Paramount Resources Ltd.

Paramount Resources Ltd. Announces Second Quarter 2017 Results

CALGARY, Aug. 9, 2017 /CNW/ -

OIL AND GAS OPERATIONS

- Paramount's second quarter 2017 sales volumes averaged 18,367 Boe/d (52 percent Liquids), including approximately 12,700 Boe/d (60 percent Liquids) from Karr-Gold Creek. Liquids sales revenue totaled $45.4 million in the second quarter of 2017, 74 percent of the Company's total petroleum and natural gas sales revenue.

- Company sales volumes averaged approximately 22,000 Boe/d in June and 27,000 Boe/d (53 percent Liquids) in July as new wells were brought on at Karr-Gold Creek through the Company's expanded 80 MMcf/d compression and dehydration facility (the "6-18 Facility"). During the last week of July, Paramount's sales volumes averaged approximately 30,000 Boe/d (53 percent Liquids), with record sales volumes being achieved at Karr-Gold Creek.

- All 27 wells from the 2016/17 Karr-Gold Creek Montney development program have been drilled. A total of 21 wells have been completed and 17 have been brought on production to date. On average, these new wells have met or exceeded type curve expectations for the program.

- The Company continues to advance its completion techniques and well design at Karr-Gold Creek to further enhance well performance and generate higher returns.

- Principal Properties capital expenditures in the second quarter of 2017 totaled $112.0 million. The majority of spending was directed towards the Karr-Gold Creek development program.

- Paramount closed the sale of its oil and gas properties in the Valhalla area of Alberta for cash consideration of approximately $150 million at the end of May 2017. The properties had average sales volumes of approximately 1,400 Boe/d (8 percent Liquids) in 2017 prior to being sold.

CORPORATE

- In July 2017, Paramount entered into an agreement to acquire Apache Canada Ltd. ("Apache Canada") for $459.5 million, plus working capital and other monetary adjustments (the "Apache Canada Acquisition").

- In July 2017, Paramount also entered into an agreement to merge with Trilogy Energy Corp. ("Trilogy") by way of an arrangement under the *Business Corporations Act* (Alberta). Pursuant to the arrangement, Paramount will acquire all of the common shares and non-voting shares of Trilogy not already owned by Paramount in exchange for Class A common shares of Paramount on the basis of one Paramount share for every 3.75 Trilogy shares (the "Merger").

- At June 30, 2017, Paramount had $565.6 million of cash and cash equivalents and no indebtedness.

- Paramount's revolving bank credit facility was increased from $100 million to $300 million following completion of the annual review. It is anticipated that further amendments will be made to the facility following closing of the Apache Canada Acquisition and the Merger.

- Second quarter 2017 funds flow from operations totaled $35.2 million.

- In April 2017, the Company hedged 10,000 MMBtu/d of natural gas (for May to October 2017) at an average NYMEX price of US$3.37/MMBtu and 20,000 MMBtu/d of natural gas (for May to December 2017) at an average NYMEX price of US$3.40/MMBtu.

REVIEW OF OPERATIONS

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"). Karr Program wells have been designed with longer horizontal laterals of approximately 3,000 meters, higher intensity completions, tighter frack spacing and different completion fluids compared to prior years. The new well design is expected to significantly increase well productivity and recoverable reserves compared to the previous designs.

The status of the Karr Program to date is as follows:

As of	Aug 4/17	Dec 31/16
Wells Spud	**27**	20
Wells Rig Released	**27**	10
Wells Completed	**21**	2
Wells Brought on Production	**17**	1

All 27 wells from the Karr Program have now been drilled, with average per-well costs of approximately $3.8 million (approximately 5 to 10 percent higher than original estimates). A total of 21 Karr Program wells have been completed and 17 have been brought on production to date. Completion costs for Karr Program wells have averaged approximately 10 to 15 percent higher than original estimates of $5.7 million per-well (four-well pad) as a result of changes to completion techniques and well design modifications which are expected to further enhance well performance and returns. Cost inflation for materials and field services also resulted in higher than estimated completion costs. The remaining six wells in the Karr Program are expected to be completed later in 2017 and early 2018.

