

Paramount Announces Q1 2016 Results; Sales Volumes Increase 31 Percent to 50,161 Boe/d; Liquids Comprise 49% of Total Sales

CALGARY, ALBERTA - May 4, 2016 /CNW/ - Paramount Resources Ltd. (TSX:POU) -

HIGHLIGHTS

- First quarter 2016 sales volumes averaged 50,161 Boe/d, 31 percent higher than the first quarter of 2015 and 10 percent higher than the previous quarter.
- First quarter 2016 condensate and oil sales volumes were 13,245 Bbl/d, double the first quarter a year ago and 33 percent higher than the previous quarter. Twelve new Ultra-Rich Montney wells were brought on in late-2015 and had average raw condensate-gas ratios of 317 Bbl/MMcf over the first quarter of 2016.
- Other NGLs sales volumes increased to 11,259 Bbl/d in the first quarter of 2016, 62 percent higher than the first quarter of 2015 and 23 percent higher than the previous quarter.
- Liquids-rich Musreau Montney volumes increased to 27,565 Boe/d, representing 55 percent of total Company sales in the first quarter of 2016 compared to 11,958 Boe/d or 31 percent in the first quarter of 2015.
- First quarter netbacks including hedging settlements increased 34 percent to \$60.3 million in 2016 compared to \$45.1 million a year ago, as higher sales volumes and hedging more than offset lower commodity prices.
- With no wells spudded at Musreau since the second quarter of 2015 and a turnaround at the Musreau Complex planned for the third quarter of 2016, sales volumes are expected to decline through the middle part of the year until wells from the 2016 capital program are brought on-stream in the fourth quarter.
- The Company commenced drilling a six-Montney well pad at Musreau in April 2016 using two Fox Drilling rigs. An additional three rigs are scheduled to commence drilling later in the second quarter. Initial wells from the 2016 capital program are expected to be brought on production in the fourth quarter.
- In response to lower commodity prices and to preserve financial flexibility, Paramount's first quarter 2016 capital spending for Principal Properties was \$20.1 million, in line with cash flows.
- The Company closed the sale of its Musreau Complex and related midstream assets (the "Midstream Transaction") on April 20, 2016.

OIL AND GAS OPERATIONS

Sales Volumes

| Q1 2016 Sales Volumes | Kaybob Musreau Montney | | Cretaceous | Total | Other Kaybob | Total Kaybob | Other Areas | Total |
|---------------------------------|------------------------------|---------------|---------------|--------------|---------------|--------------|---------------|-------|
| | | | | | | | | |
| Natural gas (MMcf/d) | 58.4 | 37.7 | 96.1 | 19.1 | 115.2 | 38.7 | 153.9 | |
| Condensate & oil (Bbl/d) | 9,535 | 612 | 10,147 | 476 | 10,623 | 2,622 | 13,245 | |
| Other NGLs (Bbl/d) | 8,299 | 2,348 | 10,647 | 54 | 10,701 | 558 | 11,259 | |
| Total (Boe/d) | 27,565 | 9,243 | 36,808 | 3,723 | 40,531 | 9,630 | 50,161 | |
| % of Total Company | 55% | 18% | 73% | 8% | 81% | 19% | 100% | |
| Sales Mix (Bbl/MMcf) | | | | | | | | |
| Condensate & oil ⁽¹⁾ | 163 | 16 | 106 | 25 | 92 | 68 | 86 | |
| Other NGLs ⁽²⁾ | 142 | 62 | 111 | 3 | 93 | 14 | 73 | |
| Total Liquids ⁽²⁾ | 305 | 78 | 217 | 28 | 185 | 82 | 159 | |
| | | | | | | | | |
| Q1 2015 Sales Volumes | Kaybob Musreau Montney | | Cretaceous | Total | Other Kaybob | Total Kaybob | Other Areas | Total |
| | | | | | | | | |
| Natural gas (MMcf/d) | 32.0 | 60.4 | 92.4 | 25.2 | 117.6 | 31.0 | 148.6 | |
| Condensate & oil (Bbl/d) | 3,210 | 680 | 3,890 | 536 | 4,426 | 2,157 | 6,583 | |
| Other NGLs (Bbl/d) | 3,422 | 2,347 | 5,769 | 560 | 6,329 | 639 | 6,968 | |
| Total (Boe/d) | 11,958 | 13,107 | 25,065 | 5,282 | 30,347 | 7,970 | 38,317 | |
| % of Total Company | 31% | 34% | 65% | 14% | 79% | 21% | 100% | |
| Sales Mix (Bbl/MMcf) | | | | | | | | |
| Condensate & oil ⁽¹⁾ | 100 | 11 | 42 | 21 | 38 | 70 | 44 | |
| Other NGLs ⁽²⁾ | 107 | 39 | 62 | 22 | 54 | 21 | 47 | |
| Total Liquids ⁽²⁾ | 207 | 50 | 104 | 43 | 91 | 91 | 91 | |

