

PACIFIC EXPLORATION & PRODUCTION CORP.

NEWS RELEASE

**PACIFIC ANNOUNCES SUPPORT AGREEMENT WITH
CERTAIN OF ITS NOTEHOLDERS, LENDERS AND CATALYST CAPITAL
IN CONNECTION WITH ITS PREVIOUSLY ANNOUNCED
COMPREHENSIVE RESTRUCTURING
AND
PROCEDURE TO OBTAIN SUPPORTING NOTEHOLDER CONSIDERATION**

Toronto, Canada, Wednesday, April 20, 2016 – Pacific Exploration & Production Corp. (TSX: PRE) (BVC: PREC) (“**Pacific**” or the “**Company**”) today announced that it has entered into a definitive support agreement (the “**Support Agreement**”) with: (i) certain members (“**Supporting Noteholders**”) of an ad hoc committee of holders of the Company’s senior unsecured notes (the “**Ad Hoc Committee**”), (ii) certain of the Company’s lenders under its credit facilities (the “**Supporting Bank Lenders**”, and together with the Supporting Noteholders, the “**Supporting Creditors**”), and (iii) The Catalyst Capital Group Inc. (“**Catalyst**”) in connection with the Company’s previously announced agreement with Catalyst to effect a comprehensive financial restructuring (the “**Restructuring Transaction**”) that will significantly reduce debt, improve liquidity, and best position the Company to navigate the current oil price environment.

The Supporting Creditors in the aggregate hold approximately 49% of the aggregate principal amount of the debt held by the Company’s noteholders and lenders under the Company’s credit facilities. Subject to the terms and conditions of the Support Agreement, the Supporting Creditors have agreed to support and vote in favour of the Restructuring Transaction.

The key features of the Restructuring Transaction include:

- **The operations of the Company’s subsidiaries will continue as normal and without disruption. It is anticipated that all obligations to the suppliers, trade partners and contractors of the Company’s subsidiaries will continue to be met in the ordinary course throughout this process and will be unaffected by the Restructuring Transaction. The Company’s bank indebtedness and indebtedness in respect of its senior unsecured notes will be restructured as set out below.**
- **Implementation by way of a plan of arrangement pursuant to a court-supervised process in Canada, together with appropriate proceedings in Colombia under Law 1116 and in the United States.**
- **U.S.\$500 million of debtor-in-possession financing (the “DIP Financing”) less an original issue discount of 4% to be provided jointly by certain of the Supporting Noteholders (collectively, the “Funding Creditors”) and Catalyst. The DIP Financing will be secured by a super priority lien over the assets of the Company and its subsidiaries.**

PACIFIC EXPLORATION & PRODUCTION CORPORATION
1100 - 333 BAY STREET, TORONTO, ONTARIO M5H 2R2
TELEPHONE: (416) 362-7735 FAX: (416) 360-7783

- **The providers of the DIP Financing will receive warrants to acquire their pro rata share of 25% of the fully diluted common shares of the reorganized Company on implementation of the Restructuring Transaction.**
- **The Funding Creditors have committed to providing U.S.\$250 million of the DIP Financing (the “Creditor DIP Financing”). The Creditor DIP Financing will not be repaid at exit of the Restructuring Transaction (the “Exit Date”) and will convert into five-year secured notes (the “Exit Notes”). The Exit Notes will accrue interest at a rate equal to 10% per annum and may be redeemable by the Company following the third anniversary of the Exit Date subject to certain terms. For a period of not less than two years following the Exit Date, the Company will have the option, if the Company’s unrestricted cash in operating accounts falls below U.S.\$150 million, to make “payments-in-kind” with respect to any interest payment owed at a rate of 14% per annum.**
- **Catalyst has committed to providing U.S.\$250 million of the DIP Financing (the “Catalyst DIP Financing”). On implementation of the Restructuring Transaction, the Catalyst DIP Financing will be converted or exchanged for 16.8% of the common shares of the reorganized Company. Catalyst has agreed to backstop the Creditor DIP Financing.**
- **Certain of the Supporting Bank Lenders will provide a letter of credit facility to the reorganized Company of up to approximately U.S.\$134 million. Other lenders under the Company’s credit facilities may also participate in this letter of credit facility.**
- **The claims by the Company’s creditors (collectively, the “Affected Creditors”) in respect of approximately U.S.\$4.1 billion of senior unsecured notes, approximately U.S.\$1.2 billion of obligations under its credit facilities, as well as the claims of certain other unsecured creditors of the Company (but not of the Company’s subsidiaries), will be fully extinguished and exchanged for 58.2% of the common shares of the reorganized Company (subject in the case of the noteholders to dilution arising from the Supporting Noteholder Consideration, as described below) (the “Affected Creditor Consideration”).**
- **In addition, any Affected Creditors will have the opportunity to receive cash in lieu of some or all of the common shares of the reorganized Company that they would otherwise be entitled to receive, subject to the terms and limits of the Cash Out Offer (as defined below). It is contemplated that the cash election (the “Cash Out Offer”) will be based on a structure which will be backstopped by Catalyst and available to all Affected Creditors. Specifically, Catalyst has agreed to subscribe for no less than U.S.\$200 million of equity in the reorganized Company at an equity valuation of no less than U.S.\$800 million on the effective date of the Restructuring Transaction. There is no requirement for the Affected Creditors to participate in the Cash Out Offer and to the extent it is not fully taken up the Catalyst subscription for U.S.\$200 million will be reduced accordingly. As the cash available under the Cash Out Offer will be limited by the amount of the additional equity subscribed for by Catalyst, under certain circumstances, the Cash Out Offer may be subject to proration.**
- **On completion of the Restructuring Transaction, it is contemplated that the fully diluted common shares in the reorganized Company, not giving effect to: (i) any of the Affected**

