Paramount Resources Ltd.

Paramount Resources Ltd. (TSX:POU) ("Paramount" or the "Company") Announces Its First Quarter 2012 Results: Sales Volumes Increase 44%

CALGARY, ALBERTA - May 8, 2012 /CNW/ - Paramount Resources Ltd. (TSX:POU)

FIRST QUARTER OVERVIEW

Oil and Gas Operations

- Average sales volumes increased 44 percent to 18,813 Boe/d in the first quarter of 2012 from 13,097 Boe/d in the same period of 2011, with NGLs volumes increasing by 71 percent.

- The Company's sales volumes increased to approximately 23,000 Boe/d in April; including 13,500 Boe/d in the Kaybob COU following the successful re-commissioning of the 45 MMcf/d Musreau processing facility and 4,500 Boe/d in the Grande Prairie COU.

- In the Kaybob COU, work continued on the 200 MMcf/d deep cut expansion of the Musreau facility. Site construction is scheduled to commence in the second half of the year.

- Advance drilling to feed the deep cut facilities expansions at Musreau and Smoky continued. The Company currently has an inventory of 18 net wells with estimated first month deliverability of 26,400 Boe/d and first year deliverability of 13,700 Boe/d.

- In the Grande Prairie COU, construction of the Valhalla compression and gathering system expansion to 28 MMcf/d was completed in May and commissioning is underway.

- The Company's first quarter netback was $22.5 million, as the 44 percent increase in sales volumes was offset by the impact of low natural gas prices.

- In April, Paramount's wholly-owned subsidiary, Summit Resources, Inc., entered into an agreement to sell a portion of its producing properties in North Dakota and Montana for cash proceeds of approximately US$70 million. The transaction is scheduled to close in late-May.

- The Southern COU closed the previously announced sales of non-core properties in Southern Alberta and Saskatchewan for total proceeds of $49.2 million.

Strategic Investments

- In January, the Company closed the sale of 5.0 million of its Trilogy shares for net proceeds of $181.7 million.

- The Company began drilling a vertical shale gas evaluation well at a winter access location at Dunedin in Northeast British Columbia.

- Cavalier Energy Inc. continued to focus on finalizing its regulatory application for development of the Hoole property.

- Fox Drilling Inc. continued the construction of two new triple-sized walking drilling rigs, which are expected to be operational in late-2012.

Corporate

- Upon closing the United States property disposition in May 2012, Paramount will have raised over $500 million since October 2011 through equity issuances and the sale of investments and properties. Combined with funds flow from operations, the Company has more than sufficient capacity to fund its 2012 capital program.

- The Company has commenced its annual credit facility renewal process and anticipates that its current $300 million credit limit will be increased due to reserves growth and increased asset coverage.

- General and administrative costs per Boe decreased 34 percent in the first quarter of 2012 to $1.77 per Boe from $2.68 in 2011.

FINANCIAL AND OPERATING HIGHLIGHTS[(1)]

($ millions, except as noted)

Three months ended March 31	**2012**	2011	% Change
Financial			
Petroleum and natural gas sales	**54.7**	46.8	17
Funds flow from operations	**12.8**	13.9	(8)
Per share - diluted ($/share)	**0.15**	0.19	(21)
Net income (loss)	**124.5**	(11.9)	1,146
Per share - basic ($/share)	**1.46**	(0.16)	1,013
Per share - diluted ($/share)	**1.42**	(0.16)	988
Exploration and development expenditures	**142.2**	160.2	(11)
Investments in other entities - market value[(2)]	**675.6**	717.6	(6)
Total assets	**1,810.9**	1,590.9	14
Net debt[(3)]	**474.0**	432.3	10
Common shares outstanding (thousands)	**85,569**	75,397	13
Operating			
Sales Volumes:			
Natural gas (MMcf/d)	**88.6**	58.7	51
NGLs (Bbl/d)	**1,652**	968	71
Oil (Bbl/d)	**2,386**	2,353	1
Total (Boe/d)	**18,813**	13,097	44
Average realized price:			
Natural gas ($/Mcf)	**2.77**	4.15	(33)
NGLs ($/Bbl)	**78.57**	75.56	4
Oil ($/Bbl)	**89.21**	81.40	10
Total ($/Boe)	**31.95**	39.67	(19)
Net wells drilled (excluding oil sands evaluation)	**11**	12	(8)
Net oil sands evaluation wells drilled	**1**	26	(96)

(1) Readers are referred to the advisories concerning non-GAAP measures and oil and gas definitions in the "Advisories" section of this document.

