



PARAMOUNT ENERGY TRUST
500, 630 - 4th Avenue SW
Calgary, Alberta T2P 0J9
T 403.269.4400
F 403.269.4499

NEWS SUMMARY/UPDATE

PARAMOUNT ENERGY TRUST CAUTIOUS ABOUT EUB GEOLOGICAL STUDY

Calgary, AB – January 5, 2004: Paramount Energy Trust (“PET” or the “Trust”) (TSX – PMT.UN) in a news release issued earlier today outlined concerns about the potential confusion created by the recently released Athabasca Wabiskaw McMurray Regional Geological Study (“RGS”). The company notes the following issues which lead to increased uncertainty:

- ❖ the RGS should not serve to solely determine production status. The EUB should make recommendations with the integration of data from all sources including the RGS;
- ❖ data in the RGS conflicts with a previous Board decision in the Chard-Leismer Area (Decision 2003-023) and previous ID99-1 approvals, where more data has been used;
- ❖ an adviser to the RGS recommends it is necessary to combine these findings with detailed engineering data in order to delineate gas pools;
- ❖ two key uncertainties remain: lateral connectivity and what is commercial bitumen; and
- ❖ concern with the time frames provided for the required integrated analysis.

PET has concluded the EUB will require considerable more data and analysis to fairly and accurately address the effect, if any, of gas production on the future bitumen recovery.

The Trust is unable to conclusively determine if the impact on the Trust will be greater than what it is currently experiencing. In summary:

- ❖ PET has 266 producing gas wells with zones interpreted to be associated with bitumen;
- ❖ production of 30.7 MMcf/d is from zones deemed associated and 5.8 MMcf/d from multi-zone wells with at least one zone deemed associated; and
- ❖ total Trust production is 85 MMcf/d with an additional 7.9 MMcf/d shut-in on September 1, 2003 in accordance to EUB GB 2003-28.

Production deemed to be associated by the study in the Legend Area represents about 51% (15.6 MMcf/d) of production and the Trust has strong arguments that this poses no threat to potential bitumen recovery. The board has previously approved over 25 applications to produce gas under ID 99-1 in this area.

“We are concerned that the EUB may not have the resources given the time line they have established to integrate all available engineering data into the RGS. Furthermore, currently emerging technologies need to be considered,” said Sue Riddell Rose, President and Chief Operating Officer. “Industry has tabled details on its technological approach and there is a beta test of a new technology proposed by Petrobank Energy and its subsidiary Orion Oil Canada Ltd.”

PET has noted that it cannot speculate what the EUB will decide on January 26 when the EUB Staff Submission Group will release its recommendations to continue or vary gas production but the Trust is firm in its pursuit of all avenues to preserve its production base and Unitholders’ value. The Trust is convinced that no gas production in northeast Alberta poses a threat to ultimate commercial bitumen recovery that cannot be alleviated by technological solutions.

“PET will continue to participate in all ongoing discussions and we will pursue every potential for financial assistance to preserve our production,” said Riddell Rose. “We hope the Government of Alberta is considering the various options available to them to maintain investor confidence in the province.

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For further information:

Paul Hagel
Communication Incorporated
403.266.2000
phagel@comminc.ca