Paramount Resources Ltd.

Paramount Resources Ltd. Financial and Operating Results for the Three Months Ended March 31, 2011

CALGARY, ALBERTA - May 17, 2011 /CNW/ - Paramount Resources Ltd. (TSX:POU) ("Paramount" or the "Company") announces its financial and operating results for the three months ended March 31, 2011.

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

Three months ended March 31	2011	2010	Change %
Financial(2)			
Petroleum and natural gas sales	46.8	48.9	(4)
Funds flow from operations(3)	13.9	23.5	(41)
Per share - basic and diluted ($/share)	0.19	0.33	(42)
Net income (loss)	(11.9)	26.9	(144)
Per share - basic and diluted ($/share)	(0.16)	0.37	(143)
Exploration and development expenditures	160.2	66.8	140
Investments in other entities - market value(4)	717.6	341.1	110
Total assets	1,590.9	1,110.1	43
Net debt(5)	432.3	117.2	269
Common shares outstanding (thousands)	75,397	72,520	4
Operating			
Sales volumes:			
Natural gas (MMcf/d)	58.7	50.2	17
NGLs (Bbl/d)	968	775	25
Oil (Bbl/d)	2,353	2,739	(14)
Total (Boe/d)	13,097	11,875	10
Average realized price:			
Natural gas ($/Mcf)	4.26	5.59	(24)
NGLs ($/Bbl)	79.29	72.22	10
Oil ($/Bbl)	81.91	75.51	8
Net wells drilled (excluding oil sands evaluation)	12	22	(45)
Net oil sands evaluation wells drilled	26	45	(42)

(1) Readers are referred to the advisories concerning non-GAAP measures and oil and gas definitions in the "Advisories" section of this document.
(2) Paramount adopted International Financial Reporting Standards ("IFRS") effective for fiscal years beginning on or after January 1, 2011 and the Company has applied IFRS as of January 1, 2010 for comparative purposes. Certain prior period amounts have been adjusted to reflect the changes in the Company's accounting policies.
(3) The Company has adjusted its funds flow from operations measure for all periods presented. Refer to the advisories concerning non-GAAP measures in the "Advisories" section of this document.
(4) Based on the period-end closing prices of publicly traded enterprises and the book value of the remaining investments.
(5) 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.

FIRST QUARTER OVERVIEW

Funds Flow From Operations

- Funds flow from operations in the first quarter of 2011 decreased by $9.6 million from the first quarter of 2010, primarily due to the impact of lower natural gas prices and higher interest costs.

Principal Properties

- Average sales volumes of 13,097 Boe/d in the first quarter of 2011 were 10 percent higher than the first quarter of 2010. During the last week of April 2011 average sales volumes exceeded 16,500 Boe/d.

- The Kaybob COU drilled ten (6.5 net) wells. Construction of the 45 MMcf/d processing plant at Musreau is on schedule and on budget for an expected startup in late third quarter 2011.

- First quarter 2011 production in the Grande Prairie COU increased seven percent compared to the first quarter of 2010 despite a month-long unscheduled operational disruption at a third party midstream processing facility at Karr-Gold Creek. A further unscheduled disruption occurred at the same midstream facility in early May, and the operator is working to resolve the issue.

- Construction of the second 20 MMcf/d phase of the compression/dehydration facility at Karr-Gold Creek in the Grande Prairie COU is on schedule and on budget, and is expected to enter service in June 2011.

- Paramount closed the sale of approximately 6,000 net acres of undeveloped 100 percent working interest land in North Dakota for cash proceeds of US$40 million.

- In April 2011, Paramount entered into an arrangement agreement with ProspEx Resources Ltd. ("ProspEx") which provides for Paramount's acquisition of all of the ProspEx shares not already owned by the Company.

Strategic Investments

- The market value of Paramount's financial portfolio of investments in other oil and gas entities increased 43 percent in the first quarter of 2011 to $717.6 million.

- Paramount drilled an additional fifteen oil sands evaluation wells at Hoole and has requested an updated resources evaluation from the Company's independent evaluator.

- At the Saleski carbonate bitumen property, the Company completed a ten well delineation and drilling program in the Grosmont formation to obtain data for a detailed analysis of this resource.

Corporate

- In February 2011, Paramount closed the public offering of an additional $70 million principal amount of 8.25% senior unsecured notes.

- In April 2011, Paramount closed a public offering and a private placement of an aggregate 1.7 million Common Shares for gross proceeds of $54.2 million.

