PACIFIC EXPLORATION & PRODUCTION CORP.

NEWS RELEASE

PACIFIC ANNOUNCES FIRST QUARTER 2017 RESULTS

Drilling at the Company's Heavy Oil Fields and
Reactivated Operations in Peru Increase Production

Total Operating Costs at the Lower End of the First Quarter Guidance

Cash and Cash Equivalents Increase by $81 Million during the Quarter

Toronto, Canada, Monday, May 8, 2017 – Pacific Exploration & Production Corporation (TSX: PEN) ("**Pacific**" or the "**Company**") announced today the release of its interim condensed consolidated financial statements for the first quarter of 2017, together with its management discussion and analysis. These documents will be posted on the Company's 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 United States dollars unless otherwise stated.

Barry Larson, Chief Executive Officer of the Company, commented:

"Pacific is off to a great start and is positioned to perform well in 2017, a critical year, as the Company shifts focus and resources towards sustainable production through development drilling and growth through low-risk exploration. Our efforts to maximize the value of non-E&P related assets and reduce overall costs are evident in this quarter's results. Pacific's goal is to improve margins and drive higher returns for invested capital. The Company continues to negotiate field commitments to focus on high impact development drilling, while reviewing the broad set of upstream and midstream assets within the Company's portfolio with an emphasis on value-maximizing initiatives, reducing its commitments by $67.6 million during 2017. The first quarter of 2017 is a clear indication that everyone at Pacific is making the necessary adjustments to improve the Company's operational and financial performance."

<u>First Quarter 2017 Results</u>

Operational Results:

- Net production after royalties and internal consumption in the first quarter totalled 72,524 boe/d; representing a 4% increase compared with the fourth quarter of 2016. Drilling reactivation at the Company's heavy oil fields and incremental production from Block 192 in Peru were the main drivers for increased production in the quarter.
- Total operating costs, including production, transportation, and dilution costs, were at the lower end of the Company's guidance, decreasing from $27.98/boe in the fourth quarter of 2016 to $25.91/boe in the first quarter of 2017. The reduction was mainly attributable to higher produced volumes and lower production costs, which decreased from $79.0 million in the fourth quarter of 2016 to $67.4 million in the first quarter of 2017.
- In February 2017, the Bicentenario pipeline decreased its transportation tariff from $8.54/bbl to $7.56/bbl.

- On January 31, 2017, Block 192 in Peru reactivated operations, increasing production in the first quarter of 2017 to 3,855 bbl/d from 2,079 bbl/d.
- On February 22, 2017, the Company received a letter from Perupetro S.A in reference to the finalization of Block 135 contract, with an effective date of March 13, 2017, reducing its exploration commitments by approximately $15.0 million.

Financial Results:

- Revenue increased to $317 million from $270 million in the fourth quarter of 2016 due to higher volumes sold and higher realized sale prices during the quarter. The Company's average sales price per barrel of crude oil and natural gas was $45.95/boe, up from $41.92/boe in the fourth quarter of 2016. Revenue decreased by $140 million in comparison with the first quarter of 2016 mainly due to the Rubiales and Piriri contract expiry, and lower volumes sold.
- Combined oil and gas Operating Netback for the first quarter of 2017 was $20.04/boe, 44% higher than the $13.94/boe in the fourth quarter of 2016, mainly attributable to higher realized sale prices, higher production volumes sold and lower operating costs.
- Operating EBITDA was $92 million for the first quarter of 2017, higher compared to $44 million in the fourth quarter of 2016 due to higher realized prices and volumes sold. In comparison with the first quarter of 2016, Operating EBITDA was lower by $98 million, primarily due to the expiration of the Rubiales-Piriri contract in June 2016.
- General and Administrative costs (excluding restructuring and severance expenses) decreased to $28 million in the first quarter of 2017 from $40 and $33 million in the fourth and first quarter of 2016 respectively. The Company will continue to look for additional streamlining and optimization opportunities to eliminate unnecessary costs.
- During the first quarter of 2017, net income attributable to equity holders of the parent was $8.5 million compared with a net loss of $900.9 million in the same period last year, as a result of lower gross earnings due mainly to the Rubiales-Piriri contract expiration offset by lower depletion, depreciation and amortization and the impairment reversal recognized during the first quarter of 2017.
- Total capital expenditures decreased to $38 million in the first quarter of 2017 compared with $64 million for the fourth quarter of 2016.