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

(3) Net debt is a non-GAAP measure, it is calculated and defined in the Liquidity and Capital Resources section of Management's Discussion and Analysis.

REVIEW OF OPERATIONS

	First Quarter 2012	Fourth Quarter 2011	*% Change*
Sales Volumes			
Natural Gas (MMcf/d)	**88.6**	91.5	*(3)*
NGLs (Bbl/d)	**1,652**	1,620	*2*
Oil (Bbl/d)	**2,386**	2,356	*1*
Total (Boe/d)	**18,813**	19,223	*(2)*
Average realized price			
Natural gas ($/Mcf)	**2.77**	3.62	*(23)*

NGLs ($/Bbl)	**78.57**	78.08	*1*
Oil ($/Bbl)	**89.21**	93.25	*(4)*
Total ($/Boe)	**31.95**	35.80	*(11)*

Netbacks ($ millions)		***($/Boe)***		*($/Boe)*	*% Change in $/Boe*
Petroleum and natural gas sales	**54.7**	***31.95***	63.3	*35.80*	*(11)*
Royalties	**(5.3)**	***(3.09)***	(5.5)	*(3.13)*	*(1)*
Operating expense and production tax	**(21.3)**	***(12.45)***	(21.2)	*(11.98)*	*4*
Transportation	**(5.6)**	***(3.29)***	(5.1)	*(2.88)*	*14*
Netback	**22.5**	***13.12***	31.5	*17.81*	*(26)*
Financial commodity contract settlements	**(1.4)**	***(0.84)***	0.3	*0.17*	*(594)*
Netback including financial commodity contract settlements	**21.1**	***12.28***	31.8	*17.98*	*(32)*

Paramount's sales volumes averaged 18,813 Boe/d in the first quarter of 2012 compared to 19,223 Boe/d in the fourth quarter of 2011, primarily as a result of the annual Bistcho plant turnaround in the Northern COU and third party processing facility constraints at Valhalla in the Grande Prairie COU. Average sales volumes increased to approximately 23,000 Boe/d in April as the 45 MMcf/d Musreau plant was re-commissioned. Following start-up of the Valhalla gathering and processing expansion and the addition of other new well production in the second quarter, sales volumes for the remainder of the year are expected to range between 26,000 and 28,000 Boe/d, before accounting for the impact of the United States property disposition.

Petroleum and natural gas sales decreased by $8.6 million compared to the fourth quarter of 2011, mainly due to a 23 percent decline in realized natural gas prices. Operating costs per Boe increased four percent in the first quarter as the Company incurred seasonal scheduled maintenance costs in the Northern COU and other winter access locations. Operating costs per Boe are expected to decrease throughout the remainder of 2012 as fixed costs are spread over higher production volumes.

The Company is continuing to proceed with its previously announced liquids-rich natural gas developments despite current low natural gas prices, as associated NGLs revenues continue to support the economics of these projects. The Company monitors the contribution from all of its properties and evaluates alternatives to mitigate the impact of low natural gas prices.

