

TORONTO, Sept. 26, 2016 /CNW/ - Pacific Exploration & Production Corp. (the "Company") is pleased to provide an update with respect to its previously announced plan of compromise and arrangement (the "Plan") pursuant to the Companies' Creditors Arrangement Act (Canada) in connection with its comprehensive restructuring transaction (the "Creditor/Catalyst Restructuring Transaction").

To date, the Company has received and approved claims affected by the Creditor/Catalyst Restructuring Transaction in the amount of US\$5,502,869,874 (the "Affected Claims") consisting of US\$4,254,956,647 of claims from holders (the "Noteholders") of the Company's senior unsecured notes (the "Notes"), US\$1,232,627,877 of claims from lenders (the "Bank Lenders") under the Company's credit facilities and US\$15,285,350 of claims from other creditors affected by the Plan (the "Other Affected Creditors" and, together with the Noteholders and Bank Lenders, the "Affected Creditors"). The amount of claims of Other Affected Creditors continues to be finalized and therefore the total amount of Affected Claims, and the distribution to Affected Creditors, is subject to change.

Under the Plan, Affected Creditors are entitled to receive their pro rata share of approximately 29,100,000 common shares of the Company (after giving effect to the share consolidation contemplated by the Plan, the "Affected Creditor Shares") representing approximately 58.2% of the fully diluted common shares of the reorganized Company; provided that, subject to certain terms and conditions, Noteholders who signed and returned the Support Agreement in respect of the Creditor/Catalyst Restructuring Transaction, submitted a valid Application for Early Consent Consideration and otherwise complied with the terms of the Plan ("Early Consent Noteholders") are entitled to receive, as additional consideration in exchange for their Affected Claims, their pro rata share of approximately 2.2% of the fully diluted common shares of the reorganized Company. This amount is to be allocated from the Affected Creditor Shares otherwise payable to the Noteholders.

In addition, Affected Creditors were entitled, subject to certain terms and conditions, to elect to receive, in lieu of their Affected Creditor Shares, cash at either a "Designated Rate" of US\$16.00 per Affected Creditor Share (on a post consolidation basis) or, if accepted, such other "Offer Rate" above US\$16.00 per Affected Creditor Share (on a post consolidation basis) that they could designate in US\$0.10 increments (the "Cash Election"). Offer Rates up to and including US\$26.00 per Affected Creditor Share (on a post consolidation basis) were ultimately accepted (the Designated Rate and such accepted Offer Rates, the "Acceptable Cash Rates"). For greater certainty, if an Affected Creditor designated an Offer Rate of US\$26.10 or greater, they will not be receiving cash but will receive their proportion of Affected Creditor Shares.

Under the terms of the Plan, The Catalyst Capital Group Inc. (the "Plan Sponsor") and certain other Noteholders (the "Equity Subscribers") were required to subscribe for shares in the capital of the Company in order to fund the Cash Election at Acceptable Cash Rates.

Accordingly, subject to finalization of the Affected Claims, the Company expects that the Affected Creditor Shares or cash in lieu thereof pursuant to the Cash Election will be issued to Affected Creditors as follows:

Noteholders (Excluding any Early Consent Consideration)

Noteholders will receive for every US\$100,000 of principal amount, in addition to any Early Consent Consideration they may be entitled to, either:

(i) in the case of Noteholders not participating in the Cash Election, approximately the number of Affected Creditor Shares set out under the series of Notes held by such Noteholder in the table below:

Maturity Year of Note:	2019	2021	2023	2025
Note CUSIP:	69480UAH0	69480UAC1	69480UAF4	69480UAK3
	C71058AD0	C71058AB4	C71058AC2	C71058AF5
Shares per US\$100,000 principal amount of Notes:	523.53	516.64	517.99	525.07

Example: If you held US\$400,000 principal amount of 2019 Notes, you would receive approximately 2,094 common shares [(400,000/100,000) X 523.53 = 2,094 common shares].

- (ii) in the case of Noteholders (a "Cash Electing Noteholder") who validly elected to participate in the Cash Election and selected an Acceptable Cash Rate, in lieu of the Affected Creditor Shares they were otherwise entitled to, cash in an amount approximately equal to such Noteholder's Acceptable Cash Rate multiplied by the number of shares they would otherwise be entitled based on the factors noted above for the Note held by such Noteholder.

Example: If you held US\$400,000 principal amount of 2019 Notes, and you accepted the Designated Rate of US\$16.00 per share you would receive approximately US\$33,505.9 [(400,000/100,000) X 523.53 X US\$16.00 = US\$33,505.9].

It is anticipated that such Affected Creditor Shares, or cash in lieu thereof, will be delivered through the facilities of The Depository Trust Company to each Noteholder's intermediaries (such as the bank, broker or other intermediary that holds Notes on behalf of a Noteholder, herein referred to as an "Intermediary") who in turn will deliver such Affected Creditor Shares or cash, as applicable, to the Noteholders pursuant to standing instructions and customary practices.

