Paramount Resources Ltd.

# Paramount Resources Ltd. Third Quarter Results; Updated Independent Reserves Evaluation - Proved Reserves Increase 75%; Musreau Deep Cut Facility Commissioning To Begin In December

**CALGARY, ALBERTA - Nov. 6, 2013 /CNW/ -** Paramount Resources Ltd. (TSX:POU)

**THIRD QUARTER OVERVIEW**

**Principal Properties**

- Paramount engaged its independent reserves engineers to complete an updated evaluation of the Company's conventional reserves, effective September 30, 2013, in connection with the renewal of its bank credit facility at the end of November. Proved reserves increased 75 percent from year-end 2012 to 88.9 MMBoe (replacement ratio of eight times) and proved and probable reserves increased 55 percent from year-end 2012 to 134.9 MMBoe (replacement ratio of ten times).
- The Company's 200 MMcf/d deep cut facility at Musreau (the "Musreau Deep Cut Facility") is nearing completion, in-line with budget. Commissioning will commence in December and is expected to span approximately 12 weeks.
- Paramount's behind pipe well inventory in the Kaybob Deep Basin has increased to 61 (47.9 net) wells and advance drilling for the deep cut facilities expansions at Musreau and Smoky continues.
- Based on positive middle-Montney drilling results in the Grande Prairie COU, the Company is planning to drill up to four additional horizontal wells at Karr-Gold Creek during the remainder of 2013.
- Third quarter netbacks increased 47 percent to $28.0 million in 2013 from $19.0 million in 2012, despite the impact of third-party downstream disruptions which curtailed production by approximately 3,600 Boe/d.
- Kaybob COU sales volumes increased 29 percent to 13,176 Boe/d in the third quarter of 2013 compared to 10,225 Boe/d in the same quarter of 2012. Total Company sales volumes in the third quarter of 2013 averaged 20,022 Boe/d compared to 18,712 Boe/d in the third quarter of 2012.

**Corporate**

- In October 2013, Paramount raised approximately $60 million through the issuance of 1.4 million CEE flow-through Common Shares.
- Paramount is currently working with its lenders on the annual renewal of its $450 million bank credit facility. The Company anticipates that the facility will be renewed before the end of November and the size will be increased based on the progress achieved in the Kaybob Deep Basin development and the significant increases in reserves.

**Strategic Investments**

- Paramount is currently drilling the horizontal leg of its shale gas evaluation well in the Dunedin area of Northeast British Columbia. Completion operations are expected to follow.
- Tie-in work for the Company's shale gas evaluation well at Patry is substantially complete, and the Company plans to bring the well on production before the end of 2013.

**FINANCIAL AND OPERATING HIGHLIGHTS[(1)(2)]**

($ millions, except as noted)

| | **Three months ended September 30** | | | **Nine months ended September 30** | | |
|---|---|---|---|---|---|---|
| | **2013** | **2012** | **% Change** | **2013** | **2012** | **% Change** |
| **FINANCIAL** | | | | | | |
| Petroleum and natural gas sales | **53.9** | 41.3 | 31 | **174.7** | 142.5 | 23 |
| Funds flow from operations | **13.4** | 15.5 | (14) | **52.3** | 40.4 | 29 |
| *Per share - diluted ($/share)* | ***0.14*** | *0.18* | *(22)* | ***0.56*** | *0.46* | *22* |
| Net income (loss) | **(37.6)** | (34.6) | (9) | **(59.4)** | 89.9 | (166) |
| *Per share - diluted* | ***(0.39)*** | *(0.40)* | *3* | ***(0.64)*** | *1.03* | *(162)* |

