

# Pacific Exploration & Production Corp. Announces Third Quarter 2015 Results

05.11.2015 | [CNW](#)

## Successful Oil Price Hedging and Sustainable Cost Cutting Strengthen Balance Sheet and Mitigate Weak Pricing

TORONTO, Nov. 5, 2015 /CNW/ - [Pacific Exploration & Production Corp.](#) (TSX: PRE) (BVC: PREC) announced today the release of its unaudited consolidated financial statements for the quarter ended September 30, 2015, together with its Management Discussion and Analysis ("MD&A"). These documents will be posted on the Company's website at [www.pacific.energy](http://www.pacific.energy), SEDAR at [www.sedar.com](http://www.sedar.com), and the SIMEV website at [www.superfinanciera.gov.co/web\\_valores/Simev](http://www.superfinanciera.gov.co/web_valores/Simev). A corporate presentation relating to the third quarter results will also be posted on the Company's website. All values in this news release and the Company's financial disclosures are in U.S.\$, unless otherwise stated.

Ronald Pantin, Chief Executive Officer of the Company, commented:

"The story of 2015 has been and continues to be one of low oil prices, driven by a perceived excess supply of oil. These prices continue to pose challenges for the industry and threaten the economic well-being of many companies and indeed countries. However, consistent with the implementation of our strategy outlined in early 2015, we at Pacific continue to deliver competitive results in spite of the low oil price environment.

"At the start of 2015, the Company took decisive and immediate action to address the low price environment, cutting operating costs, G&A and immediately reducing capital expenditures to be in line with cash flow. While not expecting a long-term lower oil price environment, the actions taken ensure that as long as the "lower for longer" oil price scenario continues, the Company's new cost structure will yield positive results. As part of our strategy, we have been focussed on the areas that we can control (costs) and have sought to mitigate the impact of lower prices through strategic price protection. The Company has adapted itself to the low oil price environment and continues to produce oil profitably.

### Material Oil Price Hedging

"While prices in the second quarter this year provided a glimmer of hope to the industry, the pricing downturn in the third quarter took the market and companies alike by surprise. Fortunately, we successfully executed a hedging strategy earlier this year that has mitigated this unexpected event, with significant price protection in 2015. Our third quarter hedging program resulted in 96% of the quarter's oil production hedged through the use of zero cost collars, swaps and other instruments, which generated a crude oil price hedging gain of approximately \$125 million. Our fourth quarter 2015 hedging program, while not as aggressive, with only 74% of the quarter's oil production hedged (approximately 10.1 million barrels), has an average floor price protection of \$56/bbl WTI and \$60/bbl Brent. Looking into 2016, it is our intention to hedge as much as 40% of production in the first half of the year to protect against further oil price weakness.

### Sustainable Cost Cutting

"In early 2015, we highlighted our significant cost cutting measures and the positive impact that they would have on our profitability through 2015, in a low price environment. Consistent with the first two quarters of 2015, the Company has maintained its drive to reduce cash operating costs and continues to control G&A spending. Our cost structure is sustainable and is the new normal for the Company through 2015 and beyond, shielding our operations within foreseeable oil price scenarios.

### Liability Management

"The Company continues to be proactive with its liability management strategy. We have maintained cash on the balance sheet of \$489 million and reduced current liabilities this year by 40% or \$0.9 billion. In addition,

the Company has also been successful in obtaining a significant reduction in its bank guarantees on exploration capital expenditures to the national hydrocarbon regulator in Colombia (ANH), from \$231 million at the end of 2014 to approximately \$115 million as of the date of this report. We now have positive working capital of \$118 million, which is up from a working capital deficit of \$125 million at the end of the second quarter. Additional future cash over and above cash flow from operations will come from the sale of assets, which will strengthen our balance sheet and provide a cushion against further oil price weakness. However, our expectation of the closing of the sale of our remaining equity interest in Pacific Midstream during the third quarter has not materialized. We will update you on further progress as appropriate, as this sale is projected to bring significant cash onto the balance sheet. We continue our process of strategic non-core divestitures, namely the sale of our equity interest in Puerto Bahía in 2016, and in the longer term the farm-out of part of our exploration portfolio. Focusing on high value assets allows us to optimize the use of our resources.

