

Court File No. _____

REPORT OF THE PROPOSED MONITOR

**SUBMITTED BY PRICEWATERHOUSECOOPERS INC.
IN ITS CAPACITY AS PROPOSED MONITOR
IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT
OF
PACIFIC EXPLORATION & PRODUCTION CORPORATION ET. AL.**

April 26, 2016

Court File No. _____

**ONTARIO
SUPERIOR COURT OF JUSTICE
COMMERCIAL LIST**

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
PACIFIC EXPLORATION & PRODUCTION CORPORATION, PACIFIC E&P
HOLDINGS CORP., META PETROLEUM CORP., PACIFIC STRATUS
INTERNATIONAL ENERGY LTD., PACIFIC STRATUS ENERGY COLOMBIA
CORP., PACIFIC STRATUS ENERGY S.A., PACIFIC OFF SHORE PERU S.R.L.,
PACIFIC RUBIALES GUATEMALA S.A., PACIFIC GUATEMALA ENERGY
CORP., PRE-PSIE COÖPERATIEF U.A., PETROMINERALES COLOMBIA
CORP., AND GROUPO C&C ENERGIA (BARBADOS) LTD. (collectively, the
“Applicants”)

**REPORT TO THE COURT
SUBMITTED BY PRICEWATERHOUSECOOPERS INC.
IN ITS CAPACITY AS PROPOSED MONITOR OF THE APPLICANTS**

April 26, 2016

TABLE OF CONTENTS

INTRODUCTION.....	4
DISCLAIMER AND TERMS OF REFERENCE.....	5
QUALIFICATION OF PWC TO ACT AS MONITOR.....	6
BACKGROUND	7
SALES AND INVESTMENT SOLICITATION PROCESS	16
CASH FLOW FORECAST	30
RELIEF SOUGHT	31
DIP NOTES	31
L/C FACILITY	40
KEY EMPLOYEE RETENTION PLAN (“KERP”)	43
ADMINISTRATION CHARGE	47
DIRECTORS’ AND OFFICERS’ CHARGE	49
SUMMARY OF THE PROPOSED RANKING OF THE CHARGES	50
CONCLUSION	51

APPENDICES

- A. LIST OF APPLICANTS
- B. ORGANIZATIONAL CHART
- C. CASH FLOW STATEMENT AND MANAGEMENT’S CONFIRMATION
- D. PROPOSED MONITOR’S CONCLUSION ON REVIEW OF CASH FLOW STATEMENT
- E. SUMMARY OF THE SUPPORT AGREEMENT
- F. SUMMARY OF THE L/C FACILITY
- G. COMPARATIVE DIP SUMMARY

INTRODUCTION

1. PricewaterhouseCoopers Inc. (“**PwC**” or the “**Proposed Monitor**”) has been informed that on April 27, 2016, Pacific Exploration & Production Corporation (formerly known as Pacific Rubiales Energy Corp.) (“**Pacific**” or the “**Company**”) and certain of its subsidiaries listed in **Appendix A** (comprising the “**Guarantors**” and the “**Non-Guarantor**”, and together with the Company, the “**Applicants**”) intend to make an application to the Ontario Superior Court of Justice (the “**Court**”) for an order (the “**Initial Order**”) granting, *inter alia*, a stay of proceedings against the Applicants until May 27, 2016 (the “**Initial Stay Period**”) pursuant to the *Companies’ Creditors Arrangement Act* (the “**CCAA**”). The Applicants’ CCAA proceedings are referred to herein as the “**Canadian Proceedings**”.
2. Attached as **Appendix B** is a copy of Pacific’s organizational chart (the “**Organizational Chart**”), listing Pacific’s direct and indirect subsidiaries, including the Applicants. The Applicants, together with the additional entities listed on the Organizational Chart are collectively referred to in this report (the “**Pre-filing Report**”) as the “**Pacific Group**”.
3. If the Initial Order is granted, Pacific intends to commence additional proceedings in:
 - a) the United States pursuant to Chapter 15 of title 11 of the United States Code (the “**US Proceedings**”); and
 - b) Colombia pursuant to *Ley 1116 de 2006* (the “**Colombian Proceedings**”).

4. The Canadian Proceedings, US Proceedings and Colombian Proceedings are collectively referred to herein as the “**Coordinated Proceedings**”.
5. Capitalized terms not otherwise defined herein are as defined in the affidavit of Peter Volk, sworn April 27, 2016, in support of the application for an Initial Order (the “**Initial Affidavit**”).
6. The purpose of the Pre-filing Report is to provide the Court with information concerning:
 - a) background information about the Applicants, including its Cash Management System, and the reasons for the Coordinated Proceedings;
 - b) the SISP (defined below);
 - c) the Pacific Group’s Cash Flow Statement (defined below);
 - d) the relief being sought by the Applicants, including the approval of the DIP Notes, L/C Facility, the KERP and certain priority charges (all capitalized terms as defined below and/or in the Initial Affidavit).
7. Unless otherwise stated, all monetary amounts contained herein are expressed in United States Dollars.

DISCLAIMER AND TERMS OF REFERENCE

8. In preparing this Pre-filing Report and conducting its analysis, the Proposed Monitor has obtained and relied upon certain unaudited, draft and/or internal financial information of the Applicants’ books and records and discussions with various parties, including the Pacific Group’s employees and legal and financial advisors (collectively the “**Information**”).

9. Except as otherwise described in this Pre-filing Report:
- a) the Proposed Monitor has not audited, reviewed or otherwise attempted to verify the accuracy or completeness of the Information in a manner that would wholly or partially comply with Canadian Auditing Standards pursuant to the Chartered Professional Accountant Canada Handbook; and
 - b) the Proposed Monitor has not conducted an examination or review of any financial forecast and projections in a manner that would comply with the procedures described in the Chartered Professional Accountant Canada Handbook.
10. Since the Cash Flow Statement (defined below) is based on assumptions regarding future events, actual results will vary from the information presented even if the hypothetical assumptions occur, and variations may be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the Cash Flow Statement will be achieved. We express no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Pre-filing Report, or relied upon by us in preparing this Pre-filing Report.
11. Assuming the Initial Order is granted and PwC is appointed as Monitor, PwC, in such capacity, intends to make copies of material documents pertaining to the Coordinated Proceedings available on its website at <http://www.pwc.com/ca/pacific>.

QUALIFICATION OF PWC TO ACT AS MONITOR

12. The proposed Initial Order contemplates that PwC will be appointed as the Monitor of the Applicants in the Canadian Proceedings. Greg Prince and Mica Arlette, the individuals at PwC who will have primary carriage of this matter, are trustees within the meaning of section 2(1) of the *Bankruptcy*

- and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the “**BIA**”). PwC has been appointed as Monitor under the CCAA in many significant Canadian and cross border proceedings, and both Mr. Prince and Mr. Arlette have overseen the work of PwC in numerous appointments under the CCAA and BIA. PwC has consented to act in the Canadian Proceedings.
13. The Company retained the Proposed Monitor on February 3, 2016. Since being retained, PwC has reviewed financial information to gain knowledge of the Pacific Group’s business and financial affairs and has assisted the Applicants in preparing for the Coordinated Proceedings.
 14. The Proposed Monitor is affiliated with PricewaterhouseCoopers LLP (“**PwC Canada**”), who has provided analysis on tax attributes and alternative structures to the Company in connection with its restructuring plans. Further, PwC Canada was previously engaged by the Company’s legal counsel for a privileged and confidential mandate that occurred in June 2015 but for which no formal written report was ever produced.
 15. PricewaterhouseCoopers AG Ltda. (“**PwC Colombia**”) and PwC Canada are separate member firms and separate legal entities in the PwC global network. PwC Canada and PwC Colombia are the auditors of Pacific Midstream Ltd. and its subsidiaries, who are indirect subsidiaries of Pacific, and who are not Applicants in the Coordinated Proceedings. The Proposed Monitor does not act as auditor to Pacific or any of the other Applicants. Accordingly, PwC is not subject to any of the restrictions to act as Monitor as set out in section 11.7(2) of the CCAA.