Creditors exercising or utilizing the Cash Out Offer, or (ii) any distribution of the Supporting Noteholder Consideration (as described below), will be allocated as follows:

Catalyst	29.3%
Funding Creditors	12.5%
Affected Creditors	58.2%

- **No equity of the Company will be awarded to management or the Company’s Executive Co-Chairmen (other than in respect of any unsecured notes held by them, pro rata to all other noteholders) on implementation of the Restructuring Transaction.**
- **The Restructuring Transaction contemplates the appointment of a chief restructuring officer and a deputy chief financial officer acceptable to Catalyst, the Supporting Creditors and the independent committee of the board of directors of the Company (the “Independent Committee”).**
- **At the completion of the Restructuring Transaction, a new board of directors of the Company (the “New Board”) will be established that will be comprised of seven members, which will have three nominees selected by Catalyst, two independent nominees jointly selected by Catalyst and the Supporting Creditors, one independent individual proposed by the Supporting Noteholders and one independent individual proposed by the Supporting Bank Lenders.**
- **The key management positions of the Company will need to be affirmed by the New Board on completion of the Restructuring Transaction. The New Board will work to implement a strong governance framework to guide the Company going forward.**
- **Following implementation of the Restructuring Transaction, the Company will implement a new Management Incentive Plan on terms to be determined by the New Board. No entitlements of any kind have been ascribed to any current management, officers or directors of the Company (including the Company’s Executive Co-Chairmen) under the terms of the new Management Incentive Plan. All such entitlements will be determined by the New Board in the future.**

All operations of the Company’s subsidiaries are expected to continue as normal throughout this process. Importantly, the Company expects regular payments will be made to all of the suppliers, trade partners, and contractors of the Company’s subsidiaries across the jurisdictions in which it operates in accordance with local regulations. Additionally, employees will continue to be paid throughout this process, without disruption. The Company’s bank indebtedness and indebtedness in respect of its senior unsecured notes will be restructured pursuant to the terms of the Restructuring Transaction as set out above.

“We are pleased to have reached the terms of a Restructuring Transaction that will significantly strengthen the Company and ensure the long-term viability of the business, all without impacting our ability to serve our customers, suppliers and other stakeholders in the jurisdictions in which we operate, such as Colombia and Peru,” said Ronald Pantin, the Chief Executive Officer of the Company. “We are confident that the Company will emerge from this process as a stronger entity, best-positioned to weather the current oil price environment and capitalize on opportunities once the market adjusts.”

The Restructuring Transaction is expected to be consummated by the end of the third quarter of 2016, subject to successfully obtaining all relevant and required regulatory, creditor and court approvals.

“Catalyst is very pleased to partner with the Company’s creditors on this transaction,” said Gabriel de Alba, Managing Director and Partner of Catalyst. “We understand the importance of Pacific to the countries in which it operates, including Colombia and Peru, and we are eager to work with Pacific’s local and international stakeholders to complete this restructuring with a view to establishing a stronger, long-term focused and soundly recapitalized Company.”