(1) Sales mix calculated as total condensate & oil sales volumes divided by natural gas sales volumes.

(2) Sales mix calculated as total Other NGLs or total Liquids sales volumes, as applicable, divided by natural gas sales volumes. Other NGLs represents ethane, propane and butane. Liquids represents Other NGLs and condensate & oil.

Paramount's sales mix continues to evolve as new Liquids-rich Musreau area Montney wells are brought on production. Montney sales volumes increased significantly in the second half of 2015 following the completion of the condensate stabilizer expansion and the amine train at the Musreau Complex. In the first quarter of 2016, Musreau Montney wells accounted for 55 percent of total Company sales compared to 31 percent of sales in the first quarter of 2015.

In the fourth quarter of 2015, Paramount completed the 02-34 and 03-33 six well Ultra-Rich Montney pads at Musreau, with all twelve wells flowing by the end of 2015. Aggregate sales volumes from these two pads in the first quarter of 2016 were approximately 10,500 Boe/d, approximately half of which was condensate. Liquids volumes from new wells, including the twelve new Ultra-Rich wells, increased Musreau Montney condensate & oil sales to 163 Bbl/MMcf in the first quarter of 2016 from 100 Bbl/MMcf in the first quarter of 2015.

The proportion of Musreau Montney sales volumes to the Company's overall sales volumes is expected to continue to increase, as Paramount's capital investments are focused on its extensive Liquids-rich Montney resources at Musreau.

Initial Production

The following table summarizes the average initial production rates and wellhead condensate-gas ratios ("CGRs") for Paramount's 62 (60.8 net) Montney wells brought on production at Musreau between January 2012 and January 2016:

MUSREAU MONTNEY WELLS - INITIAL PRODUCTION ⁽¹⁾

Rich Wells

Ultra-Rich Wells

Total Rich & Ultra-Rich Wells

| | Raw Natural Gas ⁽²⁾ (MMcf/d) | Well-Head Liquids ⁽²⁾ (Bbl/d) | Well-Head CGR ⁽³⁾ (Bbl/MMcf) | Total (Boe/d) | Wells | Raw Natural Gas ⁽²⁾ (MMcf/d) | Well-Head Liquids ⁽²⁾ (Bbl/d) | Well-Head CGR ⁽³⁾ (Bbl/MMcf) | Total (Boe/d) | Wells | Natural Gas ⁽²⁾ (MMcf/d) | Well-Head Liquids ⁽²⁾ (Bbl/d) | Well-Head CGR ⁽³⁾ (Bbl/MMcf) | Total (Boe/d) | Wells |
|----------------------------------|--|---|--|---------------|-----------|--|---|--|---------------|-----------|--|---|--|---------------|-----------|
| IP 30 | 4.7 | 570 | 122 | 1,353 | 35 | 2.2 | 774 | 355 | 1,141 | 27 | 3.6 | 659 | 184 | 1,259 | 62 |
| IP 90 | 3.9 | 384 | 98 | 1,034 | 33 | 1.9 | 566 | 304 | 883 | 26 | 3.0 | 464 | 154 | 964 | 59 |
| IP 180 | 3.2 | 274 | 85 | 807 | 30 | 1.5 | 433 | 291 | 683 | 9 | 2.8 | 311 | 110 | 778 | 39 |
| IP 270 | 2.7 | 221 | 82 | 671 | 25 | 1.4 | 393 | 283 | 626 | 8 | 2.4 | 263 | 111 | 663 | 33 |
| IP 360 | 2.3 | 185 | 83 | 568 | 16 | 1.4 | 365 | 255 | 598 | 5 | 2.0 | 227 | 112 | 560 | 21 |
| Less than 30 days on production | | | | | - | | | | | - | | | | | - |
| Wells in progress ⁽⁴⁾ | | | | | 1 | | | | | 1 | | | | | 2 |
| Total wells | | | | | 36 | | | | | 28 | | | | | 64 |