#### Production Focus

"Our production remained stable in the third quarter of 2015 compared to the first two quarters of 2015, with an average net production of 152,915 boe/d from Colombia and Peru, including a contribution from our latest addition, Block 192 in Peru. Production continues to be on track with our internal plans and within guidance of 150 to 156 Mboe/d for 2015; representing a modest growth over 2014.

"The Company continues to focus its production portfolio on light and medium oil assets. Exploration discoveries that were made in 2014 in the Colombian foothills continue to provide near-term production stability and growth. The modest exploration activity in 2015 has so far identified a number of other light oil prospects similar to the discoveries already made and, more importantly, our program is evaluating new light oil development drilling locations adding approximately 14 Mbbbl/d of light oil production and allowing production to continue growing well into 2016.

#### Focus Delivers Financial Results

"The impact of our collective focus on the areas that we can control and mitigation of the forces that we cannot influence is evidenced in our financial results. For the third quarter of 2015, we earned revenues of \$670 million and generated \$272 million in Adjusted EBITDA and \$197 million in Funds Flow from Operations. Despite the relative drop in oil prices, our operating netback for the quarter was \$30.57/boe, benefitting from the reduction of total costs and the strong hedging position which generated superior realized prices.

"We continued to streamline our operations and generated further cost reductions during the quarter. The Company achieved underlying operating costs of \$19.99/boe and total operating costs (including overlift and other costs) of \$20.92/boe, compared with \$23.71/boe and \$21.08/boe, respectively, for the second quarter of 2015. Further cost savings and reduction in G&A expenses are still possible into 2016 due to additional restructuring of work processes.

#### Positioned for the Future

"The initiatives undertaken in early 2015 have positioned the Company to move forward profitably in a lower oil price environment. In addition to the highlights above, there were several other positives in the quarter. With excess cash on the balance sheet, we continuously evaluate opportunities to effectively manage our balance sheet and deploy scarce capital as appropriate. Secondly, capital expenditures in the quarter were less than cash flow generated while keeping production stable. Despite the expenditures in the first half of the year being more than cash flow, we remain on track to be approximately cash flow neutral for the year. Lastly, we added five new members to the Board of Director, including representation from our two largest shareholders, but it did mark the retirement of one of our founders, former President José Francisco Arata.

"While continuing our focus on production levels and appropriate exploration activity, our financial and capital strategy remains focused on maintaining a healthy balance sheet by: (1) maintaining reduced operating and G&A costs; (2) reducing capital expenditures to match cash flow under the prevailing oil price environment; (3) allocating capital to the most material and highest return projects; (4) maintaining liquidity; (5) hedging adequate volumes of our production volume; and (6) implementing strategic liability management initiatives, which are aimed at ensuring funding for future growth and generating strong returns to our Shareholders.

"In summary, despite the industry-wide move this quarter to take writedowns due to the prevailing price environment, this does not impact the long-term potential of the Company's assets and the opportunities for future production growth. We are prepared for the long-term as well as for the opportunities before us and any challenges that may emerge."

### Third Quarter Results

#### Operational Highlights:

- Net production after royalties for the quarter totaled 152,915 boe/d, remaining stable in comparison with 152,428 boe/d in the previous quarter. This was a 6% increase compared to 144,722 boe/d for the third quarter of 2014, and was within the Company's guidance (150,000-156,000 boe/d).
- The Company was able to maintain stable production levels from the Rubiales Field despite the depletion of the field. The Company continues to optimize wells and facilities to maximize production while minimizing capital expenditures. Rubiales Field production was 36% of the total third quarter 2015 net production, and plans are underway to return the field in June 2016.
- On August 30 2015, the Company was awarded by Perupetro S.A. a two-year contract to operate Block 192, the largest producing oil block in Peru. The Block is currently producing approximately 12,000 bbl/d of an average 18° API.
- The Company achieved underlying operating costs of \$19.99/boe and total operating costs (including overlift and other costs) of \$20.92/boe, compared with \$23.71/boe and \$21.08/boe, respectively, for the second quarter of 2015.