PROCEDURE TO OBTAIN SUPPORTING NOTEHOLDER CONSIDERATION

All noteholders are able and encouraged to sign the Support Agreement by execution of a joinder thereto. A copy of the Support Agreement and the joinder are available on the Company’s website at www.pacific.energy. Please contact either (i) Peter Volk, General Counsel of the Company (telephone: +1 (416) 362-7735 ext. 223; email: pvolk@pacificcorp.energy), or (ii) Michael Galego, Deputy General Counsel and Secretary of the Company (telephone: +1 (416) 362-7735 ext. 234; email: mgalego@pacificcorp.energy) if you have any questions. Under the terms of the Restructuring Transaction, noteholders who have signed and returned a joinder to the Support Agreement on or before 5:00 p.m. (Toronto/ New York time) on **April 29, 2016** in accordance with the procedures set out in the Support Agreement and the joinder shall receive their pro rata share of 2.2% of the common shares of the reorganized Company (the “**Supporting Noteholder Consideration**”). The Supporting Noteholder Consideration shall be payable subject to, and only upon, consummation of the Restructuring Transaction. If a Supporting Noteholder otherwise entitled to the Supporting Noteholder Consideration transfers (in accordance with the Support Agreement) the notes in respect of which such Supporting Noteholder Consideration would have been payable, the transferee of such notes shall be entitled to that portion of the Supporting Noteholder Consideration attributable to the transferred notes. The Supporting Noteholder Consideration shall not be payable if the Supporting Noteholder terminates its obligations under the Support Agreement. The amount of the Supporting Noteholder Consideration will be funded from the pro rata portion of the Affected Creditors Consideration otherwise allocated to the Company’s noteholders and will not impact the pro rata recovery of the lenders under the Company’s credit facilities, under the terms of the Restructuring Transaction as described above.

The Company is being advised by Lazard Frères & Co. LLC, Norton Rose Fulbright Canada LLP (Canada), Proskauer Rose LLP (U.S.), Zolfo Cooper (U.S.) and Garrigues (Colombia). The Independent Committee is being advised by Osler, Hoskin & Harcourt LLP and UBS Securities Canada Inc. The noteholders forming part of the Funding Creditors are being advised by Evercore Group L.L.C. (U.S.), Goodmans LLP (Canada), Paul, Weiss, Rifkind, Wharton & Garrison LLP (U.S.) and Cardenas y Cardenas Abogados (Colombia). FTI Consulting (U.S.), Davis Polk & Wardwell LLP (U.S.), Torys LLP (Canada) and Gómez-Pinzón Zuleta Abogados (Colombia) are counsel to the agent on the revolving credit facility of the Company, and Seward & Kissel is counsel to the agent on the HSBC Bank, USA, N.A. term loan of the Company. Catalyst is being advised by Brown Rudnick LLP (U.S.), McMillan LLP (Canada) and GMP Securities L.P.

Shareholders are reminded that any questions or concerns can be directed to the Company at ir@pacificcorp.energy.

PACIFIC EXPLORATION & PRODUCTION CORPORATION
1100 - 333 BAY STREET, TORONTO, ONTARIO M5H 2R2
TELEPHONE: (416) 362-7735 FAX: (416) 360-7783

About Pacific:

Pacific Exploration & Production Corp. 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 70 exploration and production blocks in various countries including Colombia, Peru, Guatemala, Brazil, Guyana 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.

About Catalyst:

The Catalyst Capital Group Inc., a private equity investment firm with more than \$6 billion in assets under management founded in 2002, is a leader in operationally focused turnaround investing. The firm's mandate is to manufacture risk adjusted returns, in keeping with its philosophy of "we buy what we can build." Catalyst's Guiding Principles of investment excellence through operational involvement, superior analytics, attention to detail, intellectual curiosity, team and reputation are key to the firm's success. The Catalyst team collectively possesses more than 110 years of extensive experience in restructuring, credit markets and merchant and investment banking in Canada, the United States, Latin America and Europe.

