

Creditor and Catalyst Led Restructuring Completed

Renewed Strategic Focus to be a Low Cost Margin Driven Producer

Liquidity (including cash and available LC) at September 30, 2016 Approximately U.S.\$672 million

Expiration of Rubiales-Piriri Contract Adversely Affects Volume

TORONTO, Nov. 14, 2016 /CNW/ - Pacific Exploration & Production Corp. (TSX: PEN) announced today the release of its consolidated statements for the third quarter of 2016, together with its management discussion and analysis. These documents will be posted on our website at www.pacific.energy and SEDAR at www.sedar.com. All values in this news release and the Company's financial disclosures are in U.S. dollars unless otherwise stated.

The Creditor/Catalyst Restructuring Transaction, which provided \$480 million of additional liquidity through the DIP Financing and a credit facility of approximately \$116 million, was completed on November 2, 2016, after the end of the quarter. With a materially improved capital structure, that includes a reduction in its annual interest cost of approximately \$232 million and no material debt maturing until 2021, the Company's financial situation is significantly better than at quarter-end; accordingly, the Company has prepared the following pro-forma balance sheet as of September 30, 2016, in order to enable shareholders to understand the effect of the Creditor/Catalyst Restructuring Transaction:

	As reported September 30, 2016	Effect of the Restructuring Transaction	Pro forma September 30, 2016
(in thousands of U.S.\$)			
Cash and cash equivalents	\$ 555,724	-	\$ 555,724
Current assets other than cash	375,367	-	373,367
Non-current assets	1,472,511	-	1,472,511
Total assets	\$ 2,403,602	-	\$ 2,403,602
Current liabilities ¹	\$ 797,169	(183,227)	\$ 613,942
Loans and borrowings ¹	5,814,681	(5,564,681)	250,000
Non-current liabilities	310,186	-	310,186
Total liabilities	\$ 6,922,036	(5,747,908)	\$ 1,174,128
Common shares ²	\$ 2,615,788	881,435	\$ 3,497,223
Contributed surplus	124,150	-	124,150
Other reserves	(229,633)	-	(229,633)
Retained deficit	(7,163,424)	4,866,473	(2,296,951)
Deficit attributable to equity holders of the parent	(4,653,119)	5,747,908	1,094,789
Non-controlling interests	134,685	-	134,685
Shareholders' equity	\$ (4,518,434)	5,747,908	\$ 1,229,474
Total Shareholders' equity and liabilities	\$ 2,403,602	-	\$ 2,403,602
Number of Common Shares Outstanding ³	315,021,158	(265,018,661)	50,002,537

- 1 The pro forma effects on Current Liabilities and Loans and Borrowings include the exchange of the long-term debt and Catalyst's DIP notes for common shares, the interest accrued on the long-term debt up to April 27, 2016 (the date of the CCAA initial court order), the exchange of the Funding Creditors' DIP notes for the Exit Notes, and amounts disclaimed on other Affected Creditors.
- 2 The pro forma effect on common shares represents the estimated fair value of the common shares issued under the Restructuring Transaction, estimated at \$17.63 per share, being the average cost of the shares acquired to fund the Cash Elections.
- 3 Pro forma common shares outstanding based on extinguishment of Affected Claims into Claim Settlement Shares and issuance of the Cash Consideration Shares, conversion of \$250,000,000 DIP Notes into Plan Sponsor Shares, the exercise of all of the DIP Warrants into Warrant Shares and the consolidation of the common shares of the Company.

"The restructuring of Pacific's balance sheet was a critical first step to position the Company for future success. While we are pleased that the Company's operations have been cash flow positive during the course of the restructuring, we are now working on a renewed strategic focus driven by cost reductions and capital allocation discipline for production sustainability and margin expansion. Importantly, we truly believe the Company now has all the right tools and resources for sustainable shareholder value creation," said Gabriel de Alba, Chairman of Pacific.

Added Mr. de Alba, "Pacific has tremendous potential going forward through new leadership, skilled employees, a unique collection of assets, a strong balance sheet and a renewed focus on constant improvement across the organization. The new Board and management are in the process of reviewing future expectations for production, costs and other key performance indicators. As part of this review, the Company is also evaluating a variety of options for maximizing the value of our infrastructure assets. We look forward to updating our stakeholders on developments as we continue to rebuild Pacific as a competitive low-cost producer and a market leader over the long-term."