#### Financial Highlights:

- Net working capital improved to a positive \$118 million as of September 30, 2015 from a negative \$125 million at the end of the second quarter 2015, resulting from the Company's effort to manage cash flow and curtail non-essential spending.
- Revenue decreased in the third quarter of 2015 to \$670 million from \$703 million in the second quarter of 2015 mainly due to lower oil for trading volumes sold. Revenue included \$125 million in gains realized from hedging during the quarter.
- Average oil and gas sales (including trading) for the third quarter of 2015 were 141,492 boe/d, 14% lower compared with 163,617 boe/d for the same period of 2014, and 1% lower than 143,225 boe/d in the second quarter of 2015.
- Combined operating netback on oil and gas for the third quarter of 2015 was \$30.57/boe, 6% lower than the \$32.64/boe in the second quarter of 2015. The decrease was mainly attributable to the decline in the market prices for crude oil, as combined operating costs have remained stable.
- The average realized price for the quarter was \$51.49/boe, lower than the \$53.72/boe for the second quarter of 2015.
- G&A expenses decreased to \$53 million in the third quarter of 2015 from \$97 million in the third quarter of 2014 as the Company continues to curtail all non-essential spending and activities in light of the precipitous decrease in oil prices.
- Adjusted EBITDA for the third quarter of 2015 was \$272 million and Funds Flow was \$197 million. Adjusted EBITDA was 12% lower and Funds Flow was 17% higher, respectively, compared with the prior quarter.
- Net loss for the third quarter of 2015 was \$617 million, mainly as a result of the \$568 million non-cash impairment charge (before tax) taken on oil and gas assets and exploration expenses, reflecting the significant impact of the current oil price environment. Other non-cash items affecting earnings included share-based compensation and unrealized foreign exchange losses, although the net operating earnings before impairments and depletion, depreciation and amortization totaled \$280 million.
- Total capital expenditures decreased to \$154 million in the third quarter of 2015 compared with \$185 million in the second quarter of 2015 and \$645 million in the third quarter of 2014. Capital expenditures will continue to approximately match cash flow, with spending mainly focused on high-impact and low-risk development work.

#### Additional Highlights:

- The Company obtained waivers from its lenders in respect of the covenant that requires the Company to maintain its consolidated net worth above \$1 billion. The waivers were obtained with respect to the: (i) \$1 billion revolving credit and guaranty agreement with a syndicate of lenders and Bank of America, N.A. as administrative agent; (ii) \$250 million credit and guaranty agreement with HSBC Bank USA, N.A., as lender; (iii) \$109 million credit and guaranty agreement with Bank of America, N.A., as lender; and (iv) \$75 million master credit agreement with Banco Latino Americano de Comercio Exterior S.A. These waivers will terminate on December 28, 2015. During this period, the Company will be in discussions with its lenders to address concerns about this low oil price environment.
- Four exploration wells (including stratigraphic and appraisal wells) were drilled in the quarter and resulted in one discovery and the confirmation of three other previous discoveries, for a 100% success rate in the quarter. Exploration successes primarily located in the Central and Deep Llanos in Colombia have added approximately 14,000 bbl/d of light oil production in the past nine months. In the last quarter, there were three successful wells, Zural-1, Ceibo-2 and Avispa-6 have a potential production of approximately 5,100 bbl/d, according to initial tests.
- On August 26, 2015, the Company announced the retirement of José Francisco Arata as President and director of the Company and the appointment of Monica de Greiff as an independent director. For further information, please see the MD&A.
- On August 31, 2015, the Company entered into a nomination agreement with (i) [ALFA, S.A.B. de C.V.](#) ("ALFA"); and (ii) Alejandro Betancourt, O'Hara Administration Co., S.A. ("O'Hara") and the various Shareholders they represent (collectively, the "O'Hara Group"), with respect to the appointment of four new directors to the Board. ALFA owns 59,897,800 common shares in the capital of the Company ("Common Shares") representing approximately 18.95% of the issued and outstanding Common Shares. The O'Hara Group exercises control and direction over 63,050,510 Common Shares, representing approximately 19.95% of the issued and outstanding Common Shares. Pursuant to the terms of the Nomination Agreement, ALFA and the O'Hara Group each nominated two individuals to the Board of Directors. Pursuant to the terms of the nomination agreement, ALFA nominated José de Jesús Valdez Simancas and Raul Millares while the O'Hara Group nominated Alejandro Betancourt and Orlando Alvarado.

