Paramount Resources Ltd.

Paramount Resources Ltd. Provides Operational Update and Preliminary 2017 Outlook

CALGARY, Feb. 15, 2017 /CNW/ -

HIGHLIGHTS

- Paramount's fourth quarter 2016 sales volumes averaged approximately 12,000 Boe/d (35 percent liquids), including about 5,500 Boe/d (40 percent liquids) from Karr-Gold Creek.
- In late-January 2017, total Company sales volumes increased to over 15,000 Boe/d (50 percent liquids), including approximately 10,000 Boe/d from Karr-Gold Creek (60 percent liquids), as wells from the new 4-19 pad at Karr-Gold Creek were brought on production.
- The four wells on the 4-19 pad have produced a total of approximately 105,000 Bbl of condensate since first production from the pad in late-December 2016.
- Capital expenditures in the fourth quarter totaled approximately $80 million, with the majority of spending directed towards the Company's Karr-Gold Creek development.
- Paramount's 2017 capital program is expected to total approximately $325 million, with approximately $200 million directed towards Karr-Gold Creek.
- The expansion of the 6-18 compression facility at Karr-Gold Creek (the "6-18 Facility") is on-schedule for completion in the second quarter, doubling capacity to 80 MMcf/d.
- Sales volumes in 2017 are projected to average approximately 20,000 Boe/d, with the majority of growth to occur in the second half of 2017 following completion of the 6-18 Facility expansion. Sales volumes are expected to average over 30,000 Boe/d in the fourth quarter of 2017.
- Paramount redeemed the remaining $286.6 million outstanding principal amount of its 2019 Notes in December 2016.
- In the fourth quarter, the Company sold 5.0 million of its Seven Generations Energy Ltd. common shares ("7Gen Shares") for net cash proceeds of $148.5 million. In January 2017, Paramount distributed its remaining 3.8 million 7Gen Shares to shareholders by way of dividend.
- In December 2016, Paramount's wholly-owned subsidiary, Cavalier Energy, sold a royalty on its oil sands properties for $100 million cash.
- Paramount exited 2016 with cash and cash equivalents of approximately $620 million, no indebtedness and an undrawn $100 million bank credit facility.
- The Company has calendar 2017 hedges in place for 30,000 MMBtu/d of natural gas at an average price of US$3.57/MMBtu, 2,000 Bbl/d of liquids at an average WTI price of C$70.43/Bbl and 1,000 Bbl/d of liquids at a WTI price of US$54.50/Bbl.

OPERATIONAL UPDATE

Karr-Gold Creek

Development activities at Karr-Gold Creek are currently focused on a 27 (27.0 net) well horizontal Montney drilling and completion program that commenced in mid-2016 (the "Karr Program") and the expansion of the 6-18 Facility to double its capacity to 80 MMcf/d. The status of the Karr Program to date is as follows:

	As of Feb 14/17	As of Dec 31/16
Wells Spudded	**20**	20
Wells Rig Released	**16**	10
Wells Completed	**6**	2
Wells Producing	**5**	1

Paramount plans to spud an additional seven wells at Karr-Gold Creek in 2017. By the end of 2017, the Company expects to have completed up to 22 of the 27 wells, with the remaining wells to be completed in 2018. The Karr Program wells are expected to be brought on production through 2017 and 2018 to fill the expanded 6-18 Facility.

The new wells at Karr-Gold Creek are being drilled with lateral lengths of approximately 3,000 meters and completed with slick-water completion fluids and higher intensities of proppant. The first well in the Karr Program, the 15-14 well, was brought on production at controlled rates in September 2016. Four new wells on the 4-19 pad were completed in December 2016 and January 2017 and are currently flowing back on cleanup at restricted rates. Production data from the wells are shown in the table below:

	15-02 PAD	4-19 PAD			
WELLS	**15-14**	**4-7**	**02/4-7**	**1-12**	**02/1-12**
Completion Details					
Completion Stages	50	70	75	73	58
Proppant (*tonnes)*	5,000	7,000	7,500	7,300	5,800
Proppant intensity (*tonnes / meter)*	1.7	2.3	2.5	2.4	1.9
Production - Cumulative					
Natural gas(1) *(MMcf)*	997	135	45	9	25
Wellhead liquids(1) *(Bbl)*	161,479	64,318	30,338	3,365	6,484
CGR(2) *(Bbl/MMcf)*	162	477	675	380	258
Days of flowback	152	45	16	11	13
Production - Last 7 Producing Days					
Natural gas(1) *(MMcf/d)*	5.0	4.8	3.7		
Wellhead liquids(1) *(Bbl/d)*	754	1,915	2,261	n/a(3)	n/a(4)
CGR(2) *(Bbl/MMcf)*	152	403	607		
Production - Last 24 Producing Hours					
Natural gas(1) *(MMcf/d)*	5.4	4.7	3.4	4.1	
Wellhead liquids(1) *(Bbl/d)*	832	1,766	1,824	1,945	n/a(4)
CGR(2) *(Bbl/MMcf)*	153	380	536	474	

(1) Volumes to February 13, 2017. Production volumes are the gross volumes measured at the wellhead separator for the specified period of: (i) cumulative volumes produced to February 13, 2017 ("Cumulative"); (ii) the most recent 168 producing hours ("Last 7 Producing Days"); or (iii) the last 24 producing hours ("Last 24 Producing Hours"). Excludes hours and days when the well did not produce. Natural gas sales volumes are approximately 10 percent lower and stabilized condensate sales volumes are approximately 15 percent lower due to shrinkage. The production rates and volumes shown are over a short period of time and, therefore, are not necessarily indicative of long-term performance or of ultimate recovery.

(2) The condensate to natural gas ratio ("CGR") was calculated by dividing total wellhead separator liquids volumes by total wellhead separator natural gas volumes.

(3) Plugs were recently drilled out on the 1-12 well. The well has not produced post drill-out of plugs for 7 producing days.

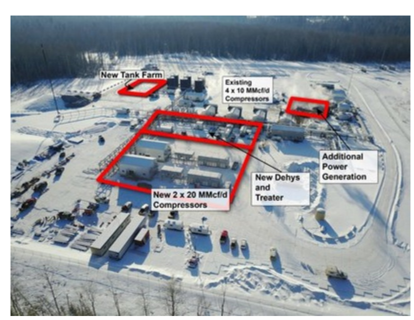
(4) Plugs are currently being drilled out on the 02/1-12 well. The well has not produced post drill-out of plugs.

Paramount continues to evaluate the performance of the higher intensity completions on the 4-19 pad. Early results indicate that initial liquid yields are higher than the 15-14 well and that the higher intensity completions have contacted a greater area of the reservoir.

Paramount is investigating alternative production liner technologies to further enhance well results. The Company is also recycling flow-back water for re-use in completions to frack multiple wells, which is expected to provide incremental capital and operational efficiencies and environmental benefits.

Site work continues to progress at the 6-18 Facility expansion, which is on-schedule to be completed in the second quarter of 2017. The total cost of this expansion is estimated to be approximately $35 million, of which $20 million had been incurred to December 31, 2016. The accompanying photograph of the 6-18 Facility as of February 6, 2017 shows the progress made to date on the expansion.

Other Areas



Smoky/Resthaven: Paramount is executing a six-well exploration and delineation program in 2017 targeting various Cretaceous zones. The first well, a 1.4 mile horizontal Falher well, has been rig released and is scheduled to be completed later in February. Two additional wells are currently being drilled, with drilling operations for the next well scheduled to commence later in February.

Valhalla: The Company recently completed the 14-22 exploratory Montney well at Valhalla with a high intensity frack, placing approximately 2,000 tonnes of proppant over 20 stages in the 1,300 meter lateral (1.5 tonnes per meter). The well was brought on production in January 2017 and initial performance has been encouraging. The Valhalla lands are prospective in the Montney (lower, middle and upper) and lower Doig formations where Paramount has an inventory of drilling locations to support future development. The Company is evaluating the potential economics of the opportunity based on the results of this initial high intensity well completion, results from offsetting operators and various alternatives to access natural gas processing infrastructure.

