



PRESS RELEASE

PARAMOUNT ENERGY TRUST ANNOUNCES CLOSING OF CAVELL ACQUISITION AND DISPOSITION OF OIL ASSETS

Calgary, AB – July 19, 2004 - Paramount Energy Trust (“PET” or the “Trust”) (TSX – PMT.UN) and Cavell Energy Corporation (“Cavell”) (TSX – KVL) are pleased to announce that the previously announced plan of arrangement involving Cavell, the Cavell Shareholders, PET, Paramount Operating Trust, Paramount Energy Operating Corp. and POT Acquisition Company Ltd. received approval at the special meeting of shareholders of Cavell on July 15, 2004 and by the Court of Queen’s Bench of Alberta on July 16, 2004. Holders of common shares of Cavell voted 99.5% in favour of the arrangement resolution. The plan of arrangement has now closed.

As the Fixed Cash Amount of \$30,000,000 was less than the aggregate amount of cash that would be payable to Cavell shareholders who elected to receive cash, pursuant the terms and conditions of the plan of arrangement, each of the shareholders of Cavell who elected or were deemed to have elected to receive cash for their shares will receive \$0.82597570 and 0.13868055 Trust Units of PET per Cavell Share. The Cavell shareholders who elected to receive units will receive 0.21145 units of PET.

It is anticipated that Cavell’s common shares will be delisted from the Toronto Stock Exchange (“TSX”) at the close of business on Tuesday, July 20, 2004. In conjunction with the closing, the directors and officers of Cavell and its subsidiaries have resigned and Susan Riddell Rose, Gary Jackson and Cam Sebastian have been elected as directors. Susan Riddell Rose is currently the President and Chief Operating Officer of PET, Cam Sebastian is the Vice-President Finance and Chief Financial Officer of PET and Gary Jackson is the Vice-President, Land, Legal and Acquisitions of PET.

PET also announces it has reached an agreement to sell the oil production in Southeast Saskatchewan acquired as part of the recent acquisition of Cavell for Cdn\$32.75 million. This disposition maintains and reinforces the natural gas focus of the Trust. The proceeds from this disposition will be used to fund future opportunities.

About PET

Paramount Energy Trust is a natural gas-focussed Canadian energy trust. PET’s Trust Units are listed on the Toronto Stock Exchange under the symbol “PMT.UN”.

About Cavell

Cavell Energy Corporation is a Canadian based growing junior oil and natural gas exploration, development and production company actively expanding its production and reserve base in Western Canada. Cavell is pursuing a growth strategy to demonstrate sustainable growth in production, reserves, cash flow, earnings and asset value for its shareholders. Its shares are traded on the Toronto Stock Exchange under the ticker symbol KVL.

Forward-looking Information

This news release contains forward-looking information. Implicit in this information, particularly in respect of cash distributions, are assumptions regarding natural gas prices, production, royalties and expenses which, although considered reasonable by PET at the time of preparation, may prove to be incorrect. These forward-looking statements are based on certain assumptions that involve a number of risks and uncertainties and are not guarantees of future performance. Actual results could differ materially as a result of changes in PET's plans, changes in commodity prices, general economic, market, regulatory and business conditions as well as production, development and operating performance and other risks associated with oil and gas operations. There is no guarantee by PET that actual results achieved will be the same as those forecast herein.

FOR FURTHER INFORMATION, PLEASE CONTACT:

For Paramount Energy Trust:

Paramount Energy Operating Corp, administrator of Paramount Energy Trust
Suite 500, 630 – 4 Avenue S.W., Calgary, AB T2P 0J9
Telephone: (403) 269-4400 Fax: (403) 269-6336 Email: info@paramountenergy.com

Susan L. Riddell Rose, President and Chief Operating Officer
Cameron R. Sebastian, Vice President, Finance and Chief Financial Officer
Gary C. Jackson, Vice President, Land, Legal and Acquisitions

For Cavell Energy Corporation:

Cavell Energy Corporation
1200, 500 – 4 Avenue S.W., Calgary, AB T2P 2V6
Telephone: (403) 269-8337 Fax: (403) 264-1627 Email: irelations@cavell.com

Murray McCartney, President & CEO
Arthur Madden, Vice-President Finance and CFO
Susan J. Soprovich, Director, Investor Relations, Ph: (403) 410-2252

The Toronto Stock Exchange has neither approved nor disapproved the information contained herein.

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