| | | | | | | |
|---|---|---|---|---|---|---|
| *($/share)* | | | | | | |
| Exploration and development expenditures | **209.8** | 147.7 | 42 | **449.1** | 356.3 | 26 |
| Investments in other entities - market value[3] | | | | **749.8** | 656.6 | 14 |
| Total assets | | | | **2,282.4** | 1,903.0 | 20 |
| Net debt [4] | | | | **1,009.3** | 569.1 | 77 |
| Common shares outstanding (thousands) | | | | **95,351** | 87,489 | 9 |
| **OPERATING** | | | | | | |
| Sales volumes | | | | | | |
| Natural gas (MMcf/d) | **100.9** | 95.3 | 6 | **107.4** | 96.7 | 11 |
| NGLs (Bbl/d) | **2,535** | 1,755 | 44 | **2,441** | 1,793 | 36 |
| Oil (Bbl/d) | **656** | 1,081 | (39) | **790** | 1,756 | (55) |
| Total (Boe/d) | **20,022** | 18,712 | 7 | **21,125** | 19,663 | 7 |
| Average realized price | | | | | | |
| Natural gas ($/Mcf) | **3.10** | 2.58 | 20 | **3.52** | 2.46 | 43 |
| NGLs ($/Bbl) | **78.55** | 60.65 | 30 | **74.89** | 69.42 | 8 |
| Oil ($/Bbl) | **100.73** | 81.28 | 24 | **89.43** | 83.96 | 7 |
| Total ($/Boe) | **29.27** | 24.00 | 22 | **30.29** | 26.46 | 14 |
| Net wells drilled (excl. oil sands evaluation) | **16** | 9 | 78 | **32** | 28 | 14 |
| Net oil sands evaluation wells drilled | **-** | - | - | **6** | 1 | 500 |
| **CONVENTIONAL RESERVES** | **Proved** | | | **Proved and Probable** | | |
| | **September 30 2013** | December 31 2012 | | **September 30 2013** | December 31 2012 | |
| Natural gas (Bcf) | **306.2** | 201.9 | 52 | **455.6** | 323.7 | 41 |
| NGLs (MBbl) | **37,226** | 15,662 | 138 | **58,106** | 30,761 | 89 |
| Light and medium crude oil (MBbl) | **669** | 1,540 | (57) | **870** | 2,128 | (59) |
| **Total Conventional (MBoe)** | **88,932** | 50,857 | 75 | **134,910** | 86,842 | 55 |
| Conventional F&D costs excluding facilities & gathering ($/Boe) | **17.49** | 16.82 | 4 | **11.35** | 12.18 | (7) |
| Conventional reserves replacement | **799%** | 336% | | **992%** | 599% | |

(1) Readers are referred to the advisories concerning non-GAAP measures and Oil and Gas Measures and Definitions in the Advisories section of this document.

(2) Amounts include the results of discontinued operations. Refer to Paramount's Management's Discussion and Analysis for the three and nine months ended September 30, 2013.

(3) Based on the period-end closing prices of publicly-traded enterprises and the book value of the remaining investments.

(4) Net debt is a non-GAAP measure, it is calculated and defined in the Liquidity and Capital Resources section of Paramount's Management's Discussion and Analysis for the three and nine months ended September 30, 2013.

## OUTLOOK

Paramount has expanded its fourth quarter capital program, including the addition of approximately 11 net wells in the Kaybob and Grande Prairie areas and accelerating plans for the completion of the Dunedin shale gas evaluation well. As a result, the Company's total 2013 exploration and development ("E&D") and Strategic Investments capital budget has been increased by $150 million to approximately $800 million, excluding land acquisitions and capitalized interest.

The Company's E&D spending in the fourth quarter will primarily focus on the Kaybob COU's Deep Basin development, including drilling and completing additional wells, and the final stages of construction of the Musreau Deep Cut Facility. Fourth quarter activities will also include drilling and completing middle Montney wells in the Grande Prairie COU. Strategic Investment capital spending for the remainder of 2013 will be directed towards the Company's shale gas evaluation wells in the Liard Basin.

Sales volumes for the remainder of 2013 are expected to be approximately 21,000 Boe/d, unless additional interruptible natural gas processing capacity becomes available.

Upon start-up of the Musreau Deep Cut Facility, Paramount will begin to ramp-up production to achieve levels exceeding 50,000 Boe/d later in 2014, following the completion of expansions to a downstream NGLs fractionation facility in which Paramount has secured long-term firm service capacity and the non-operated Smoky facility.