Additional Highlights:

- On March 10, 2017, the Company and Amerisur Exploración Colombia Limitada ("**Amerisur**") entered into four farm-out agreements pursuant to which Amerisur agreed to acquire the following participating interests in certain of the Company's exploration and production of hydrocarbons contracts (collectively, the "**Participating Interests**"): (i) 60% participating interest in the PUT-9 Block; (ii) 50.5% participating interest in the Tacacho Block; (iii) 58% participating interest in the Mecaya Block; and (iv) 100% participating interest in the Terecay Block. The aggregate purchase price for the Participating Interests was $4.9 million, plus a royalty calculated and payable on a monthly basis equal to 2% of all the hydrocarbons produced in the Terecay Block and a royalty calculated and payable on a monthly basis equal to 1.2% of all the hydrocarbons produced in the PUT-9 Block, subject to certain terms and conditions. Each farm-out agreement is subject to approval by the Agencia Nacional de Hidrocarburos (the "**ANH**"). Upon closing of the transaction, the Company will have reduced its exploration commitments related to these blocks by approximately $26.1 million.
- On March 13 2017, the Company entered into a binding term sheet with Maple Gas Corporation del Peru SRL pursuant to which the Company has agreed to transfer its participating interest in Lot 126 for $0.2 million and the assumption of contractual exploration obligations of $3.6 million.

- On March 30, 2017, the Company executed a farm-out agreement with Gold Oil PLC Sucursal Colombia for the transfer of its participating interest and operatorship in the Casanare Este Block for $0.2 million. The farm-out agreement is subject to ANH approval. Upon closing of the transaction, the Company will have reduced its exploration commitments related to this block by $7.9 million.
- On April 3, 2017, the Company requested that the ANH approve the transfer of $6 million in investment commitments from the CPO-12 Blocks to two exploratory wells in the CPE-6 Block. The Company continues to negotiate field commitments to focus on high-impact development drilling.
- On April 25, 2017, the Company and CNE Oil & Gas S.A.S., a subsidiary of Canacol Energy Ltd., ("**CNE Oil**") entered into a farm-out agreement whereby CNE Oil agreed to acquire the Company's participating interest in the San Jacinto 7 Block in Colombia, in consideration for assuming all contractual exploration obligations of $7.8 million. The agreement is subject to approval by the ANH.

Financial Results:

Financial Summary			
	2017	**2016**	
	Q1	Q4	Q1
Oil & Gas Sales Revenues ($ millions)	**316.6**	269.8	456.8
Operating EBITDA ($ millions)[1]	**92.4**	44.3	190.1
Operating EBITDA Margin (Operating EBITDA/Revenues)	**29%**	16%	42%
Consolidated EBITDA ($ millions)[1]	**115.1**	(2.0)	91.8
Consolidated EBITDA Margin (Consolidated EBITDA/Revenues)	**36%**	-1%	20%
Net income (Loss)[3]	**8.5**	4,025.2	(900.9)
Per share – basic ($)[2]	**0.17**	80.50	(285,996.31)
Net Production (boe/d)	**72,524**	69,432	142,337
Net Production (boe/d) (excluding Rubiales Field)	**72,524**	69,432	92,851
Sales Volumes (boe/d)	**76,256**	69,653	120,567
Average Shares Outstanding – basic (thousands)	**50,002**	50,002	3

[1]These metrics are Non-IFRS financial measures. See "Non-IFRS Financial Measures Advisories below" and "Non-IFRS Measures" on page 15 of the MD&A.
[2]The basic weighted average numbers of common shares for the years ended March 31, 2017 and 2016 were 50,002,363 and 3,150, respectively.
[3] Net Income (loss) attributable to equity holders of the parent.

Production:

Net Production Summary			
	2017	**2016**	
	Q1	Q4	Q1
Oil and Liquids (bbl/d)			
Colombia	**62,180**	60,150	125,772
Peru	**3,855**	2,079	6,084
Total Oil and Liquids (bbl/d)	**66,035**	62,229	131,856
Natural Gas (boe/d)[1]			
Colombia	**6,489**	7,203	10,481
Total Natural Gas (boe/d)	**6,489**	7,203	10,481
Total Equivalent Production (boe/d)	**72,524**	69,432	142,337

[1]Colombian standard natural gas conversion ratio of 5.7 Mcf/bbl.
Additional production details are available in the MD&A.

During the first quarter of 2017, net production after royalties and internal consumption totalled 72,524 boe/d representing an increase of 4% compared with the fourth quarter of 2016. Drilling reactivation at the Company's heavy oil fields and incremental production from Block 192 in Peru were the main drivers for increased production in the quarter. The first quarter production decreased 69,813 boe/d (49%) from the average net production of 142,337 boe/d reported in the same period of 2016. The reduction was mainly attributable to the expiration of the Rubiales-Piriri contract on June 30, 2016; excluding Rubiales-Piriri barrels, production decreased 22% as a result of the lower drilling activity, natural declination and operational issues related to water disposal capacity experienced throughout 2016.