Third Quarter 2016 Results

Operational Highlights:

- The Company's average daily net production after royalties was 75,096 boe/d, 41% and 51% lower compared with the previous quarter of 2015, respectively. The reduction is primarily attributable to the expiration of the Rubiales-Piriri contract on June 30, 2016, net production from the Rubiales Field in the previous quarter and the third quarter of 2015, the production decline becomes 8% and 10% respectively.
- Net production after royalties was 114,982 boe/d for the nine months ended September 30, 2016 compared to 152,665 boe/d, (excluding Rubiales), in 2015.
- The combined oil and gas operating cost before overlift and other costs was \$19.90/boe, lower compared with \$21.93/boe for the second quarter of 2016 and \$20.98/boe in the third quarter of 2015, due to higher production cost but lower transportation and dilution costs.
- Total combined operating cost (including overlift, inventory movement and other costs) was \$21.93/boe, slightly higher when compared to \$20.26/boe for the second quarter of 2016 and \$20.92/boe of the third quarter of 2015, due to higher inventory movement and other costs.
- During the nine months ended September 30, 2016, the Company achieved a reduction in total operating costs (including overlift and other costs) of \$2.59/boe from \$23.13/boe to \$20.54/boe. Reductions in field costs were achieved through a number of initiatives, including cost savings in the workforce.

Financial Highlights:

- Revenue for the third quarter totaled \$309 million, \$67 million lower as compared with the second quarter of 2016, reflecting lower realized prices during the quarter. Revenue decreased by \$361 million from \$670 million for the third quarter of 2015, mainly due to lower realized prices and expiration of the Rubiales-Piriri contract.
- Revenue for the nine months ended September 30, 2016 was \$1,142 million, 47% less than the same period of 2015, which had \$2,130 million.
- Total volume of oil and gas sales (including trading) for the third quarter of 2016 averaged 82,167 boe/d, 42% lower than the 120,000 boe/d in the third quarter of 2015 due to the relinquishment of the Rubiales and Piriri fields in June 2016. Total volume of oil and gas sales for the nine months ended September 30, 2016 was 104,173 boe/d, compared to 154,792 boe/d in 2015, a 33% decrease during the period.
- Combined oil and gas operating netback for the quarter was \$18.90/boe, 38% lower than the \$30.57/boe in the third quarter of 2015, due to decline in market prices for crude oil. The Company's average sales price per barrel of crude oil and natural gas was \$40.83/boe, down from \$51.49/boe in the same period of 2015.
- During the nine months ended September 30, 2016, combined crude oil and gas operating netback was \$19.48/boe, \$8.80/boe lower than the same period of 2015 (\$28.28/boe). Crude oil netback was \$19.30/bbl, \$9.00/bbl lower than the same period of 2015 (\$28.30/bbl). Both crude oil netbacks were impacted by the decline in world crude prices during the period.
- Adjusted EBITDA for the quarter was \$42 million, compared to \$100 million in the second quarter of 2016 and \$272 million in the third quarter of 2015, with the decrease primarily due to lower volumes sold, and lower realized prices when compared with the third quarter of 2015.
- General and Administrative costs decreased to \$42 million (including one-time costs related to severance and restructuring costs) for the third quarter of 2016 from \$53 million in the same period of 2015. In addition, annualized G&A (excluding severance and restructuring costs) has been reduced year over year by 29% during the course of the restructuring process, and the Company is making continuous efforts to reduce and all non-essential spending activities in light of the decrease in oil prices. For instance, internal head count has been reduced from 1,100 employees (40%) since January 1, 2016, of which approximately 335 is attributable to the reversion of the Rubiales Field.

- Net loss attributable to equity holders of the parent was \$557 million, largely due to \$424 million of impairment recorded mainly on other assets, lower sales due to the expiry of the Rubiales-Piriri contract, \$27 million of costs related to the restructuring and financing of the Creditor/Catalyst Restructuring Transaction.
- Total capital expenditures decreased to \$30 million in the third quarter of 2016, compared with \$154 million in the same period in 2015.
- During the three and nine months ended September 30, 2016, the Company incurred \$27 million and \$92 million, respectively, in capital expenditures related to the Creditor/Catalyst Restructuring Transaction.