BACKGROUND

16. Detailed information with respect to the Pacific Group’s business, operations and causes of financial distress are set out in the Initial Affidavit. The comments contained herein represent only a summary of the background to the Coordinated Proceedings. The Proposed Monitor

recommends that readers carefully review all of the materials filed by the Applicants in respect of the Coordinated Proceedings including, but not limited to, the Initial Affidavit.

17. Pacific is a publicly held corporation incorporated under the laws of the Province of British Columbia. Pacific's head office is located in Toronto, Ontario. The Pacific Group is a leading, South American explorer and producer of crude oil and, to a lesser extent, natural gas. The Pacific Group has a diversified portfolio of assets with operations primarily in Colombia, and, to a lesser extent, Peru, Brazil, and Belize.
18. As shown in the Organizational Chart, Pacific is the direct or indirect parent of over 100 subsidiaries. Pacific also owns minority interests in other entities.
19. The Pacific Group currently employs approximately 2,318 employees globally. Pacific directly employs about 48 people in its Toronto and Calgary offices, and employs a further 15 executives who work in the Pacific Group's Panama City and Bogota offices.
20. The Pacific Group currently has 29 producing blocks (oilfield areas where it produces oil and gas) of which 26 are in Colombia and three (3) are in Peru. In most cases, the Pacific Group is the operator of these producing blocks through exploration and development contracts with various partners.
21. For the year ended December 31, 2015, the Pacific Group produced on average 303.8 thousand barrels of oil equivalent ("**boe**")¹ per day

¹ Disclosure provided herein that is expressed in barrels of oil equivalent (boe) is derived by converting natural gas to oil in the ratio of five thousand seven hundred cubic feet (Mcf) of natural gas to one barrel (bbl) of oil. 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 expresses boe using the Colombian conversion standard of 5.7 Mcf: 1 bbl required by the Colombian Ministry of Mines and Energy for those

- (“**Mboe/d**”), with net production after working interests and royalties of approximately 154.5 Mboe/d. About 57% of the Pacific Group’s production in 2015 was heavy oil; 37% was light and medium oil; and 6% was natural gas.
22. As set out in the Initial Affidavit, the primary cause of the Pacific Group’s deteriorating financial position is the significant decline in oil prices since the second half of 2014. The combined realized price for the Pacific Group’s production fell from \$85.35/boe in 2014 to \$48.31/boe in 2015, a decline of about 43%. The 2015 realized amount included a hedging gain of \$5.23/boe, reflecting the Company’s prior hedging strategy which helped it to maintain above-market prices over the course of 2015.
23. Pacific, through its subsidiary Meta Petroleum Corp., has a joint operating agreement with Ecopetrol (a Colombian oil and gas company majority owned by the Republic of Colombia), for the Rubiales field. In 2015, the Rubiales field represented 35.4% of Pacific’s total net production. The joint operating agreement for the Rubiales field is set to expire in June 2016, as Ecopetrol announced in 2015 that it would not renew the joint operating agreement.
24. The Pacific Group has maintained an active exploration program to find and develop new oil and gas fields in Colombia and other regions in South America. These activities require continued capital and operating expenditure. The Pacific Group pursues these activities through exploration and production contracts or technical evaluation agreements, both as principal and under joint ventures with a number of parties.
25. The decline in oil prices has significantly reduced Pacific Group’s cash flow and, combined with its over-leveraged capital structure, has created a

properties located in Colombia. The Company expresses boe using the Peruvian conversion standard of 5.626 Mcf: 1 bbl required by Perupetro S.A. for properties in Peru.

liquidity crisis. This, in turn, has constrained the Pacific Group's ability to fund continued capital expenditures for existing producing fields and exploratory efforts for new fields.

26. For the year ended December 31, 2015, the Pacific Group reported in its financial statements that it had total "proved and probable" reserves of 290.8 MMboe ². This represented a 43% decline from December 31, 2014, mainly due to significantly lower oil price forecasts. In addition, exploiting certain reserves became no longer economically feasible. Reserve assessments performed by the Company's independent evaluators also yielded indicators for impairment. These factors contributed to the \$4.6 billion of impairment charges booked to the value of its oil and gas assets and recognized in its financial statements for the year.
27. The Pacific Group has monetized all of its hedging contracts and its revenues are now completely exposed to market prices.
28. The Applicants make up the vast majority of the oil and gas exploration and production activities of the Pacific Group. The non-Applicant entities of the Pacific Group have not guaranteed the Debt Facilities (defined and described below) and the Proposed Monitor understands that they are not entities that require a stay under the CCAA in connection with the planned restructuring. These entities hold, directly or indirectly:
 - a) freight terminal and port facilities used in part by other Pacific Group entities; and
 - b) infrastructure assets including pipelines and electrical generation and transmission assets.

These interests are more particularly described in the Initial Affidavit.

² MMboe means millions of boe

Financial stakeholders

29. The primary purpose of the restructuring and financing transaction described in the Initial Affidavit is to restructure Pacific's obligations under certain indentures and loan facilities (the "**Debt Facilities**"), which total approximately \$5.32 billion in principal as at today's date. The Debt Facilities are more particularly described in the Initial Affidavit, and are summarized below:

(In \$ millions)		31-Dec-15 Principal Outstanding	27-Apr-16 Principal Outstanding*
Lender	Maturity		
2019 Notes	26-Jan-19	1,300.0	1,300.0
2021 Notes	12-Dec-21	690.5	690.5
2023 Notes	28-Mar-23	1,000.0	1,000.0
2025 Notes	19-Jan-25	1,113.7	1,113.7
Subtotal senior notes		4,104.2	4,104.2
Revolving Facility	30-Apr-17	1,000.0	1,000.0
BofA Facility	3-Nov-16	36.3	2.9
HSBC Facility	8-Apr-17	212.5	212.5
Bladex Facility	4-Apr-18	24.2	-
Subtotal other long-term debt		1,273.1	1,215.4
Total long-term debt		5,377.3	5,319.6

*The estimated amount of accrued, unpaid interest at the Date of Filing is approximately \$163 million, cumulative of both the Notes and the Bank debt.

30. The total consolidated liabilities of the Pacific Group as at December 31, 2015 were approximately \$6.8 billion. As such, the providers of the Debt Facilities (*i.e.* the Noteholders and the Banks) are the Pacific Group's largest group of creditors by value. Pacific is the borrower under, and the Guarantors guarantee, the Debt Facilities. All of the Debt Facilities are unsecured obligations of the Applicants.
31. The Applicants also have significant contingent liabilities for standby letters of credit issued in the ordinary course of business in connection

with their oil and gas exploration and production activities, principally in respect of licenses issued by the *Agencia Nacional de Hidrocarburos* ("ANH"). The Initial Affidavit indicates that letters of credit with a value of approximately \$221 million had been issued as of April 8, 2016. Of these, approximately \$118 million will require renewal in the next six months. Pacific's management anticipates that, absent a new letter of credit facility, the letter of credit counterparties may require that these letters of credit be cash collateralized upon renewal. This is discussed further below in the context of the proposed L/C Facility.