## CONVENTIONAL RESERVES UPDATE

In connection with the renewal of its bank credit facility at the end of November, Paramount engaged McDaniel & Associates Consultants Ltd. ("McDaniel"), its independent reserves evaluator, to evaluate the Company's conventional reserves as of September 30, 2013 in accordance with National Instrument 51-101 definitions, standards and procedures. The updated evaluation was undertaken to incorporate the significant progress made by the Company in its Kaybob Deep Basin Development and the results of recent drilling activity at Karr-Gold Creek in the Grande Prairie COU.

Paramount's conventional proved reserves at September 30, 2013 increased 75 percent over year-end 2012 to 88.9 MMBoe, after production of 5.8 MMBoe and dispositions of 2.2 MMBoe, resulting in a proved reserves replacement ratio of 799 percent. Conventional proved and probable reserves increased 55 percent over year-end 2012 to 134.9 MMBoe, resulting in a proved and probable reserves replacement ratio of 992 percent.

The Company's working interest reserves and before tax net present value of future net revenues as of September 30, 2013 using forecast prices and costs are as follows:

**Conventional Reserves Summary (1)**

| | **Gross Proved and Probable Reserves** | | | | **Before Tax Net Present Value (3)** | | |
|---|---|---|---|---|---|---|---|
| | **Natural Gas** | **Light & Medium Crude Oil** | **Natural Gas Liquids** | **Total** | **($ millions) Discount Rate** | | |
| **Reserves Category** | **(Bcf)** | **(MBbl)** | **(MBbl)** | **(MBoe) (2)** | **0%** | **10%** | **15%** |
| **Conventional** | | | | | | | |
| Proved | | | | | | | |
| Developed Producing | 143.9 | 669 | 4,427 | 29,072 | 524 | 411 | 373 |
| Developed Non-producing | 35.2 | - | 11,324 | 17,189 | 344 | 193 | 153 |
| Undeveloped | 127.2 | - | 21,475 | 42,670 | 726 | 241 | 124 |
| Total Proved | 306.2 | 669 | 37,226 | 88,932 | 1,594 | 845 | 649 |
| Total Probable | 149.4 | 201 | 20,879 | 45,978 | 1,273 | 698 | 572 |
| **Total Proved and Probable** | **455.6** | **870** | **58,106** | **134,910** | **2,867** | **1,543** | **1,221** |

(1) Columns may not add due to rounding.
(2) Refer to the Oil and Gas Measures and Definitions and other advisories in the Advisories section of this document.
(3) The estimated net present values disclosed in this document do not represent fair market value. Revenues and expenditures were calculated based on McDaniel's forecast prices and costs as of October 1, 2013.

**Conventional Reserves Reconciliation (1)**

| | Proved Reserves | | | Proved and Probable Reserves | | |
|---|---|---|---|---|---|---|
| | **Natural Gas** | **Oil and NGLs(2)** | **Total** | **Natural Gas** | **Oil and NGLs(2)** | **Total** |
| | (Bcf) | (MBbl) | (MBoe) (3) | (Bcf) | (MBbl) | (MBoe) (3) |
| **January 1, 2013** | 201.9 | 17,202 | 50,857 | 323.7 | 32,889 | 86,842 |
| Extensions & discoveries | 120.1 | 18,849 | 38,864 | 188.7 | 29,836 | 61,285 |
| Technical revisions | 22.9 | 3,379 | 7,193 | (13.7) | (1,804) | (4,091) |
| Dispositions | (9.4) | (652) | (2,215) | (13.8) | (1,063) | (3,359) |
| Production | (29.3) | (882) | (5,767) | (29.3) | (882) | (5,767) |
| **September 30, 2013** | **306.2** | **37,895** | **88,932** | **455.6** | **58,976** | **134,910** |

(1) Columns and rows may not add due to rounding.
(2) Light and medium crude oil and natural gas liquids.
(3) Refer to the Oil and Gas Measures and Definitions and other advisories in the Advisories section of this document.

Additional information concerning the updated reserves evaluation and finding and development costs is contained in the Company's third quarter 2013 report.

## ADDITIONAL INFORMATION

## ABOUT PARAMOUNT

Paramount Resources Ltd. is a Canadian oil and natural gas exploration, development and production company with operations focused in Western Canada. Paramount's common shares are listed on the Toronto Stock Exchange under the symbol "POU".

