



PRESS RELEASE

FAIRBORNE PROVIDES 2010 GUIDANCE AND OPERATIONAL UPDATE

CALGARY, ALBERTA, January 26, 2010 -- Fairborne Energy Ltd. ("Fairborne" or the "Company") is pleased to provide the following update for its operations, production and capital program for 2010.

In 2009, a period where we experienced weak global economic markets and a challenging natural gas environment, Fairborne made significant progress in building strategic value for our shareholders through prospect inventory growth, material reduction of net bank debt (2009 saw Fairborne reduce net bank debt by \$115 million, a 51% reduction) to stand at \$110 million at year end and a disciplined capital spending program.

Fairborne currently has five drilling rigs active on its planned 2010 capital program of \$150 million. Two rigs are in the Harlech area drilling multizone vertical wells, two rigs are active in the Marlboro area drilling horizontal Wilrich wells and one is in Sinclair, Manitoba drilling a four well horizontal program. Fairborne's current production is approximately 13,600 boe per day and with the winter drilling program, which includes the drilling of 17 (12.2 net) wells, the Company expects to enter spring breakup with production in excess of 15,000 boe per day.

2009 exploration drilling was focused in the Marlboro/Pine Creek area where Fairborne drilled three (1.6 net) successful Wilrich horizontal wells, which all tested between 5.0 and 6.0 mmcf per day. Following up on this success, Fairborne currently has two drilling rigs in the Marlboro area where first quarter plans include three Wilrich horizontal wells.

Throughout 2009, Fairborne added to its land base in the Marlboro area and now controls 37 (28 net) sections that are prospective for the Wilrich. With current plans to drill up to three wells per section this represents a drilling inventory of 107 wells. The horizontal wells cost approximately \$5.4 million to drill and complete and benefit from all three components of the Alberta Government Royalty incentives that include 0.5 Bcf of production at five percent royalty and approximately \$4.4 million in Deep Gas Credits and drilling incentives.

Fairborne continues to evaluate Wilrich well performance and has made a number of technical advancements in the drilling and completion of these wells. This has resulted in increased performance, with the latest well producing at a rate which is 25 percent higher than the first well with an average 60 day production rate of 4.6 mmcf per day.

First half of 2010 activity includes the drilling of three (2.3 net) Wilrich horizontal wells. Two of these will be drilled from a single pad and completion operations will commence after both wells have been drilled. Although this will delay the start up of production relative to drilling and completing single wells, the cost efficiencies will significantly enhance already robust economics.

Marlboro – Notikewin, Cardium



Fairborne also has successfully drilled and completed its first Notikewin horizontal well (93% WI) in the Marlboro area. This well was drilled with a horizontal length of 1,568 m, fracture stimulated over 10 intervals, had a total cost to drill and complete of \$5.6 million and will qualify for \$3.6 million in government royalty incentives. During post fracture stimulation cleanup the well flowed at rates up to 6.3 mmcf per day. Flow rates at the end of a 24 hour in line production test were 5.3 mmcf per day at a flowing pressure of 550 psi.

Recent industry drilling activity to the north of Fairborne's Marlboro property targeting the Cardium Formation and utilizing horizontal drilling and multistage fracture stimulation has increased significantly. Initial rates in these recent wells, as reported by industry, are as high as 350 bbls per day. Included in Fairborne's Marlboro lands are 17 net sections of Cardium rights on this trend with similar reservoir rock on all 17 sections. Plans for the second half of 2010 include two (1.2 net) Cardium horizontal wells. Land sale activity in the Marlboro/Pine Creek area has targeted deep rights with land sale bids as high as \$5,000 per hectare. Included in Fairborne's Marlboro lands are 17 net sections of deep rights.

Harlech - Multizone Cretaceous Opportunities

Fairborne also successfully drilled and completed its fourth Nordegg horizontal well (30 percent WI), a significant step out well designed to test the westward extension of the play and located approximately six miles west of existing production. For 2010, Fairborne currently has budgeted two (1.1 net) Nordegg wells. The first well will be drilled to the northeast of its latest well and the second well will be a development well immediately offsetting the original discovery well which has produced 1.7 Bcf of sales gas and 75,000 barrels of natural gas liquids and condensate over a 15 month period and continues to produce at a stable 2.0 mmcf per day.