Cash management system

32. The Pacific Group's Cash Management System is defined and more fully described in the Initial Affidavit. The following summarises key considerations regarding the Cash Management System based on the Proposed Monitor's discussions with the Company.
33. The Pacific Group utilizes an integrated, centralized cash management system to collect, concentrate and disburse funds generated by their international operations. This system utilizes approximately 360 bank accounts around the world for both the Applicants and the other subsidiaries of the Pacific Group. Currently, the Pacific Group has 26 bank accounts in Canada (the "**Canadian Bank Accounts**").
34. Revenues from normal course operations are earned by subsidiaries of Pacific. Cash receipts are collected either directly by Pacific, or by its subsidiary that earned the income who then transfers those funds to Pacific. The transfer is made either through a direct transaction or a two-step transaction through another subsidiary of Pacific as part of settling intercompany cash balances. Pacific currently has the access, control and authority to sweep cash balances from any of its wholly-owned subsidiaries.

35. Pacific funds its subsidiaries' cash requirements through intercompany transfers of funds, either as non-interest bearing loans or equity injections. These are made either directly by Pacific or through its finance subsidiary, Pacific Global Capital, S.A.
36. Pacific does not generate revenue from its own business operations. Therefore, the Cash Management System does not result in an outflow of any cash that is generated in Canada. Rather, the Cash Management System allows cash generated in the jurisdictions where the Pacific Group has active operations to flow up the corporate chain as available and down the corporate chain as required.
37. The Applicants' continued use of the Cash Management System during the Coordinated Proceedings, with such modifications as may be required by the DIP Note Purchasers, would permit the seamless continuation of revenue collection and avoid any unnecessary changes in banking arrangements or potential tightening of credit terms by Pacific's operational counterparties.

Recent financial results and causes of financial difficulty

38. The Pacific Group's recent financial performance has been characterized by declining oil prices and profitability, summarized as follows:

(In \$ millions, except where noted)

Specific Key Financial Indicators

For the period ended December 31,

	2015	2014	2013	2012
Revenue	2,825	4,950	4,627	3,885
Earnings (loss) from operations	(5,411)	(793)	1,148	1,034
Net income (loss) before tax	(5,949)	(1,146)	926	818
Cash flow from operations	220	2,104	1,637	1,803
Cash flow from investing	(705)	(2,551)	(3,405)	(2,397)
Cash flow from financing	520	158	2,170	115
Foreign exchange cash exposure	(26)	(10)	(13)	(6)
Net cash in (out) flows	9	(299)	389	(486)
Cash and cash equivalent, beginning	334	633	244	730
Cash and cash equivalent, closing²	343	334	633	244
Production (boe/d)	154,472	147,423	129,386	97,657
Brent price (\$/bbl)	53.60	99.45	108.70	111.68
Combined netback ¹ (\$/boe)	25.55	54.84	60.77	60.20
Capital expenditures	726	2,382	2,066	1,548

¹ Combined netback data is based on the weighted average of daily volume sold, which includes diluents necessary for the blending of heavy crude oil and excludes oil for trading volumes.

² Unrestricted cash and cash equivalents

39. 2015 revenues declined by approximately 45% from 2014, directly correlated with the decrease in the average Brent price. Declining cash flow from operations, combined with cash requirements to service Pacific's substantial debt and capital expenditures, has resulted in the depletion of Pacific's cash resources and its current liquidity crisis. To preserve capital, Pacific reduced capital expenditures in 2015, and focused on high-impact and low-risk development work. 2015 losses also include a \$4.6 billion impairment provision on oil and gas assets as noted above.
40. Amid the continued decline in oil prices, the Proposed Monitor understands Pacific commenced restructuring efforts in early 2015, which are more particularly described in the Initial Affidavit.
41. Notwithstanding these efforts, the Proposed Monitor understands that Pacific determined later in 2015 that further fundamental changes were needed to enable the Company to continue operations. As noted above, the

Pacific Group's increasing liquidity concerns were significantly impacting its operations and capital expenditure program.

42. As a result of the cash flow constraints described above, the Proposed Monitor understands that Pacific has been in regular discussions with its major creditor groups and stakeholders to maximize value for all of its stakeholders throughout this liquidity crisis.

Primary stakeholders begin to organize

43. The Proposed Monitor understands that an *ad hoc* committee (the “**Ad Hoc Committee**”) was formed in early December 2015 to represent certain Noteholders during the Company's restructuring efforts. The Ad Hoc Committee retained legal and financial advisors. Counsel for the Ad Hoc Committee, Goodmans LLP (“**Goodmans**”) advises that, as of the date of this Pre-filing Report, the Ad Hoc Committee represents approximately 52.5% of the aggregate face value of the Notes.
44. The Proposed Monitor understands that in November 2015, Pacific Group's Bank lenders established a steering committee (the “**Bank Steering Committee**”) to ensure they were organized and represented during the Company's restructuring efforts.
45. The Proposed Monitor understands that, together, the creditors represented by the Ad Hoc Committee and the Bank Steering Committee account for approximately 60% of the Pacific Group's total Debt Facilities.

Breaches of financial covenants and failure to pay interest payments

46. As described in the Initial Affidavit, the Company obtained waivers for breaches of financial covenants from the Banks on September 28, 2015 and, subsequently, on December 28, 2015, which provided relief from such breaches until February 26, 2016.

47. On January 14, 2016, Pacific announced that it would not make the interest payments on the 2025 Notes and the 2019 Notes when due on January 19 and January 26, 2016, respectively. Pacific utilized the 30-day cure periods under the governing indentures to preserve liquidity and consider restructuring alternatives.
48. On February 19, 2016, the Company, the Banks and the Ad Hoc Committee entered into the Lender Forbearance Agreements to support the search for potential investors or acquirers to seek restructuring alternatives. The initial forbearance period expired on March 31, 2016 but was extended to April 29, 2016.
49. Pacific has not made the March 28, 2016 interest payment on the 2023 Notes; the cure period for this interest payment expires on April 27, 2016.

SALES AND INVESTMENT SOLICITATION PROCESS

50. The Company's formal sale and investment solicitation process (the "**SISP**") is described in the Initial Affidavit. In this Pre-filing Report, the Proposed Monitor expands on some of the points raised in the Initial Affidavit by providing the Court additional contextual information to assist the Court in considering the Applicants' motion to approve the DIP Notes.

Commencement of SISP

51. Pacific advises the Proposed Monitor that it engaged Lazard Frères & Co. LLC ("**Lazard**") on December 17, 2015 to, among other things, undertake the SISP. The broader mandate of Lazard is described in the Initial Affidavit.
52. Lazard is a leading, global advisory firm with substantial experience providing financial and strategic advisory services to clients around the

world in a variety of industries (including energy, oil and gas) with respect to mergers and acquisitions and restructuring services.