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 and its strategy) 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: the Company's ability to continue as a going concern; volatility in market prices for oil and natural gas; a continued depressed oil price environment with a potential of further decline; default under the Company's credit facilities and/or the Company's senior notes due to a breach of covenants therein; amounts becoming due and payable under the credit facilities and/or the senior notes prior to voluntary insolvency proceedings, notwithstanding the entering into of such forbearance arrangements, whether through the actions of holders of senior notes or the trustee under the respective senior note indentures or otherwise; the impact of events of defaults in respect of the credit facilities and/or senior notes on other material contracts of the Company, including but not limited to, cross-defaults resulting in acceleration of amounts payable thereunder or the termination of such agreements; failure of the courts or other regulatory authorities to grant the protection sought by the Company under proceedings in Canada and/or proceedings under other applicable jurisdictions; failure of a sufficient number of Supporting Creditors entering into the Support Agreement; impact on the Restructuring Transaction or the operations of the Company in the event of an involuntary petition for bankruptcy relief or similar creditor action filed against the Company

PACIFIC EXPLORATION & PRODUCTION CORPORATION
1100 - 333 BAY STREET, TORONTO, ONTARIO M5H 2R2
TELEPHONE: (416) 362-7735 FAX: (416) 360-7783

prior to the commencement of voluntary proceedings; failure of the Company to complete the Restructuring Transaction, which is subject to a number of conditions and other risks and uncertainties including, without limitation, court and required regulatory approvals or otherwise reach an agreement with its creditors or a sufficient number of them to restructure the Company's capital structure; failure to satisfy any terms or conditions of any other agreement with the Company's creditors on a proposed restructuring; any negative impact on the Company's current operations as a result of the Restructuring Transaction or any other proposed restructuring or failure to reach any other agreement with the creditors thereon; failure to satisfy the terms and conditions of any one of the Company's waiver agreements with applicable creditors or counterparties or any other waiver prior to voluntary insolvency proceedings, failure to obtain further extensions of any such waivers if required prior any voluntary insolvency proceedings, or failure to obtain waivers of other covenants prior to voluntary insolvency proceedings, if and when required; the terms of any such waivers, including the impact on the Company of any restrictions imposed upon it in connection with any waiver; perceptions of the Company's prospects and the prospects of the oil and gas industry in Colombia and the other countries where the Company operates and/or has investments as the result of the entering into of the Restructuring Transaction or otherwise; expectations regarding the Company's ability to raise capital and to continually add to reserves through acquisitions and development; inability to continue meeting the listing requirements of the exchanges on which the Company's securities are listed due to the Restructuring Transaction; the cancellation or extensive dilution of the Company's equity securities as a result of the Restructuring Transaction; the effect of the Restructuring Transaction on the Company's business and operations; political developments in Colombia, Guatemala, Peru, Brazil, Guyana and Mexico; liabilities inherent in oil and gas operations; uncertainties associated with estimating oil and natural gas reserves; competition for, among other things, capital, acquisitions of reserves, undeveloped lands and skilled personnel; incorrect assessments of the value of acquisitions and/or past integration problems; geological, technical, drilling and processing problems; fluctuations in foreign exchange or interest rates and stock market volatility; delays in obtaining required environmental and other licences; uncertainty of estimates of capital and operating costs, production estimates and estimated economic return; the possibility that actual circumstances will differ from estimates and assumptions; uncertainties relating to the availability and costs of financing needed in the future; changes in income tax laws or changes in tax laws, accounting principles and incentive programs relating to the oil and gas industry; and the other factors discussed under the heading entitled "Risk Factors" and elsewhere in the Company's AIF dated March 18, 2016 filed on SEDAR at 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.

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.

FOR FURTHER INFORMATION:

Frederick Kozak
Corporate Vice President, Investor Relations

PACIFIC EXPLORATION & PRODUCTION CORPORATION
1100 - 333 BAY STREET, TORONTO, ONTARIO M5H 2R2
TELEPHONE: (416) 362-7735 FAX: (416) 360-7783

+1 (403) 705-8816
+1 (403) 606-3165

Roberto Puente
Sr. Manager, Investor Relations
+57 (1) 511-2298
+507 (6) 205-1400

Richard Oyelowo
Manager, Investor Relations
+1 (416) 362-7735

MEDIA CONTACT:

Tom Becker
Sitrick & Company
+1 (212) 573-6100

PACIFIC EXPLORATION & PRODUCTION CORPORATION
1100 - 333 BAY STREET, TORONTO, ONTARIO M5H 2R2
TELEPHONE: (416) 362-7735 FAX: (416) 360-7783