Paramount Resources Ltd.

Paramount Provides Update on Cavalier Energy Inc.: Probable Reserves Recognized for Hoole Project

CALGARY, ALBERTA - Jan. 9, 2013 /CNW/ - Paramount Resources Ltd. ("Paramount") (TSX:POU) is pleased to announce that its wholly-owned subsidiary Cavalier Energy Inc. ("Cavalier") has received an updated independent evaluation of the Grand Rapids formation in its 100 percent owned in-situ oil sands leases in the Hoole area of Alberta (the "Hoole Lands").

The evaluation ascribed 93 million barrels of probable reserves with a net present value (discounted at 10 percent) of $379 million to Cavalier's initial 10,000 barrel per day in-situ SAGD oil sands development covering approximately two sections of the Hoole Lands (the "Hoole Project"). Over and above the aforementioned reserves, the evaluation ascribed 719 million barrels of economic contingent resources (best estimate) with a net present value (discounted at 10 percent) of $1.949 billion to the remaining approximate 54 sections of Cavalier's Hoole Lands (the "Remaining Hoole Lands"). "The new estimates further emphasize that the Hoole Lands are a significant asset and the recognition of reserves is an important milestone for Cavalier," stated William Roach, President and Chief Executive Officer of Cavalier.

The updated estimates and reclassification of Hoole Project volumes from economic contingent resources to probable reserves follows Cavalier's November 2012 regulatory applications to the Energy Resources Conservation Board and Alberta Environment and Sustainable Resource Development.

Subject to receipt of regulatory approvals, the Hoole Project schedule currently anticipates first steam in 2015 and the first full year of production in 2016. It is expected that the Hoole Lands could support a project of over 80,000 barrels per day by 2022.

"This is another positive step forward for Paramount and the Cavalier team," said Jim Riddell, President and Chief Operating Officer of Paramount.

Results of the updated evaluation of the Hoole Lands conducted by McDaniel & Associates Consultants Ltd. ("McDaniel"), effective as of December 31, 2012, are summarized below.

Hoole Project - Summary of Bitumen Reserves [1]

The evaluation ascribed total proved plus probable plus possible reserves of 104 million barrels to the Hoole Project, implying a recovery factor of approximately 65 percent in relation to the assigned Discovered Exploitable Bitumen In Place(2) of 159 million barrels.

	Reserves[6]	**NPV of Future Net Revenue**[7] **(discounted at 10%)**
	(MMBbl)	($MM)
Total Proved[3]	-	-
Probable Undeveloped[4]	93	379
Total Proved Plus Probable	93	379
Possible Undeveloped[5]	11	146
Total Proved + Probable + Possible	104	525

(1) 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 effects of aggregation.

(2) Discovered Exploitable Bitumen In Place is the estimated volume of bitumen, as of a given date, which is contained in a subsurface stratigraphic interval of a known accumulation that meets or exceeds certain reservoir characteristics, such as minimum continuous net pay, porosity and mass bitumen content. For the Hoole Project, the presence of these characteristics is considered necessary for the commercial application of known recovery technologies. There is no certainty that it will be commercially viable to produce any portion of the resources from the Hoole Project.

(3) **Proved** reserves are those reserves that can be estimated with a high degree of certainty to be recoverable. It is likely that the actual remaining quantities recovered will exceed the estimated proved reserves.

(4) **Probable** reserves are those additional reserves that are less certain to be recovered than proved reserves. It is equally likely that the actual remaining quantities recovered will be greater or less than the sum of the estimated proved plus probable reserves.

(5) **Possible** reserves are those additional reserves that are less certain to be recovered than probable reserves. There is a 10 percent probability that the quantities actually recovered will equal or exceed the sum of proved plus probable plus possible reserves.

(6) Working interest volumes, before the deduction of royalties.

(7) **NPV** means net present value and represents Cavalier's share of future net revenue, before the deduction of income tax, from reserves in the Grand Rapids formation within the Hoole Project. The calculation considers such items as revenues, royalties, operating costs, abandonment costs and capital expenditures. Royalties have been calculated based on Alberta's Royalty Framework applicable to oil sands projects. The calculation does not consider financing costs and general and administrative costs. NPVs were calculated assuming natural gas is used as a fuel for steam generation. Revenues and expenditures were calculated based on McDaniel's forecast prices and costs as of January 1, 2013. The estimated net present values disclosed in this press release do not represent fair market value.

Remaining Hoole Lands - Summary of Bitumen Resources

Classification/Level of Certainty	DEBIP[(4)]	Economic Contingent Resources[(5)]	NPV of Future Net Revenue[(6)] (discounted at 10%)
	(MMBbl)	(MMBbl)	($MM)
High Estimate[(1)]	1,656	903	2,982
Best Estimate[(2)]	1,469	719	1,949
Low Estimate[(3)]	1,167	511	946

(1) **High Estimate** is considered to be an optimistic estimate of the quantity of resource that will actually be recovered. It is unlikely that the actual remaining quantities of resources recovered will meet or exceed the high estimate. Those resources at the high end for the estimate range have a lower degree of certainty (a 10 percent confidence level) that the actual quantities recovered will equal or exceed the estimate.

(2) **Best Estimate** is considered to be the best estimate of the quantity that will be actually recovered. It is equally likely that the actual remaining quantities recovered will be greater or less than the best estimate. Those resources that fall within the best estimate have a 50 percent confidence level that the actual quantities recovered will equal or exceed the estimate.

(3) **Low Estimate** is considered to be a conservative estimate of the quantity of resources that will actually be recovered. It is likely that the actual remaining quantities recovered will exceed the low estimate. Those resources at the low end of the estimate range have the highest degree of certainty (a 90 percent confidence level) that the actual quantities recovered will equal or exceed the estimate.