Birch: Four (2.0 net) horizontal Montney wells have been drilled to date in the 2016/2017 winter drilling season at Birch. Two (1.0 net) of these wells have been completed and are scheduled to be brought on production later in the first quarter of 2017. Paramount and its partner plan to drill up to an additional five (2.5 net) wells in total at Birch in 2017 and expand the existing 20 MMcf/d compression facility at Birch to 40 (20 net) MMcf/d.

Willesden Green: A total of five Duvernay wells have been drilled on Paramount's lands to date, with three of the wells completed and on production as of December 31, 2016. A fourth well, the 102/13-5 well, was completed in the fourth quarter of 2016. The well was fracked using slick-water and 4,600 tonnes of proppant placed over 26 stages (2.3 tonnes per meter) in the 2,000 meter lateral wellbore. Following completion, the well was flow-tested over an extended timeframe to obtain data for analysis of long-term reservoir performance. The Company continues to evaluate further development of the Duvernay formation at Willesden Green, including the preparation of a full-field development plan.

Paramount has launched a sales process for various non-core properties in Alberta and British Columbia through CB Securities Inc. Current production from these properties totals approximately 800 Boe/d.

CORPORATE

In 2016, Paramount realized net cash proceeds of approximately $860 million through the sale of 29.7 million of the 7Gen Shares it received through the third quarter Musreau/Kakwa disposition. In January 2017, the Company distributed its remaining 3.8 million 7Gen Shares to shareholders by way of dividend.

Paramount redeemed the remaining $286.6 million outstanding principal amount of its 7⅝ percent senior unsecured notes due 2019 (the "2019 Notes") in December 2016.

In December 2016, Cavalier Energy sold a royalty to an unrelated third party on its oil sands properties for cash consideration of $100 million. The royalty agreement does not impose any development commitments on Cavalier Energy in respect of its properties, nor does it impose any terms or conditions on the use of the consideration paid for the royalty.

In the fourth quarter of 2016, the Company closed dispositions of non-core properties for aggregate cash proceeds of approximately $17 million. Third quarter 2016 production for these properties was approximately 500 Boe/d.

Paramount implemented a normal course issuer bid in October 2016 under which it may purchase up to 5.4 million Common Shares for cancellation. To date, the Company has purchased 622,900 Common Shares for cancellation at a total cost of $9.7 million.

Hedging Program

Paramount has the following financial commodity contracts in place for 2017:

	Instruments	Aggregate Notional	Average Fixed Price	Term
Natural Gas:				
Sale	NYMEX Swaps	40,000 MMBtu/d	US$3.44/MMBtu	January 2017 – December 2017
Purchase	NYMEX Swap	10,000 MMBtu/d	US$3.04/MMBtu	January 2017 – December 2017
	Net Gas Hedges	**30,000 MMBtu/d**	**US$3.57/MMBtu**	**January 2017 – December 2017**
Oil:				
Sale	NYMEX WTI Swaps	2,000 Bbl/d	CDN$70.43/Bbl	January 2017 – December 2017
Sale	NYMEX WTI Swap	1,000 Bbl/d	US$54.50/Bbl	January 2017 – December 2017

OUTLOOK

Paramount's 2017 capital program is expected to total approximately $325 million, excluding land acquisitions, with approximately $200 million directed towards Karr-Gold Creek and the balance directed towards

Smoky/Resthaven, Birch, and other areas.

Activities at Karr-Gold Creek will focus on the expansion of the 6-18 Facility, finishing the 27 well Montney drilling program and completing a portion of those wells to fill the expanded 6-18 Facility. At Smoky/Resthaven, Paramount plans to drill and complete six horizontal wells targeting various Cretaceous formations. At Birch, the Company plans to drill and complete a total of nine (4.5 net) wells and double compression and dehydration capacity to 40 MMcf/d (20 MMcf/d net).