- The revolving feature of the Company's credit facility has been extended to June 30, 2011 to allow for the closing of the ProspEx acquisition prior to establishing a new borrowing base. The Company expects the current $160 million borrowing base to be increased on renewal.

REVIEW OF OPERATIONS

Three months ended	March 31, 2011	December 31, 2010	Change
SALES VOLUMES			
Natural gas (MMcf/d)	58.7	60.4	(1.7)
NGLs (Bbl/d)	968	1,030	(62)
Oil (Bbl/d)	2,353	2,357	(4)
Total (Boe/d)	13,097	13,461	(364)
NETBACKS ($/Boe)			
Petroleum and natural gas sales	39.67	37.11	2.56
Royalties	(4.01)	(3.51)	(0.50)
Operating expense and production tax	(13.20)	(10.37)	(2.83)
Transportation	(3.47)	(3.46)	(0.01)
Netback	18.99	19.77	(0.78)
Financial commodity contract settlements	(0.23)	1.45	(1.68)
Netback including financial commodity contract settlements	18.76	21.22	(2.46)

Sales volumes decreased 364 Boe/d in the first quarter of 2011 compared to the fourth quarter of 2010, primarily as a result of natural declines, production interruptions from unscheduled downtime at a third party processing facility in the Grande Prairie COU, scheduled annual maintenance in the Northern COU and the fact that the majority of the wells drilled in the 2010/2011 winter drilling program were not yet on production as of March 31, 2011. A number of these new wells have now been brought on production and Paramount's average sales volumes for the last week of April increased to over 16,500 Boe/d. Additional increases are expected throughout 2011 to achieve the Company's anticipated exit rate of 25,000 Boe/d. The Grande Prairie COU is adding a total of 30 MMcf/d of new compression capacity in the second quarter, and the new 45 MMcf/d processing plant at Musreau in the Kaybob COU is expected to enter service late in the third quarter.

The first quarter netback decreased $2.46 per Boe compared to the fourth quarter of 2010, primarily because of higher seasonal operating costs and lower financial commodity contract settlements, partially offset by higher commodity prices. The Company's operating costs are normally higher in the first quarter of each year as a result of annual scheduled repair and maintenance programs at winter access locations in the Northern COU.

KAYBOB

Three months ended	March 31, 2011	December 31, 2010	Change
Sales Volumes			
Natural gas (MMcf/d)	27.7	28.8	(1.1)
NGLs (Bbl/d)	535	614	(79)
Oil (Bbl/d)	95	99	(4)
Total (Boe/d)	5,246	5,506	(260)
Exploration and Development Expenditures(1) ($ millions)			
Exploration, drilling, completions and tie-ins	45.1	26.4	18.7
Facilities and gathering	34.2	11.0	23.2
	79.3	37.4	41.9

	Gross	Net	Gross	Net
Wells drilled	10	6	5	2
Wells placed on production	11	7	1	-

(1) Before deduction of Alberta Drilling Royalty credits

Average daily sales volumes in the Kaybob COU decreased in the first quarter of 2011 as a result of natural declines, and the fact that additions of incremental production from wells drilled in the 2010/2011 winter drilling season occurred towards the end of the quarter. During the first quarter, eleven (6.8 net) wells were completed and tied-in, one (0.5 net) of which remains shut-in and four (3.25 net) of which are producing at restricted rates due to processing and transportation constraints. Notwithstanding these constraints, by the last week of April 2011, incremental production from these wells resulted in the Kaybob COU's sales volumes increasing to approximately 7,700 Boe/d. Once existing capacity restraints are resolved, the Company estimates that incremental liquids rich gas production of up to 30 (25 net) MMcf/d can be obtained from these wells. In addition, the Company has an inventory of an additional 10 (6.8 net) wells that have been drilled and are awaiting completion and tie-in.

Paramount has been actively working on means of increasing its processing and gathering capacity in the Deep Basin by constructing new processing plants and pipelines, securing capacity at third party facilities and securing additional access to sales pipelines. The new 45 MMcf/d processing plant being constructed at Musreau is on schedule to enter service late in the third quarter and is expected to reach its design capacity by the end of the year. The expansion of the third party plant at Smoky, for which Paramount has nominated for an incremental 50 MMcf/d of processing capacity, is currently in the engineering and design phase and is expected to be completed in early 2013.