## Financial Results

### Financial Summary

	2015		2014
	Q3	Q2	Q3
Oil & Gas Sales Revenues (\$ millions)	670.0	702.7	1,330.4
Adjusted EBITDA (\$ millions) <sup>1, 4</sup>	271.6	307.3	635.1
Adjusted EBITDA Margin (Adjusted EBITDA/Revenues)	41%	44%	48%
Adjusted EBITDA per share <sup>1, 4</sup>	0.87	0.98	2.02
Cash Flow (Funds Flow from Operations) (\$ millions) <sup>1</sup>	197.2	168.5	606.2
Cash Flow (Funds Flow from Operations) per share <sup>1</sup>	0.63	0.54	1.93
Net (Loss) earnings from operations before impairment	(64.1)	(101.9)	200.6
Net (Loss) Earnings (\$ millions) <sup>2</sup>	(617.3)	(226.4)	3.5
Net (Loss) Earnings per share	(1.97)	(0.72)	0.01
Net Production (boe/d)	152,915	152,428	144,722
Sales Volumes (boe/d)	141,492	143,225	163,617
(COP\$ / US\$) Exchange Rate <sup>3</sup>	3,121.94	2,585.11	2,028.48
Average Shares Outstanding &ndash; basic (millions)			



313.3

314.7



<sup>1</sup> The terms Adjusted EBITDA and cash flow (Funds Flow from Operations) are non-IFRS measures. Please see advisories and reconciliations in the MD&A.

<sup>2</sup> Net earnings attributable to equity holders of the parent.

<sup>3</sup> COP/USD exchange rate fluctuations can have a significant impact on the Company's accounting net earnings, in the form of unrealized foreign currency translation on the Company's financial assets and liabilities and deferred tax balances that are denominated in COP.

<sup>4</sup> The Company uses the non-IFRS measure Adjusted EBITDA, whereas in the past the term EBITDA was used. Our calculation of this measure has not changed from previous quarters, but the terminology has changed, further to guidance provided by the Ontario Securities Commission.

## Production

### Net Production Summary

	2015		2014
	Q3	Q2	Q3
Oil and Liquids (bbl/d)			
Colombia	137,617	140,921	132,148
Peru	5,411	3,534	2,305
Total Oil and Liquids (bbl/d)	143,028	144,455	134,453
Natural Gas (boe/d) <sup>1</sup>			
Colombia	9,887	7,973	10,269
Total Natural Gas (boe/d)	9,887	7,973	10,269
Total Equivalent Production (boe/d)	152,915	152,428	144,722

<sup>1</sup> Colombian standard natural gas conversion ratio of 5.7 Mcf/bbl.

Additional production details are available in the MD&A.

In the third quarter of 2015, the Company's net production after royalties of 152,915 boe/d, remained stable in comparison with 152,428 boe/d in the previous quarter. This was a 6% increase compared to 144,722 boe/d for the third quarter of 2014, and was within the Company's guidance (150,000-156,000 boe/d). The Company was able to maintain stable production levels from the Rubiales Field despite the depletion of the field. The Company continues to optimize wells and facilities to maximize production while minimizing capital expenditures. Rubiales Field production was 36% of the total third quarter 2015 net production, and plans are underway to return the field in June 2016. Light and medium net oil production increased 14% compared to the third quarter of 2014 and remained stable compared to the second quarter of 2015, at 55,254 bbl/d. With the increase in production from light and medium oil fields, representing 36% of the Company's total net third quarter production, the reliance on Rubiales Field production continues to lessen.

## Production and Sales Volumes

## Production to Total Sales Reconciliation

	2015		2014
	Q3	Q2	Q3
Net Production			
Colombian oil (bbl/d)	137,617	140,921	132,148
Colombian gas (boe/d)	9,887	7,973	10,269
Peruvian oil (bbl/d)	5,411	3,534	2,305
Total Net Production (boe/d)	152,915	152,428	144,722
Sales Volumes (boe/d)			
Production Volumes (boe/d)	152,915	152,428	144,722
Diluent Volumes (bbl/d)	53	601	2,395
Oil for Trading Volumes (bbl/d)	2,222	10,808	14,827
Overlift/Underlift (bbl/d)	(2,511)	(10,792)	0
Inventory Movement and Other (bbl/d)	(11,187)	(9,820)	1,673
Total Volumes Sold (boe/d)	141,492	143,225	163,617

Additional production and sales volume details are available in the MD&A.

The Company produces and sells crude oil and natural gas. It also purchases liquids and crude oil from third parties for trading purposes and distillate for diluent mixing with heavy oil production, which are included in the reported "volumes sold". Sales volumes are also impacted by the relative movement in inventories during a reporting period. Both revenues and costs are recognized on the respective volumes sold during the period.