KAYBOB

	First Quarter 2012		Fourth Quarter 2011		*% Change*
Sales Volumes					
Natural Gas (MMcf/d)	**52.7**		50.8		*4*
NGLs (Bbl/d)	**821**		901		*(9)*
Oil (Bbl/d)	**65**		62		*5*
Total (Boe/d)	**9,675**		9,437		*3*
Exploration and Development Expenditures ($ millions)					
Exploration, drilling, completions and tie-ins	**40.4**		69.5		*(42)*
Facilities and gathering	**31.1**		37.4		*(17)*
	71.5		106.9		*(33)*
	Gross	**Net**	Gross	Net	
Wells drilled	**6**	**4.5**	19	12.5	

First quarter sales volumes in the Kaybob COU averaged 9,675 Boe/d. The 45 MMcf/d processing facility at Musreau was successfully re-commissioned in mid-March and was operating at design capacity by the end of the month. Average sales volumes increased to approximately 13,500 Boe/d in April 2012. Sales volumes are expected to remain near this level until the phase two deep cut expansion of the Musreau facility is commissioned in the second half of 2013. The Company is actively investigating opportunities to access additional processing capacity in the region to increase production in the interim.

Phase two of the Musreau facility will be a wholly-owned incremental 200 MMcf/d deep cut liquids extraction facility. Most of the facility's capacity will be used to process Paramount's natural gas production and partner volumes from joint ownership wells for a fee. The majority of the design work and procurement of long lead-time equipment have been completed and construction is scheduled to begin this fall upon receipt of regulatory approvals. The facility is expected to be commissioned in the second half of 2013 at an estimated total cost of $180 million. The incremental investment in deep cut facilities will add significant value to Paramount's natural gas production due to the price premium realized from the sale of additional NGLs volumes that would otherwise be sold as higher heat content natural gas.

At Smoky, Paramount is participating in the expansion of a non-operated processing facility, increasing the Company's 10 percent share of the existing 100 MMcf/d facility to a 20 percent share of the expanded 200 MMcf/d facility, which is being upgraded to operate as a deep cut liquids extraction facility. The Company will have an option to participate in a further expansion of the plant to 300 MMcf/d in the future with the addition of an incremental 100 MMcf/d of compression.

The Kaybob COU continued its drilling program during the first quarter, with four rigs working in Musreau and Resthaven, drilling two (1.5 net) Falher formation wells, two (1.0 net) Dunvegan formation wells and two (2.0 net) Montney formation wells. Results from the wells have been consistent with expectations and further confirm well performance profiles. These wells will be included in inventory as the Company builds production capability in advance of completing the expansions of processing facilities. The following table summarizes the current status of Kaybob Deep Basin wells awaiting production, estimated additional costs to complete and anticipated production and sales volumes:

	Wells		**Total Additional Capital (net)**	**Net Raw Gas Production**		**Net Sales Volumes(1)**	
				First Month	**First Year**	**First Month**	**First Year**
	Gross	Net	($ millions)	(MMcf/d)	(MMcf/d)	(Boe/d)	(Boe/d)
Tied-in, capable of producing	6	3	-	18	9	4,000	2,000
Completed, awaiting tie-in	7	5	3	33	18	8,900	4,800
Drilled, awaiting completion	11	10	44	56	28	13,500	6,900
	24	18	47	107	55	26,400	13,700

(1) Based on processing through a deep cut facility

The Company plans to drill up to an additional 20 wells for the remainder of 2012 with additional wells to be drilled throughout 2013 to continue to build Paramount's well inventory ahead of the deep cut facilities expansions. The Company continues to utilize its own facilities and third party processing capacity to maximize production while the expansions are being constructed. In the interim, behind pipe wells will be produced where capacity is available.

GRANDE PRAIRIE

	First Quarter 2012		Fourth Quarter 2011	*% Change*
Sales Volumes				
Natural Gas (MMcf/d)	**16.8**		19.4	*(13)*
NGLs (Bbl/d)	**596**		480	*24*
Oil (Bbl/d)	**391**		333	*17*
Total (Boe/d)	**3,792**		4,048	*(6)*
Exploration and Development Expenditures ($ millions)				
Exploration, drilling, completions and tie-ins	**31.4**		21.2	*48*
Facilities and gathering	**12.5**		11.2	*12*
	43.9		32.4	*35*
	Gross	**Net**	Gross	Net
Wells drilled	**5**	**3.4**	4	3.6

