

PACIFIC EXPLORATION & PRODUCTION CORP.

NEWS RELEASE

PACIFIC PROVIDES SUMMARY OF PROPONENT'S PROPOSAL

Toronto, Canada, Friday, August 19, 2016 – On August 16, 2016, Pacific Exploration & Production Corp. (the “**Company**”) received a proposal (the “**Proponent’s Proposal**”) made by O’Hara Administration Co., S.A., Fernando Chico Pardo of Promecap S.A. de C.V., Sergio Gutierrez (DeAcero group), Carlos Bremer Gutierrez (Value Grupo Financiero) and certain other minority shareholders of the Company (collectively referred to as the “**Proponent**”) with respect to an alternative transaction. As required under applicable Colombia securities laws, the Company is providing a summary of the material terms of the Proponent’s Proposal as outlined by the Proponent. **In providing the following summary, the Company reiterates that it, including the Independent Committee of the board of directors (the “Board”), is in the process of reviewing the Proponent’s Proposal with its financial and legal advisors and emphasizes that no decision regarding the Proponent’s Proposal has been made. Accordingly, the Company is not in a position to assess the accuracy of the summary and makes no representations regarding the summary or any benefits of the Proponent’s Proposal that are implied or expressly set out below.**

The Proponent’s Proposal was not solicited by the Company nor has the Company had any discussions with any of its proponents. The Company has had no input or participation in the drafting of any of the documents relating to the Proponent’s Proposal.

Summary of the Proponent’s Proposal

The Proponent’s Proposal:

- Has been delivered via a series of term sheets, which state that they are subject to the execution of definitive documentation. The Proponent offers to adopt existing agreements and documentation in relation to the Creditor/Catalyst Restructuring Transaction subject to negotiating amendments to give effect to the Proponent’s Proposal.
- Offers US\$575 million in debtor-in-possession (“**DIP**”) financing, of which US\$325 million is to be provided by the Proponent and the remainder by the existing DIP providers, other than Catalyst, and is subject to a backstop by the Proponent. The portion of the DIP financing to be provided by the existing DIP providers will be issued with an original issue discount of 10%. Certain deadlines for completing steps in the DIP process have been extended by 4 1/2 months as compared to the Creditor/Catalyst Restructuring Transaction.
- Contemplates that the DIP financing will be used, in part, to pay the break costs and fees payable in connection with the termination of the Creditor/Catalyst Restructuring Transaction.
- Allocates 15% of equity to the Proponent upon emergence, in addition to the 12.5% in equity it would receive for providing its portion of the DIP financing.
- Offers US\$300 million to be used to acquire up to 25% of the shares of the Company issued to creditors under the reorganization, at the creditors’ option.
- Contemplates potential additional consideration of US\$250 million, to be funded and paid for by the Company, to existing creditors; although not fully defined, it would appear one-half of such

consideration would be in the form of unsecured debt and the other half would be payable in cash contingent on the equity market capitalization of the Company being US\$2 billion or higher for a specified time period.

- Maintains the existing 10% post-recapitalization management incentive plan.
- Provides no recovery to existing shareholders.

The Company does not intend to make any further comment on the Proponent's Proposal until it announces its conclusion on such proposal.

Further details regarding the Creditor/Catalyst Restructuring Transaction are available on the Monitor's website at www.pwc.com/ca/pacific and SEDAR.

Shareholder Contact Information

Shareholders are reminded that any questions or concerns, other than with regard to the specifics of the Proponent's Proposal, can be directed to the Company at ir@pacificcorp.energy.

Noteholder Contact Information

Noteholders with questions about 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.

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 the Creditor/Catalyst Restructuring Transaction (including approval thereof), the Proponent's Proposal (including consideration thereof), 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 upon completion of the Creditor/Catalyst Restructuring Transaction or any other restructuring transaction; 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; court 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 failure to implement the Creditor/Catalyst Restructuring Transaction or reach any other agreement with creditors; 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 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; inability to obtain a listing on a stock exchange as provided for under Creditor/Catalyst Restructuring Transaction or otherwise; the effect of the Creditor/Catalyst Restructuring Transaction or any other restructuring transaction (including Proponent's Proposal) 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 and in the circular dated July 8, 2016 prepared in connection with the Meeting. 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:

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

MEDIA CONTACT:

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