A copy of the Company's third quarter 2013 report, including Management's Discussion and Analysis and the unaudited Interim Condensed Consolidated Financial Statements, can be obtained at: download/2013+Nov+6.pdf

This information will also be made available through: SEDAR at www.sedar.com and Paramount's website at http://www.paramountres.com/investor_relations/quarterlies.html.

## ADVISORIES

## FORWARD-LOOKING INFORMATION

Certain statements in this document constitute forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as "anticipate", "believe", "estimate", "expect", "plan", "schedule", "intend", "propose", or similar words suggesting future outcomes or an outlook. Forward looking information in this document includes, but is not limited to:

- projected production and sales volumes and growth and the timing thereof;
- estimated conventional reserves and the undiscounted and discounted present value of future net revenues therefrom (including the forecasted prices and costs and timing of expected production volumes and future development capital);
- forecast capital expenditures;
- exploration, development, and associated operational plans and strategies (including planned drilling programs and well tie-ins) and the anticipated timing thereof;
- anticipated increases in the size of the Company's bank credit facility;
- anticipated increases in funds flow from operations;
- projected timeline for constructing, commissioning and starting-up the Musreau Deep Cut Facility;
- the projected availability of third party facilities to process, transport and/or fractionate natural gas and NGLs production; and
- business strategies and objectives.

Such forward-looking information is based on a number of assumptions which may prove to be incorrect. Assumptions have been made with respect to the following matters, in addition to any other assumptions identified in this document:

- future oil, bitumen, natural gas, NGLs and other commodity prices;
- royalty rates, taxes and capital, operating, general & administrative and other costs;
- foreign currency exchange rates and interest rates;
- general economic and business conditions;
- the ability of Paramount to obtain the required capital to finance its exploration, development and other operations;
- the ability of Paramount to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost to carry out its activities;
- the ability of Paramount to secure adequate product processing, transportation, fractionation and storage capacity on acceptable terms;
- the ability of Paramount to market its oil, bitumen, natural gas and NGLs successfully to current and new customers;
- the ability of Paramount and its industry partners to obtain drilling success (including in respect of anticipated production volumes, reserves additions and NGLs yields) and operational improvements, efficiencies and results consistent with expectations;
- the timely receipt of required governmental and regulatory approvals; and
- anticipated timelines and budgets being met in respect of drilling programs and other operations (including well completions and tie-ins and the construction, commissioning and start-up of new and expanded facilities).

Although Paramount believes that the expectations reflected in such forward looking information are reasonable, undue reliance should not be placed on them as Paramount can give no assurance that such expectations will prove to be correct. Forward-looking information is based on current expectations, estimates and projections that involve a number of risks and uncertainties which could cause actual results to differ materially from those anticipated by Paramount and described in the forward looking information. These risks and uncertainties include and/or relate (but are not limited) to:

- fluctuations in oil, bitumen, natural gas, NGLs and other commodity prices;
- the uncertainty of estimates and projections relating to future revenue, future production, NGLs yields, royalty rates, taxes and costs and expenses;
- the ability to secure adequate product processing, transportation, fractionation and storage capacity on acceptable terms;
- operational risks in exploring for, developing and producing crude oil, bitumen, natural gas and NGLs;
- the ability to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost;
- potential disruptions or unexpected technical or other difficulties in designing, developing, expanding or operating new, expanded or existing facilities (including third party facilities);
- risks and uncertainties involving the geology of oil and gas deposits;
- the uncertainty of reserves and resources estimates;
- the ability to generate sufficient cash flow from operations and obtain financing at an acceptable cost to fund planned exploration, development and operational activities and meet current and future obligations (including costs of anticipated new and expanded facilities and other projects, and product processing, transportation, fractionation and similar commitments);
- changes in or in the interpretation of laws, regulations or policies (including environmental laws);
- the ability to obtain required governmental or regulatory approvals in a timely manner, and enter into and maintain leases and licenses;
- changes in foreign currency exchange rates and interest rates;
- the effects of weather;
- the timing and cost of future abandonment and reclamation obligations and potential liabilities for environmental damage and contamination;
- uncertainties regarding aboriginal claims and in maintaining relationships with local populations and other stakeholders;
- the outcome of existing and potential lawsuits, regulatory actions, audits and assessments; and
- general business, economic and market conditions other risks and uncertainties described elsewhere in this document and in Paramount's other filings with Canadian securities authorities, including its Annual Information Form.