First quarter sales volumes in the Grande Prairie COU averaged 3,792 Boe/d compared to 4,048 Boe/d in the fourth quarter of 2011, primarily because of capacity restrictions at a non-operated processing facility at Valhalla. During March, the Company re-routed its Valhalla production to a different non-operated processing facility and sales volumes increased by approximately 9 MMcf/d. On May 1, 2012, a disruption at a downstream third party ethane extraction facility resulted in a partial shut-in of Paramount's production at Valhalla. This disruption is expected to last for up to six weeks. Paramount has re-routed some of its production to alternate facilities.

The Company was active at Valhalla during the first quarter, drilling four (2.4 net) wells, completing the construction of its compression and gathering facilities expansion and re-routing the gathering system to an alternate processing facility. Three (2.5 net) wells previously drilled were brought on production late in the quarter. The Company is currently commissioning the expansion of its gathering and compression facilities at Valhalla and will have total raw gas capacity of 28 MMcf/d fully operational in the second quarter, once the third party ethane extraction facility disruption has been resolved. With the additional wells drilled to date, the Company has sufficient production behind pipe to operate the expanded gathering system at capacity. No further drilling is planned for the remainder of 2012.

At Karr/Gold Creek, one (1.0 net) well was drilled in the quarter, and one (1.0 net) well drilled in 2011 was brought on production. Surface equipment that had been ordered as part of a well performance enhancement program was delivered and installed on two (2.0 net) wells that had previously been completed but not placed on production. The wells were brought on in April and the Company will evaluate the results over the coming months.

SOUTHERN

	First Quarter 2012		Fourth Quarter 2011		*% Change*
Sales Volumes					
Natural Gas (MMcf/d)	**11.0**		11.4		*(4)*
NGLs (Bbl/d)	**217**		216		-
Oil (Bbl/d)	**1,663**		1,551		*7*
Total (Boe/d)	**3,718**		3,670		*1*
Exploration and Development Expenditures ($ millions)					
Exploration, drilling, completions and tie-ins	**4.4**		2.8		*57*
Facilities and gathering	**1.4**		1.3		*8*
	5.8		4.1		*41*
	Gross	**Net**	Gross	Net	
Wells drilled	**1**	**0.5**	5	2.6	

First quarter sales volumes in the Southern COU were consistent with the fourth quarter of 2011. First quarter capital expenditures primarily related to an oil well drilled and tied-in at Harmattan in Southern Alberta.

CANADA

In the first quarter, Paramount closed the previously announced dispositions of non-core properties at West Pembina, Alberta and Kindersley, Saskatchewan for total proceeds of $49.2 million. These properties did not have significant production volumes.

At Chain, three (2.4 net) natural gas wells were brought on production in the first quarter of 2012 to replace natural declines. The Company does not plan to carry out any more drilling activities at Chain for the remainder of the year due to the current low natural gas price environment.

The Southern COU plans to drill up to eight (7.0 net) wells in Harmattan, Ricinis and Pembina for the remainder of 2012 targeting oil and liquids-rich natural gas prospects.

UNITED STATES

In April 2012, Paramount's wholly-owned subsidiary, Summit Resources, Inc. ("Summit"), entered into an agreement to sell a portion of its producing properties in North Dakota and Montana for cash proceeds of approximately US$70 million, subject to customary closing adjustments. The properties had approximately 900 Boe/d of production in the first quarter, and include approximately 38,000 (27,000 net) acres of land. The transaction is scheduled to close in late-May.

The transaction does not include approximately 58,000 (41,000 net) acres of Summit's Bakken / Three Forks lands in North Dakota with first quarter production of approximately 200 Boe/d. Paramount and Summit are continuing the sales process for these properties.