53. The Proposed Monitor understands from Lazard and Pacific's management that Lazard commenced its work in December 2015.
54. In connection with the Lender Forbearance Agreements, the Company agreed, among other things, to significant creditor participation in the SISP. This was documented in a schedule to the Lender Forbearance Agreements (the "**Financial Advisor Protocol**") requiring Lazard to consult with FTI Consulting Inc. ("**FTI**"), the Bank Steering Committee's financial advisor, and Evercore Group L.L.C. and Evercore Partners Inc. (collectively, "**Evercore**" and together with FTI, the "**Financial Advisors**"), the Ad Hoc Committee's financial advisor, to keep them informed about the SISP.
55. In connection with the Financial Advisor Protocol, the Proposed Monitor understands that Pacific agreed to, among other things:
 - a) instruct Lazard to provide Evercore and FTI with a list of interested parties the Company and Lazard contacted and a summary of the status of the Company's dealings with such interested parties (including their respective interest in participating in a transaction with respect to Pacific);
 - b) have Lazard contact parties reasonably proposed by Evercore or FTI, including providing such parties an opportunity to execute a non disclosure agreement ("**NDA**") and participate in the SISP;
 - c) with the written permission of the Independent Committee (as defined below), allow each potentially interested party to have direct discussions with Evercore and FTI; and

- d) adhere to a prescribed schedule for sending notices to interested parties and calling for offers within an agreed upon timetable.
56. The Proposed Monitor has briefly consulted with FTI and has had extensive discussions with Evercore over the past four weeks. Based upon the Proposed Monitor's observations of the Additional Bidder / Lender Meetings (defined and described below) and its discussions with the Financial Advisors, the Proposed Monitor is of the view the creditors represented by the Ad Hoc Committee and the Bank Steering Committee were significantly involved in the:
- a) conduct of the SISP; and
 - b) negotiation of potential restructuring alternatives.
57. The Ad Hoc Committee and the Bank Steering Committee were directly involved in the development of the Recapitalization Term Sheet negotiated directly with the Plan Sponsor.
58. Goodmans advised the Proposed Monitor that all of the Ad Hoc Committee members became restricted in late February, allowing all of the Ad Hoc Committee to receive relevant, material non-public information from the Company, thereby allowing the Ad Hoc Committee members to more completely consider the restructuring landscape and the various alternatives available to the Company and its stakeholders.
59. The Banks' legal counsel, Davis Polk & Wardell LLP and Torys LLP (collectively, the **"Banks' Legal Counsel"**), advised the Proposed Monitor that all of the Banks were bound by their respective confidentiality provisions included in their respective credit agreements and each Bank was responsible for their own compliance procedures with respect to material, non-public information from the Company.

60. The Proposed Monitor was not consulted or otherwise involved in the design and implementation of the SISP. The Proposed Monitor also did not engage in any formal, direct dialogue with the Ad Hoc Committee or its advisors, including Evercore and the Ad Hoc Committee's legal advisors, including Goodmans and Paul, Weiss, Rifkind, Wharton & Garrison LLP (collectively, the **"Ad Hoc Committee's Legal Counsel"**), or the Bank Steering Committee and its advisors, including FTI and the Banks' Legal Counsel, prior to the commencement of the Additional Bidder / Lender Meetings (defined and described below) on March 30, 2016. Accordingly, the Proposed Monitor's comments reflected herein are based upon:

- a) information provided to the Proposed Monitor by Pacific's management during regular update calls and meetings;
- b) the Proposed Monitor's discussions with Lazard; and
- c) the Proposed Monitor's observations of the SISP during and after the Additional Bidder / Lender Meetings (as defined and described below), which included the Proposed Monitor's direct discussion and interaction with:
 - i) the Financial Advisors, the Banks' Legal Counsel and the Ad Hoc Committee's Legal Counsel;
 - ii) the Company and its legal counsel;
 - iii) the Independent Committee, its legal counsel, Osler Hoskin & Harcourt LLP (**"Osler"**) and financial advisor, UBS Securities Canada Inc. (**"UBS"**); and
 - iv) an interested party who participated in the SISP and who directly engaged with the Proposed Monitor.

Proposed Monitor's Participation in Independent Committee Meetings

61. On January 14, 2016, Pacific formed the Independent Committee to assist Pacific's Board of Directors (the "**Board**") in assessing the Company's strategic alternatives, including a restructuring of the Company's capital structure. The Proposed Monitor understands the Independent Committee is comprised of four (4) directors who were not involved in the solicitation of bids, are not part of management of the Company, and do not work for, or are participants with, any of the bidders. The Independent Committee was formed to oversee the conduct of the SISP and to provide a recommendation to the Board in respect of its outcome.
62. On or about April 1, 2016, the Proposed Monitor began to telephonically attend the Independent Committee's meetings in connection with the SISP. To the best of the Proposed Monitor's knowledge, since April 1, 2016, it has telephonically attended all of the Independent Committee's meetings with respect to its oversight of the SISP.

Proposed Monitor's Participation in the SISP

63. The Proposed Monitor began participating in "omnibus" update conference calls with certain of Pacific's management and counsel for Pacific on February 18, 2016. These calls occurred almost every Tuesday and Thursday afternoon until late March 2016. In addition, the Proposed Monitor participated in a number of other *ad hoc* update calls and meetings with Pacific's management, legal counsel and advisors beginning in February 2016. During the various update calls and meetings, the Proposed Monitor received information regarding the:
 - a) Pacific Group's ongoing communications with Colombian regulators;

- b) development of the Pacific Group's cash flow and liquidity forecasts;
 - c) Pacific Group's dealings with its lenders and their advisors; and
 - d) status of the SISP.
64. On March 15, 2016, the Proposed Monitor spoke in detail with Lazard regarding Lazard's timing and approach to the market, the parties Lazard contacted during its solicitation of the market and the conduct of the SISP. Furthermore, on March 17, 2016, the Proposed Monitor conducted a conference call with Lazard's energy industry specialists, who provided the Proposed Monitor with additional rationale with respect to the specific parties contacted during the SISP.

Summary of the SISP

65. The Proposed Monitor understands that:
- a) The solicitation phase of the SISP began in late January 2016;
 - b) Lazard prepared a list of potential buyers and contacted 56 parties, including:
 - i) 10 investment banks;
 - ii) 40 alternative capital providers; and
 - iii) 6 strategic parties considered to be potentially viable interested parties.
 - c) The Proposed Monitor understands the Financial Advisors provided input to Lazard about parties who should be considered for participation in the SISP;

- d) 16 parties signed NDAs, were given access to a data room and offered the opportunity to participate in diligence with Pacific's management;
- e) A confidential information memorandum and/or teaser letter was not sent to interested parties. In Lazard's and the Company's view, the market was already generally aware of the opportunity with respect to Pacific; in particular:
 - i) the market, in general, was aware that a transaction in respect of Pacific was available because Pacific had been subject to a highly publicized proposed sale transaction in 2015, which was ultimately unsuccessful; and
 - ii) in January 2016, EIG Pacific Holdings Ltd., a subsidiary of Harbour Energy Ltd., announced the commencement of a tender offer to purchase the outstanding Notes, with a view to sponsoring a restructuring transaction in respect of Pacific.
- f) Subsequent to the commencement of the SISP, on February 22, 2016, as required under the Lender Forbearance Agreements, Lazard sent a process letter to parties who had expressed an interest in participating in the SISP, advising that parties must submit preliminary, non-binding proposals (each a "**Preliminary Proposal**") by February 29, 2016. Based upon information provided by Lazard, the Proposed Monitor understands six (6) Preliminary Proposals were received by February 29, 2016. The Preliminary Proposals included:
 - i) four (4) "investment" proposals;
 - ii) one (1) proposal to acquire 100% of the Pacific Group; and

