

# PACIFIC EXPLORATION & PRODUCTION CORP.

## *NEWS RELEASE*

### PACIFIC ANNOUNCES RESTRUCTURING UPDATE AND CCAA CREDITORS' MEETING ORDER

**Toronto, Canada, Thursday, June 30, 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.

#### *Restructuring Update*

Today, the Ontario Superior Court of Justice (the “**Court**”) granted an order (the “**Meeting Order**”): (a) authorizing the filing of the Company’s plan of compromise and arrangement (the “**Plan**”) pursuant to the *Companies’ Creditors Arrangement Act* (Canada) (the “**CCAA**”) through which the Restructuring Transaction would be implemented; (b) authorizing and directing that a meeting of affected creditors of the Company be held to consider and vote on the Plan (the “**Creditors’ Meeting**”); (c) setting August 23, 2016 as the date for a hearing for court approval of the Plan should the Plan be approved at the Creditors’ Meeting; and (d) providing certain additional direction with respect to the procedures for the conduct of voting at the Creditors’ Meeting and the procedures for qualifying Supporting Noteholders to receive early consent shares on implementation of the Plan and for affected creditors to receive cash in lieu of common shares under the Plan.

#### *Creditors’ Meeting*

In order to be approved, the Plan must receive the affirmative vote of a majority in number of affected creditors who represent at least two-thirds in value of the voting claims of affected creditors, in each case who are present and vote in person or by proxy on the Plan at the Creditors’ Meeting.

The Creditors’ Meeting will be held on August 17, 2016 at 10:00 a.m. (Toronto time), subject to any adjournment or postponement of the Creditors’ Meeting.

Holders of the Company’s shares will not be entitled to vote at the Creditors’ Meeting.

The Restructuring Transaction has support from Supporting Creditors holding approximately 78.91% 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 restructuring support agreement entered into by the Company, the Supporting Creditors and Catalyst (the “**Support Agreement**”), the Supporting Creditors have agreed to support and vote in favour of the Restructuring Transaction.

The record date for the purposes of determining which beneficial holders of the Company's senior unsecured notes are entitled to receive notice of the Creditors' Meeting and vote at the Creditors' Meeting with respect to their claims as holders of senior unsecured notes shall be 5:00 p.m. (Toronto time) on July 8, 2016 (the "**Noteholder Record Date**"). 5:00 pm (Toronto time) on July 8, 2016 has also been set as the record date for holders of the bank debt.

Materials required for voting at the Creditors' Meeting (the "**Meeting Materials**") and with respect to certain other elections to be made in connection with the Plan will be delivered to affected creditors in accordance with the procedures set out in the Meeting Order.

The Meeting Order contains specific provisions relating to notice, voting and record dates for the lenders under the Company's credit facilities, which should be reviewed by those lenders and their advisors.

Detailed information on the procedures for affected creditors to participate in the Creditors' Meeting and to make certain elections under the Plan are set out in the Meeting Order, the Plan and the information circular that will be delivered to affected creditors.

### ***Early Consent Shares***

As part of the Restructuring Transaction, Noteholders were offered their *pro rata* share of approximately 2.2% of the common shares of the reorganized Company (the "**Supporting Noteholder Consideration**") upon Plan implementation if they signed the Support Agreement or signed and returned a joinder to the Support Agreement on or before May 6, 2016 (the "**Early Support Deadline**"), subject to certain terms and conditions.

In order to receive its *pro rata* share of the Supporting Noteholder Consideration, a Supporting Noteholder must: (i) qualify for such Supporting Noteholder Consideration in accordance with the terms of the Support Agreement, including those terms applicable to transferees of senior unsecured notes; (ii) be a holder of the senior unsecured notes to which the Support Agreement applies as of 5:00 p.m. (Toronto time) on the Noteholder Record Date (the "**Eligible Note Claims**"); (iii) vote its Eligible Note Claims in favour of the Plan; (iv) hold, immediately prior to the time of implementation of the Plan, senior unsecured notes in the aggregate principal amount equal to, or in excess of, the fair market value of the Supporting Noteholder Consideration such holder would be entitled to receive; and (v) deliver a properly completed and executed "Application for Early Consent Consideration" (which will be distributed to the Company's noteholders with the Meeting Materials and which is attached as Schedule "E" to the Meeting Order) so that it is received by the Supporting Noteholder's intermediary by August 10, 2016 at 10:00 a.m. (Toronto time).

Only holders of Eligible Note Claims on the Noteholder Record Date shall be entitled to Supporting Noteholder Consideration. Persons who acquire Eligible Note Claims after the Noteholder Record Date will not receive any Supporting Noteholder Consideration in respect of such Eligible Note Claim.

The Supporting Noteholder Consideration will be allocated from the shares otherwise receivable by the holders of the Company's senior unsecured notes and as a result, for greater certainty, the issuance of Supporting Noteholder Consideration to Supporting Noteholders does not affect the entitlements of the other affected creditors under the Plan.

### ***Cash Election***

Affected creditors have the opportunity under the Plan to receive cash *in lieu* of the common shares of the reorganized Company that they would otherwise be entitled to receive under the Plan including any Supporting Noteholder Consideration, subject of the terms and conditions set out in the Plan (the “**Cash Election**”).

There is no requirement for affected creditors to participate in the Cash Election.

Creditors wishing to participate in the Cash Election must comply with the procedures established in the Meeting Order and the Plan. Cash Election forms are irrevocable once submitted.

Further details regarding the Plan (including the Cash Election), the Meeting Order and the Creditors’ Meeting are available on the Monitor’s website at [www.pwc.com/ca/pacific](http://www.pwc.com/ca/pacific).

### ***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***

Noteholders with questions about the Plan, the Meeting Order or the Creditors’ Meeting 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.*

### **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, 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 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 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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