gas and included over 1,100 barrels per day ("bbls/d") of natural gas liquids and over 900 bbls/d of crude oil;
- a revised second quarter 2014 average production estimate of 14,000 boe/d (86% natural gas) with an additional 2,000 boe/d of production awaiting debottlenecking of infrastructure capacity. The revised second quarter 2014 estimate represents an increase of 44% over first quarter 2014 average production of 9,734 boe/d (87% natural gas);
- a 2014 average production estimate ranging from 13,000 boe/d to 13,500 boe/d (86% natural gas), a 50% to 55% increase over 2013 average production of 8,693 boe/d;
- an increased 2014 capital program to $169 million, from a previously approved program of $138 million, to accelerate British Columbia Montney growth initiatives, including the construction of an additional 25 million cubic feet per day ("MMcf/d") of gas processing capacity and a total 2014 drilling program of 21 (19.5 net) Montney wells;
- a 40% increase in the Company's syndicated credit facilities (the "Facilities") to $175 million from $125 million;
- a Company record funds flow from operations in the first quarter of 2014 of $19.5 million ($0.22 per share), 38% higher than the first quarter of 2013; and
- excellent field operating netbacks in northeast British Columbia of $25.97/boe, equating to $4.33 per thousand cubic feet of gas equivalent ("Mcfe").

INCREASED PRODUCTION EXPECTATIONS

In conjunction with the recently adopted ball-drop frac technology, Painted Pony has also realized substantial early production gains from the implementation of a paired parallel-well drilling and completion pattern. This approach combines our operational experience using open-hole fracture stimulations with a new sequencing and refined placement of Montney horizontal well trajectories. Painted Pony has recently completed a 100% working interest Upper Montney parallel-well pair on the Blair 11-F pad using this modified configuration. This well pair has produced since April 23, 2014 and over the last seven days has produced at an aggregate combined rate of over 21 MMcf/d with an estimated 18 bbls/MMcf of recoverable natural gas liquids. Subsequent to debottlenecking of the gas gathering system, over the last reported 24 hour period the well pair has produced at over 26 MMcf/d.

The first results from this modified technique were reported at the Blair 41-F pad in the Company's press release dated April 9, 2014. As previously announced, the 2 (2.0 net) Upper Montney wells on the 41-F pad flowed at a seven day, combined average raw wellhead rate of 20.8 MMcf/d with an estimated 15 bbls/MMcf of recoverable natural gas liquids. The recent 11-F and 41-F pad results appear to significantly surpass initial rate forecasts for the Company's internal production type curves, as applied to previous perf-and-plug style completions as well as earlier ball-drop completions.

In response to continued excellent production performance from the above recently drilled well pairs, and the Company's existing production base, Painted Pony is revising its production estimates for the second quarter of 2014 to average 14,000 boe/d (86% natural gas) from its previous estimate of 13,500 boe/d. Painted Pony currently has approximately 2,000 boe/d of shut-in natural gas production awaiting the debottlenecking of infrastructure capacity. Painted Pony's 2014 annual production estimate is expected to range between 13,000 boe/d and 13,500 boe/d (86% natural gas). This revised estimate for the year represents an increase of 50% to 55% over 2013 average production of 8,693 boe/d. First quarter 2014 production averaged 9,734 boe/d (87% natural gas), while field estimated production in April 2014 exceeded 14,500 boe/d including more than 1,100 bbls/d of natural gas liquids and more than 900 bbls/d of crude oil.

INCREASED CAPITAL BUDGET

The Company's increased production expectations combined with improved natural gas prices has led Painted Pony to expand its 2014 capital budget to $169 million from its previous level of $138 million. As part of this budget expansion, the Company has accelerated its Montney appraisal program in British Columbia to include a total of 21 (19.5 net) wells in 2014. The revised capital budget also includes accelerating the construction of a planned 25 MMcf/d natural gas compression and dehydration facility at Blair in the fourth quarter of 2014, with operations beginning early in the first quarter of 2015.

As previously announced, Painted Pony intends to increase the processing capacity at its 50% working interest Daiber dry gas facility to 50 MMcf/d from its current capacity of 25 MMcf/d. In anticipation of this expansion, Painted Pony has initiated fabrication of the required equipment, and expects construction to be completed with operations commencing in the fourth quarter of 2014.