Additional Highlights:

- Camilo McAllister, a seasoned Colombian oil and gas executive, will become Pacific's CFO. Jim Latimer, previously the Chief Financial Officer at Pacific, will be appointed interim President and CEO while the Board, assisted by executive search firm Spencer Stuart, continues to select a permanent replacement.
- On November 3, 2016, Standard & Poor's Ratings Services upgraded Pacific to 'B+' from 'D'. On the same date, Fitch Ratings upgraded Pacific's Foreign and Local Currency Long-Term Issuer Default Rating to 'B' from 'D' ('B+' for the Exit Notes). The upgraded ratings follow the completion of the Creditor/Catalyst Restructuring Transaction.
- On September 27, 2016, the Company reached an agreement with Karoon Gas Australia Ltd. to sell its 35% working interest in the Karoon concession agreements in Brazil: S-M-1101, S-M-1102, S-M-1037, S-M-1165 and S-M-1166. The Company will receive from Karoon a cash payment as consideration on closing for its interests in the Karoon blocks. In addition, the Company may receive a subsequent payment upon commercial production reaching 1 million barrels of oil or oil equivalents. The sale is subject to Brazilian regulatory approval.
- On August 8, 2016, the Company entered into a binding term sheet with Queiroz Galvão Exploração e Produção S.A. ("QGEP") pursuant to which the Company agreed to transfer the following participating interests in certain contracts from the Company's Brazilian subsidiary to QGEP: (i) 50% of Contract FZA-M-90; (ii) 50% of PAMA-M-337; and (iii) 70% of PAMA-M-265 (collectively, the "Participating Interests"). On October 10, 2016, in connection with the transfer of the Participating Interests, the Company and its Brazilian subsidiary entered into a farm-out agreement pursuant to which the Company agreed to pay to QGEP the outstanding cash calls for these blocks in the amount of R\$51,655,000 (\$16 million). In addition, the Company's Brazilian subsidiary deposited \$10 million into an escrow account to be released upon certain conditions (including ANP approval). Upon closing of this transaction, the Company expects to reduce its working capital requirements by approximately \$25 million.
- The Company has entered into derivative financial instruments to reduce the exposure to unfavourable movements in commodity prices. The Company has established a system of internal controls to minimize risks associated with its derivative program and does not use derivative financial instruments for speculative purposes. During the third quarter of 2016, the Company entered into several oil price risk management contracts to hedge against oil price volatility through April 2017. The hedges consisted of zero-cost collars. As at September 30, 2016, the Company had hedged positions for approximately 6.4 million barrels with floor and ceiling strike prices of \$42.5/bbl and \$57.0/bbl ICE Brent.

Impairment:

- The Company recorded an impairment charge of \$424 million compared to \$568 million in the same period in 2015. The impairment charge comprised of \$281 million related to oil and gas properties, \$130 million related to other assets, and \$13 million related to exploration assets.

Financial Results:

Financial Summary

	2016		2015
	Q3	Q2	Q3
Oil & Gas Sales Revenues (\$ millions)	308.7	376.4	670.0
Adjusted EBITDA (\$ millions) ¹	41.5	100.4	271.6
Adjusted EBITDA Margin (Adjusted EBITDA/Revenues)	13%	27%	41%
Cash Flow (Funds Flow from Operations) (\$ millions) ¹	10.9	-5.7	197.2
Net (Loss) Earnings (\$ millions) ²	(557.1)	(118.7)	(617.3)
Net Production (boe/d)	75,096	127,951	152,915
Sales Volumes (boe/d)	82,167	110,024	141,492
(COP\$/ U.S.\$) Exchange Rate ³	2,879.95	2,916.15	3,121.94
Average Shares Outstanding – basic (millions)	315.0	315.0	313.3

- ¹ The terms Adjusted EBITDA and cash flow (Funds Flow from Operations) are non-IFRS measures. These non-IFRS measures do not have any standardized meanings and therefore are unlikely to be comparable to similar measures presented by other companies. These non-IFRS measures are included because management of the Company uses this information to analyze operating performance, leverage and liquidity. Therefore, these measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. Please see "Additional Financial Measures" in the MD&A.
- ² Net earnings attributable to equity holders of the parent.
- ³ 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.

Production:

Net Production Summary

	2016		2015
	Q3	Q2	Q3
Oil and Liquids (bbl/d)			
Colombia	64,946	116,425	137,617
Peru	2,182	2,101	5,411
Total Oil and Liquids (bbl/d)	67,128	118,526	143,028

Natural Gas (boe/d)¹

Colombia	7,968	9,425	9,887
Total Natural Gas (boe/d)	7,968	9,425	9,887

Total Equivalent Production (boe/d) 75,096 127,951 152,915

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

Additional production details are available in the MD&A.