Paramount continues to target Karr Program well completions with proppant loading intensities of approximately 2.4 tonnes per meter and stage spacing of between 40 and 50 meters using a range of completion technologies. Paramount recently set a new Company record, completing 16 plug and perf stages with zipper fracturing techniques in one day. In addition, well design continues to evolve with the testing of perforating techniques and modifications to proppant types. The Company will continue to evaluate these technologies as the Karr Program progresses and additional well performance data are obtained.

The Company is currently constructing a 300,000 m^3 permanent water storage reservoir at Karr-Gold Creek, which will provide a larger water storage solution for completion operations and reduce the need for tank rentals. In addition, Paramount recently re-completed a well for water disposal and tied the well into the Company's wholly-owned 6-18 Facility. Both actions of these projects are part of the Company's overall water management program that are expected to reduce costs over the long-term.

Paramount's second quarter 2017 sales volumes averaged 18,367 Boe/d (52 percent Liquids), including approximately 12,700 Boe/d (60 percent Liquids) from Karr-Gold Creek.

In April 2017, Paramount completed the expansion of its wholly-owned 6-18 Facility, doubling capacity of the facility to 80 MMcf/d. Company sales volumes were reduced to approximately 12,000 Boe/d in April 2017 as the majority of production at Karr-Gold Creek was shut-in for a two-week period to complete commissioning of the expanded facility. Commissioning was accelerated to coincide with an outage at a downstream third-party processing facility (the "Third-party Facility").

Following the 6-18 Facility expansion, Paramount brought-on additional new wells from the Karr Program, increasing total Company sales volumes to approximately 22,000 Boe/d in June and 27,000 Boe/d (53 percent Liquids) in July. During the last week of July, Paramount's sales volumes averaged approximately 30,000 Boe/d (53 percent Liquids), with record sales volumes being achieved at Karr-Gold Creek. On average, wells brought-on production to date from the Karr Program have met or exceeded type curve expectations for the program.

Sales volumes in August 2017 will be impacted by scheduled outages at the Third-party Facility and a third-party natural gas pipeline that are expected to shut-in Karr-Gold Creek production for most of the month.

Production at Karr-Gold Creek is transported through a Company-owned gathering system and compressed and dehydrated at the 6-18 Facility. Volumes are then shipped via pipeline to the Third-party Facility under a long-term firm-service arrangement to provide sales specification natural gas, condensate and $C3^+$. The 6-18 Facility has been equipped to facilitate the trucking out of Liquids so that volumes in excess of contracted capacity at the Third-party Facility can be transported for processing at alternate locations. Paramount expects the majority of Liquids production to be trucked until mid-2018, when a condensate stabilization capacity expansion at the Third-party Facility is completed. The Company has contracted a dedicated fleet of trucks and 24-hour logistical services over this period to provide uninterrupted egress for Liquids production.

Smoky/Resthaven

Paramount has drilled five (4.5 net) of six planned wells in its Cretaceous exploration and delineation program at Smoky/Resthaven to the end of July. Three of the wells have been completed to the end of July and completion operations for the remaining two wells are in-progress. These wells are expected to be brought on production later in the year. Drilling of the sixth well is planned for the fourth quarter of 2017 at a winter access location.

The Company has drilled one (1.0 net) new Montney well in the northern portion of its lands at Smoky/Resthaven and completion operations are scheduled for later in the third quarter of 2017. The well design for this new location is expected to be similar to the Karr Program, with a planned horizontal lateral length of approximately 3,000 meters, slickwater completion fluids, approximately 70 fracture stages and proppant loading of approximately 2.4 tonnes per meter.

