PACIFIC EXPLORATION & PRODUCTION CORP.

NEWS RELEASE

PACIFIC'S BOARD REAFFIRMS CREDITOR/CATALYST RESTRUCTURING TRANSACTION

COLOMBIAN SUPERINTENDENCIA DE SOCIEDADES REJECTS EIG REQUEST TO POSTPONE RECOGNITION APPLICATION

Toronto, Canada, Wednesday, May 18, 2016 – Pacific Exploration & Production Corp. (**TSX: PRE**) (**BVC: PREC**) today provided an update on the proposed comprehensive restructuring transaction with creditors holding more than 78% of the principal amount of the Company's approximately US$5.3 billion of affected bank and unsecured note debt and The Catalyst Capital Group Inc. (the "**Creditor/Catalyst Restructuring Transaction**"), as follows:

- The Company's Board of Directors (the "**Board**") has reaffirmed that this transaction continues to be in the best interests of the Company, including as compared to the offer received from EIG Management Company, LLC (the "**Latest EIG Offer**") on May 7, 2016.
- The Board concluded that there was no reason for it to exercise its Fiduciary Termination Right (defined below) in relation to the Latest EIG Offer.
- The Board made its determination after consulting with, through its Independent Committee, the Supporting Creditors (defined below) through advisors to the Ad Hoc Committee (defined below) and administrative agents for the bank lenders.
- The Colombian Superintendencia de Sociedades issued a decision today in which they rejected an application by EIG to postpone the granting of a recognition order in Colombia relating to the Creditor/Catalyst Restructuring Transaction.

Reaffirmation of Creditor/Catalyst Restructuring Transaction

After, among other things, seeking the views of the Supporting Creditors, the Board has determined that the Creditor/Catalyst Restructuring Transaction continues to be in the best interests of the Company. In coming to its decision, the Board (through the Independent Committee of the Board) communicated with the advisors to the ad hoc committee of the Company's unsecured noteholders (the "**Ad Hoc Committee**") and the advisors to the Supporting Bank Lenders (defined below) with respect to the Latest EIG Offer. During the course of its evaluation of the Latest EIG Offer, the Independent Committee kept the Ad Hoc Committee and their advisors and the Supporting Bank Lenders' advisors apprised of the Company's decision-making process. The Ad Hoc Committee and the Supporting Bank Lenders have each reviewed the Latest EIG Offer and continue to support the Creditor/Catalyst Restructuring Transaction under the terms of the Support Agreement (defined below).

In arriving at its recommendation, the Board also received the advice of external legal and financial advisors (Norton Rose Fulbright Canada LLP and Lazard Frères & Co. LLC, respectively).

Decision of the Superintendencia de Sociedades

Today the Colombian Superintendencia de Sociedades issued a decision in which it rejected an application by EIG to postpone the granting of a recognition order in Colombia relating to the Creditor/Catalyst Restructuring Transaction until the Superintendencia de Sociedades had considered the Latest EIG Offer.

Background to date on the Creditor/Catalyst Restructuring Transaction

The Creditor/Catalyst Restructuring Transaction involves, among other things, the provision of US$500 million of DIP financing to the Company by early June, which DIP financing was approved by the Ontario Superior Court of Justice (the "**CCAA Court**") on April 27, 2016 and will be provided to the Company by (i) The Catalyst Capital Group Inc., on behalf of investment funds managed by it ("**Catalyst**"), who will provide US$250 million of the DIP financing, and (ii) certain holders of the Company's unsecured notes, who will provide the other US$250 million of DIP financing. The Creditor/Catalyst Restructuring Transaction also involves a US$134 million letter of credit facility for the Company, which will be provided by certain of the Company's bank lenders under its credit facilities. The DIP financing will be used mainly to fund the Company's operations in Colombia, including to pay the pre-filing and post-filing claims of the Company's local trade creditors, suppliers and employees, in accordance with the terms of the DIP financing, as approved by the CCAA Court.

The Company has entered into a support agreement (the "**Support Agreement**") with Catalyst and the holders of approximately 78.37% of the aggregate principal amount of the Company's unsecured notes and bank debt (collectively, the "**Supporting Noteholders**", the "**Supporting Bank Lenders**" and, all together, the "**Supporting Creditors**") pursuant to which the Supporting Creditors have committed to support and vote in favour of the Creditor/Catalyst Restructuring Transaction, subject to the terms and conditions of the Support Agreement. This level of support from the affected creditors is well in excess of the 66 2/3% test that is required for creditor approval of the Creditor/Catalyst Restructuring Transaction under the *Companies' Creditors Arrangement Act*.

Under its terms, the Company can terminate the Support Agreement if the Board determines (after receiving the advice of outside counsel and the recommendation of the Independent Committee of the Board) that the Creditor/Catalyst Restructuring Transaction is not in the best interests of the Company (having regard to the reasonable expectations of holders of the Company's senior unsecured notes and its bank debt, "**Claims**") and continued support of the Creditor/Catalyst Restructuring Transaction would be inconsistent with the directors' fiduciary obligations (having regard to the reasonable expectations of holders of Claims) (the "**Fiduciary Termination Right**").

Accordingly, the Independent Committee of the Board was asked to review the Latest EIG Offer and make a recommendation to the Board with respect to whether the Company should exercise the Fiduciary Termination Right. After careful consideration of all relevant factors, the Independent Committee concluded that the Creditor/Catalyst Restructuring Transaction continues to be in the best interests of the Company (having regard to the reasonable expectations of holders of Claims) and that the Company should continue to support the Creditor/Catalyst Restructuring Transaction. The Independent Committee therefore unanimously recommended to the Board that the Board not accept the Latest EIG Offer and that the Company not exercise the Fiduciary Termination Right. The Independent Committee received the advice of its own independent legal and financial advisors (Osler, Hoskin & Harcourt LLP and UBS Securities Canada Inc., respectively) and was satisfied that the Supporting Creditors continue to support the Creditor/Catalyst Restructuring Transaction under the terms of the Support Agreement.

