Paramount Resources Ltd.

Paramount Resources Ltd. Provides Update on Operations and Midstream Sales Process

CALGARY, ALBERTA - Jan. 20, 2016 /CNW/ - Paramount Resources Ltd. (TSX:POU)

OPERATIONAL HIGHLIGHTS

- Paramount's estimated average sales volumes for December 2015 were approximately 50,000 Boe/d, including approximately 12,000 Bbl/d of condensate.
- Sales volumes to date in January 2016 have averaged approximately 50,000 Boe/d, with Liquids comprising approximately 50 percent of total volumes.
- The 2-34 and 3-33 six well Ultra-Rich Montney pads were completed in the fourth quarter. Total costs to drill, complete, equip and tie-in the wells are estimated to average approximately $8.5 million per well.
- Aggregate test rates for the six well pads are:
  - 2-34 pad: 44.9 MMcf/d of natural gas and 16,317 Bbl/d of Liquids
  - 3-33 pad: 61.4 MMcf/d of natural gas and 13,360 Bbl/d of Liquids
- Total capital spending for 2015 is anticipated to be in-line with the Company's previous guidance of $490 million.

Sales Volumes

Fourth quarter 2015 sales volumes averaged approximately 45,000 Boe/d, including 10,000 Boe/d of condensate.

Production in the fourth quarter was impacted by a scheduled NGLs pipeline outage that required the majority of Kaybob area wells to be shut in for 10 days beginning on October 20th and by periods of downtime in the first two weeks of November as the Musreau Deep Cut Facility was brought back on-line following maintenance work performed during the October NGLs pipeline outage.

The Company's fourth quarter production was also impacted by an unscheduled outage at the third-party operated Smoky Deep Cut Plant which shut in approximately 2,000 Boe/d of production in November and December, and delays in the commissioning of the new third-party operated compression facility at Birch in northeast BC, which delayed approximately 1,000 Boe/d of new production by one month.

Paramount's estimated average sales volumes for December 2015 were approximately 50,000 Boe/d, with Liquids representing approximately 45 percent of total sales volumes. Liquids sales volumes increased in December as Musreau area production resumed following the NGLs pipeline and Musreau Deep Cut Facility maintenance outages. NGLs recoveries increased at the Musreau Deep Cut Facility following the completion of maintenance which enabled the plant to operate at lower temperatures.

Six Well Ultra-Rich Montney Pads

In the fourth quarter, Paramount successfully finished completion operations for two six well Ultra-Rich Montney pads at Musreau. Total costs to drill, complete, equip and tie-in the wells are estimated to have averaged approximately $8.5 million per well.

The wells were fracked with water-based fluids and higher intensity fracks of 1,200 pounds of proppant per linear foot compared to 575 pounds of proppant per linear foot for the Company's previous oil-based completion programs. This 125 tonne per stage water-based completion approach, combined with lower current year service costs, reduced completion costs by approximately 40 percent compared to the 60 tonne per stage oil-based fracks previously used and is expected to achieve comparable or better well performance.

Aggregate test rates for the pads are as follows:

	2-34 Six Well Pad			3-33 Six Well Pad		
	Natural Gas	**Liquids**	**Total**	**Natural Gas**	**Liquids**	**Total**
	(MMcf/d)	*(Bbl/d)*	*(Boe/d)*	*(MMcf/d)*	*(Bbl/d)*	*(Boe/d)*

Aggregate test rates	44.9	16,317	23,800	61.4	13,360	23,593
Average per well	7.5	2,720	3,970	10.2	2,227	3,927

Nine of the twelve wells have been brought on production to date, with production rates from all but one well being restricted to maintain higher reservoir pressures and Liquids recovery rates. Six of these wells have greater than 25 days of production, with raw wellhead production rates averaging 2.0 MMcf/d of natural gas and 926 Bbl/d of Liquids over their initial 25 days of production.

