Paramount Resources Ltd.

Paramount Resources Ltd. Announces the Sale of its Karr 6-18 Natural Gas Facility for Cash and Other Considerations of $470 million

CALGARY, June 28, 2019 /CNW/ - Paramount Resources Ltd. ("Paramount" or the "Company") is pleased to announce that it has entered into an agreement with an affiliate of CSV Midstream Solutions Corp. ("CSV Midstream") for the sale of its Karr 6-18 natural gas facility and related midstream assets (the "6-18 Facility") for total cash consideration of approximately $330 million plus a $140 million capital commitment to fund and complete the associated expansion of the facility ("D2"), bringing the total transaction value to $470 million (the "Midstream Transaction").

CSV Midstream will assume operatorship of the 6-18 Facility at closing and complete the construction of D2, which is currently in-progress and scheduled to be commissioned in the second half of 2020. Paramount will receive cash consideration of approximately $255 million in respect of the 6-18 Facility and approximately $75 million for the reimbursement of the Company's D2 project capital expenditures incurred to date. The 6-18 Facility includes 100 MMcf/d of sour raw natural gas compression and dehydration capacity and 15,000 Bbl/d of raw hydrocarbon liquids handling capacity. Once D2 is complete in 2020, the 6-18 Facility will have total raw gas handling capacity of 150 MMcf/d, including 70 MMcf/d of sour raw gas processing, and 30,000 Bbl/d of raw hydrocarbon liquids handling capacity.

As part of the Midstream Transaction, Paramount will enter into a midstream services agreement with CSV Midstream that includes a fee-for-service arrangement, a reliability guarantee and a take-or-pay volume commitment that ends 20 years following the completion of D2. The commitment has been structured to minimize unutilized demand charges as well as provide the Company with flexibility to further its Karr resource play development. Paramount estimates that operating costs at Karr will increase by approximately $13.5 million in 2019 as a result of the processing fee associated with the midstream services agreement. As Karr production ramps up towards 40,000 Boe/d, the Company estimates total unit operating costs at Karr (including processing fees) to be less than $10.00/Boe.

The Midstream Transaction facilitates Paramount's continued development of its large-scale Montney resource play at Karr and supports further production growth while maintaining the Company's financial strength. The proceeds from the Midstream Transaction will initially be used to reduce amounts drawn on the Company's $1.5 billion bank credit facility, which totaled $827.3 million as at March 31, 2019. The Company expects to record a gain on sale of approximately $160 million in respect of the Midstream Transaction.

The Midstream Transaction is expected to close in July 2019, subject to regulatory and customary closing conditions.

CSV Midstream is a private Calgary-based company offering full services for complete midstream solutions. Executing on their vision to advance midstream, CSV Midstream provides innovative, sustainable strategies in the engineering, design, construction, operation and management of natural gas and NGL assets, including sweet and sour gas processing, liquids handling and fractionation, and gas gathering and transmission pipelines. CSV Midstream's primary focus is the developing natural gas energy industry in the Western Canadian Sedimentary Basin. CSV Midstream has entered into a strategic investment partnership whereby funds managed by Northleaf Capital Partners ("Northleaf") have acquired CSV Midstream. For more information about CSV Midstream, please visit www.csvmidstream.com.

Northleaf is an independent global private markets fund manager with more than US$12 billion in private equity, private credit and infrastructure commitments under management on behalf of public, corporate and multi-employer pension plans, endowments, foundations, financial institutions and family offices. Northleaf's 130-person team, located in Toronto, Montreal, London, New York, Chicago, Menlo Park and Melbourne, is focused exclusively on sourcing, evaluating and managing private markets investments globally. Northleaf's portfolio includes more than 350 active investments in 34 countries, with a focus on mid-market companies and assets. For more information on Northleaf, please visit www.northleafcapital.com.

RBC Capital Markets is acting as financial advisor to Paramount on the Midstream Transaction.

ABOUT PARAMOUNT

Paramount is an independent, publicly traded, liquids-focused Canadian energy company that explores for and develops both conventional and unconventional petroleum and natural gas resources. The Company also pursues long-term strategic exploration and pre-development plays and holds a portfolio of investments in other entities. The Company's principal properties are 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 press release includes, but is not limited to:

- the scheduled timing for the completion of D2;
- estimated increases in operating costs at Karr in 2019 as a result of the processing fee associated with the midstream services agreement;
- estimated future operating costs at Karr as production ramps up;
- the initial use of proceeds of the Midstream Transaction to reduce amounts drawn on the Company's bank credit facility;
- the gain expected to be recorded in respect of the Midstream Transaction; and
- the expected closing date of the Midstream Transaction.

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 press release:

- the application of the terms of the agreements governing the Midstream Transaction;
- the timely receipt of regulatory approvals and the satisfaction of other conditions to the closing of the Midstream Transaction;
- anticipated timelines being met in respect of the construction, commissioning and start-up of D2; and
- factors that will impact future operating costs at Karr, including future production volumes.

Although Paramount believes that the expectations reflected in such forward-looking information are reasonable based on the information available at the time of this press release, undue reliance should not be placed on the forward-looking information 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 Midstream Transaction not being completed on the terms anticipated or at all, including due to a closing condition not being satisfied;
- the expected benefits of the Midstream Transaction not being realized;
- the uncertainty of estimates and projections relating to operating costs;
- potential disruptions, delays or unexpected technical or other difficulties in operating the 6-18 Facility or completing D2; and
- changes in, or in the interpretation of, laws, regulations or policies.

The foregoing list of risks is not exhaustive. For more information relating to risks, see the section titled "*Risk Factors*" in Paramount's annual information form for the year ended December 31, 2018, which is available on SEDAR at www.sedar.com. The forward-looking information contained in this press release 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 Definitions

MMcf/d means millions of cubic feet per day. Bbl/d means barrels per day. Boe means barrels of oil equivalent and Boe/d means 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 when converting natural gas to Boe. 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.

SOURCE Paramount Resources Ltd.

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https://paramount.mediaroom.com/2019-06-28-Paramount-Resources-Ltd-Announces-the-Sale-of-its-Karr-6-18-Natural-Gas-Facility-for-Cash-and-Other-Considerations-of-470-million