

# **PACIFIC EXPLORATION & PRODUCTION CORP.**

## ***NEWS RELEASE***

### **PACIFIC ANNOUNCES REVERSION OF THE RUBIALES FIELD TO ECOPETROL AFTER MAKING IT THE MOST IMPORTANT OIL FIELD IN COLOMBIA**

**Toronto, Canada, Thursday, June 30, 2016** – Pacific Exploration & Production Corporation (“**Pacific**” or the “**Company**”) announced today the reversion of the Rubiales Field to Ecopetrol, S.A. (NYSE: EC) (BVC: ECOPETROL) (TSX: ECP) (“**Ecopetrol**”).

As previously announced on March 13, 2015, the Company and Ecopetrol agreed not to extend the Rubiales and Pirirí contracts. Pacific and Ecopetrol expressed interest in developing further business opportunities for the benefit of both parties and the country. Upon termination of this contract on June 30, 2016, any wells in production in the Rubiales and Pirirí Blocks will revert to Ecopetrol free of charge and without any compensation.

When the Company acquired the Rubiales Field in 2007 it was only producing 14,547 bbl/d due to security conditions, the high operating cost for heavy crude and lack of infrastructure and transport facilities. With the experience and knowledge of Pacific’s management and technical teams, the Company was able to achieve record gross production of 214,000 bbl/d by 2013, which represented 20% of Colombia’s oil production. The Rubiales Field became the country’s most important and largest producing oil field, creating more than 25,000 jobs for Colombians. Royalties paid to the state increased by 700%, improving the quality of life of more than 22,000 inhabitants of Puerto Gaitán.

In an eight year period, the Company drilled more than 1,000 wells and invested more than U.S.\$5 billion in exploration and production at the Rubiales Field. Additionally, Pacific, together with Ecopetrol, made a significant investment in transport infrastructure by building the Oleoducto de los Llanos Orientales pipeline (the “**ODL Pipeline**”), which connects to the national pipeline system. The ODL Pipeline transports crude from the Rubiales Field in a much more environmentally friendly and safe manner, at substantially lower transportation costs than by trucking the crude from the Rubiales Field. This pipeline is an integral part of Colombia’s oil transport system and was a key element of the Company’s plan for the expansion of the Rubiales Field.

Pacific independently invested in Petroeléctrica de los Llanos, a private power transmission line, and Agrocascada, a water irrigation project for agricultural development. Petroeléctrica de los Llanos is a private power transmission line that connects the Rubiales Field with Colombia’s electrical grid. The transmission line originates at the Chivor Substation and stretches 260 km to the Rubiales Field. This project led to the reduced operating costs due to a significant reduction of the cost of electricity associated with the production of oil.

The Agrocascada irrigation project will reduce water disposal costs through reverse osmosis plants with the capacity to treat up to 1 million barrels of residual water per day to be re-used for irrigation. This project, when operational, will represent an innovative approach for water disposal in Colombia and bring benefits to oil producers in terms of lower operating costs and extending the economic life of the oil fields, and will also be an excellent example of “shared value” with communities, bringing sustainable development from a social point of view to areas in need of development.

The Company's long-term strategy is focused on sustainable growth in production and reserves and cash generation within a diversified portfolio of assets. The success at the Rubiales Field is a testament to the Company's ability, expertise and track record in light and heavy oil exploration and development, as the leading independent Latin American-focused exploration and production company.

### **Shareholder Contact Information**

Shareholders are reminded that any questions or concerns can be directed to the Company at [ir@pacificcorp.energy](mailto:ir@pacificcorp.energy).

### **Noteholder Contact Information**

Holders of Pacific's senior unsecured notes 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](mailto: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*

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*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 otherwise 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 licenses; 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](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.*

### **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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