Well Costs

As a result of changes in completion practices, technical improvements, increased efficiencies and reductions in industry rates, the Company has updated its expected costs to drill, complete, equip and tie-in Musreau area Montney wells. Current cost estimates for 1.0 mile lateral wells are $8.2 million, a 28 percent reduction compared to Paramount's average well costs in 2014, and $10.2 million for 1.5 mile lateral wells.

Gas Lift Program

In the fourth quarter, installation of "gas lift" production equipment was completed on 11 wells in the Musreau area, enabling production from wells that were flowing at reduced rates or temporarily shut in to be restored. Gas lift equipment is used to optimize long-term production of higher liquids content wells by re-injecting natural gas into the vertical section of wellbores to provide artificial lift for produced volumes. The Company will have a total of 44 wells in the Kaybob and Grande Prairie areas equipped with gas lift by mid-2016.

Cost Reduction Measures

Paramount continues to implement measures to reduce its cost structure while maximizing the efficiency and effectiveness of its operations. The Company has reduced its permanent workforce by approximately 15 percent and eliminated most of the corporate consultant positions. Employee salaries have been reduced by five percent in 2016 and rates for contract work have been reduced by 10 to 15 percent. General and administrative expenses are expected to be reduced by more than 15 percent in 2016.

Labour and travel costs for the Company's field operations are expected to be reduced by 12 to 15 percent in 2016. Procurement processes and operating activities in the field are being reviewed to identify further opportunities to improve efficiencies and reduce costs.

MIDSTREAM SALES PROCESS

Paramount is currently conducting a process for the potential sale of certain of its midstream assets in the Kaybob operating unit, including the Musreau Deep Cut Facility. There is no assurance that this process will result in a definitive sale agreement being entered into or a sale being consummated. Until such time as it is appropriate to make a public announcement, Paramount does not intend to make any further comment on the process.

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 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 press release 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: estimated capital and operating costs; expected cost reductions in 2016; exploration, development, and associated operational plans and strategies; and business strategies and objectives.

Such forward-looking information is based on a number of assumptions and expectations. Although Paramount believes that the assumptions and expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on the forward-looking information as Paramount cannot give any assurance that such assumptions and expectations will prove to be correct. Forward-looking information involves 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 forward-looking statements in this news release are made as of the date hereof and, except as required by applicable securities law, Paramount undertakes no obligation to update publicly or revise such forward-looking statements, whether as a result of new information, future events or otherwise.

Oil and Gas Measures and Definitions

Equivalency Measures

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, 2015, the value ratio between crude oil and natural gas was approximately 22:1. 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.

Test Rates

Total measured natural gas and Liquids rates for the wells on the 2-34 six well pad averaged 7.5 MMcf/d and 2,720 Bbl/d over the final flow period of post-frack clean up, with durations of between 1.5 and 36 hours. Flow-back casing pressures for the final period of the test of these wells ranged between 1,300 and 2,200 psi. Total measured natural gas and Liquids rates for the wells on the 3-33 six well pad averaged 10.2 MMcf/d and 2,227 Bbl/d over the final flow period of post-frack clean up, with durations of between 1 and 12 hours. Flow-back casing pressures for the final period of the test of these wells ranged between 1,500 and 2,700 psi. All wells were stimulated with nitrogen foamed water and therefore some nitrogen is included in the total measured gas volumes. The estimated percentage of nitrogen within the gas stream ranges between 10 and 44 percent. Pressure transient analyses and well-test interpretations have not been carried out for these wells and as such, data should be considered to be preliminary until such analysis or interpretation has been completed. Test results are for a short term and are not necessarily indicative of long-term performance or of ultimate recovery.

Production Rates

Production rates for the wells disclosed in this press release are the average gross production volumes per day measured at the wellhead over the initial 25 days of their production, with those days where a well did not produce being excluded. Sales volumes will be lower by approximately 20 percent due to shrinkage.

Historical Production and Capital Expenditure Estimates

As Paramount is still in the process of finalizing its fourth quarter 2015 results, the historical production and capital expenditure figures included in this press release are preliminary estimates which are subject to change. Average estimated capital costs for wells on the 2-34 and 3-33 pads are presented net of inter-company amounts eliminated from the Company's consolidated financial results.

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