The foregoing list of risks is not exhaustive. Additional information concerning these and other factors which could impact Paramount, its operations and its financial condition are included in Paramount's most recent Annual Information Form. The forward-looking information contained in this document is made as of the date hereof and, except as required by applicable securities law, Paramount undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.

**NON-GAAP MEASURES**

In this document "Funds flow from operations", "Funds flow from operations per share - diluted", "Netback", "Net Debt", "Exploration and development expenditures" and "Investments in other entities - market value", collectively the "Non-GAAP measures", are used and do not have any standardized meanings as prescribed by International Financial Reporting Standards.

**Funds flow from operations** refers to cash from operating activities before net changes in operating non-cash working capital, geological and geophysical expenses and asset retirement obligation settlements. Funds flow from operations is commonly used in the oil and gas industry to assist management and investors in measuring the Company's ability to fund capital programs and meet financial obligations. **Netback** equals petroleum and natural gas sales less royalties, operating costs, production taxes and transportation costs. Netback is commonly used by management and investors to compare the results of the Company's oil and gas operations between periods. **Net Debt** is a measure of the Company's overall debt position after adjusting for certain working capital amounts and is used by management to assess the Company's overall leverage position. Refer to the liquidity and capital resources section of the Company's Management's Discussion and Analysis for the period for the calculation of Net Debt. **Exploration and development expenditures** refer to capital expenditures and geological and geophysical costs incurred by the Company's COUs (excluding land and acquisitions). The exploration and development expenditure measure provides management and investors with information regarding the Company's Principal Property spending on drilling and infrastructure projects, separate from land acquisition activity**. Investments in other entities - market value** reflects the Company's investments in enterprises whose securities trade on a public stock exchange at their period end closing price (e.g. Trilogy, MEG Energy, MGM Energy, Strategic, RMP and others), and investments in all other entities at book value. Paramount provides this information because the market values of equity-accounted investments, which are significant assets of the Company, are often materially different than their carrying values.

Non-GAAP measures should not be considered in isolation or construed as alternatives to their most directly comparable measure calculated in accordance with GAAP, or other measures of financial performance calculated in accordance with GAAP. The Non-GAAP measures are unlikely to be comparable to similar measures presented by other issuers.

**OIL AND GAS MEASURES AND DEFINITIONS**

This document contains disclosures expressed as "Boe" and "Boe/d". All oil and natural gas equivalency volumes have been derived using the ratio of six thousand cubic feet of natural gas to one barrel of oil. Equivalency measures may be misleading, particularly if used in isolation. A conversion ratio of six thousand cubic feet of natural gas to one barrel of oil is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the well head. The term "liquids" is used to represent oil and natural gas liquids.

During the third quarter of 2013, the value ratio between crude oil and natural gas was approximately 33:1. This value ratio is significantly different from the energy equivalency ratio of 6:1. Using a 6:1 ratio would be misleading as an indication of value.

The oil sands bitumen properties owned by Paramount's wholly-owned subsidiary, Cavalier Energy Inc., have not been evaluated subsequent to December 31, 2012 and, as a result, oil sands reserve estimates have not been included in this document. Conventional reserve estimates include nominal amounts of volumes and future net revenues related to Paramount's completed shale gas well. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation. In addition, estimates of future net revenue do not represent fair market value.

Finding and Development Costs exclude capital costs and reserve volumes related to shale gas and oil sands properties because the relationship between capital amounts invested and reserve volumes discovered for such properties are not comparable to conventional oil and gas properties.

The reserves replacement disclosure herein was calculated as the net increase in proved and probable reserves estimates from extensions and discoveries, technical revisions and economic factors divided by the Company's total production in the period.

The Kaybob COU's estimated behind pipe production inventory is based on the Company's 4.9 Bcf type curve for Falher formation wells and 3.7 Bcf type curve for Montney formation wells.

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