INCREASED CREDIT FACILITIES

Following the Company's successful review by its syndicate members, Painted Pony has increased its available credit facilities to $175 million from its previous level of $125 million. The facilities are provided by four Chartered Canadian Institutions including the National Bank of Canada (as administrative agent), Alberta Treasury Branches, the Canadian Imperial Bank of Commerce, and the Bank of Nova Scotia. The Facilities revolve for a 364 day period plus a one year term-out, are extendible annually, and are subject to semi-annual review. As at March 31, 2014, the Company had $33.4 million of bank debt outstanding on its syndicated credit facilities.

FIRST QUARTER 2014 FINANCIAL & OPERATING RESULTS

During the first quarter of 2014, Painted Pony generated a Company record funds flow from operations of $19.5 million, which represents a 58% increase over the fourth quarter 2013, and a 38% increase over the first quarter 2013. On a per share basis, Painted Pony generated funds flow from operations of $0.22/share, an increase of 57% over fourth quarter 2013 funds flow per share and 38% over first quarter 2013 funds flow per share.

Additionally in the first quarter of 2014, the Company realized excellent field operating netbacks. Continued cost reductions and efficiencies in operations coupled with increased natural gas pricing has allowed Painted Pony to realize field operating netbacks of $27.76/boe, while field operating netbacks from operations in British Columbia were $25.97/boe, equating to $4.33/Mcfe.

During the first quarter of 2014, cash capital expenditures totaled $45.8 million including $36.2 million on drilling and completions. In the first quarter of 2014, the Company drilled 3 (3.0 net) Montney wells, and completed 4 (4.0 net) Montney wells, including 2 (2.0 net) previously drilled Montney wells at Townsend. An additional $9.0 million was spent to complete construction of the Company's 100% working interest, 25 MMcf/d natural gas processing and condensate stabilization facility at Townsend. To-date in 2014, Painted Pony has drilled 6 (6.0 net) Montney wells and completed 6 (6.0 net) Montney wells.

Painted Pony is a Canadian oil and gas exploration company that trades on the Toronto Stock Exchange under the symbol "PPY".

Financial and Operating Highlights

Three months ended March 31,	2014	2013	Change
Financial *($ millions, except per share and shares outstanding)*			
Petroleum and natural gas revenue(1)	37.2	25.5	+46 %
Funds flow from operations(2)	19.5	14.1	+38 %
Per share - basic(3) and diluted(4)	0.22	0.16	+38 %
Net loss	(1.5)	(1.8)	+17 %
Per share - basic(3) and diluted(4)	(0.02)	(0.02)	-
Capital expenditures(5)	47.5	52.5	-10 %
Working capital (deficiency)(6)	(41.3)	9.3	-
Bank debt	33.4	-	-
Total assets	669.8	614.7	+9 %
Shares outstanding *(000s)*	88,964	88,401	+1 %
Basic weighted-average shares *(000s)*	88,544	88,343	-
Fully diluted weighted-average shares *(000s)*	88,641	88,668	-
Operational			
Daily production volumes			
Natural gas *(mcf per day)*	50,605	40,736	+24 %
Crude oil *(bbls per day)*	827	1,406	-41 %
Natural gas liquids *(bbls per day)*	473	401	+18 %
Total *(boe per day)*	9,734	8,596	+13 %
Realized prices			
Natural gas *($ per mcf)*	5.72	3.34	+71 %
Crude oil *($ per bbl)*	99.41	87.70	+13 %
Natural gas liquids *($ per bbl)*	80.27	45.79	+75 %
Field operating netbacks(7) *($ per boe)*			
British Columbia	25.97	14.73	+76 %
Saskatchewan	44.98	46.55	-3 %
Company combined	27.75	20.63	+35 %

