

TORONTO, April 19, 2016 /CNW/ - Pacific Exploration & Production Corp. (TSX: PRE) (BVC: PREC) ("Pacific" or the "Company") today announced that, with the support of: (i) an ad hoc committee of holders of the Company's senior unsecured notes (the "Ad Hoc Committee") and, (ii) certain of the Company's lenders under its credit facilities (the "Supporting Bank Lenders"), it has entered into an agreement with The Catalyst Capital Group Inc. ("Catalyst") in respect of a comprehensive financial restructuring (the "Restructuring Transaction") that will significantly reduce debt, improve liquidity, and best position the Company to navigate the current oil price environment.

After an extensive competitive bid solicitation process involving the submission of six bids and direct negotiations amongst the respective bidders, the Ad Hoc Committee and the Supporting Bank Lenders, the Board of Directors of the Company (the "Board"), acting upon a recommendation from an independent committee of the Board (the "Independent Committee"), has approved the Restructuring Transaction. In carrying out its review and recommendation, the Independent Committee retained UBS Securities Canada Inc. as independent financial advisor and Osler, Hoskin & Harcourt LLP as independent legal counsel.

The Restructuring Transaction represents the culmination of a thorough solicitation process with consensual and direct negotiations among the Company, the Ad Hoc Committee, the Supporting Bank Lenders and each of the bidders, including Catalyst. To facilitate this process, the Independent Committee allowed all of the bidders to disclose their offers to, and negotiate directly with, the Ad Hoc Committee and the Supporting Bank Lenders after submitting their binding offers.

The Restructuring Transaction includes the following key features:

- The operations of the Company's subsidiaries (the "Pacific Group") will continue as normal and without disruption. It is anticipated that all obligations to the Pacific Group's suppliers, trade partners and contractors will continue to be met in the ordinary course throughout this process and will be unaffected by the Restructuring Transaction. The Company's bank indebtedness and indebtedness in respect of its senior unsecured notes will be restructured as set out below.
- Implementation by way of a plan of arrangement pursuant to a court-supervised process in Canada, together with appropriate proceedings in Colombia under Law 1116 and in the United States.
- U.S.\$500 million of debtor-in-possession financing (the "DIP Financing") less an original issue discount of 4% to be provided jointly by certain of the Company's noteholders (collectively, the "Funding Creditors") and Catalyst. The Dip Financing will be secured by a super priority lien over the assets of the Company and the Pacific Group (including pledges or other security over shares of the Pacific Group, inventory, bank accounts, accounts receivable, and economic rights under exploration and production contracts).
- The providers of the DIP Financing will receive warrants to acquire their pro rata share of 25% of the fully diluted common shares of the reorganized Company on implementation of the Restructuring Transaction.
- The Funding Creditors to provide U.S.\$250 million of the DIP Financing (the "Creditor DIP Financing"). The Creditor DIP Financing will not be repaid at exit of the Restructuring Transaction and will convert into five-year secured notes on customary terms.
- Catalyst has committed to providing U.S.\$250 million of the DIP Financing (the "Catalyst DIP Financing"). On implementation of the Restructuring Transaction, the Catalyst DIP Financing will be converted or exchanged for 16.8% of the common shares of the reorganized Company. Catalyst has agreed to backstop the Creditor DIP Financing.
- The claims by the Company's creditors (collectively, the "Affected Creditors") in respect of approximately U.S.\$4.1 billion of senior unsecured notes, approximately U.S.\$1.2 billion of obligations under its credit facilities, as well as the claims of certain other unsecured creditors of the Company (but not of the Company's subsidiaries), will be fully extinguished and exchanged for 58.2% of the common shares of the reorganized Company (subject in the case of the noteholders to dilution arising from the Supporting Noteholder Consideration, as described below) (the "Affected Creditor Consideration").
- In addition, any Affected Creditors will have the opportunity to receive cash in lieu of some or all of the common shares of the reorganized Company that they would otherwise be entitled to receive, subject to the terms and limits of the Cash Out Offer (as defined below). It is contemplated that the cash election (the "Cash Out Offer") will be based on a structure which will be backstopped by Catalyst and available to all Affected Creditors. Specifically, Catalyst has agreed to subscribe for no less than U.S.\$200 million of equity in the reorganized Company at an equity valuation of no less than U.S.\$800 million on the effective date of the Restructuring Transaction. There is no requirement for the Affected Creditors to participate in the Cash Out Offer and to the extent it is not fully taken up the Catalyst subscription for U.S.\$200 million will be reduced accordingly. As the cash available under the Cash Out Offer will be limited by the amount of the additional equity subscribed for by Catalyst, under certain circumstances, the Cash Out Offer may be subject to proration.
- On completion of the Restructuring Transaction, it is contemplated that the fully diluted common shares in the reorganized Company, not giving effect to: (i) any of the Affected Creditors exercising or utilizing the Cash Out Offer, or (ii) any distribution of the Supporting Noteholder Consideration (as described below), will be allocated as follows:

Catalyst (including as a provider of the DIP Financing)	29.3%
Funding Creditors	12.5%
Affected Creditors	58.2%

- The Restructuring Transaction will result in a net reduction of the Company's indebtedness by approximately U.S.\$5 billion and a net reduction in annual interest expense by approximately U.S.\$253 million. Following the conclusion of the Restructuring Transaction, the U.S.\$250 million of new secured notes will be the only debt in the Company's capital structure outside of unfunded facilities to support letters of credit or hedging activities.
- It is anticipated that certain of the Supporting Bank Lenders will provide a letter of credit facility to the reorganized Company of up to U.S.\$120 million.

- The Company has agreed to a "no shop" provision with Catalyst for a period of up to twelve weeks in accordance with the terms of its commitment with Catalyst.
- Under the terms of the DIP Financing, a break fee equal to 5% of the aggregate principal amount of the DIP Financing shall be payable by the Company to Catalyst and the Funding Creditors in the event the DIP Financing or the Restructuring Transaction is not consummated in accordance with the terms of the DIP Financing. The Company has agreed to pay Catalyst's out of pocket expenses incurred in connection with the Restructuring Transaction.
- No equity of the Company will be awarded to management or the Company's Executive Co-Chairmen (other than pro rata treatment in respect of any unsecured notes held by them) on implementation of the Restructuring Transaction.
- Given the significant impairments to the Company's bank indebtedness and indebtedness in respect of its senior unsecured notes (and the treatment of such indebtedness pursuant to the Restructuring Transaction), the Company's existing outstanding common shares will be (i) cancelled for no consideration, or (ii) subject to extensive dilution such that, following the completion of the Restructuring Transaction, existing holders of common shares will hold in the aggregate only a nominal amount of the reorganized Company's equity and associated voting power.
- The Company's operations will continue as normal and without disruption.
- The DIP Financing and the Restructuring Transaction will be subject to certain conditions including creditor and court approval, which will be sought as part of the court-supervised restructuring process to be commenced. Any filings necessary to commence such process are not expected to be made immediately.

The Company believes that implementing a court-supervised and consensual Restructuring Transaction represents the best alternative for the long-term interests of the Company, the Pacific Group, and the Pacific Group's approximately 2,400 employees and more than 3,000 contract workers, suppliers, customers and other stakeholders.

"We are pleased to have reached the terms of a Restructuring Transaction that will significantly strengthen the Company and ensure the long-term viability of the business, all without impacting our ability to serve our customers, suppliers and other stakeholders in the jurisdictions in which we operate, such as Colombia and Peru," said Ronald Pantin, the Chief Executive Officer of the Company. "We are confident that the Company will emerge from this process as a stronger entity, best-positioned to weather the current oil price environment and capitalize on opportunities once the market adjusts."

The Restructuring Transaction is expected to be consummated by the end of the third quarter of 2016, subject to successfully obtaining all relevant and required regulatory, creditor and court approvals.

"Catalyst is very pleased to partner with the Company's creditors on this transaction," said Gabriel de Alba, Managing Director and Partner of Catalyst. "We understand the importance of Pacific to the countries in which it operates, including Colombia and Peru, and we are eager to work with Pacific's local and international stakeholders to complete this restructuring with a view to establishing a stronger, long-term focused and soundly recapitalized Company."

