



NEWS RELEASE

FOR IMMEDIATE RELEASE

PARAMOUNT ENERGY TRUST ENCOURAGED BY GOVERNMENT'S AMENDMENT TO NATURAL GAS ROYALTY REGULATIONS

Discussions with the government continue for wells impacted by the gas/ bitumen shut-in

Calgary, AB – October 14, 2004 - Paramount Energy Trust ("PET" or the "Trust") (TSX – PMT.UN) advises that the Government of Alberta has enacted amendments to the Natural Gas Royalty Regulation, 2002 (the "Regulations") with respect to natural gas in the Wabiskaw-McMurray formation in the Athabasca Oil Sands Area of Northeast Alberta. The amended Regulations provide a mechanism whereby the Alberta Minister of Energy (the "Minister") at his own discretion can prescribe additional royalty calculation components that would result in a reduction in the royalty calculated through the Crown royalty system for operators of gas wells with respect to completed wells which have been denied the right to produce by the Alberta Energy and Utilities Board (the "AEUB") as a result of recent bitumen conservation decisions. PET is encouraged by the government's amendment of the Regulations.

If the Minister exercises his discretion to issue a Ministerial Order prescribing the additional royalty calculation components, thereby implementing the technical change to the royalty calculation, Alberta Crown royalty invoices for affected operators would be adjusted to include a reduction of Alberta Gas Crown Royalties equivalent to a portion of individual operator's lost cash flow from the shut-in gas production. The Minister has not yet announced if or when he intends to exercise his discretion with respect to prescribing the additional royalty calculation components for the purposes of the amended Regulations. PET can provide no assurance as to certainty, timing or effect of such application.

"I am very encouraged by this amendment," said Sue Riddell Rose, President and Chief Operating Officer of the Trust. "A consortium of gas producers affected by recent AUEB gas/bitumen decisions is engaged in ongoing consultation with the Department of Energy in an effort to seek a financial solution for the production shut-in by the AEUB. The Minister now has both the authority and a mechanism to implement a financial solution through the Alberta Crown royalty system."

The formula for calculation of the royalty reduction provided in the Regulations is:

$0.5 * ((\text{deemed production volume} * 0.80) * (\text{Alberta Gas Reference Price} - \$0.4293/\text{GJ}))$

According to the formula and based on the approximately 17.2 MMcf/d of PET shut-in production with respect to the gas/ bitumen issue and current gas prices, adjustments to PET's Crown royalties otherwise payable could be approximately \$1.2 to \$1.4 million per month or \$0.02 per Trust Unit per month should the amended Regulations be triggered by a Ministerial Order. It is anticipated that this would be retroactive to the date of shut-in and replace the interim financial assistance of \$0.60 per Mcf of foregone production currently in place through the royalty system. At such time as a Ministerial Order is issued, PET will factor any royalty adjustments into the determination of future monthly distributions to Unitholders.

On recommencement of production from zones previously ordered to be shut-in, gas producers will pay an incremental royalty to the Crown along with Alberta Gas Crown Royalties otherwise payable based on the number of years that gas production was shut-in. The incremental rate of royalty will be established at 1% after the first year of shut-in increasing at 1% per annum based on the period of time such zones remained shut-in to a maximum of 10%. The incremental royalties payable to the Crown would be limited to amounts recovered by a gas well operator through the reduced royalty.

The text of the Order in Council enacting the amended Natural Gas Royalty Regulations can be viewed at www.gov.ab.ca/home/Orders_in_Council/2004/1004/2004_476.html. For additional information with respect to the gas/bitumen issue, visit www.paramountenergy.com/investor_relations/AEUB_Gas_Bitumen.

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".

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.

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