Birch

A total of seven (3.5 net) Montney wells have been drilled to the end of July in the planned ten (5.0 net) well drilling program at the non-operated Birch property. The remaining three (1.5 net) wells are scheduled to be drilled in the third quarter.

Two of the wells have been completed and brought onto production to the end of July. All of the wells drilled in the 2017 Birch drilling program are expected to be completed by the end of the year, except for one well which was drilled for land retention.

The expansion of the Birch compression and dehydration facility to 40 MMcf/d (20 MMcf/d net) is progressing on schedule to be completed in the third quarter of 2017.

Non-Core Property Dispositions

In May 2017, the Company sold its oil and gas properties in the Valhalla area of Alberta for cash consideration of approximately $150 million. The properties encompassed approximately 94 (74 net) sections of land and had average sales volumes of approximately 1,400 Boe/d (8 percent Liquids) in 2017 prior to being sold.

APACHE CANADA ACQUISITION AND THE MERGER

In July 2017, Paramount entered into an agreement with certain subsidiaries of Apache Corporation to acquire all of the shares of Apache Canada Ltd. for $459.5 million, plus working capital and other monetary adjustments.

In July 2017, Paramount also entered into an agreement to merge with Trilogy by way of an arrangement under the Business Corporations Act (Alberta). Pursuant to the arrangement, Paramount will acquire all of the common shares and non-voting shares of Trilogy not already owned by Paramount in exchange for Class A common shares of Paramount on the basis of one Paramount share for every 3.75 Trilogy shares.

These strategic transactions are the next steps in Paramount's transformation following the sale of the Company's Musreau deep cut gas processing plant and properties in 2016 and the repayment of all debt then outstanding. The Company is redeploying its cash on hand and immediately increasing its production, cash flows, reserves and landholdings.

When the acquisition of Apache Canada and merger with Trilogy are completed, Paramount will become a Montney, Duvernay and Deep Basin focused intermediate exploration and production company with the financial strength to accelerate the development of a portfolio of top-tier resource plays and unlock the value of the underlying resources. The integration of the three companies will generate operational synergies, optimize cost structures, offer financial flexibility and provide economies of scale. Paramount's diversified production base will be capable of delivering repeatable, low risk growth and generating free cash flow in a variety of price environments.

The Apache Canada Acquisition is not conditional on the completion of the Merger. Closing of the Apache Canada Acquisition is expected to occur in August 2017, subject to customary closing conditions. The Merger is conditional upon the completion of the Apache Canada Acquisition and the receipt of court, shareholder and regulatory approvals and other customary closing conditions and is targeted for completion in September 2017. A joint information circular for the special meetings of shareholders of Paramount and Trilogy to consider the Merger is expected to be mailed in August.

Additional information concerning the Apache Canada Acquisition and the Merger can be found in Paramount's Press Release dated July 6, 2017 and Material Change Report dated July 14, 2017, both of which are available on SEDAR at www.sedar.com.

OUTLOOK

Following completion of the Apache Canada Acquisition and the Merger, Paramount's fourth quarter 2017 sales volumes are expected to exceed 90,000 Boe/d, including approximately 35 percent Liquids. Paramount's 2017 capital budget has been maintained at $385 million. The Company also expects to continue with the remaining portions of the Apache Canada and Trilogy capital programs subsequent to closing these transactions.

OPERATING AND FINANCIAL RESULTS (1)
($ millions, except as noted)