(1) To April 30, 2016.

(2) Production rates are the average gross volumes per day measured at the wellhead over the initial 30, 90, 180, 270 and 360 producing days commencing from the day after load oil volumes were completely recovered for wells completed with oil-based fluids and the first producing day for wells completed with water-based fluids (the "Initial Production Period"). Excludes days when the wells did not produce. Sales volumes are approximately 20 percent lower due to shrinkage.

(3) CGRs were calculated for each well over the applicable Initial Production Period by dividing total wellhead Liquids volumes by total wellhead natural gas volumes during period.

(4) Wells in progress include wells that have been drilled but have not been completed and/or tied-in.

Of the 62 IP 30 wells, the Rich Montney wells had average production of 1,353 Boe/d and CGRs of 122 Bbl/MMcf. The Ultra-Rich Montney wells had average production of 1,141 Boe/d and CGRs of 355 Bbl/MMcf.

Netback & Operations

Paramount's first quarter netbacks including hedging settlements increased 34 percent to \$60.3 million in 2016 compared to \$45.1 million in the same period in 2015, as the impact of increased sales volumes and hedging proceeds more than offset the decrease in commodity prices. Operating expenses averaged \$5.31 per Boe in the first quarter of 2016, with Kaybob area operating costs averaging \$3.15 per Boe.

The installation of gas lift equipment on liquids-rich Montney wells at Musreau and Karr-Gold Creek is substantially complete. The utilization of gas lift in these wells has stabilized production rates and reduced downtime by providing artificial lift to maintain the flow of liquids volumes to the surface.

Natural gas prices have deteriorated significantly in western Canada since the beginning of the year. In late-April, the Company temporarily shut-in approximately 1,000 Boe/d of production at Valhalla to preserve resource value. The wells will be restarted as natural gas prices recover and netbacks improve.

Capital Spending

In response to lower commodity prices and to preserve financial flexibility, Paramount's first quarter 2016 capital spending for Principal Properties was \$20.1 million, in line with cash flows. Expenditures consisted mainly of maintenance capital and the completion of a previously drilled well in the Kaybob area. The Company did not drill any wells in the first quarter in its Principal Properties.

Drilling of the c-37-D vertical shale gas exploratory well in the Liard Basin was completed in March 2016, with current year expenditures totaling \$15.0 million. Having drilled this well to target depth, the Company has secured its mineral rights in the region for another 10 years.

2016 Capital Program

Paramount's 2016 capital program remains flexible and activity levels will be adjusted depending on commodity prices and other factors. The Company commenced drilling operations in April 2016 on a six-Montney well pad at Musreau. Two Fox Drilling rigs, including one of the newly constructed walking rigs, are currently drilling on the pad. The utilization of two rigs on a single pad reduces per well drilling costs as a result of shared rig crews, oil field services, onsite facilities and improved logistics. An additional three Fox Drilling rigs, including the second new walking rig, are scheduled to commence drilling later in the second quarter.

Paramount's 2016 activities will focus on drilling Montney wells from multi-well pads with lateral lengths of between 1.5 and 2.0 miles to maximize operational efficiencies and control costs. The Company also plans to complete the wells with high intensity water-based fracks.

Paramount's capital spending has been reduced since 2015 in response to the deterioration in commodity prices. Drilling activity has been limited over the past twelve months and wells from the 02-34 and 03-33 six well pads were the last production additions from the 2015 drilling program. As a result, the Company's sales volumes are expected to decline through the middle part of the year until wells from the 2016 capital program are brought on production in the fourth quarter.