The Company has drilled a total of 24 horizontal wells in the Deep Basin since the second quarter of 2009, 18 of which were operated by the Company. Ten of these wells targeted the Dunvegan horizon, eleven targeted the Falher horizon, one targeted the Cadotte horizon and more recently two wells have targeted the Montney horizon. The Company has been able to repeat well performance consistently within expected ranges in the Dunvegan and Falher horizons, with test rates for the 15 wells that have been completed averaging 10.3 MMcf/d and with first month sales volumes for the 10 wells that have produced for at least one full month averaging 5.3 MMcf/d of natural gas and 20 Bbls/d of liquids.

Paramount has commenced the development of its 105,000 (100,000 net) acre Montney land base in the Kaybob COU with the drilling of two wells in the first quarter. These wells are expected to be completed in the second quarter and the Company plans to drill additional wells later in 2011.

The Kaybob COU has secured four drilling rigs for its Deep Basin properties and expects to drill up to eleven additional wells during the remainder of 2011.

GRANDE PRAIRIE

Three months ended	March 31, 2011	December 31, 2010	Change
Sales Volumes			
Natural gas (MMcf/d)	13.0	11.4	1.6
NGLs (Bbl/d)	367	333	34
Oil (Bbl/d)	426	428	(2)
Total (Boe/d)	2,954	2,667	287
Exploration and Development Expenditures(1) ($ millions)			
Exploration, drilling, completions and tie-ins	39.6	24.3	15.3
Facilities and gathering	20.8	14.2	6.6
	60.4	38.5	21.9

	Gross	Net	Gross	Net
Wells drilled	7	4	4	4
Wells placed on production	7	4	2	2

(1) Before deduction of Alberta Drilling Royalty credits

Average daily sales volumes in the Grande Prairie COU increased eleven percent in the first quarter of 2011 compared to the fourth quarter of 2010 as additional wells were brought on production, however the new production was partially offset by an unscheduled processing interruption at a third party facility, which shut-in approximately 1,700 Boe/d of production for most of March 2011. A further unscheduled disruption occurred at the same midstream facility in early May, and the operator is working to resolve the issue.

KARR-GOLD CREEK

First quarter activities at Karr-Gold Creek included the drilling of three (1.6 net) wells (two of which were completed and tied-in) and the tie-in of three (2.5 net) wells that were drilled in 2010. The completion of an additional five (4.9 net) wells that were scheduled for the first quarter have been delayed until the second quarter.

Construction of the second phase of the compression/dehydration facility is progressing on schedule and on budget and is expected to enter service in June 2011. This will increase the Company's total dehydration and compression capacity at Karr-Gold Creek to 48 MMcf/d.

Of the 18 (15.9 net) wells drilled at Karr-Gold Creek to date, three (1.1 net) are currently producing (as they are sweet wells that are not directed to the third party plant), ten (9.9 net) have been shut-in as a result of the third party facility disruption and five (4.9 net) are scheduled to be tied-in during the second quarter of 2011. The Grande Prairie COU plans to drill up to three additional wells during the remainder of 2011.

The unscheduled processing interruptions at the third party facility have delayed efforts to restore production from wells previously shut-in and to bring new wells on production. The Company anticipates that production volumes in Karr-Gold Creek will increase during the remainder of 2011 once the third party processing facility resumes service and the Company's inventory of wells can begin to produce on a consistent basis.

VALHALLA

The Grande Prairie COU drilled two (1.2 net) wells at Valhalla in the first quarter and continued the construction of the initial 10 MMcf/d phase of the gathering and compression system. The system is expected to be operational in June 2011 and the Company plans to increase its compression capacity to 20 MMcf/d by the end of the year.

Three Valhalla wells drilled by the Company prior to 2011 have been tied-in to a third party gathering system and have been producing at an aggregate restricted rate of 3.5 MMcf/d. These wells will be redirected through the Company's Valhalla gathering and compression system when it enters service. The Grande Prairie COU has now drilled a total of 10 (6.8 net) wells at Valhalla and an estimated 15 MMcf/d of first month production is currently behind pipe awaiting the start-up of the new compression and gathering system.

ANTE CREEK

Paramount has drilled two (1.5 net) wells at Ante Creek targeting oil from the Montney formation. The first well tested at approximately 1,000 Bbl/d of light sweet oil and 1.4 MMcf/d of natural gas over an 83 hour test period. The well has been equipped and was briefly placed on production but is currently suspended until seasonal road bans are lifted (as oil production volumes need to be trucked from the well site). The second well will be completed after break-up with one (0.5 net) additional well planned to be drilled later in 2011.