- iii) one (1) proposal in the form of a financing transaction.
 - g) All six (6) parties who submitted Preliminary Proposals were invited to continue in the SISP. In that regard, Lazard sent a second process letter to such parties on March 10, 2016 (“**Second Process Letter**”), instructing them to submit a binding proposal by March 16, 2016 (the “**Phase Two Bid Deadline**”). Details with respect to the next phase of the SISP, subsequent to receiving the Preliminary Proposals are more particularly described in the Initial Affidavit and are not repeated in this Pre-filing Report.
66. The Proposed Monitor has reviewed the Second Process Letter, which indicates the Company’s key objectives were to:
- a) maximize value for stakeholders;
 - b) provide the Pacific Group with sufficient liquidity;
 - c) maximize the certainty of closing a transaction;
 - d) permit a transaction to occur expeditiously; and
 - e) preserve local (South American) trade creditors’ claims and maximize the stability to the Pacific Group’s operations in the jurisdictions within which it operates.
67. The Second Process Letter required binding offers made to be open for acceptance by the Company for a minimum of forty-five (45) calendar days after the date the offer was submitted.
68. On March 16, 2016, the Proposed Monitor understands that proposals were received from six (6) different parties (the “**Phase Two Bids**” and each party a “**Phase Two Bidder**”), including:

- a) four (4) binding proposals from potential investors, three (3) of whom had made Preliminary Proposals; and
 - b) two (2) non-binding proposals that were conditional upon further due diligence.
69. Shortly after March 16, 2016, the Proposed Monitor understands that the Company shared the Phase Two Bids with the Ad Hoc Committee, the Bank Steering Committee and their advisors.
70. As noted above, creditors were significantly involved in the SISP. The Initial Affidavit indicates that on March 21, 2016 and March 22, 2016, initial meetings (the “**Bidder / Lender Meetings**”) took place in New York, during which time the advisors to the Ad Hoc Committee and the Bank Steering Committee met with three (3) of the Phase Two Bidders. The Proposed Monitor was not invited to attend these Bidder / Lender Meetings.
71. The Company convened further meetings in New York from March 30, 2016 to (and including) April 1, 2016 among each of the Phase Two Bidders, Company, Ad Hoc Committee, Bank Steering Committee and each of their advisors (the “**Additional Bidder / Lender Meetings**”). In addition, the Independent Committee’s financial advisor, UBS, also attended the Additional Bidder / Lender Meetings.
72. The Proposed Monitor and its legal counsel, Thornton Grout Finnigan LLP, (“**TGF**”), attended the Additional Bidder / Lender Meetings as an observer. The Proposed Monitor’s attendance allowed it to obtain insights into this aspect of the SISP and observe interactions between the attendees at the Additional Bidder / Lender Meetings.
73. The Additional Bidder / Lender Meetings provided each of the Phase Two Bidders, and/or their representatives, an opportunity to meet with the

Company and its respective advisors, certain members of the Ad Hoc Committee, the Bank Steering Committee and their advisors. The Additional Bidder/Lender Meetings also provided an opportunity for the Company, the Ad Hoc Committee, the Bank Steering Committee and their advisors to meet among themselves to continue to discuss:

- a) the SISP;
- b) the Phase Two Bids; and
- c) to explore the possibility of establishing a consensus as to the form and structure of a potential restructuring and/or recapitalization transaction.

- 74. In the Proposed Monitor's view the Additional Bidder / Lender Meetings provided Phase Two Bidders with a clearer understanding of the key factors being considered by the Ad Hoc Committee and, to some extent, the Bank Steering Committee, so Phase Two Bidders could refine their proposals in response to these factors to develop proposals that were responsive to these requirements.
- 75. During the Additional Bidder / Lender Meetings, update calls took place between UBS, the Independent Committee, Osler, and UBS to provide the Independent Committee status updates of the ongoing negotiations.
- 76. The Proposed Monitor first attended an update call with the Independent Committee on April 1, 2016. During that call, the Proposed Monitor noted the Independent Committee:
 - a) was aware of the liquidity concerns facing the Pacific Group, as described earlier, and was focused on ensuring the Company and Lazard progressed expeditiously and diligently toward a restructuring or recapitalization proposal;

- b) was cognizant of the need to impose a deadline for the finalization of proposals from Phase Two Bidders; and
 - c) considered the status of the various Phase Two Bids and the input UBS and Osler reported to the Independent Committee.
77. After the Additional Bidder / Lender Meetings, certain members of the Ad Hoc Committee and its advisors, the Bank Steering Committee's advisors, the Company, the Independent Committee's advisors and the Proposed Monitor again met in New York on April 4 and April 5, 2016. They further considered the Phase Two Bids, some of which were revised and amended following the Additional Bidder / Lender Meetings. One bidder, Catalyst, was invited to attend in-person meetings with the Ad Hoc Committee and its advisors and with the Bank Steering Committee's advisors on April 4, 2016, as its principal had not been able to attend the week before.
78. The Independent Committee held update calls on both April 4, 2016 and April 5, 2016, which the Proposed Monitor attended. During those calls, the Independent Committee continued to focus on the significant and impending liquidity concerns the Pacific Group faced and balanced this concern with the desire to obtain the best outcome reasonably available to the Company and capable of being supported by a majority of creditors.
79. The Proposed Monitor understands that on April 4, 2016, the Independent Committee instructed the Company that, in order to make a recommendation to the Board, it was necessary to finalize a definitive deadline for proposals. Accordingly, the Independent Committee imposed a deadline for receipt of proposals of April 5, 2016 at 5:00 p.m.
80. Based on discussions with the Ad Hoc Committee's Legal Counsel, the Proposed Monitor understands the Ad Hoc Committee and its advisors were of the view that the recapitalization transaction that would be

backstopped by Catalyst (the “**Recapitalization Transaction**”), as amended, was the only bid capable of generating the necessary support from the stakeholders present at the Additional Bidder / Lender Meetings. The Proposed Monitor observed that stakeholders found that both quantitative and qualitative factors (*e.g.*, closing risk, go forward business plans, and due diligence requirements) weighed in favour of the Recapitalization Transaction. The Proposed Monitor observed that these factors, including the degree of creditor support, were important considerations for the Independent Committee, taking into account the Pacific Group’s liquidity constraints.

Selection of Creditor / Catalyst Co-sponsored Proposal

81. After significant consultation with the Company and Lazard, regular consultation by UBS, with Evercore and Goodmans, and some limited interaction with FTI on behalf of the Bank Steering Committee, the Independent Committee determined that the Recapitalization Transaction was the best available transaction to enable the Company to negotiate a definitive restructuring transaction subject to the Board’s approval.
82. The key terms of the Recapitalization Transaction are memorialized in the Support Agreement (summarized in **Appendix E**), Recapitalization Term Sheet, DIP Term Sheet (summarized below) and L/C Term Sheet (summarized in **Appendix F**), which are attached as exhibits to the Initial Affidavit. The Recapitalization Term Sheet is described in the Initial Affidavit and is not repeated in this Pre-filing Report.
83. The Recapitalization Transaction will form the foundation of a Plan of Arrangement for which the Company will seek approval of during the Combined Proceedings.