Noteholders Receiving Early Consent Consideration

In addition to any Affected Creditor Shares or cash in lieu thereof they would otherwise receive in their capacity as a Noteholder, Early Consent Noteholders will also receive for every US\$100,000 of principal amount either:

- (i) in the case of Noteholders not participating in the Cash Election, approximately the number of Affected Creditor Shares set out under the Notes held by such Noteholder in the table below:

Maturity Year of Note:	2019	2021	2023	2025
Note CUSIP:	69480UAH0	69480UAC1	69480UAF4	69480UAK3
	C71058AD0	C71058AB4	C71058AC2	C71058AF5
Shares per US\$100,000 principal amount of Notes:	34.78	34.33	34.42	34.89

Example: If you held US\$400,000 of Affected Claims, represented by 2019 Notes, you would receive approximately an additional 139 common shares [(400,000/100,000) X 34.78 = 139 common shares].

- (ii) in the case of a Cash Electing Noteholder, cash in an amount approximately equal to such Noteholder's Acceptable Cash Rate multiplied the number of shares they would otherwise be entitled based on the factors noted above for the Notes held by such Noteholder.

Example: If you held US\$400,000 of Affected Claims, represented by 2019 Notes, and you accepted the Designated Rate of US\$16.00 per share you would receive approximately an additional US\$2,225.9 [(400,000/100,000) X 34.78 X US\$16.00 = US\$2,225.9].

It is anticipated that, pursuant to the instructions provided by a Noteholder in its Application for Early Consent Consideration, such Affected Creditor Shares will be delivered to such Noteholder (or its Intermediary) by Direct Registration System Advices and cash in lieu thereof will be delivered to such Noteholder (or its Intermediary) by wire transfer or cheque.

Bank Lenders and Other Affected Creditors

Bank Lenders and Other Affected Creditors will receive approximately 528.81 Affected Creditor Shares for every US\$100,000 of

Affected Claims or, if they validly participated in the Cash Election at an Acceptable Cash Rate, cash in an amount approximately equal to such creditor's Applicable Cash Rate multiplied by such factor.

It is anticipated that, pursuant to instructions provided by a Bank Lender or Other Affected Creditor to PricewaterhouseCoopers Inc. (as monitor under the Plan), such Affected Creditor Shares will be delivered to such Bank Lender or Other Affected Creditor in certificated form and cash in lieu thereof will be delivered to such Bank Lender or Other Affected Creditor by wire transfer or cheque.

Subject to finalization of the Affected Claims, Affected Creditors have, pursuant to the Cash Election, validly elected to receive cash in the amount of approximately US\$16,317,446 in lieu of approximately 925,619 Affected Creditor Shares and, accordingly, the Plan Sponsor and Equity Subscribers will subscribe for such number of shares to fund such amount.

In addition to the Affected Creditor Shares, the Company expects:

- to issue to holders of warrants (which warrants are exercised under the Plan) issued as part of the debtor-in-possession financing in connection with the Creditor/Catalyst Restructuring Transaction Financing (the "DIP Financing"), 6,250,000 common shares of the Company (after giving effect to the share consolidation contemplated by the Plan) representing approximately 12.5% of the fully diluted common shares of the reorganized Company;
- that the US\$250 million (less an original issue discount) of funding provided by the Plan Sponsor as part of the DIP Financing will be exchanged for 14,650,000 common shares of the reorganized Company, representing approximately 29.3% of the fully diluted common shares of the reorganized Company; and
- that its common shares will be, in accordance with the terms of the Plan, consolidated on the basis of one post-consolidated share for each 100,000 common shares of the Company outstanding immediately prior to implementation of the Plan and any fractional common shares will be rounded down to the nearest whole number without consideration in respect thereof. Accordingly every person that holds fewer than 100,000 common shares of the Company will cease to be a shareholder of the Company following the implementation of the Plan.

The amount of Affected Claims continues to be finalized and therefore, notwithstanding anything contained herein, the distributions to Affected Creditors as set out in this press release are subject to change. We also caution that, owing to rounding, the number of Affected Creditor Shares or cash in lieu thereof actually received by Affected Creditors may not match the factors set out herein.

Shareholder Contact Information

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

Noteholder Contact Information

Noteholders with questions about the Plan 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.

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 the Plan, conditions to implementation of the Plan, timing of the implementation of the Plan (including whether the Company will exit from creditor protection), the value of the Affected Claims, the distribution of Shares to, among others, Affected Creditors, the Plan Sponsor, Equity Subscribers and holders of warrants, effect of the Plan on the Company 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 Plan; 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 Companies' Creditors Arrangement Act 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; 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 Plan 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; inability to obtain a listing on a stock exchange acceptable to the Company, the sponsor of, and certain creditors supporting, the Plan; the effect of the Creditor/Catalyst 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 and in the circular dated July 8, 2016 prepared in connection with the meeting to approve the Plan. 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

Contact

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