SOUTHERN

Three months ended	March 31, 2011	December 31, 2010	Change
Sales Volumes			
Natural gas (MMcf/d)	8.7	9.1	(0.4)
NGLs (Bbl/d)	51	58	(7)
Oil (Bbl/d)	1,435	1,397	38
Total (Boe/d)	2,939	2,976	(37)
Exploration and Development Expenditures(1) ($ millions)			
Exploration, drilling, completions and tie-ins	3.0	3.0	-
Facilities and gathering	1.8	1.8	-
	4.8	4.8	-

	Gross	Net	Gross	Net
Wells drilled	3	1	2	1
Wells placed on production	15	12	-	-

(1) Before deduction of Alberta Drilling Royalty credits

The Southern COU maintained production levels in the first quarter of 2011 as production additions from new wells offset natural declines.

First quarter 2011 activities in southern Alberta included the tie-in of eight (8.0 net) coal bed methane wells at Chain, with an additional two (2.0 net) wells to be tied-in in the second quarter. At Enchant, the drilling of three oil wells planned for the first quarter was deferred to the second quarter due to rig availability.

The Company plans to drill an initial two (2.0 net) wells on a new area of its Pembina lands in the third quarter. In March 2011, the Company sold certain Pembina area oil and gas properties for cash proceeds of $4.3 million.

In southern Saskatchewan Paramount's joint development partner has successfully completed three Viking light oil wells drilled in 2010, has licensed six wells to be drilled after breakup and has stated that an additional eight to ten locations will be drilled throughout the remainder of 2011. Paramount's post-payout interest in this development will be 45 percent.

In the United States Paramount participated in the drilling of one (0.2 net) oil well at Beaver Creek that was brought on production in the second quarter with first month gross production of approximately 530 Bbl/d. In February 2011, Paramount closed the sale of approximately 6,000 net acres of undeveloped land in North Dakota for cash proceeds of US$40 million. In May 2011 the drilling of a fourth well began under the North Dakota joint development project.

NORTHERN

Three months ended	March 31, 2011	December 31, 2010	Change
Sales Volumes			
Natural gas (MMcf/d)	9.3	11.1	(1.8)
NGLs (Bbl/d)	15	24	(9)
Oil (Bbl/d)	397	434	(37)
Total (Boe/d)	1,958	2,312	(354)
Exploration and Development Expenditures ($ millions)			
Exploration, drilling, completions and tie-ins	9.9	0.2	9.7
Facilities and gathering	2.9	0.2	2.7
	12.8	0.4	12.4

	Gross	Net	Gross	Net
Wells drilled	2	2	-	-
Wells placed on production	2	2	-	-

First quarter production volumes in the Northern COU were impacted by the annual scheduled turnaround at the Bistcho processing plant. Capital expenditures in the first quarter of 2011 were primarily related to the drilling of two (2.0 net) wells in the Cameron Hills area, one of which was completed and brought on production. A well that had been drilled in 2010 and was subject to a regulatory delay was also brought on production in March 2011.

PROSPEX ACQUISITION

In April 2011, Paramount announced that it had entered into an arrangement agreement with ProspEx to acquire the remaining outstanding shares of ProspEx not already owned by the Company. The total cost to Paramount is approximately $180 million (based on the closing price of Paramount's Common Shares on April 7, 2011), and includes the assumption of estimated net debt of approximately $40 million and the cost of the approximately nine percent of the outstanding ProspEx Shares already held by Paramount. The acquisition is expected to be completed by the end of May 2011, and is subject to approval by ProspEx shareholders and court and regulatory approvals.

Through the transaction, Paramount will acquire a suite of liquids rich natural gas assets with significant multi-zone and horizontal drilling potential in several zones from the Triassic Montney Formations up to the Late Cretaceous Cardium Formations, including the Falher C zone in the Kakwa area. These assets will increase Paramount's already significant Deep Basin land holdings in the Kakwa, Elmworth, and Wapiti areas of Alberta. The transaction also includes considerable assets in the Pembina and Brazeau areas (which have substantial Falher and Notikewin horizontal potential) and numerous drilling locations in the Birch area of northeast British Columbia, a liquids-rich Montney gas opportunity. In addition, the acquisition includes predictable long life reserves and production from the Ricinus and Harmattan areas of Alberta.