Sales volumes in 2017 are projected to average approximately 20,000 Boe/d, with the majority of growth to occur in the second half of 2017 following completion of the 6-18 Facility expansion. Sales volumes are expected to average over 30,000 Boe/d in the fourth quarter of 2017. In September 2017, Karr-Gold Creek sales volumes are anticipated to be impacted by the planned shut-down of a third party gas processing plant for the majority the month.

Annual operating costs for 2017 are anticipated to average approximately $10.00 per Boe. Fourth quarter 2017 operating costs are expected to be lower than in the first part of the year because of the ramp-up in production volumes at Karr-Gold Creek.

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Paramount is an independent, publicly traded, Canadian energy company that explores for and develops unconventional and conventional petroleum and natural gas prospects, including long-term unconventional exploration and pre-development projects, and holds a portfolio of investments in other entities. The Company's principal properties are primarily located in Alberta and British Columbia. Paramount's Class A Common Shares are listed on the Toronto Stock Exchange under the symbol "POU".

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", "will", "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 sales volumes (and the growth and timing thereof);
- exploration, development, and associated operational plans and strategies (including planned drilling and completions programs, well tie-ins, and facility expansions) and the anticipated timing and costs of such activities;
- forecast capital expenditures (including the targeted areas for such expenditures) and operating costs;
- anticipated third-party processing constraints; and
- general 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 natural gas and Liquids (as defined below) prices;
- royalty rates, taxes and capital, operating, general & administrative and other costs;
- foreign currency exchange rates and interest rates;
- general business, economic and market conditions;
- the ability of Paramount to obtain the required capital to finance its exploration, development and other operations and meet its commitments and financial obligations;
- 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, de-ethanization, fractionation, and storage capacity on acceptable terms;
- the ability of Paramount to market its natural gas and Liquids 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, Liquids yields and resource recoveries) 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 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. The material risks and uncertainties include, but are not limited to:

- fluctuations in natural gas and Liquids prices;
- changes in foreign currency exchange rates and interest rates;
- the uncertainty of estimates and projections relating to future revenue, future production, reserve additions, Liquids yields (including condensate to natural gas ratios), resource recoveries, royalty rates, taxes and costs and expenses;
- the ability to secure adequate product processing, transportation, de-ethanization, fractionation, and storage capacity on acceptable terms;
- operational risks in exploring for, developing and producing, natural gas and Liquids;
- the ability to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost;
- potential disruptions, delays or unexpected technical or other difficulties in designing, developing, expanding or operating new, expanded or existing facilities (including third-party facilities);
- processing, pipeline, de-ethanization, and fractionation infrastructure outages, disruptions and constraints;
- risks and uncertainties involving the geology of oil and gas deposits;
- the uncertainty of reserves estimates;
- general business, economic and market conditions;
- the ability to generate sufficient cash flow from operations and obtain financing to fund planned exploration, development and operational activities and meet current and future commitments and obligations (including product processing, transportation, de-ethanization, fractionation and similar commitments and debt obligations);
- 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 to enter into and maintain leases and licenses;
- 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
- 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. For more information relating to risks, see the section titled "RISK FACTORS" in Paramount's current 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.

Oil and Gas Measures and Definitions

This press release 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. During the year ended December 31, 2016, the value ratio between crude oil and natural gas was approximately 27:1. 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 term "Liquids" is used to represent oil, condensate and Other NGLs. NGLs consist of condensate and Other NGLs. The term "condensate" means pentane and heavier hydrocarbons. "Other NGLs" means ethane, propane and butane.

Unaudited Financial and Operational Information

Certain financial and operational information included in this press release for the quarter and year-ended December 31, 2016, such as sales volumes and capital expenditures are based on estimated unaudited financial results and estimated operational results for the quarter and year then ended, and are subject to the same limitations as discussed under "Forward-Looking Information". These estimated amounts may change upon the completion of audited financial statements for the year-ended December 31, 2016, and such changes could be material. Estimated volumes for January 2017 are based on field estimates and are subject to change.

SOURCE Paramount Resources Ltd.

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