Process concerns raised by other bidders

84. The Proposed Monitor is aware that certain of the Phase Two Bidders have raised concerns with the bidding process undertaken pursuant to the SISP and, in particular, with the outcome of the SISP, the Independent Committee's recommendation of the Recapitalization Transaction to the Board and the Board's approval of the Recapitalization Transaction, including concerns about whether the Recapitalization Transaction represents the best value for creditors.
85. The Proposed Monitor describes its involvement in the SISP earlier in this Pre-filing Report. As the Proposed Monitor was not directly engaged with interested parties participating in the SISP, other than as noted herein, the Proposed Monitor may not be in a position to comment on specific concerns that may be raised by certain of the Phase Two Bidders. However, the Proposed Monitor provides the following observations, for information purposes:
- a) the Ad Hoc Committee and Bank Steering Committee were extensively involved in the SISP, particularly from and after the execution of the Lender Forbearance Agreements;
 - b) the Ad Hoc Committee represents approximately 52.5% of the total claims of Noteholders (approximately \$2 billion) and the Bank Steering Committee represents all of Pacific's Bank debt (approximately \$1.3 billion). In total, the Proposed Monitor estimates the Ad Hoc Committee and Bank Steering Committee represent the "voices" of approximately \$3.3 billion of the total estimated \$5.3 billion of affected claims, or slightly in excess of 60% of the affected claims;
 - c) in connection with the SISP, the Ad Hoc Committee and Bank Steering Committee had discussions to consider the possibility of a

plan that would be completely backed and sponsored by existing creditors, without outside participation, primarily in response to the perceived unattractiveness of the Phase Two Bids, generally; and

- d) faced with the likelihood of having to equitize all or substantially all of the Bank and Noteholder Claims, the Ad Hoc Committee and Bank Steering Committee were looking for a partner to provide some or all of the up to \$500 million of financing necessary to achieve the Pacific Group's go-forward business plan. The Bank and Noteholder claims are Affected Creditors in the Recapitalization Transaction, their voices had substantial representation in the SISP and their views were an integral component of the decision-making process.
86. The Recapitalization Transaction and the associated DIP financing, recommended by the Independent Committee and approved by the Board, represents a transaction that has the explicit support of approximately 50% of all Affected Creditors, pursuant to the Support Agreement. Goodmans has advised the Proposed Monitor that up to an additional 8.5% of Noteholders (or approximately 7% of Affected Creditors' claims) represented by the Ad Hoc Committee are not able to execute the Support Agreement, but support the Recapitalization Transaction. In addition, Goodmans has advised the Proposed Monitor that the fifteen (15) Ad Hoc Committee members unanimously selected the Recapitalization Transaction as the best available transaction, including the five (5) members of the Ad Hoc Committee who are not participating in the \$250 million of DIP Notes (as defined in the table below) associated therewith.

CASH FLOW FORECAST

87. The Pacific Group has prepared a consolidated weekly cash flow projection (the “**Cash Flow Statement**”) for the period from April 25 to July 23, 2016 (the “**Forecast Period**”). A copy of the signed Cash Flow Statement, notes and a report containing the prescribed representations of the Company regarding the preparation of the Cash Flow Statement are attached hereto as **Appendix C**. The Monitor’s conclusions from its review of the Cash Flow Statement are also included in **Appendix D**.
88. The Cash Flow Statement indicates that during the Forecast Period, the Company will have a net cash outflow of approximately \$221 million. The net outflow is primarily a result of:
- a) ongoing exploration and development expenditures required for both producing and development properties, which are partially offset by the net revenues from the production, transportation and sale of oil and gas to customers;
 - b) payments to pre-filing suppliers of the Pacific Group to normalize outstanding trade obligations, which are contemplated in connection with the DIP Notes described further below;
 - c) tax remittances to governmental authorities for income, equity, withholding and value added taxes;
 - d) costs associated with the Coordinated Proceedings and the restructuring process. This includes the costs of the legal and financial advisors to the Company, the Banks, the Bondholders, and the Plan Sponsor (as defined below) as well as financing costs of the DIP Notes and the L/C Facility; and
 - e) the KERP (as defined below).

89. The Company has indicated that it intends to continue to make regular payments to its suppliers for ongoing services during the Coordinated Proceedings in order to avoid disruption to production and other operations. The Recapitalization Transaction contemplates that these creditors will be unaffected. The Cash Flow Statement reflects the Company's plans to reduce its obligations to pre-filing trade creditors of the Pacific Group, who are permitted to be paid under the terms of the DIP Term Sheet.

RELIEF SOUGHT

DIP NOTES

90. Based on the Cash Flow Statement, the Proposed Monitor understands that the Company will only have sufficient liquidity until early June to continue normal course operations in the absence of additional financing. This is the point at which management of the Pacific Group believes that its available funds would not provide adequate liquidity for intra-week variances in cash requirements.
91. The Cash Flow Statement indicates a funding requirement of \$160 million for the Forecast Period in order to maintain at least \$100 million of available liquidity in each week. The Company has informed the Proposed Monitor that it anticipates a further cumulative funding need of up to \$500 million to normalize operations based on its expectations for go-forward market conditions, particularly oil prices. In addition, certain standby letters of credit issued by the Pacific Group totalling \$118 million are due to expire in the next six months.
92. In light of this, the Applicants are seeking the Court's approval of two interim financing facilities as more fully described below.

DIP Notes and Quantum

93. The terms of the proposed DIP Notes are summarized in the table below. The Proposed Monitor understands that these facilities are subject to definitive documentation and completion of conditions precedent, which would need to be progressed promptly in order for this financing to be available in the time frame required by the Company.

DIP Term Sheet Summary	
Availability	<ul style="list-style-type: none"> • \$500 million senior secured, first-lien debtor-in-possession financing in two separate series of \$250 million notes: <ul style="list-style-type: none"> ○ One series issued by Catalyst (the “Plan Sponsor Notes”); ○ a second series issued by a group of the Noteholders (the “Creditor DIP Notes”, and together with the Plan Sponsor Notes, the “DIP Notes”).
Borrower and Guarantor	<ul style="list-style-type: none"> • Pacific is the Borrower; • Guaranteed by the Guarantors in the Canadian Proceeding and any other wholly owned subsidiaries that may be reasonably require to be a guarantor by the DIP Note Purchasers;
Interest	<ul style="list-style-type: none"> • 12% per annum, compounded monthly and payable in arrears in cash on the last business day of each month; • Upon occurrence of event of default, the interest rate increases by 2% per annum.
Purpose and Permitted Payments	<ul style="list-style-type: none"> • The Company must use the proceeds of the DIP Notes according to the Cash Flow Projection and in the following order: <ul style="list-style-type: none"> ○ to pay financial advisory and legal fees for Catalyst, the Noteholders, the DIP L/C Providers, the Hedging Provider, holders of the Bank Debt; ○ to pay financial advisory and legal fees for Catalyst, the Noteholders, the DIP L/C Providers, the Hedging Provider, holders of the Bank Debt, the