	Three months ended June 30 2017	Three months ended June 30 2016	% Change	Six months ended June 30 2017	Six months ended June 30 2016	% Change
Sales volumes – Ongoing Operations (2)						
Natural gas (MMcf/d)	**53.0**	46.3	*14*	**52.2**	49.7	*5*
Condensate & oil (Bbl/d)	**8,118**	2,471	*229*	**7,238**	2,712	*167*
Other NGLs (Bbl/d) (3)	**1,414**	1,042	*36*	**1,335**	805	*66*
Ongoing Operations (Boe/d) (2)	**18,367**	11,236	*63*	**17,271**	11,803	*46*
Musreau Assets (Boe/d) (2)	–	29,654	*(100)*	–	33,723	*(100)*
Total (Boe/d)	**18,367**	40,890	*(55)*	**17,271**	45,526	*(62)*
Netback – Ongoing Operations (2)						
Natural gas revenue	**15.6**	6.6	*136*	**32.0**	17.2	*86*
Condensate and oil revenue	**42.8**	11.6	*269*	**78.1**	22.2	*252*
Other NGLs revenue (3)	**2.6**	0.4	*550*	**5.3**	0.9	*489*
Royalty and sulphur revenue	**0.3**	0.4	*(25)*	**0.6**	0.6	–
Petroleum and natural gas sales	**61.3**	19.0	*223*	**116.0**	40.9	*184*
Royalties	**(0.8)**	0.5	*NM*	**(2.8)**	(0.6)	*367*
Operating expense	**(17.2)**	(12.3)	*40*	**(32.1)**	(26.5)	*21*
Transportation and NGLs processing (4)	**(8.2)**	(6.2)	*32*	**(14.3)**	(10.0)	*43*
Netback – Ongoing Operations (2)	**35.1**	1.0	*NM*	**66.8**	3.8	*NM*
($/Boe)	***21.05***	*0.94*	*NM*	***21.39***	*1.75*	*NM*
Exploration and Capital Expenditures – Ongoing Operations (2)						
Wells and exploration	**103.0**	4.1		**232.4**	10.6	
Facilities and gathering	**9.0**	1.9		**26.3**	7.7	
Principal Properties Capital (5)	**112.0**	6.0		**258.7**	18.3	
Strategic Investments	**0.7**	4.2		**1.6**	19.8	
Other	**2.0**	11.1		**3.5**	11.4	
Total	**114.7**	21.3		**263.8**	49.5	
Net income (loss)	**45.3**	(30.6)		**66.1**	(76.5)	
per share – diluted ($/share)	***0.42***	*(0.29)*		***0.62***	*(0.72)*	
Funds flow from operations	**35.2**	(4.9)		***63.2***	17.5	
per share – diluted ($/share)	***0.33***	*(0.05)*		***0.59***	*0.16*	
Total assets				**2,051.8**	2,158.1	
Cash and cash equivalents				**565.6**	11.6	
Long-term debt				–	1,244.6	
Investments in other entities – market value (6)				**140.4**	162.1	
Common shares outstanding *(thousands)*				**106,200**	106,241	

(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) In 2016, the Company sold its natural gas processing facilities and the majority of its oil and gas properties in the Musreau/Kakwa area of west central Alberta. Disclosures of results for the three and six months ended June 30, 2016 for "Ongoing Operations" exclude amounts attributable to these sold facilities and oil and gas properties.
(3) Other NGLs means ethane, propane and butane.
(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.
(6) Based on the period-end closing prices of publicly-traded investments and the book value of the remaining investments.

(7) NM Not meaningful

Paramount is an independent, publicly traded, Canadian energy company that explores 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".

Paramount's second quarter 2017 results, including Management's Discussion and Analysis and the Company's Consolidated Financial Statements can be obtained at:
http://files.newswire.ca/1509/PRL_Q2_Results.pdf

This information will also be made available shortly 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:

- the anticipated closing of the Apache Canada Acquisition and the Merger, including satisfaction of closing conditions, receipt of regulatory, shareholder and court approvals and the timing thereof;
- the anticipated timing of the mailing of the information circular in connection with the special meeting of Paramount shareholders being held to consider the Merger;
- the impact of the Apache Canada Acquisition and the Merger on the Company's financial position and strength, cost structures and strategy and the synergies, economies of scale and other benefits expected to be realized from the Apache Canada Acquisition and the Merger;
- projected production and sales volumes;
- forecast capital expenditures and operating costs;
- exploration, development, and associated operational plans and strategies (including planned drilling and completion programs, well tie-ins, and facility expansions, and the anticipated timing thereof);
- the ability to obtain water storage solutions for completion operations and the expectation of reduced long-term costs as a result of the Company's overall water management strategy;
- expected increases in well productivity and recoverable reserves and higher returns resulting from the adoption of new well designs and completion technologies for the wells in the Karr Program;
- the anticipated amendments to Paramount's Credit Facility following closing of the Apache Canada Acquisition and the Merger;
- the anticipated timing, duration and impact of scheduled outages at the Third-party Facility and at a third-party natural gas pipeline;
- the projected date when the expansion of the condensate stabilization capacity at the Third-party Facility will be completed, and the Company's belief that it has secured the services of a truck fleet of sufficient size (and all related logistical services necessary) to ensure uninterrupted egress for its Karr-Gold Creek area Liquids until this additional stabilization capacity becomes available; 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:

- the timely receipt of regulatory, shareholder and court approvals and satisfying closing conditions for the completion of the Apache Canada Acquisition and the Merger;
- the scope and effect of the expected benefits from the Apache Canada Acquisition and the Merger;
- 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 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:

- the Apache Canada Acquisition and/or the Merger may not be completed on the terms anticipated or at all;
- the conditions to and approvals for the completion of the Apache Canada Acquisition and/or the Merger not being satisfied and obtained;
- the expected benefits of the Apache Canada Acquisition and/or the Merger not being realized;
- 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;
- 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 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", "Exploration and Capital Expenditures – Ongoing Operations", "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 (used in) operating activities before net changes in operating non-cash working capital, geological and geophysical expenses, asset retirement obligation settlements and corporate acquisition and merger costs. 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. Refer to the Consolidated Results section of the Company's Management's Discussion and Analysis for the three and six months ended June 30, 2017 for the calculation of funds flow from operations. **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. Refer to the Principal Properties section of the Company's Management's Discussion and Analysis for the three and six months ended June 30, 2017 for the calculation of netback. **Exploration and capital expenditures** consist of the Company's spending on wells and infrastructure projects, other property, plant and equipment, land and property acquisitions 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, which are expensed as incurred. **Exploration and capital expenditures – Ongoing Operations** represents Exploration and Capital Expenditures less the amounts attributed to the Musreau/Kakwa area facilities and oil and gas properties sold in 2016. Principal Properties Capital includes capital expenditures and geological and geophysical costs related to the Company's Principal Properties business segment, and excludes land acquisitions. The **Principal Properties Capital** measure provides management and investors with information regarding the Company's Principal Properties spending on wells and infrastructure projects separate from land acquisition activity and capitalized interest. Refer to the Advisories section of the Company's Management's Discussion and Analysis for the three and six months ended June 30, 2017 for the calculation of Exploration and Capital Expenditures and Principal Properties Capital. **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., Blackbird Energy Inc., 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. Refer to the Strategic Investments section of the Company's Management's Discussion and Analysis for the three and six months ended June 30, 2017 for information on carrying and market 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

The term "Liquids" means oil, condensate and Other NGLs (ethane, propane and butane).

Abbreviations

Liquids	
Bbl	Barrels
Bbl/d	Barrels per day
MBbl	Thousands of barrels
NGLs	Natural gas liquids
Condensate	Pentane and heavier hydrocarbons

Natural Gas	
Mcf	Thousands of cubic feet
MMcf	Millions of cubic feet
MMcf/d	Millions of cubic feet per day
MMbtu	Millions of British thermal units

Oil Equivalent	
Boe	Barrels of oil equivalent
Boe/d	Barrels of oil equivalent per day

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 six months ended June 30, 2017, the value ratio between crude oil and natural gas was approximately 23:1. 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.

SOURCE Paramount Resources Ltd.

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