Paramount Resources Ltd.

Paramount Resources Ltd. First Quarter 2013 Results, Sales Volumes Increase 20%, Musreau Deep Cut Facility on Schedule for Late Third-Quarter Commissioning

CALGARY, ALBERTA - May 7, 2013 /CNW/ - Paramount Resources Ltd. (TSX:POU)

FIRST QUARTER OVERVIEW

Principal Properties

- Paramount achieved record sales volumes of 23,600 Boe/d in March 2013, the highest since the spin-out of Trilogy in 2005, despite 800 Boe/d of property dispositions and 2,000 Boe/d of third party disruptions.
- First quarter 2013 sales volumes increased 20 percent from the first quarter of 2012 to 22,591 Boe/d. Kaybob COU sales volumes increased 46 percent to 14,156 Boe/d.
- Netbacks increased 38 percent to $31.1 million in the first quarter of 2013 from $22.5 million in the first quarter of 2012 as a result of higher sales volumes and higher natural gas prices.
- Construction of the Company's wholly-owned 200 MMcf/d deep cut facility at Musreau (the "Musreau Deep Cut Facility") remains on-schedule and in-line with budget. Commissioning is scheduled to commence towards the end of the third quarter of 2013.
- Advance drilling for the deep cut facility expansions at Musreau and Smoky continued. The Company currently has an inventory of 45 (35.5 net) Kaybob Deep Basin wells awaiting startup of the new facilities.
- In the first quarter of 2013, the Company sold its remaining US properties for US$21.8 million and properties in the Bistcho area of Alberta and the Cameron Hills area of the Northwest Territories for net proceeds of $9.1 million. The Company continues to rationalize its asset base to focus on the opportunities that generate the best returns.

Strategic Investments

- Four of Fox Drilling's rigs are drilling through break-up in the Kaybob COU. Both of the new walking rigs are currently drilling on multi-well pad sites.
- Paramount's wholly-owned subsidiary, Cavalier Energy Inc., continued with front-end engineering and design work for the first phase of the Hoole Grand Rapids project. These activities are being funded with drawings on Cavalier's $40 million credit facility.
- The Company's shale gas exploratory well at Patry is expected to be tied-in later in the year. Drilling operations at Dunedin were suspended in March due to warm weather, and will resume after break-up.

Corporate

- At March 31, 2013, Paramount had cash balances of $48.0 million and its credit facility was undrawn.
- Corporate segment general and administrative costs per Boe decreased 16 percent to $1.48 in the first quarter of 2013 compared to $1.77 in the first quarter of 2012.

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

($ millions, except as noted)

Three months ended March 31	2013	2012	% Change
Financial			
Petroleum and natural gas sales	**61.3**	54.7	12
Funds flow from operations	**16.6**	12.8	30
Per share - diluted ($/share)	***0.18***	*0.15*	*20*
Net income	**0.4**	124.5	(100)
Per share - basic ($/share)	***-***	*1.46*	
Per share - diluted ($/share)	***-***	*1.42*	
Exploration and development expenditures	**145.2**	142.2	2
Investments in other entities - market value[(3)]	**719.6**	675.6	7
Total assets	**2,076.5**	1,810.9	15
Net debt[(4)]	**857.9**	474.0	81
Common shares outstanding (thousands)	**90,130**	85,569	5

Operating			
Sales volumes			
Natural gas (MMcf/d)	**113.6**	88.6	28
NGLs (Bbl/d)	**2,662**	1,652	61
Oil (Bbl/d)	**998**	2,386	(58)
Total (Boe/d)	**22,591**	18,813	20
Average realized price			
Natural gas ($/Mcf)	**3.47**	2.77	25
NGLs ($/Bbl)	**73.78**	78.57	(6)
Oil ($/Bbl)	**84.37**	89.21	(5)
Total ($/Boe)	**30.16**	31.95	(6)
Net wells drilled (excluding oil sands evaluation)	**9**	11	(18)
Net oil sands evaluation wells drilled	**6**	1	500

(1) Readers are referred to the advisories concerning non-GAAP measures and oil and gas 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 months ended March 31, 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 months ended March 31, 2013.

OUTLOOK

Paramount's 2013 capital budget for exploration and development ("E&D") and Strategic Investments remains at approximately $550 million, excluding land acquisitions and capitalized interest. E&D spending will focus primarily on the Kaybob COU's Deep Basin development. Construction of the Musreau Deep Cut Facility is progressing on-schedule for completion in the fourth quarter and construction of the third-party Smoky Deep Cut Facility will continue into 2014. Drilling activities are continuing in the Kaybob COU through breakup in preparation for the start-up of the deep cut facilities. Strategic Investment capital spending will be directed towards shale gas exploration activities in the Liard Basin and continued front-end engineering and design work for the initial phase of the Hoole Grand Rapids development within Cavalier Energy.