	<p>Monitor;</p> <ul style="list-style-type: none"> to fund Note Parties' immediate funding requirements during restructuring proceedings (fees, KERP, working capital, general corporate purposes).
Payment of Pre-filing Obligations	<ul style="list-style-type: none"> The Company is not entitled to use the DIP Notes proceeds to fund pre-filing obligations owing to the Note Parties without the prior written consent of the DIP Note Purchasers, except paying amounts included in the Cash Flow Protection related to trade creditors, KERP payments, taxes, payroll, and ordinary course liabilities.
Equity Conversion	<ul style="list-style-type: none"> On exit, the Plan Sponsor Notes will exchange for 16.8% of the common stock of the reorganized company.
Equity Warrants	<ul style="list-style-type: none"> DIP Note Purchasers receive equity warrants (the "Equity Warrants") at a nominal strike price exercisable into 25% of total outstanding equity interests of the reorganized company. The Equity Warrants will be detachable from the DIP Notes.
Security	<ul style="list-style-type: none"> The DIP Notes will be secured by the DIP Charge, which will rank subordinate to the Administration Charge and <i>pari passu</i> with the KERP Charge.
Availability	<ul style="list-style-type: none"> The Initial Amount (max. \$288 million) will be made available to the Company based on the following formula (the "Required Release Amount") equal to the difference between \$100 million and Unrestricted Operating Cash as at the last business day of the immediately preceding week. A second release of funds (max. \$192 million) may be made available to the Company weekly in an amount equal to the Required Release Amount, subject to certain funding conditions. Any leftover amounts of the DIP Notes based on the above-noted calculations will be automatically released to the Note Parties on the Exit Date
Additional Facilities	<ul style="list-style-type: none"> Company will also enter into the L/C Facility; Company may enter into a secured first lien hedging

	facility (the “ Hedging Facility ”) with respect to up to 60% of the Company’s and its affiliates’ production with a bank acceptable to the DIP Note Purchasers (such acceptable bank being known herein as the “ Hedging Provider ”).
Maturity	<ul style="list-style-type: none"> • On demand after the occurrence of an event of default; • the date a restructuring, financing or sale transaction other than the Recapitalization Transaction is completed; • expiry or termination of the stay of proceedings, or conversion of these proceedings into liquidation proceeding; • six (6) months following the Closing Date
Break Fee	<ul style="list-style-type: none"> • following execution of the commitment letter, the DIP Note Purchasers are entitled to a break fee equal to 5% of \$500 million, 60% payable to Plan Sponsor Notes and 40% will be payable, <i>pro rata</i>, to holders of the Creditor DIP Notes.
Exit Notes	<ul style="list-style-type: none"> • On the Exit Date, the Creditor DIP Notes will convert into Exit Notes on the following material terms: <ul style="list-style-type: none"> ○ 10% interest per annum, compounded monthly; and ○ maturity in 5 years, subject to certain early redemption rights of the Company.
Separate Rights and Obligations	<ul style="list-style-type: none"> • Each DIP Note Purchaser’s obligations are several (not joint and several)

94. The Banks' Legal Counsel and the Ad Hoc Committee's Legal Counsel have, respectively, advised the Proposed Monitor that all twenty-six (26) institutions comprising the Banks and all fifteen (15) restricted members of the Ad Hoc Committee were canvassed for participation in the Creditor DIP Notes under the Creditor/Catalyst proposal, and that after considerable review of the terms of the DIP Notes and the proposed collateral package for the DIP Notes, all of the Banks declined to participate, as did five (5) members of the Ad Hoc Committee. The \$250

million of Creditor DIP Notes are being provided by the remaining ten (10) members of the Ad Hoc Committee.

95. The DIP Notes is in the amount of \$500 million (less OID, defined below). The Proposed Monitor has reviewed the draft DIP budget (the “**DIP Budget**”) prepared by the Company and Zolfo Cooper, LLC (“**Zolfo**”), a financial advisor to the Company, as a condition of the DIP Notes. The draft DIP Budget indicates that, with access to the DIP Notes, the Company will have sufficient liquidity to fund its operations over the six-month term of the DIP Notes. The assumptions underlying the DIP Budget reflect the current operating environment under which the Company is forecast to operate during the period of the DIP Budget.

DIP Interest Rate and Fees

96. As mentioned, the DIP Notes are in the amount of \$500 million, less an original issue discount (“**OID**”) of 4%, resulting in \$480 million of net proceeds becoming available, once all of the conditions to funding have been satisfied. The DIP Notes do not otherwise include any other closing (upfront) fee or an exit (termination) fee.
97. The Proposed Monitor has reviewed the terms of various DIP funding facilities granted in insolvency and restructuring proceedings in North America in the energy sector since January 1, 2015. The Proposed Monitor also reviewed other data that was publicly available and consulted with PricewaterhouseCoopers Corporate Finance Inc., the Proposed Monitor’s corporate finance affiliate, with respect to reviewing the “costs” of the proposed DIP Notes, including its interest rate and the OID. Based upon this information, the Proposed Monitor prepared a summary upon which its review of the proposed DIP Notes was based (the “**Comparative DIP Summary**”), a copy of which is attached as **Appendix G**.

98. The following table summarizes the fees observed for closing (upfront fees) and exit (termination) fees in the Comparative DIP Summary:

**Comparison of Closing (Upfront) + Exit (Termination)
Fees on reviewed DIP facilities since January 1, 2015**

	All Energy Comparables	Oil & Gas Comparables	DIPs >\$100 million
Maximum	10.00%	6.00%	6.00%
Mean	3.53%	2.64%	3.52%
Minimum	0.50%	1.00%	2.00%

99. The Proposed Monitor has reviewed the 4% OID in the context of both the observed upfront and termination fees summarized in the Comparative DIP Summary. As set out in the table above, the 4% OID would be at the higher end of the upfront (only) fees observed, but combined with the observed termination fees, the OID would be within the range of observed costs, for DIPs in excess of \$100 million. As mentioned, the 4% OID is the only fee for the DIP (other than the DIP Break Fee discussed below), which otherwise does not involve any upfront or termination fees.
100. The Proposed Monitor has reviewed the borrowing costs summarized in the Comparative DIP Summary. The Proposed Monitor notes that the proposed interest rate of the DIP Notes appears in line with comparable, recent financings made in the energy sector.

DIP Break Fee

101. It bears mention that the DIP Notes are not a traditional facility that will be repaid upon the implementation of a restructuring plan and, in fact, the Plan Sponsor's portion of the DIP Notes will convert to equity upon Plan implementation. In this context, the DIP Break Fee (5% of \$500 million) can be more broadly viewed as the consideration payable to DIP Note Purchasers, including the Plan Sponsor, for providing the DIP and also as

- compensation if a Plan of Arrangement based upon the Recapitalization Transaction is not consummated.
102. In addition to purchasing its share of the DIP Notes, the Plan Sponsor has also agreed to:
- a) backstop all of the DIP Notes;
 - b) provide \$200 million in backstopped financing for creditors who wish to “cash out” of their equity entitlement under the Plan; and
 - c) only receive equity in the reorganized Pacific Group.
103. The Proposed Monitor notes that two of the other Phase Two Bidders included break fees of 4% and 10%, respectively, of the proposed DIP financing to be provided by them pursuant to their Phase Two Bids.