Diluent volumes for the quarter decreased to 53 bbl/d from 601 bbl/d in the second quarter of 2015 and 2,395 bbl/d in the same period a year ago. Diluent volumes have decreased by 99% since the first quarter of 2013 as the Company successfully utilizes the production of light and medium oil from prior acquisitions and new discoveries, plus accessing new lower cost diluent service arrangements. Oil for trading volumes for the quarter decreased to 2,222 bbl/d from 14,827 bbl/d a year ago. The inventory balance has increased as a result of the 11,187 bbl/d build in the third quarter compared to a 1,673 bbl/d draw in the same period a year ago.

Total volumes sold, composed of production volumes available for sale, purchased diluent volumes, oil for trading volumes, and inventory balance changes, decreased to 141,492 boe/d in the current quarter from 143,225 boe/d last quarter.

## Operating Netbacks and Sales Volumes

## Oil and Gas Production Volumes and Netbacks

	2015 Q3			2015 Q2			2014 Q3		
	Oil	Gas	Combined	Oil	Gas	Combined	Oil	Gas	Combined
Production Volumes Sold (boe/d) <sup>1</sup>	129,591	9,679	139,270	124,416	8,001	132,417	138,667	10,123	148,790
Crude Oil and Natural Gas Sales Price (\$/boe)	52.94	32.17	51.49	55.04	33.34	53.72	92.14	31.95	88.05
Production Costs (\$/boe)	6.77	1.98	6.43	9.33	2.23	8.90	16.34	3.65	15.48
Transportation Costs (\$/boe)	11.87	0.20	11.06	13.73	0.85	12.95	14.13	(0.08)	13.16
Diluent Costs (\$/boe)	2.69	-	2.50	1.98	-	1.86	2.30	-	2.15
Sub-Total Costs (\$/boe)	21.33	2.18	19.99	25.04	3.08	23.71	32.77	3.57	30.79
Other Costs (\$/boe) <sup>2</sup>	1.93	2.18	1.96	1.26	2.12	1.31	(0.01)	1.91	2.24
Overlift/Underlift Costs (\$/boe)	(1.10)	(0.11)	(1.03)	(4.20)	0.10	(3.94)	2.27	(0.65)	(0.06)
Total Costs (\$/boe)	22.16	4.25	20.92	22.10	5.30	21.08	35.03	4.83	32.97
Operating Netback (\$/boe)	30.78	27.92	30.57	32.94	28.04	32.64	57.11	27.12	55.08

<sup>1</sup> Production volumes sold excludes oil for trading volumes and includes diluent volumes sold.

<sup>2</sup> Includes royalties paid in cash.

Additional cost and netback details are available in the MD&A.

Total combined operating costs decreased from \$21.08/boe in the second quarter to an average of \$20.92/boe in the third quarter. Combined operating costs, including production, transportation, and dilution costs, decreased to \$19.99/boe during the quarter from \$23.71/boe in the second quarter of 2015. The decreased unit cost in the quarter is mainly a result of the continued operating costs optimization and a 21% depreciation of the Colombian Peso against U.S. dollar. During this period, there was a disruption of the Bicentenario Pipeline for 89.5 days. However, the Company was able to utilize available operational capacity in the OCENSA pipeline at comparable per unit costs.

During the third quarter of 2015, the total volume of oil sold for trading decreased to 2,222 bbl/d from 10,808 bbl/d in the second quarter of 2015. Trading volumes vary with opportunities in the market place and any one quarter is not a good indicator of future trading potential. Volumes sold during the third quarter of 2015 realized a netback of \$2.70/bbl compared with a netback of \$0.10/bbl in the same period of 2014. Additional oil for trading details are available in the MD&A.

## Exploration Update

During the third quarter of 2015, the Company drilled or was a partner in one exploration well and three appraisal wells. All wells encountered economic hydrocarbons, for an overall success rate of 100% for the period and 87% year to date (13 successful wells out of 15). A new discovery at the Zural-1 well in the Corcel Block and located southwest of the discovery made by the Espadarte-1 well, extended the prospectivity of this opportunity further to the southwest. Additional exploration details are available in the MD&A.

### Third Quarter 2015 Conference Call Details

The Company has scheduled a telephone conference call for investors and analysts on Thursday, November 5, 2015 at 8:00 a.m. (Toronto and Bogotá time) to discuss the Company's third quarter 2015 results. Participants will include Ronald Pantin, Chief Executive Officer and select members of the senior management team.