CORPORATE

With the closing of the Midstream Transaction in April 2016, Paramount cancelled \$400 million of the \$900 million Tranche A of the Company's bank credit facility (the "Facility") as well as the entire \$100 million Tranche B of the Facility, which has never been drawn. Proceeds from the Midstream Transaction were used to pay down the Facility.

Because of the Midstream Transaction, the annual renewal of the Facility and the current revolving period have been extended from April 30, 2016 in order for the syndicate of lenders to complete their borrowing base review. The annual renewal is currently expected to be completed by the end of May 2016.

As of April 29, 2016, \$145.5 million was drawn on the Facility. In addition, Paramount had undrawn letters of credit outstanding totaling \$151.7 million that reduce the amount available to be drawn under the Facility.

OPERATING AND FINANCIAL RESULTS⁽¹⁾

(\$ millions, except as noted)

| | Q1 2016 | | Q1 2015 | | % Change |
|-----------------------------------|---------------|-----------------------|---------------|-----------------------|-----------|
| Sales volumes | | | | | |
| Natural Gas (MMcf/d) | 153.9 | | 148.6 | | 4 |
| Condensate & oil (Bbl/d) | 13,245 | | 6,583 | | 101 |
| Other NGLs (Bbl/d) ⁽²⁾ | 11,259 | | 6,968 | | 62 |
| Total (Boe/d) | 50,161 | | 38,317 | | 31 |
| % Liquids | 49% | | 35% | | |
| Funds flow from operations | | | | | |
| | | \$/Boe ⁽³⁾ | | \$/Boe ⁽³⁾ | % Change |
| Natural gas revenue | 2.09 | 29.3 | 2.99 | 40.0 | (30) |
| Condensate and oil revenue | 42.28 | 51.0 | 48.16 | 28.5 | (12) |
| Other NGLs revenue ⁽²⁾ | 10.31 | 10.6 | 16.43 | 10.3 | (37) |

| | | | | | |
|---|--------------|-------------|--------|--------|-------|
| Royalty and sulphur revenue | - | 0.3 | - | 1.4 | - |
| Petroleum and natural gas sales | 19.98 | 91.2 | 23.26 | 80.2 | (14) |
| Royalties | (0.62) | (2.8) | (0.91) | (3.1) | (32) |
| Operating expense | (5.31) | (24.2) | (5.36) | (18.5) | (1) |
| Transportation and NGLs processing ⁽⁴⁾ | (4.30) | (19.6) | (3.93) | (13.5) | 9 |
| Netback | 9.75 | 44.6 | 13.06 | 45.1 | (25) |
| Commodity contract settlements | 3.45 | 15.7 | - | - | 100 |
| Netback including commodity contract settlements | 13.20 | 60.3 | 13.06 | 45.1 | 1 |
| General and administrative - corporate | (1.47) | (6.7) | (1.50) | (5.2) | (2) |
| General and administrative - strategic investments | (0.37) | (1.7) | (0.36) | (1.2) | 3 |
| Interest and financing | (6.45) | (29.5) | (6.76) | (23.3) | (5) |
| Other | - | - | 0.11 | 0.3 | (100) |
| Funds flow from operations | 4.91 | 22.4 | 4.55 | 15.7 | 8 |
| <i>per share - diluted (\$/share)</i> | | 0.21 | | 0.15 | |

Exploration and Capital Expenditures

| | | | | | |
|--|-------------|--|-------|--|------|
| Wells and exploration | 12.7 | | 135.8 | | (91) |
| Facilities and gathering | 7.4 | | 52.4 | | (86) |
| Principal Properties Capital ⁽⁵⁾ | 20.1 | | 188.2 | | (89) |
| Strategic Investments | 15.6 | | 29.9 | | (48) |
| Other | 0.3 | | 5.5 | | (95) |
| Total | 36.0 | | 223.6 | | (84) |