Fairborne recently drilled and completed one (0.9 net) multizone vertical well and is in the process of final completion and tie in operations of four zones in the well. The Company currently has two rigs drilling similar wells at Harlech with completion and tie in operations expected to be completed by the end of the first quarter.

Sinclair – Torquay/Bakken

Fairborne's Sinclair light oil property continues to deliver exceptional economics resulting from low operating costs (\$6.00/bbl), high quality light oil and royalty free production on Crown lands.

The 2010 capital program includes the drilling of 10 net wells, of which four are drilling in the first quarter. Fairborne's current inventory of horizontal drilling opportunities at Sinclair includes 142 locations.

During the fourth quarter of 2009, Fairborne received approval from the Manitoba government for a two section waterflood pilot at Sinclair. Water injection commenced in mid December and based



on analogues to the north and anticipated waterflood response, Fairborne expects recovery factors to increase from approximately five percent to near 20 percent under waterflood.

Production

Fairborne's current asset base and the 2010 capital program are expected to deliver average annual production of 14,650 boe per day for 2010, an increase of nine percent over fourth quarter 2009 production levels estimated to be approximately 13,500 boe per day.

Financial

Fairborne's balance sheet, with approximately \$110 million of net bank debt drawn against its \$285 million credit facility at year end 2009, provides significant capacity and flexibility to finance acquisitions and capitalize on investment opportunities. Fairborne began 2009 with approximately \$224 million in net bank debt and through prudent capital spending, sulphur block sales, divestiture of a portion of the Company's interest in the West Pembina Sour Gas Plant and a well timed equity issue (\$70 million) in September, overall net bank debt was reduced by \$115 million or 51 percent.

Fairborne's operating costs are expected to average between \$10.00 and \$10.50 per barrel of oil equivalent for 2010, consistent with 2009 levels which are currently estimated to be approximately \$10.25 per barrel of oil equivalent.

Fairborne has been and continues to be active in hedging future production volumes to ensure stability of cash flows and assurance of capital expenditures. In 2009, hedging gains amounted to \$35.5 million. The Company currently has 37 percent of 2010 gas volumes hedged at an average price of \$6.63 per mcf.,

Fairborne is a crude oil and natural gas exploration, development and production company headquartered in Calgary, Alberta, Canada. Fairborne's shares trade on the Toronto Stock Exchange under the symbol "FEL".

For further information contact:

Fairborne Energy Ltd.

Steven R. VanSickle
President and Chief Executive Officer
Tel: 403-290-7759 Fax: 403-290-7724
svansickle@fairborne-energy.com
www.fairborne-energy.com

Aaron G. Grandberg
Chief Financial Officer
Tel:403-290-3217 Fax: 403-290-7724
agrandberg@fairborne-energy.com
www.fairborne-energy.com

Certain information set forth in this document, contains forward-looking statements including management's assessment of future plans and operations of Fairborne Energy Ltd. ("Fairborne"), the inventory of drilling prospects and potential drilling locations, drilling plans and the costs thereof and expected royalty incentives related thereto, completion and tie-in plans, expenditures pursuant to the capital program and the results therefrom, and drilling rigs to be utilized and the timing thereof, expected production levels at spring breakup and for 2010, expected increase in recovery factor as a result of waterflood at Sinclair and expected operating costs in 2010. By their nature, forward-looking statements are subject to numerous risks and uncertainties, some of which are beyond Fairborne's control,



including the impact of general economic conditions, industry conditions, volatility of commodity prices, risks associated with oil and gas exploration, development, exploitation, production, marketing and transportation, loss of markets, delays resulting from or the inability to obtain required regulatory approvals, inability to retain and delays in retaining drilling rigs and other services, currency fluctuations, imprecision of reserve estimates, environmental risks, competition from other industry participants, the lack of availability of qualified personnel or management, stock market volatility, incorrect assessment of the value of acquisitions, failure to realize the anticipated benefits of acquisitions and ability to access sufficient capital from internal and external sources. The foregoing list is not exhaustive. Additional information on these and other risks that could affect Fairborne'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 at Fairborne's website (www.fairborne-energy.com). Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. The actual results, performance or achievement of Fairborne 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 that Fairborne will derive therefrom. Fairborne disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. BOE disclosure may be misleading, particularly if used in isolation. The analogous information with respect to initial rates of wells at Marlboro was obtained from publicly available data. A BOE conversion ratio of 6 Mcf to 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.