To view a map of the properties, please visit the following link: download/2012+May+8+image.pdf

NORTHERN

	First Quarter 2012		Fourth Quarter 2011		*% Change*
Sales Volumes					
Natural Gas (MMcf/d)	**8.1**		9.9		*(18)*
NGLs (Bbl/d)	**18**		23		*(22)*
Oil (Bbl/d)	**267**		410		*(35)*
Total (Boe/d)	**1,628**		2,068		*(21)*
Exploration and Development Expenditures ($ millions)					
Exploration, drilling, completions and tie-ins	**18.5**		3.9		*374*
Facilities and gathering	**2.3**		0.1		*2,200*
	20.8		4.0		*420*
	Gross	**Net**	Gross	Net	
Wells drilled	**2**	**2.0**	-	-	

First quarter sales volumes in the Northern COU decreased by 21 percent in the first quarter of 2012, primarily as a result of the annual Bistcho plant turnaround.

The Company's first well at Birch was completed in the third quarter of 2011 and brought on production in April 2012. Two (2.0 net) additional wells were drilled and completed at Birch in the first quarter of 2012 and will be brought-on after break-up. Production results from these wells will be evaluated over the coming months.

STRATEGIC INVESTMENTS

Cavalier Energy Inc. ("Cavalier Energy") continued to build its management team during the first quarter of 2012 with the addition of key technical personnel. The team's efforts are focused on finalizing the regulatory application for development of the Hoole property, which is expected to be submitted in the fourth quarter of 2012, and developing detailed project plans for the construction of a thermal in-situ project. Also during the quarter, Cavalier Energy acquired 9,200 hectares of oil sands rights at a cost of $7.0 million.

SHALE GAS

The Company began drilling a vertical evaluation well at a winter access location at Dunedin in Northeast British Columbia during the first quarter. The targeted depth was not achieved before breakup and drilling operations have been suspended due to warm weather. The Company will evaluate further plans prior to the 2013 winter drilling season. The Company is taking a cautious approach to de-risking its shale gas holdings in the current low natural gas price environment while taking steps to maintain its mineral rights.

OUTLOOK

Paramount's annual 2012 capital spending budget, excluding land, acquisitions and capitalized interest, is $535 million, with $475 million allocated to exploration and development spending in the Company's core producing areas and $60 million allocated to Strategic Investment spending. The Company has more than sufficient capacity to fund its 2012 capital program and retains flexibility within its current capital plan to vary spending depending upon future economic conditions, among other factors.

First quarter 2012 exploration and development spending totaled approximately $140 million. Planned spending of $335 million for the remainder of the year will be focused in the Kaybob Deep Basin development, where $130 million will be invested in the Musreau and Smoky deep cut facility expansions and $150 million will be invested in drilling and completion activities to build an inventory of wells to feed the new 200 MMcf/d Musreau deep cut facility. By year-end 2012, Paramount expects to have an inventory of approximately 32 wells awaiting the commissioning of the deep cut facilities expansions.

Strategic Investment spending for the remainder of the year will be directed to completing the construction of two walking drilling rigs.

Following start-up of the Valhalla gathering and processing expansion and the addition of other new well production in the second quarter, sales volumes for the remainder of the year are expected to range between 26,000 and 28,000 Boe/d, before accounting for the impact of the United States property disposition. The Company's sales volumes will continue to be in this range until the deep cut facility expansion at Musreau is fully commissioned in the second half of 2013. Sales volumes are expected to more than double once the expansions of the Company's Deep Basin facilities are fully operational in 2014.

ADDITIONAL INFORMATION

A copy of Paramount's complete results for the three months ended March 31, 2012, including Management's Discussion and Analysis and the unaudited Interim Condensed Consolidated Financial Statements for the three months ended March 31, 2012 can be found at download/2012+May+8.pdf. This information will also be made available through Paramount's website at www.paramountres.com and SEDAR at www.sedar.com.

