

# PACIFIC EXPLORATION & PRODUCTION CORP.

## NEWS RELEASE

### PACIFIC PROVIDES THIRD QUARTER 2015 OPERATIONAL UPDATE

**Toronto, Canada, Monday, October 26, 2015** – Pacific Exploration & Production Corp. (TSX: PRE) (BVC: PREC) today provided an update for its third quarter 2015 operating results, which includes estimates of production and sales volumes, price realizations, and operating netbacks, summarized as follows:

|  | <b>3Q 2015<br/>(Estimate)</b> | 2Q 2015<br>(Actual) | 1Q 2015<br>(Actual) | 4Q 2014<br>(Actual) | 3Q 2014<br>(Actual) |
|--|-------------------------------|---------------------|---------------------|---------------------|---------------------|
| Net Oil Production (Mbb/d)                       | <b>143 – 144</b>              | 144                 | 144                 | 137                 | 135                 |
| Net Natural Gas Production (Mboe/d)              | <b>9 – 10</b>                 | 8                   | 9                   | 10                  | 10                  |
| Total Net Production (Mboe/d)                    | <b>152 – 154</b>              | 152                 | 153                 | 147                 | 145                 |
| Sales Volumes (Mboe/d)                           | <b>140 – 142</b>              | 143                 | 180                 | 161                 | 164                 |
| Oil Price Realization (\$/bbl) <sup>1</sup>      | <b>\$52 - \$54</b>            | \$55.04             | \$50.38             | \$68.27             | \$92.14             |
| Natural Gas Price Realization (\$/boe)           | <b>\$31 - \$33</b>            | \$33.34             | \$32.48             | \$29.97             | \$31.95             |
| Combined Realization Price (\$/boe) <sup>1</sup> | <b>\$50 - \$52</b>            | \$53.72             | \$49.45             | \$65.64             | \$88.05             |
| Underlying Operating Cost <sup>2</sup>           | <b>\$19 - \$21</b>            | \$23.71             | \$21.16             | \$26.44             | \$30.79             |
| Total Operating Cost <sup>3</sup>                | <b>\$20 - \$22</b>            | \$21.08             | \$26.72             | \$27.28             | \$32.97             |
| General & Administrative (\$/boe)                | <b>\$3.50 - \$4.50</b>        | \$3.92              | \$3.39              | \$6.62              | \$6.45              |
| WTI NYMEX (\$/bbl)                               | <b>\$46.50</b>                | \$57.95             | \$48.57             | \$73.20             | \$97.25             |
| BRENT ICE (\$/bbl)                               | <b>\$51.30</b>                | \$63.50             | \$55.13             | \$77.07             | \$103.46            |

<sup>1</sup>Includes gains/losses from commodity price hedging.

<sup>2</sup>Includes production, transportation, and diluent cost.

<sup>3</sup>Includes overlift/underlift, royalties paid in cash, and other cost.

Note: All values in this news release are in U.S.\$., unless otherwise stated.

#### Third Quarter 2015 Results

Total net production for the quarter is expected to be in the range of 152 to 154 Mboe/d, approximately 5% higher than during the same period in 2014.

The Company reports its sales volumes comprised of produced volumes available for sale, plus purchased diluent volumes (mixed with heavy oil production to form a sales blend), plus oil for trading (“OFT”) volumes, plus/minus sales inventory adjustments. Sales volumes can vary significantly from quarter-to-

quarter as a consequence of fluctuating diluent and OFT volumes, and significant swings in oil inventories, which are related to the timing of export cargo liftings.

Sales volumes in the third quarter are expected to be in the range of 140 to 142 Mboe/d, which remained stable in comparison with the previous quarter. The OFT volumes are expected to be in the range of 2 to 3 Mbbbl/d (compared to 10.8 Mbbbl/d in the second quarter 2015). The volumes acquired for dilution were approximately 53 bbl/d (compared to 600 bbl/d in the second quarter 2015).

The Company expects combined realized prices (including natural gas production) in the third quarter to be in the range of \$50 to \$52 /boe, which represents decrease of approximately 5% as compared to the second quarter of 2015. Realized prices include gains from our oil price hedging contracts realized during the period. Most of the Company's oil production in Colombia and Peru is exported at prices linked to international oil prices. Both WTI and Brent benchmark oil prices decreased on average by approximately 19% (~US\$12/bbl) during the third quarter. The Company's combined realized prices decreased significantly less than benchmark oil prices due to the success of the Company's hedging program.

The decline in global oil prices over the past quarters was partly offset by the Company's success in cost reductions achieved in 2015. The Company expects underlying operating costs (including production, transportation and diluent cost) in the third quarter to be in the range of \$19 to \$21 /boe, which is approximately 35% and 16% lower as compared to the same quarter a year ago and the second quarter of 2015, respectively. The decrease in production costs is sustainable and mainly attributed to the Company's ongoing cost reduction programs.

Operating netbacks for the quarter are expected to be lower compared with the prior quarter, impacted by a decrease in combined realized prices. Cash operating margins are expected to be approximately 57%. The Company calculates its operating netback for both revenues and costs based on total sales volumes excluding OFT volumes, rather than produced volumes. Note that the adjusted EBITDA margin on OFT volumes is typically \$1 to \$3/bbl. Total operating costs are reported as a combination of: production, transportation, and diluent costs, plus other costs and overlift/underlift costs. The latter two (other costs and overlift/underlift) largely relate to movements in storage and cargo lifting inventory and can consequently significantly impact total costs either positively or negatively, in any given quarter.