During the first quarter of 2017, heavy oil production from Quifa SW and other fields increased by 12% in comparison with the fourth quarter of 2016. During the first quarter of 2017, 21 development wells were drilled in the Quifa SW and CPE-6 fields. Light and medium net oil and gas production in Colombia totalled 40,666 bbl/d, decreasing by 4% compared the fourth quarter of 2016 (42,385 bbl/d). During the first quarter of 2017, five development wells have been drilled in the Cubiro, Guatiquia and Orito fields. Light and medium oil and heavy oil production now represent 52% and 39%, respectively, of total net oil and gas production. Additionally, gas production decreased by 10% compared with the year 2016, due to reservoir water encroachment issues and, as of March 31, 2017, represented 9% of the total production.

First Quarter 2017 Conference Call Details:

As previously disclosed, a conference call for investors and analysts is scheduled for Tuesday, May 9, 2017 at 8:00 a.m. (Toronto time) and 7:00 a.m. (Bogotá time). Participants will include Barry Larson, Chief Executive Officer, Camilo McAllister, Chief Financial Officer and select members of the senior management team.

A presentation and webcast link 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:	13779386

A replay of the conference call will be available until 11:59 p.m. (Toronto time) and 10:59 p.m. (Bogotá time), Tuesday, May 23, 2017 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:	13779386

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 30 exploration and production blocks in Colombia and Peru. The Company's strategy is focused on sustainable growth in production & reserves and cash generation. Pacific 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 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; uncertainties associated with estimating oil and natural gas reserves; failure to establish estimated resources or reserves; volatility in market prices for oil and natural gas; fluctuation in currency exchange rates; inflation; changes in equity markets; 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 or has investments as the result of the completion of the Company's comprehensive restructuring transaction or otherwise; 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 14, 2017 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.*

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.

Non-IFRS Financial Measures

This news release contains the following financial terms that are not considered in IFRS: Operating and Consolidated EBITDA, and Operating Netback. These non-IFRS measures do not have any standardized meaning, and therefore are unlikely to be comparable to similar measures presented by other companies. These non-IFRS measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS. These financial measures are included because management uses this information to analyze operating performance and liquidity. They are different from those measures disclosed in prior periods, reflecting the Company's new strategic focus on operational efficiency and capital discipline.

Management believes that Netback is a useful measure to assess the net profit after all the costs associated with bringing one barrel of oil to the market. It is also commonly used by the oil and gas industry to analyze financial and operating performances expressed as profit per barrel.

- *Operating Netback represents realized price per barrel plus realized gain or loss on financial derivatives, less production costs, transportation cost and diluent cost, and shows how efficient the Company is at extracting and selling its product.*

Management believes that EBITDA is a common measure used to assess profitability before the impact of different financing methods, income taxes, depreciation and impairment of capital assets and amortization of intangible assets.

- *Operating EBITDA represents the operating results of the Company's primary business, excluding the effects of capital structure, other investments (infrastructure assets), non-cash items that depend on accounting policy choices, and one-time items that are not expected to recur.*
- *Consolidated EBITDA excludes items of a non-recurring nature (one-time items), or that could make the period-over-period comparison of results from operations less meaningful, but includes results from the Company's other investments (infrastructure assets).*

A reconciliation of Operating and Consolidated EBITDA to net earnings is as follows:

	Three Months Ended March 31	
(in thousands of US$)	**2017**	**2016**
Net income (loss)[1]	**$ 8,498**	**$ (900,949)**
Adjustments		
Income tax expense	10,034	9,948
Depletion, depreciation and amortization	101,794	230,592
Impairment and exploration (income) expenses	(10,447)	666,898

Finance costs	4,897	68,914
Restructuring and severance costs	5,946	17,741
Equity tax	11,694	26,901
Other income	(2,498)	(42,210)
Foreign exchange unrealized (gain) loss	(14,861)	13,979
Consolidated EBITDA	**115,057**	**91,814**
(Gain) loss on risk management	(40,145)	113,545
Share of gain loss of equity-accounted investees	(23,988)	(26,847)
Gain attributable to non-controlling interest	10,783	7
Share based compensation loss (gain)	20	(3,206)
Foreign exchange realized loss (gain)	3,615	(10,640)
Fees paid on suspended pipeline capacity	27,100	25,391
Operating EBITDA	**92,442**	**190,064**

[1]Net income (loss) attributable to equity holders of the parent.

	2017	**2016**			
(in thousands of US$)	**Q1**	**Q4**	**Q3**	**Q2**	**Q1**
Financial and Operational results:					
Operating EBITDA	**92,442**	**44,275**	89,846	120,452	190,064
Consolidated EBITDA	**115,057**	**-1,967**	37,689	126,083	91,814

Please see the Company's most recent Management's Discussion and Analysis, which is available at www.sedar.com for additional information about these financial measures.

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.

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.

FOR FURTHER INFORMATION:

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