The Company and Ecopetrol signed a termination agreement for the return of the Rubiales and Piriri fields upon the expiration of the contract on June 30, 2016. Both parties were actively involved to ensure a smooth transition of the operatorship. Pursuant to the Rubiales-Piriri contract, all fixed assets located in these fields were transferred to Ecopetrol, along with the operatorship, without compensation. Therefore, all net book value of fixed assets associated with these fields has been fully depleted. As part of the settlement, a volume of 189,776 bbl of crude oil inventory, which had been booked during the prior quarter, was physically transferred to the Company during the third quarter of 2016. This volume became part of the sales for the third quarter.

Heavy oil production from Quifa decreased by 8% compared with the prior quarter due to operational issues associated with water disposal capacity. Light and medium net oil production in Colombia and Peru totaled 39,947 bbl/d, decreasing by 6% from the second quarter of 2016 (42,453 bbl/d). The decrease is attributable to the natural decline of the Llanos oil fields, which have not been sustained by drilling activity. Light and medium oil and heavy oil production (excluding production at the Rubiales Field) now represent 53% and 36%, respectively, of total net oil and gas production. Gas production decreased 15% compared with the previous quarter due to operational issues.

Strategic Priorities

Pacific has implemented a strategy to narrow its geographic focus to Colombia and Peru and reduced organizational scale, complexity and cost while maximizing operating and cost efficiencies to ensure the Company has sustainable production and

growth. The Company will be disciplined and margin-focused, not simply production-driven. The sale of the Company's Brazilian assets and suspending expansion into Mexico demonstrate this commitment. The Company is initiating a broad review of all activities and processes with an emphasis on efficient operations. Focusing on its core asset base will allow the Company to allocate capital most efficiently while maximizing value.

Since January 1, 2016, the Company reduced internal head count by approximately 1,100 employees (40%), which includes those associated with the Rubiales Field, without significantly impacting operations. Annualized G&A (excluding severance and restructuring payments) has been reduced year over year by 29% during the course of the restructuring process. The Company is taking further steps to achieve \$110 million of annualized expense during 2017, excluding one-time costs, as compared to \$222 million in 2015.

Mr. Camilo McAllister, Pacific's proposed new CFO, will formally commence his duties shortly but has already started working with the Board, the leadership team and key employees. Mr. Jim Latimer, the appointed interim President and CEO, continues to work with the Board to bring forward new operational initiatives and risk management strategies. The Company, assisted by executive search firm Spencer Stuart, is finalizing the process to select a permanent CEO.

Third Quarter 2016 Conference Call Details

The Company has scheduled a telephone conference call for investors and analysts on Tuesday, November 15, 2016 at 9:30 a.m. (Toronto and Bogotá time). Participants will include Gabriel de Alba, Chairman of the Board of Directors of the Company, Jim Latimer, President and Chief Executive Officer and select members of the senior management team.

A presentation will be available on the Company's website prior to the call, which can be accessed at 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:	19812784
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 29, 2016 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: 19812784

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 50 exploration and production blocks in various countries including Colombia, Peru, Guatemala, 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 under the ticker symbol PEN.

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 financial condition and outlook of the Company following the Creditor/Catalyst Restructuring Transaction, the pro forma financial position of the Company as of September 30, 2016, the position of the Company following implementation of the Creditor/Catalyst Restructuring Transaction, the Company's ongoing strategic focus and planning and the Company's planned expense reduction and the achievement of strategic priorities, 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 impact of contingent liabilities and various commitments; volatility in market prices for oil and natural gas; a continued depressed oil price environment with a potential of further decline; 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 completion of the Creditor/Catalyst Restructuring Transaction or otherwise; the effect of the Creditor/Catalyst Restructuring Transaction on the Company's business and operations; political developments in Colombia, Guatemala, Peru and Guyana; 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 Amended and Restated Annual Information Form dated October 17, 2016. 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 news release due to, among other factors, difficulties or interruptions encountered during the production of hydrocarbons.

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 Piedra 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 1P 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 ratio of 5.7 Mcf:1 bbl and is based on an energy equivalency conversion method primarily applicable at the b 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.

SOURCE Pacific Exploration and Production Corporation

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