Sales volumes for the second and third quarters of 2013 are expected to range between 21,000 Boe/d and 25,000 Boe/d, depending upon the availability of downstream NGLs transportation and processing capacity. Sales volumes are expected to increase in the fourth quarter once the expansion of a third-party NGLs pipeline is completed, additional fractionation capacity is secured and the Musreau Deep Cut Facility is on-stream.

After the Musreau Deep Cut Facility starts up in late-2013, the Company will have owned and firm-service contracted natural gas processing capacity of 279 MMcf/d, which will increase to over 300 MMcf/d in 2014 with the addition of the Smoky Deep Cut Facility. Corporate production is expected to ramp up in 2014 to over 50,000 Boe/d, with the timing dependent on the completion of downstream fractionation facilities expansions in which Paramount has secured long-term firm service capacity.

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 first quarter 2013 report, including Management's Discussion and Analysis and the unaudited Interim Condensed Consolidated Financial Statements, can be obtained at download/2013+May+7.pdf.

This information will also be made available through:

Paramount's website at: http://www.paramountres.com/investor_relations/quarterlies.html

SEDAR at: www.sedar.com.

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:

- expected production and sales volumes and the timing thereof;
- exploration, development and strategic investment plans and strategies and the anticipated costs, timing, and results thereof;
- budget allocations and capital spending flexibility;
- the availability and adequacy of facilities to process, fractionate and transport natural gas and NGLs production;
- the scope, timing, and cost of proposed new facilities and facilities expansions and the expected capacity and benefits of such facilities;
- the timing and scope of the anticipated development of oilsands, carbonate bitumen, and shale gas assets;
- business strategies and objectives;
- sources of and plans for funding Paramount's exploration, development, facilities and other expenditures;
- acquisition and disposition plans; and
- expected drilling programs, well tie-ins, facility construction and expansions, completions and the timing, scope and results thereof.

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

- future oil, gas, NGLs, and bitumen prices and general economic, business, and market conditions;
- the ability to obtain required capital, through access to capital markets and other means, to finance exploration and development activities and new and expanded facilities;
- the ability to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost to carry out activities;
- the ability to market oil, natural gas, NGLs and bitumen successfully to current and new customers;
- the ability to secure adequate product processing, fractionation, transportation and storage;
- the ability of Paramount and its industry partners to obtain drilling success and production levels consistent with expectations, including with respect to anticipated reserves additions and NGLs yields;
- the timely receipt of required regulatory approvals;
- expected timelines and budgets being met and anticipated results achieved, in respect of facilities and infrastructure development;
- anticipated rates of return from existing and planned projects relative to other opportunities;
- estimates of input and labour costs; and
- currency exchange and interest rates.

Although Paramount believes that the expectations reflected in such forward looking information is reasonable, undue reliance should not be placed on it 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, but are not limited to:

- fluctuations in oil, natural gas, NGLs and bitumen prices and commodity price differentials;
- fluctuations in foreign currency exchange rates and interest rates;
- the uncertainty of estimates and projections relating to future revenue, future production, NGLs yields, costs and expenses and the timing thereof;
- the ability to secure adequate product processing, de-ethanization, fractionation, transportation and storage;
- uncertainties associated with exploration and development drilling and related activities;
- operational risks in exploring for, developing and producing oil, natural gas, NGLs and bitumen and the timing thereof;
- the ability to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost;
- potential disruptions, unexpected technical difficulties or other constraints in designing, developing, operating or utilizing 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 resource estimates;
- the ability to generate sufficient cash flow from operations and obtain other sources of financing at an acceptable cost to fund planned operational, exploration and development activities, including costs of anticipated new and expanded facilities and other projects, and to meet current and future obligations;
- the ability to fulfill pipeline transportation, processing, de-ethanization and fractionation commitments;
- changes to, or in the interpretation or application of, laws, regulations or policies;
- changes in environmental laws including potential emission reduction obligations and fracing regulations;
- the receipt, timing, and scope of governmental or regulatory approvals;
- potential title defects affecting Paramount's properties;
- uncertainties regarding aboriginal land claims and co-existing with local populations and stakeholders;
- the effects of weather;
- the timing and cost of future abandonment and reclamation activities;
- clean-up costs or business interruptions resulting from environmental damage and contamination;
- the ability to enter into or continue leases;
- existing and potential lawsuits and regulatory actions;
- general economic, business and market conditions;
- industry wide pipeline, processing, de-ethanization and fractionation constraints; and
- other risks and uncertainties described elsewhere in this document and in Paramount's other filings with Canadian securities authorities.

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 Reports 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 Management's Discussion and Analysis 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 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 first quarter of 2013, the value ratio between crude oil and natural gas was approximately 24:1. 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.

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