STRATEGIC INVESTMENTS

In the first quarter of 2011 the Company drilled 15 oil sands evaluation wells at Hoole to further delineate the reservoir and bitumen resource. The Company also cased and undertook completion operations on four of these wells in order to quantify the deliverability of prospective water source intervals and the injectivity of potential water disposal intervals and to test cap rock integrity. The Company's independent evaluator will incorporate the data obtained from these new delineation wells in an updated resource evaluation for the property, which is expected to be received in the second quarter of 2011. During the remainder of 2011, the Company expects to complete the engineering design and environmental impact analysis for the project and to communicate with area stakeholders with a view to submitting a regulatory application for thermal development in late 2011.

Paramount has begun the delineation of its carbonate bitumen resource at the Saleski property, completing a ten well drilling and delineation program in April 2011. The wells targeted the Grosmont formation to obtain data for a detailed analysis of this resource. Paramount has commissioned an independent evaluation of its Saleski property.

Paramount is developing plans to begin drilling operations on its shale gas properties in the 2011/2012 winter drilling season, with the first well being planned for the Dunedin area of north-east British Columbia. The Company purchased seismic data in the first quarter of 2011 covering a substantial portion of its shale gas acreage which will be incorporated in further studies and planning for future projects.

OUTLOOK

Paramount's 2011 Principal Property exploration and development spending is budgeted at $425 million, excluding land purchases and acquisitions. The additional $25 million budgeted for the Hoole oil sands and Saleski carbonate bitumen areas remains unchanged. The Company has flexibility within its current capital plan to increase or decrease spending, depending upon future economic conditions, among other factors. First quarter production of 13,097 Boe/d is consistent with expectations and Paramount continues to forecast annual average production of approximately 20,000 Boe/d with an anticipated exit rate of approximately 25,000 Boe/d, excluding the impact of the ProspEx acquisition.

ADDITIONAL INFORMATION

A copy of Paramount's complete results for the three months ended March 31, 2011, including Management's Discussion and Analysis and the Unaudited Interim Consolidated Financial Statements can be obtained at download/2011+May+17.pdf. This report will also be made available through Paramount's website at www.paramountres.com and SEDAR at www.sedar.com.

ABOUT PARAMOUNT

Paramount 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:

- Matters related to the proposed acquisition of ProspEx, including, without limitation timing for and receipt of necessary approvals and the anticipated completion of the acquisition;

- expected production volumes and the timing thereof;

- planned exploration and development expenditures and the timing thereof;

- exploration and development plans and strategies;

- budget allocations and capital spending flexibility;

- adequacy of facilities to process natural gas production;

- timing of regulatory applications;

- ability to fulfill future pipeline transportation commitments;

- undeveloped land lease expiries;

- business strategies and objectives;

- sources of and plans for financing;

- acquisition and disposition plans;

- operating and other costs and royalty rates;

- expected drilling programs, well tie-ins, facility construction and expansions, completions and the timing thereof; and

- the outcome of any legal claims, audits, assessments or other regulatory matters or proceedings.

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 oil and gas prices and general economic and business conditions;

- the ability of Paramount to obtain required capital to finance its exploration, development and operations;

- the ability of Paramount to obtain equipment, services, supplies and personnel in a timely manner 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 secure adequate product transportation and storage;

- the ability of Paramount and its industry partners to obtain drilling success consistent with expectations;

- the timely receipt of required regulatory and shareholder approvals, as applicable; 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, natural gas and NGLs prices, foreign currency exchange rates and interest rates;

- the uncertainty of estimates and projections relating to future production, costs and expenses;

- the ability to secure adequate product processing, transportation and storage;

- the uncertainty of exploration, development and drilling;

- 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;

- potential disruption or unexpected technical difficulties in designing, developing or operating new or existing 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;

- changes to the status or interpretation of laws, regulations or policies;

- changes in environmental laws including emission reduction obligations;

- the timing 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 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 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 settlements of financial commodity contracts", "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 GAAP.

The Company has adjusted its funds flow from operations measure for all periods presented to exclude asset retirement obligation settlements, cash outflows related to the purchase of Paramount's Common Shares under the Company's stock incentive plan and the effect of changes in foreign exchange rates in respect of foreign currency cash and cash equivalent balances. Funds flow from operations refers to cash from operating activities before net changes in operating 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 finance 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 refers to capital expenditures incurred by the Company's COUs (excluding land and property 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 and property 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 Corp., MGM Energy and others), and all other investments in 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 disclosure 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.

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