The live conference call will be conducted in English with simultaneous Spanish translation. A presentation will be available on the Company's website prior to the call, which can be accessed at [www.pacific.energy](http://www.pacific.energy).

Analysts and interested investors are invited to participate using the following dial-in numbers:

Participant Number (International/Local):	(647) 427-7450
Participant Number (Toll free Colombia):	01-800-518-0661
Participant Number (Toll free North America):	(888) 231-8191
Conference ID (English Participants):	55666995
Conference ID (Spanish Participants):	55737255

Webcast: <http://www.pacific.energy/en/webcast>

A replay of the conference call will be available until 23:59 p.m. (Toronto and Bogotá time), Thursday, November 19, 2015 and can be accessed using the following dial-in numbers:

Encore Toll Free Dial-in Number:	1-855-859-2056
Local Dial-in-Number:	(416)-849-0833
Encore ID (English Participants):	55666995
Encore ID (Spanish Participants):	55737255

About Pacific:

Pacific 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 85 exploration and production blocks in seven countries including Colombia, Peru, Guatemala, Brazil, Guyana, Papua New Guinea, Mexico 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.

The Company's common shares trade on the Toronto Stock Exchange and La Bolsa de Valores de Colombia under the ticker symbols PRE, and PREC, respectively.

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) 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: uncertainty of estimates of capital and operating costs, production estimates and estimated economic return; the possibility that actual circumstances will differ from the estimates and assumptions; failure to establish estimated resources or reserves; fluctuations in petroleum prices and currency exchange rates; inflation; changes in equity markets; political developments in Colombia, Guatemala, Peru, Brazil, Papua New Guinea, Guyana and Mexico; changes to regulations affecting the Company's activities; uncertainties relating to the availability and costs of financing needed in the future; the uncertainties involved in interpreting drilling results and other geological data; and the other risks disclosed under the heading "Risk Factors" and elsewhere in the Company's annual information form dated March 17, 2015 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.

In addition, reported production levels may not be reflective of sustainable production rates and future production rates may differ materially from the production rates reflected in this press release due to, among other factors, difficulties or interruptions encountered during the production of hydrocarbons.

The recovery and reserves estimates of crude oil and natural gas reserves provided in this news release taken from the independent reserve reports are estimates only, and there is no guarantee that the estimated reserves will be recovered. Actual crude oil and natural gas reserves may eventually be greater than or less than the estimates provided.

The estimated values disclosed in this news release do not represent fair market value. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.

#### Boe Conversion

The term "boe" is used in this news release. Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 5.7 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.

The Company's natural gas reserves are contained in the La Creciente, Guama and other bocks in Colombia as well as in the Piedera Redonda field in Block Z-1, Peru. For all natural gas reserves in Colombia, boe's have been expressed using the Colombian conversion standard of 5.7 Mcf: 1 bbl required by the Colombian Ministry of Mines and Energy, and for all natural gas reserves in Peru, boe's have been expressed using the Peruvian conversion standard of 5.626 Mcf: 1 bbl required by Perupetro S.A. If a conversion standard of 6.0 Mcf: 1 bbl was used for all of the Company's natural gas reserves, this would result in a reduction in the Company's net P1 and 2P reserves of approximately 4.9 and 6.9 MMboe, respectively.

#### Definitions

Bcf	Billion cubic feet.
Bcfe	Billion cubic feet of natural gas equivalent.
bbl	Barrel of oil.
bbl/d	Barrel of oil per day.
boe	Barrel of oil equivalent. Boe's may be misleading, particularly if used in isolation. The Colombian standard is a boe conversion ratio of 5.7 Mcf:1 bbl and is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
boe/d	Barrel of oil equivalent per day.
Mbbl	Thousand barrels.
Mboe	Thousand barrels of oil equivalent.
MMbbl	Million barrels.
MMboe	Million barrels of oil equivalent.
Mcf	Thousand cubic feet.
Million Tons LNG	One million tons of LNG (Liquefied Natural Gas) is equivalent to 48 Bcf or 1.36 billion m3 of natural gas.
Net Production	Company working interest production after deduction of royalties.
Total Field Production	100% of total field production before accounting for working interest and royalty deductions.
Gross Production	Company working interest production before deduction of royalties.
WTI	West Texas Intermediate Crude Oil.

#### 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.

SOURCE [Pacific Exploration & Production Corporation](#)

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