The Board, having received the advice of its outside counsel and financial advisors, has unanimously accepted the recommendation of the Independent Committee and has determined that the Creditor/Catalyst Restructuring Transaction continues to be in the best interests of the Company, that it should not accept the Latest EIG Offer, and that the Company will not exercise the Fiduciary Termination Right.

The Creditor/Catalyst Restructuring Transaction, once effected, will significantly reduce debt, improve liquidity, and best position the Company to navigate the current oil price environment. In addition:

- the Creditor/Catalyst Restructuring Transaction has the current, confirmed and overwhelming support of the Supporting Creditors; and

- the US$500 million of DIP financing contemplated by the Creditor/Catalyst Restructuring Transaction has already been approved by the CCAA Court and is scheduled to be provided to the Company by early June, once certain standard conditions precedent are met.

As a result, the Creditor/Catalyst Restructuring Transaction is uniquely positioned to provide the Company with the additional liquidity that it requires in the near term in order to continue to meet its important obligations to its local trade creditors, suppliers and employees in full and to continue operations as a going concern. Given the lack of creditor support for the Latest EIG Offer, and the fact that no aspect of the Latest EIG Offer has been approved by the CCAA Court, the Company does not believe that the Latest EIG Offer is capable of meeting this important funding requirement for the Company and its local trade creditors, suppliers and employees.

The Company entered into the Support Agreement to effect the Creditor/Catalyst Restructuring Transaction only after a long process that involved the solicitation and consideration of multiple bids. EIG participated in that process, along with others, and submitted bids on multiple occasions, each of which was duly considered not only by the Independent Committee and the Company, but also by the Ad Hoc Committee and certain of the Supporting Bank Lenders. As part of the process by which the determination was made to proceed with the Creditor/Catalyst Restructuring Transaction, bidders were provided with the opportunity to meet directly with the Ad Hoc Committee and the Supporting Bank Lenders and to negotiate the terms of their proposals directly with them. EIG and the other bidders availed themselves of these opportunities. The decision to implement the Creditor/Catalyst Restructuring Transaction (through entering into the Support Agreement) was only made after the Independent Committee received advice that it was the most likely transaction proposed by bidders to result in a consensual arrangement with the Ad Hoc Committee and the Supporting Bank Lenders, with the prospect of obtaining the best result for the Company’s stakeholders. As noted above, Supporting Creditors holding approximately 78.37% of the aggregate principal amount of the debt held by the Company's noteholders and lenders under the Company's credit facilities have confirmed their support for the Creditor/Catalyst Restructuring Transaction by entering into the Support Agreement. The Company believes, based on the process undertaken by the Independent Committee, that the Supporting Creditors continue to strongly support the Creditor/Catalyst Restructuring Transaction under the terms of the Support Agreement.

The Company also believes that the Creditor/Catalyst Restructuring Transaction continues to be in the best interests of the Company, that the announcement of it has provided much-needed stability and that its implementation will best position the Company for the future. Accordingly, the Company continues to work towards the completion of the Creditor/Catalyst Restructuring Transaction which it expects to occur by the end of the third quarter of 2016, subject to obtaining all relevant and required regulatory, creditor and court approvals. The US$500 million of DIP financing that is a key first part of the Creditor/Catalyst Restructuring Transaction is expected to be funded to the Company shortly and no later than early June.

All operations of the Company's subsidiaries, including the Colombian branches (the "**Pacific Subsidiaries**") of each of Meta Petroleum Corp, Pacific Stratus Energy Colombia Corp., Petrominerales Colombia Corp. and Grupo C&C Energia (Barbados) Ltd. are expected to continue as normal throughout this process. Importantly, the Company expects regular payments will be made to all of the Pacific Subsidiaries' suppliers, trade partners, and contractors across the jurisdictions in which they operate in accordance with local regulations. Additionally, obligations to employees will also be honoured in the normal course. The Company's bank indebtedness and indebtedness in respect of its senior unsecured notes will be restructured pursuant to the terms of the Creditor/Catalyst Restructuring Transaction.

Shareholder Contact Information

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

Noteholder Contact Information

Noteholders with questions concerning the Creditor/Catalyst Restructuring Transaction are encouraged to contact Kingsdale Shareholder Services at 1-877-659-1821 toll-free in North America or call collect at 1-416-867-2272 outside of North America or by email at contactus@kingsdaleshareholder.com.

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.

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, notwithstanding the entering into of support 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 notwithstanding the protection obtained by the Company under the CCAA proceedings in Canada and/or sought in proceedings under other applicable jurisdictions (including Colombia and the United States); failure of the Company to complete the Creditor/Catalyst Restructuring Transaction, which is subject to a number of conditions and other risks and uncertainties including, without limitation, court, creditor and required regulatory approvals or otherwise; 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 Creditor/Catalyst Restructuring Transaction or any other proposed restructuring or failure to reach any other agreement with the creditors thereon; 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 Creditor/Catalyst Restructuring Transaction or commencing voluntary insolvency proceedings 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 Creditor/Catalyst Restructuring Transaction; the cancellation or extensive dilution of the Company's equity securities as a result of the Creditor/Catalyst Restructuring Transaction; the effect of the Creditor/Catalyst 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.

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