The Restructuring Transaction contemplates that certain members of the Ad Hoc Committee and the Supporting Bank Lenders will enter into a definitive support agreement (the "Support Agreement") in respect of the Restructuring Transaction (collectively, the "Supporting Creditors") pursuant to which the Supporting Creditors will support and vote in favour of the Restructuring Transaction, subject to the terms and conditions of the Support Agreement. The Company expects that the Supporting Creditors will obtain final internal approvals to execute the Support Agreements with the Company and Catalyst in the next few days. Under the terms of the Restructuring Transaction, it is anticipated that noteholders who sign the Support Agreement (or a joinder thereto) on or before 5:00 p.m. (Toronto/ New York time) on April 29, 2016 shall receive their pro rata share of 2.2% of the common shares of the reorganized Company (the "Supporting Noteholder Consideration"). The amount of the Supporting Noteholder Consideration will be funded from the pro rata portion of the Affected Creditors Consideration otherwise allocated to the Company's noteholders under the terms of the Restructuring Transaction as described above. Details on how to become a Supporting Creditor in order to be eligible to receive the Supporting Noteholder Consideration will be provided by the Company shortly by way of press release.

All operations of the Pacific Group are expected to continue as normal throughout this process. Importantly, the Company expects regular payments will be made to all of the Pacific Group's suppliers, trade partners, and contractors across the jurisdictions in which it operates in accordance with local regulations. Additionally, employees will continue to be paid throughout this process, without disruption. The Company's bank indebtedness and indebtedness in respect of its senior unsecured notes will be restructured pursuant to the terms of the Restructuring Transaction as set out above.

The Restructuring Transaction contemplates the appointment of a chief restructuring officer and a deputy chief financial officer acceptable to Catalyst, the Supporting Creditors and the Independent Committee. At the completion of the Restructuring Transaction, the new board of directors of the Company (the "New Board") will be comprised of seven members, which will have three nominees selected by Catalyst, two independent nominees jointly selected by Catalyst and the Supporting Creditors, one individual proposed by the Ad Hoc Committee and one individual proposed by the Supporting Bank Lenders. Key management positions of the Company will need to be affirmed by the New Board on completion of the Restructuring Transaction. The New Board will work to implement a strong governance framework to guide the Company going forward.

Following implementation of the Restructuring Transaction, the Company will implement a new Management Incentive Plan on terms to be determined by the New Board. Any equity interests in the reorganized Company granted post-closing under the Management Incentive Plan will vest over a three-year period and the Company will not issue more than 10% of its equity under the Management Incentive Plan. All equity interests in the Company upon implementation of the Restructuring Transaction as

described above are subject to dilution on a pro rata basis as a result of the Management Incentive Plan, once implemented.

The Company is being advised by Lazard Frères & Co. LLC, Norton Rose Fulbright Canada LLP (Canada), Proskauer Rose LLP (U.S.), Zolfo Cooper (U.S.) and Garrigues (Colombia). The Independent Committee is being advised by Osler, Hoskin & Harcourt LLP and UBS Securities Canada Inc. Catalyst is being advised by Brown Rudnick LLP (U.S.), McMillan LLP (Canada) and GMP Securities L.P.

Shareholders are reminded that any questions or concerns can be directed to the Company at ir@pacificcorp.energy.

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.

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.

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 prior to voluntary insolvency proceedings, notwithstanding the entering into of such forbearance 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; failure of the courts or other regulatory authorities to grant the protection sought by the Company under proceedings in Canada and/or proceedings under other applicable jurisdictions; failure of a sufficient number of Supporting Creditors entering into the Support Agreement; impact on the Restructuring Transaction or the operations of the Company in the event of an involuntary petition for bankruptcy relief or similar creditor action filed against the Company prior to the commencement of voluntary proceedings; 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 and required regulatory approvals or otherwise reach a binding agreement with its creditors or a sufficient number of them to restructure the Company's capital structure; 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; failure to satisfy the terms and conditions of any one of the Company's waiver agreements with applicable creditors or counterparties or any other waiver prior to voluntary insolvency proceedings, failure to obtain further extensions of any such waivers if required prior any voluntary insolvency proceedings, or failure to obtain waivers of other covenants prior to voluntary insolvency proceedings, if and when required; the terms of any such waivers, including the impact on the Company of any restrictions imposed upon it in connection with any waiver; 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; expectations regarding the Company's ability to raise capital

and to continually add to reserves through acquisitions and development; inability to continue meeting the listing requirements of the exchanges on which the Company's securities are listed due to the Restructuring Transaction; 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.

SOURCE Pacific Exploration and Production Corporation

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