| | | | | | |
|---------------------------------------|---------------|--|--------|--|------|
| Net loss | (46.0) | | (70.3) | | (35) |
| <i>per share - diluted (\$/share)</i> | (0.43) | | (0.67) | | |

| | | | | | |
|---------------------|----------------|--|---------|--|------|
| Total assets | 2,713.9 | | 3,366.3 | | (19) |
|---------------------|----------------|--|---------|--|------|

| | | | | | |
|-----------------|----------------|--|---------|--|----|
| Net Debt | 1,880.6 | | 1,683.3 | | 12 |
|-----------------|----------------|--|---------|--|----|

| | | | | | |
|--|----------------|--|---------|--|---|
| Common shares outstanding (thousands) | 106,212 | | 104,893 | | 1 |
|--|----------------|--|---------|--|---|

| | | | | | |
|--|--------------|--|-------|--|------|
| Investments in other entities - market value ⁽⁶⁾ | 124.8 | | 260.5 | | (52) |
|--|--------------|--|-------|--|------|

(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) Other NGLs means ethane, propane and butane.

(3) Natural gas revenue shown per Mcf.

(4) Includes downstream natural gas, NGLs and oil transportation costs and NGLs fractionation costs incurred by the Company.

(5) Principal Properties Capital includes capital expenditures and geological and geophysical costs related to the Company's Principal Properties, and excludes land acquisitions and capitalized interest.

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

Paramount is an independent, publicly traded, Canadian corporation that explores for and develops conventional petroleum and natural gas prospects, pursues longer-term non-conventional exploration and pre-development projects and holds investments in other entities. The Company's 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".

Paramount's first quarter 2016 results, including Management's Discussion and Analysis and the Company's Consolidated Financial Statements, can be obtained at:

<download/2016+May+4.pdf>

This information will also be made available through Paramount's website at www.paramountres.com and 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", "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 production and sales volumes (including the liquids component thereof);
- exploration, development, and associated operational plans and strategies (including planned drilling programs, well tie-ins and re-commencement of production from shut in wells) and the anticipated timing and costs of such activities;
- the anticipated timing of the completion of the annual renewal process for the Facility, 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 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 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 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 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 and resources 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.

Non-GAAP Measures

In this document "Funds flow from operations", "Netback", "Net Debt", "Exploration and Capital Expenditures", "Principal Properties Capital" 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 and transportation and NGLs processing 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 capital expenditures consist of the Company's spending on wells and infrastructure projects, other property, plant and equipment, land and property acquisitions, capitalized interest and geological and geophysical costs incurred. The closest GAAP measure to exploration and development expenditures is property, plant and equipment and exploration cash flows under investing activities in the Company's Consolidated Statement of Cash Flows, which includes all of the items included in exploration and capital expenditures, except for geological and geophysical costs for the three months ended March 31, 2016 of \$1.2 million (2015 - \$1.4 million), which are expensed as incurred. Principal Properties Capital includes capital expenditures and geological and geophysical costs related to the Company's Principal Properties, and excludes land acquisitions and capitalized interest. The Principal Properties Capital measure provides management and investors with information regarding the Company's Principal Properties spending on drilling and infrastructure projects separate from land acquisition activity and capitalized interest. Refer to the Exploration and Capital Expenditures section of the Company's Management's Discussion and Analysis. 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 Energy Corp., MEG Energy Corp., Marquee Energy Ltd., RMP Energy Inc., Strategic Oil & Gas Ltd. 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", "\$/Boe" and "Boe/d". 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. For the three months ended March 31, 2016, the value ratio between crude oil and natural gas was approximately 21:1. 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 "Other NGLs" means ethane, propane and butane.

Wellhead condensate-gas ratios ("CGRs") disclosed in this document were calculated for each well for the period commencing on the date load oil volumes were completely recovered for such well and ending on April 30, 2016 (the "Post-load Recovery Period"). CGRs were calculated for each well over its applicable Post-load Recovery Period by dividing total raw liquids volumes produced by total raw natural gas volumes produced during such period. Raw volumes as measured at the wellhead. Sales volumes are lower due to shrinkage.

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<http://paramount.mediaroom.com/index.php?s=2429&item=122487>