ABOUT PARAMOUNT

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

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", "expect", "plan", "intend", "propose", or similar words suggesting future outcomes or an outlook. Forward looking information in this document includes, but is not limited to:

- expected production and sales volumes and the timing thereof;
- planned exploration and development expenditures and the timing thereof;
- exploration and development potential, plans and strategies and the anticipated costs, timing and results thereof;
- budget allocations and capital spending flexibility;
- availability of facilities to process and transport natural gas production;
- the scope and timing of proposed new facilities and expansions to existing facilities and the expected capacity and utilization of such facilities;
- the timing of the anticipated development of Paramount's oil sands, carbonate bitumen and shale gas assets;
- ability to fulfill future pipeline transportation commitments;
- the anticipated costs and completion date of the two new triple-sized walking drilling rigs;
- ability to fulfill future pipeline transportation commitments;
- business strategies and objectives;
- sources of and plans for financing;
- acquisition and disposition plans;
- operating and other costs;
- regulatory applications and the anticipated scope, timing and results thereof;
- expected drilling programs, completions, well tie-ins, facilities construction and expansions and the timing thereof;
- the outcome of any legal claims, audits, assessments or other regulatory matters or proceedings;
- the expected closing of property sales and the proceeds and timing thereof;
- the anticipated renewal of the Company's credit facility and the size and timing thereof; and
- the expected duration of the third party ethane extraction facility disruption

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, natural gas and NGLs prices and general economic, business and market conditions;
- the ability of Paramount to obtain required capital to finance its exploration and development activities;
- 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 market its oil and natural gas successfully to current and new customers;
- the ability of Paramount to close expected property sales and the timing thereof;
- the ability of Paramount to secure adequate product processing, transportation and storage;
- the ability of Paramount and its industry partners to obtain drilling success consistent with expectations, including liquids yields;
- the timely receipt of required regulatory approvals;
- expected timelines being met in respect of facility development and construction projects;
- access to capital markets and other sources of funding;
- well economics relative to other projects; and
- currency exchange and interest rates.

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 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 described in the forward looking information. These risks and uncertainties include, but are not limited to:

- fluctuations in crude oil, bitumen, natural gas and NGLs prices, foreign currency exchange rates and interest rates;
- the uncertainty of estimates and projections relating to future revenue, future production, liquids yields, costs and expenses and the timing thereof;
- the ability to secure adequate product processing, transportation and storage;
- the uncertainty of exploration, development and drilling activities;
- operational risks in exploring for, developing and producing crude oil and natural gas, and the timing thereof;
- the ability to obtain equipment, services, supplies and personnel in a timely manner and at an acceptable cost;
- potential disruptions or unexpected technical difficulties in designing, developing or operating new, expanded or existing facilities including third party facilities;
- risks and uncertainties involving the geology of oil and gas deposits;
- the uncertainty of reserves and resource estimates;
- the ability to generate sufficient cash flow from operations and other sources of financing at an acceptable cost to meet current and future obligations, including costs of anticipated projects;
- 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 economic, business and market conditions;
- uncertainty regarding aboriginal land claims and co-existing with local populations;
- the effects of weather;
- the ability to fund exploration, development and operational activities and meet current and future obligations;
- the timing and cost of future abandonment and reclamation activities;
- cleanup costs or business interruptions due to environmental damage and contamination;
- the ability to enter into or continue leases;
- existing and potential lawsuits and regulatory actions; and
- other risks and uncertainties described elsewhere in this document and in Paramount's other filings with Canadian securities authorities, including its Annual Information Form.

The foregoing list of risks is not exhaustive. Additional information concerning these and other factors which could impact Paramount are included in Paramount's most recent 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", "Funds flow from operations - per Boe", "Funds flow from operations per share - diluted", "Netback", "Netback including commodity contract settlements", "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 Generally Accepted Accounting Principles in Canada ("GAAP").

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 calculation of Net Debt in the liquidity and capital resources section of Management's Discussion and Analysis. **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, MEG Energy, MGM Energy 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, natural gas liquids ("NGLs") and condensate. The term "liquids-rich" is used to represent natural gas streams with associated liquids volumes.

During the first quarter of 2012, the value ratio between crude oil and natural gas was approximately 32:1. 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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