1. *Before royalties*
2. *This table contains the term "funds flow from operations", which should not be considered an alternative to, or more meaningful than "cash flows from operating activities" as determined in accordance with International Financial Reporting Standards ("IFRS") as an indicator of the Company's performance. Funds flow from operations and funds flow from operations per share (basic and diluted) does not have any standardized meaning prescribed by IFRS and may not be comparable with the calculation of similar measures for other entities. Management uses funds flow from operations to analyze operating performance and leverage and considers funds flow from operations to be a key measure as it demonstrates the Company's ability to generate the cash necessary to fund future capital investment. The reconciliation between funds flow from operations and cash flows from operating activities can be found in "Management's Discussion and Analysis". Funds flow from operations per share is calculated using the basic and diluted weighted average number of shares for the period, consistent with the calculations of earnings per share.*
3. *Basic per share information is calculated on the basis of the weighted average number of shares outstanding in the period.*
4. *Diluted per share information reflects the potential dilutive effect of options.*
5. *Including acquisitions, decommissioning obligations, and capitalized share-based payments.*
6. *This table contains the term "working capital (deficiency)". Working capital (deficiency) does not have any standardized meaning prescribed by IFRS and may not be comparable with the calculation of similar measures for other entities. Management calculates working capital (deficiency) as current assets less current liabilities and uses this ratio to analyze operating performance and leverage.*
7. *This table contains the term "field operating netbacks". Field operating netback does not have any standardized meaning prescribed by IFRS and may not be comparable with the calculation of similar measures for other entities. Management calculates field operating netback on a per unit basis as crude oil, natural gas, natural gas liquids revenues and other income less royalties, operating and transportation costs.*

Neither the TSX nor its Regulation Services Provider (as that term is defined in the policies of the TSX) accepts responsibility for the adequacy or accuracy of this news release.

Advisory

Special Note Regarding Forward-Looking Information

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;(iv) accuracy of reserves and resources estimates; and (v) cash flows from operating activities. In addition, and without limiting the generality of the foregoing, the key assumptions underlying the forward-looking statements contained herein include the following: (i) commodity prices will be volatile, and natural gas prices will remain low, throughout 2014; (ii) capital, undeveloped lands and skilled personnel will continue to be available at the level Painted Pony has enjoyed to date; (iii) the effect of hedges on risk management programs; (iv) Painted Pony will be able to obtain equipment in a timely manner to carry out exploration, development and exploitation activities; (v) production rates in 2014 are expected to show growth from the first quarter of 2014; (vi) Painted Pony will have sufficient financial resources with which to conduct the capital program; and (vii) the current tax and regulatory regime will remain substantially unchanged The reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect.

This news release contains information, including in respect of Painted Pony's capital program, which may constitute future oriented financial information or a financial outlook. Such information was approved by management of Painted Pony on May 13, 2014, and such information is included herein to provide readers with an understanding of the Company's anticipated capital expenditures. Readers are cautioned that the information may not be appropriate for other purposes.

Certain information regarding Painted Pony set forth in this document, including estimates of the Company's reserves and resources, estimates of future net revenue from the Company's reserves and resources, pricing, inflation and exchange rates 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. 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.

This news release contains other industry benchmarks and terms, such as field operating netbacks (calculated on a per unit basis as oil, gas and natural gas liquids revenues less royalties and transportation and operating costs) and funds flow from operations and funds flow from operations per share (basic and diluted),which are not recognized measures under International Financial Reporting Standards. These measures are commonly utilized in the oil and gas industry and are considered informative for management and stakeholders. Painted Pony's method of calculating field operating netbacks may not be comparable to that used by other companies. Field operating netbacks should not be viewed as an alternative to cash flow from operations or other measures of financial performance calculated in accordance with IFRS. Per unit field operating netbacks reflect revenues less royalties, transportation and operating costs divided by production for the period.

Estimates of production for individual wells may not reflect the same confidence or production levels as estimates of production for all wells on specific properties due to the effects of aggregation.

The well test results and short term production 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.

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. Given the value ratio based on the current price of crude oil as compared to natural gas is significantly different from the energy equivalency of 6 Mcf: 1 bbl, utilizing a conversion ratio at 6 Mcf: 1 bbl may be misleading as an indication of value.

Additional information on these and other factors that could affect Painted Pony's operations and financial results are included in the Company's Management's Discussion and Analysis for the year ended December 31, 2013, first quarter ended March 31, 2014, and the Company's Annual Information Form for the year ended December 31, 2013 and in reports which are on file with the 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.

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