

PACIFIC EXPLORATION & PRODUCTION CORP.

NEWS RELEASE

PACIFIC ANNOUNCES RESTRUCTURING UPDATE, APPROVAL OF CONSENSUAL RESOLUTION WITH IFC AND CCAA COURT APPROVAL OF STAY OF PROCEEDINGS EXTENSION

Toronto, Canada, Thursday, May 26, 2016 – Pacific Exploration & Production Corp. is pleased to provide an update with respect to its comprehensive restructuring transaction (the “**Restructuring Transaction**”) with: (i) certain holders of the Company’s senior unsecured notes (the “**Supporting Noteholders**”) (including certain members 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**”). The Restructuring Transaction will significantly reduce debt, improve liquidity, and best position the Company to navigate the current oil price environment. Importantly, with the benefit of the U.S.\$500 million of debtor-in-possession financing to be provided as part of the Restructuring Transaction, the Company will be able to continue to pay all of the suppliers, trade partners and contractors of the Company’s subsidiaries across the jurisdictions in which they operate in accordance with local regulations. Additionally, employees will continue to be paid throughout this process, without disruption.

“We are pleased with the progress of the Restructuring Transaction as it significantly strengthens the Company and ensures the long-term viability of the business, all without impacting our ability to serve our customers, suppliers, employees and other stakeholders,” said Dennis Mills, Chair of the Independent Committee of the Board of Directors. “We are thankful to the Supporting Creditors and Catalyst for their ongoing support during this restructuring process and as the Company continues to struggle with the significant challenges presented by the low oil price environment.”

Today, the Ontario Superior Court (the “**Court**”) approved an extension of the stay of proceedings until August 26, 2016. During this period, the Company intends to complete its U.S.\$500 million debtor-in-possession financing, put in place a new U.S.\$134 million letter of credit facility, and complete creditor meetings and Court hearings required to approve the Restructuring Transaction (which it expects to be completed in the third quarter of 2016).

In addition, the Court approved a consensual resolution of the issues previously raised by the International Finance Corporation in respect of the Company’s interests in Pacific Infrastructure Ventures Inc. and Pacific Midstream Ltd.

The Company also today received notice (“**Notice**”) from the Colombian Superintendence of Corporations (the “**Superintendence**”) in respect of a creditor hearing to be held on June 7, 2016 at 11:00 a.m. (Bogotá time) (the “**Hearing**”) in Bogotá, Colombia to consider the Company’s request for recognition of the initial order obtained from the Court under the Companies’ Creditors Arrangement Act (Canada) on April 27, 2016. At the request of the Superintendence, the Notice will be published in the local Colombian newspapers and will be made available on the monitor’s website at: <http://www.pwc.com/ca/pacific>.

Further to TSX Bulletin 2016-0395 dated April 19, 2016, the Toronto Stock Exchange (“TSX”) has delisted the common shares (TSX: PRE) (the “Shares”) for failure to meet the continued listing requirements of the TSX. The Company is in the process of determining the delisting of the Shares on La Bolsa de Valores de Colombia.

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 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 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 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; ; 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.

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