Paramount Resources Ltd.

Paramount Resources Ltd. First Quarter 2014 Results; Musreau Deep Cut Facility Construction Complete; Final Commissioning Underway - First Sales Gas In June

CALGARY, ALBERTA - May 7, 2014 /CNW/ - Paramount Resources Ltd. (TSX:POU)

FIRST QUARTER OVERVIEW

Oil and Gas Operations

- Construction of Paramount's wholly-owned 200 MMcf/d Musreau Deep Cut Facility is complete and the final stages of commissioning are underway. The expected total cost of the facility remains in-line with the original budget at approximately $190 million.
- First quarter sales volumes averaged 21,028 Boe/d. Sales volumes will begin to ramp-up after the Musreau Deep Cut Facility starts up in June.
- Paramount's sales volumes are expected to reach approximately 50,000 Boe/d in 2014 and increase to approximately 70,000 Boe/d in 2015. NGLs volumes are projected to increase from 15 percent of total sales volumes in the first quarter to approximately 40 percent by the end of the year.
- The Company's first quarter netback increased 72 percent to $55.7 million in 2014 from $32.4 million in 2013, driven mainly by higher realized natural gas prices. Paramount's first quarter 2014 gas production remained unhedged, enabling the Company to capture strong winter pricing, including significant increases in daily spot prices.
- First quarter drilling activities in the Kaybob area were focused on two 10-well Montney pads and one 5-well Montney pad on the northern portion of the Company's lands, where liquids yields are anticipated to be the highest. Drilling operations are expected to be finished on all 25 wells by the end of July, with completion and tie-in operations to follow.
- In March 2014, Paramount closed the sale of coal bed methane properties producing approximately 6 MMcf/d in the Chain-Delia area of Alberta for $11.7 million in common shares of a TSX-Venture Exchange listed Company.

Strategic Investments

- In April 2014, Paramount entered into an agreement with MGM Energy Corp. ("MGM Energy") to acquire all of the shares of MGM Energy that it does not already own (the "Arrangement"). All shareholders of MGM Energy other than Paramount would receive one Common Share of Paramount for every 300 shares of MGM Energy. The Arrangement is subject to MGM Energy shareholder and court approvals. It is anticipated that Paramount would issue approximately 1.1 million Common Shares to MGM Energy shareholders under the arrangement.
- Shale gas exploration drilling operations at Dunedin in northeast British Columbia have been suspended due to spring break-up and are scheduled to resume in the winter of 2014 / 2015.

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

Three months ended March 31	**2014**	**2013 (2)**	**% Change**
FINANCIAL			
Petroleum and natural gas sales	**86.2**	61.3	41
Funds flow from operations	**33.5**	16.6	102
Per share - diluted ($/share)	***0.34***	*0.18*	
Net income (loss)	**(8.9)**	0.4	NM
Per share - diluted ($/share)	***(0.09)***	-	
Exploration and development expenditures	**173.2**	145.2	19
Investments in other entities - market value (3)	**718.5**	719.6	-
Total assets	**2,614.6**	2,076.5	26
Net debt	**1,273.7**	857.9	48
Common shares outstanding (thousands)	**97,532**	90,130	8

OPERATING

Sales volumes			
Natural gas (MMcf/d)	**104.7**	113.6	(8)
NGLs (Bbl/d)	**3,079**	2,662	16
Oil (Bbl/d)	**500**	998	(50)
Total (Boe/d)	**21,028**	22,591	(7)
Average realized price			
Natural gas ($/Mcf)	**6.04**	3.47	74
NGLs ($/Bbl)	**86.97**	73.78	18
Oil ($/Bbl)	**96.56**	84.37	14
Total ($/Boe)	**45.56**	30.16	51
Operating expense ($/Boe)	**9.75**	10.18	(4)
Netback ($/Boe)	**29.40**	15.28	92
Net Wells (excluding oil sands evaluation)	**12**	9	33
Net oil sands evaluation wells	**-**	6	(100)

(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) Amounts include the results of discontinued operations. Refer to Management's Discussion and Analysis for the three months ended March 31, 2014.

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

NM - Not meaningful

OUTLOOK

Paramount's 2014 capital budget for exploration and development ("E&D") and Strategic Investments remains at $650 million, excluding land acquisitions and capitalized interest. E&D spending will continue to focus on the Company's Deep Basin developments, including drilling and completing wells in the Kaybob area and at Karr-Gold Creek, and the completion of new deep cut facilities and related infrastructure. Shale gas exploration activities in the Liard Basin are substantially complete for this winter season.

Paramount will begin to ramp-up production as the Musreau Deep Cut Facility starts up, additional components of the Company's Kaybob area infrastructure are completed and third-party de-ethanization capacity becomes available. Sales volumes are expected to reach approximately 50,000 Boe/d in 2014 and increase to approximately 70,000 Boe/d in 2015, depending upon the availability of downstream third-party de-ethanization capacity.

Despite achieving sales volumes of approximately 25,000 Boe/d in April 2014, second quarter sales volumes are expected to average between 17,500 Boe/d and 20,000 Boe/d. The Company's production will be impacted later in the quarter by a scheduled third-party plant outage in the Grande Prairie COU, as well as outages in the Kaybob COU resulting from the integration of the non-operated Smoky deep cut facility expansion and final commissioning activities for the Musreau Deep Cut Facility. Production will ramp-up significantly in the third quarter following the start-up of the Musreau Deep Cut Facility.

ADDITIONAL INFORMATION

ABOUT PARAMOUNT

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".

Paramount's first quarter 2014 report, including Management's Discussion and Analysis and the Company's unaudited Interim Condensed Consolidated Financial Statements can be obtained at: download/2014+May+7.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 and growth and the timing thereof;
- forecast capital expenditures;
- exploration, development, and associated operational plans and strategies and the anticipated timing of such activities;
- projected timelines for constructing, commissioning and/or starting-up new and expanded deep cut natural gas processing and associated facilities;
- the projected availability of third party processing, transportation, fractionation, de-ethanization and other facilities; and
- 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 oil, bitumen, natural gas, NGLs and other commodity 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;
- 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, fractionation, de-ethanization and storage capacity on acceptable terms;
- the ability of Paramount to market its oil, bitumen, natural gas and NGLs 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 and NGLs yields) 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 oil, bitumen, natural gas, NGLs and other commodity prices;
- changes in foreign currency exchange rates and interest rates;
- the uncertainty of estimates and projections relating to future revenue, future production, NGLs yields, royalty rates, taxes and costs and expenses;
- the ability to secure adequate product processing, transportation, fractionation, de-ethanization and storage capacity on acceptable terms;
- operational risks in exploring for, developing and producing crude oil, bitumen, natural gas and NGLs;
- the ability to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost;
- potential disruptions or unexpected technical or other difficulties in designing, developing, expanding or operating new, expanded or existing facilities (including third party facilities);
- industry wide 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 at an acceptable cost to fund planned exploration, development and operational activities and meet current and future obligations (including costs of anticipated new and expanded facilities and other projects and product processing, transportation, de-ethanization, fractionation and similar commitments);
- 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 development expenditures" 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, production taxes and transportation 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 development expenditures** refer to capital expenditures and geological and geophysical costs incurred by the Company's COUs (excluding land and acquisitions). The exploration and development expenditure measure provides management and investors with information regarding the Company's Principal Property spending on drilling and infrastructure projects, separate from land acquisition activity**. 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., MGM Energy Corp., 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" 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. The term "liquids" is used to represent oil and natural gas liquids.

During the first quarter of 2014, the value ratio between crude oil and natural gas was approximately 16:1. 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.

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