General and administrative costs for the quarter are expected to be in the range of \$3.50 to \$4.50/boe, a decrease of approximately 38% from the same period in 2014.

#### Exploration Update

During the third quarter of 2015, the Company drilled or was a partner in one exploration well and three appraisal wells in Colombia and Papua New Guinea. All wells encountered economic hydrocarbons, for an overall success rate of 100% for the period and 87% year to date.

#### **About Pacific:**

*Pacific is a Canadian public company and a leading explorer and producer of natural gas and crude oil, with operations focused in Latin America. The Company has a diversified portfolio of assets with interests in more than 85 exploration and production blocks in seven countries including Colombia, Peru, Guatemala, Brazil, Guyana, Papua New Guinea, Mexico and Belize. The Company's strategy is focused on sustainable growth in production & reserves and cash generation. Pacific Exploration & Production is committed to conducting business safely, in a socially and environmentally responsible manner.*

*The Company's common shares trade on the Toronto Stock Exchange and La Bolsa de Valores de Colombia under the ticker symbols PRE, and PREC, respectively.*

**Advisories:**

***Cautionary Note Concerning Forward-Looking Statements***

*This news release contains forward-looking statements. All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding estimates and/or assumptions in respect of production, revenue, cash flow and costs, reserve and resource estimates, potential resources and reserves and the Company's exploration and development plans and objectives) are forward-looking statements. These forward-looking statements reflect the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements, and even if such actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Company. Factors that could cause actual results or events to differ materially from current expectations include, among other things: uncertainty of estimates of capital and operating costs, production estimates and estimated economic return; the possibility that actual circumstances will differ from the estimates and assumptions; failure to establish estimated resources or reserves; fluctuations in petroleum prices and currency exchange rates; inflation; changes in equity markets; political developments in Colombia, Guatemala, Peru, Brazil, Papua New Guinea, Guyana and Mexico; changes to regulations affecting the Company's activities; uncertainties relating to the availability and costs of financing needed in the future; the uncertainties involved in interpreting drilling results and other geological data; and the other risks disclosed under the heading "Risk Factors" and elsewhere in the Company's annual information form dated March 18, 2015 filed on SEDAR at [www.sedar.com](http://www.sedar.com). Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.*

*In addition, reported production levels may not be reflective of sustainable production rates and future production rates may differ materially from the production rates reflected in this press release due to, among other factors, difficulties or interruptions encountered during the production of hydrocarbons.*

*The recovery and reserves estimates of crude oil and natural gas reserves provided in this news release taken from the independent reserve reports are estimates only, and there is no guarantee that the estimated reserves will be recovered. Actual crude oil and natural gas reserves may eventually be greater than or less than the estimates provided.*

*The estimated values disclosed in this news release do not represent fair market value. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.*

## **Boe Conversion**

*The term “boe” is used in this news release. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 5.7 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.*

*The Company’s natural gas reserves are contained in the La Creciente, Guama and other bocks in Colombia as well as in the Piedera Redonda field in Block Z-1, Peru. For all natural gas reserves in Colombia, boe’s have been expressed using the Colombian conversion standard of 5.7 Mcf: 1 bbl required by the Colombian Ministry of Mines and Energy, and for all natural gas reserves in Peru, boe’s have been expressed using the Peruvian conversion standard of 5.626 Mcf: 1 bbl required by Perupetro S.A. If a conversion standard of 6.0 Mcf: 1 bbl was used for all of the Company’s natural gas reserves, this would result in a reduction in the Company’s net P1 and 2P reserves of approximately 4.9 and 6.9 MMboe, respectively.*

## **Definitions**

|                        |  |
|------------------------|--|
| Bcf                    | Billion cubic feet.  |
| Bcfe                   | Billion cubic feet of natural gas equivalent.  |
| bbl                    | Barrel of oil.   |
| bbl/d                  | Barrel of oil per day.   |
| boe                    | Barrel of oil equivalent. Boe’s may be misleading, particularly if used in isolation. The Colombian standard is a boe conversion ratio of 5.7 Mcf:1 bbl and is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. |
| boe/d                  | Barrel of oil equivalent per day.  |
| Mbbl                   | Thousand barrels.  |
| Mboe                   | Thousand barrels of oil equivalent.  |
| MMbbl                  | Million barrels.   |
| MMboe                  | Million barrels of oil equivalent.   |
| Mcf                    | Thousand cubic feet.   |
| Million Tons LNG       | One million tons of LNG (Liquefied Natural Gas) is equivalent to 48 Bcf or 1.36 billion m <sup>3</sup> of natural gas.   |
| Net Production         | Company working interest production after deduction of royalties.  |
| Total Field Production | 100% of total field production before accounting for working interest and royalty deductions.  |
| Gross Production       | Company working interest production before deduction of royalties.   |
| WTI                    | West Texas Intermediate Crude Oil.   |

***Translation***

*This news release was prepared in the English language and subsequently translated into Spanish. In the case of any differences between the English version and its translated counterparts, the English document should be treated as the governing version.*

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