(4) **Discovered Exploitable Bitumen In Place** is the estimated volume of bitumen, as of a given date, which is contained in a subsurface stratigraphic interval of a known accumulation that meets or exceeds certain reservoir characteristics, such as minimum continuous net pay, porosity and mass bitumen content. For the Remaining Hoole Lands, the presence of these characteristics is considered necessary for the commercial application of known recovery technologies. There is no certainty that it will be commercially viable to produce any portion of the resources from the Remaining Hoole Lands.

(5) **Contingent Resources** are those quantities of bitumen estimated, as of a given date, to be potentially recoverable from known accumulations using established technology or technology under development, but are classified as a resource rather than a reserve due to one or more contingencies, such as the absence of regulatory applications, detailed design estimates or near term development plans. There is no certainty that it will be commercially viable to produce any portion of the contingent resources. For the Remaining Hoole Lands, contingencies which must be overcome to enable the reclassification of bitumen contingent resources as reserves include the finalization of plans for the development, submission of a regulatory application and management's intent to proceed evidenced by a development plan with major capital expenditures. **Economic Contingent Resources** are those contingent resources that are economically recoverable based on specific forecasts of commodity prices and costs (based on McDaniel's forecast prices and costs as of January 1, 2013). Volumes presented are working interest, before the deduction of royalties.

NPV means net present value and represents Cavalier's share of future net revenue, before the deduction of income tax, from the economic contingent resources in the Grand Rapids formation within

(6) the Remaining Hoole Lands. The calculation considers such items as revenues, royalties, operating costs, abandonment costs and capital expenditures. Royalties have been calculated based on Alberta's Royalty Framework applicable to oil sands projects. The calculation does not consider financing costs and general and administrative costs. NPVs were calculated assuming natural gas is used as a fuel for steam generation. Revenues and expenditures were calculated based on McDaniel's forecast prices and costs as of January 1, 2013. The estimated net present values disclosed in this press release do not represent fair market value.

The pricing assumptions used in the McDaniel evaluation can be found at www.mcdan.com/pdf/20130101.pdf.

More information pertaining to Cavalier, including its latest corporate presentation, is available at the newly launched Cavalier website at www.cavalierenergy.com and may also be accessed via the Paramount website at www.paramountres.com.

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

For further information on the Hoole Project specifically, or Cavalier in general, please go to www.cavalierenergy.com or contact William Roach.

Advisory Regarding Forward-Looking Information:

This news release contains certain forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as "anticipate", "believe", "estimate", "expect", "plan", "intend", "propose", or similar words suggesting future outcomes or an outlook. Forward looking information in this news release includes, but is not limited to: Estimated reserves and resources and the discounted net present value of future net revenues from such reserves and resources (including the forecast prices, costs and the timing of expected production volumes and future development capital) and expected production volumes from the Hoole Lands and the timing 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 crude oil, bitumen and natural gas prices and general economic and business conditions;
- The ability to obtain required capital to finance Cavalier's exploration, development and operations;
- The ability to obtain equipment, services, supplies and personnel in a timely manner to carry out its activities;
- The ability of Cavalier to successfully market its production;
- Estimates of input and labour costs for an oil sands project;
- Access to capital markets and other sources of funding;
- The ability to secure adequate product processing, transportation and storage;
- The ability to successfully apply oil sands technology and to capitalize on improvements thereto;
- The ability to achieve forecast production volumes, steam oil ratios, and capital and operating costs consistent with expectations;
- The timely receipt of required regulatory approvals and the scope of such approvals;
- Estimated timelines being met in respect of the development of the Hoole Lands; and
- Currency exchange and interest rates.

Although Paramount and Cavalier believe that the expectations reflected in such forward-looking information are reasonable, undue reliance should not be placed on them as neither Paramount nor Cavalier can give any 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 Cavalier and described in the forward-looking information. These risks and uncertainties include, but are not limited to:

- Fluctuations in crude oil, bitumen and natural gas prices, foreign currency exchange rates and interest rates;
- The uncertainty of estimates and projections relating to future revenue, future production, costs and expenses and the timing thereof;
- The ability to secure adequate product processing, transportation and storage;
- The uncertainty and risks of exploration, development, drilling and the geology of bitumen;
- Operational risks in exploring for, developing and producing petroleum, and the timing thereof;
- The ability to obtain equipment, services, supplies and personnel in a timely manner;
- Potential disruption or unexpected technical difficulties in designing, developing and operating facilities;

- The uncertainty of reserves and resources estimates;
- The ability to obtain financing at an acceptable cost to meet current and future obligations including costs of anticipated projects;
- Potential lawsuits and regulatory actions;
- Changes to the status or interpretation of laws, regulations or policies;
- Changes in environmental laws including emission reduction obligations;
- The receipt, timing and scope of governmental or regulatory approvals;
- Changes in general business and economic conditions;
- Uncertainty regarding aboriginal land claims and co-existing with local populations;
- The effects of weather;
- The timing and cost of future abandonment and reclamation activities;
- Cleanup costs for business interruptions due to environmental damage and contamination; and
- The ability to enter into or continue leases.

The foregoing list of risks is not exhaustive. Additional information concerning these and other factors which could impact Paramount and Cavalier are included in Paramount's most recent Annual Information Form. Although Paramount believes that the expectations reflected in such forward looking statements are reasonable, undue reliance should not be placed on them as Paramount cannot give any assurance that such expectations will prove to be correct. 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 statements, whether as a result of new information, future events or otherwise.

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