Statutory Considerations

104. The Proposed Monitor has the following observations on the factors to be considered by the Court with respect to the DIP Notes under section 11.2(4) of the CCAA:
- a) *The period during which the company is expected to be subject to proceedings under this Act:*
 - i) The Applicants anticipate they will complete the Coordinated Proceedings within the six (6) month term of the proposed DIP Notes.
 - b) *How the company’s business and financial affairs are to be managed during the proceedings:*
 - i) The Applicants expect to remain a debtor-in-possession for the term of the DIP Notes.

- ii) Operations will continue to be managed by the existing management team who benefit from the provisions of the KERP (discussed below).
 - iii) A chief restructuring officer and deputy chief financial officer are being appointed pursuant to the Recapitalization Term Sheet, whose mandate shall include a full assessment of key company processes, systems, controls and risks. These individuals shall be appointed by the Requisite Consenting Creditors (comprising, as defined in the Support Agreement, the Ad Hoc Committee and the Bank Steering Committee), together with the Plan Sponsor and the Independent Committee.
- c) *Whether the company's management has the confidence of its major creditors:*
- i) The Ad Hoc Committee and the Bank Steering Committee, who represent the largest groups of creditors of the Company, are supportive of the restructuring process and the continued involvement of management, as evidenced in part by their support for the KERP.
 - ii) The appointment of a chief restructuring officer and deputy chief financial officer, which was a condition of the Recapitalization Term Sheet, is expected to promote the confidence of these creditor groups.
- d) *Whether the loan would enhance the prospects of a viable compromise or arrangement being made in respect of the company:*

- i) The Pacific Group only has sufficient liquidity to continue *status quo* operations until the third week of May, in which time a viable arrangement will not be possible. The Cash Flow Statement reflects the need for a DIP Notes to provide necessary liquidity.
 - ii) Based on the terms of the DIP Budget, the Pacific Group is expected to have sufficient liquidity for the duration of the six-month term of the DIP Notes, during which time the Applicants expect to complete a Plan of Arrangement.
- e) *The nature and value of the company's property:*
- i) The Applicants' property largely comprises oil and gas properties in South America. The value of this property, based on the reserve reports prepared for the Pacific Group's financial statements as of December 31, 2015, exceeds the amount of the DIP Notes.
- f) *Whether any creditor would be materially prejudiced as a result of the security or charge:*
- i) The Proposed Monitor has to consider the potential prejudice to creditors in light of the alternatives available to the Pacific Group as it stands.
 - ii) The Cash Flow Statement shows that in the absence of the DIP Notes the Company will have insufficient funds to continue operations after the third week of May. A disruption of business operations would have a significant adverse effect on the recoverability of all creditor claims in the Proposed Monitor's considered, albeit preliminary, view.

iii) If approved, the DIP Notes will provide for continued going concern operations of the Company and the Pacific Group, a continued potential to realize going concern value and an opportunity for a viable plan of arrangement to be pursued. Further, the DIP Notes has been proposed in the context of a plan under which the Affected Creditors (being the Banks and Noteholders) would be compromised, and the Pacific Group's remaining creditors would be unaffected. A significant proportion of the Affected Creditors have signed the Support Agreement.

g) *The Monitor's report referred to in paragraph 23(1)(b):*

i) The Proposed Monitor has reviewed the Applicants' Cash Flow Statement and has concluded on the reasonableness of the forecast in accordance with the CAIRP Standard of Practice No. 9.

105. The Proposed Monitor is of the view that the factors the Court is to consider pursuant to section 11.2(4) of the CCAA, suggest that circumstances exist to support the Company's request for an order authorizing the issuance of the DIP Notes.

L/C FACILITY

106. The Initial Affidavit addresses the Company's request for approval of the L/C Facility and the L/C Charge. As indicated above, the Pacific Group has posted letters of credit to support obligations to a range of parties in connection with its ongoing operations, including to the ANH. The Company is seeking the approval of the L/C Facility as part of these proceedings as it allows for maturing letters of credit to be replaced or renewed without requiring cash collateral to be posted. Further, the approval of the L/C Facility will allow the Pacific Group to assure the

relevant L/C beneficiaries, many of whom are regulatory and key contractual parties, that the applicable L/Cs will continue on an uninterrupted basis.

107. The L/C Facility covers 41 standby letters of credit having a total face value of \$133.2 million (the “**DIP L/Cs**”). The facility will have a six month term, which conforms to the term of the DIP Notes. Assuming the Initial Order is made on April 27, 2016, \$118.0 million of these letters of credit are scheduled to mature during the term of the L/C Facility. A fee on the undrawn portion of any outstanding letters of credit (the “**L/C Fee**”) is charged at 5% *per annum* and also payable monthly. Interest on advances made under the L/C Facility is charged at 8% *per annum* and payable monthly. Upon the occurrence of an event of default, the interest rate on all amounts subject to interest and the L/C Fee increase by 2% *per annum*. The interest rate on advances made under the L/C Facility is less than that for the DIP Notes, and is considered to be reasonable in the overall circumstances. The L/C Fee is generally consistent with the range of standby fees charged to the Pacific Group for new letters of credit that were granted prior to the Coordinated Proceedings.
108. As set out in the L/C Term Sheet attached to the Initial Affidavit, the DIP L/Cs will be renewed, replaced or extended as part of this facility upon satisfaction of the Conditions Precedent set out in the L/C Facility. Further, certain letters of credit issued by the DIP L/C Issuers that are scheduled to expire within the term of the L/C Facility and be renewed, replaced or extended (defined as “**Renewal L/Cs**”) are deemed to be DIP L/Cs on and after the Closing Date (being the satisfaction of the Conditions Precedent in the L/C Term Sheet).
109. Based on its discussions with management, the Proposed Monitor understands that the Pacific Group has a history of using standby letters of

credit in order to support obligations to regulators and project counterparties in the ordinary course of business. Management also advises that it has faced increasing difficulties obtaining standby letters of credit absent posting cash collateral for such letters of credit, which has put added strain on the Company's available funds.

110. The L/C Facility provides the necessary financial support for the Company's impending letter of credit expiries. Without the L/C Facility, the Company would likely be required to cash collateralize additional letters of credit as they expire during the Coordinated Proceedings. Throughout the Coordinated Proceedings, the only source of funds for cash collateralization of any letters of credit would be the DIP Notes. Based on the DIP Budget, the funds available under the DIP Notes are insufficient to both fund ongoing operations and to cash collateralize the expiring letters of credit. The Proposed Monitor is of the view that it would be unlikely for the Company to obtain an unsecured letter of credit facility during the Coordinated Proceedings, thus making it necessary to consider a letter of credit facility with a priority charge.
111. The L/C Facility is intended to address the continuation of existing letter of credit arrangements for the Pacific Group and its counterparties and provide stability with respect to certain of the Applicants' regulatory and contractual relationships. This avoids the complexity, challenge and additional cost of acquiring new letters of credit from third parties to replace the existing letters with the Pacific Group's counterparties. The Proposed Monitor is not aware of what negotiations happened surrounding the terms of the L/C Facility, but understands that the Company, the Ad Hoc Committee and the Bank Steering Committee are supportive of the L/C Facility and its terms.

112. As set out in the Initial Affidavit, the L/C Charge is proposed to rank behind the Administration Charge, the DIP Note Charge, the KERP Charge and the Directors' Charge. The L/C Charge will only secure:
- a) new L/C's issued or DIP L/Cs that are renewed after the date of the order; and
 - b) reimbursement obligations that arise on existing letters of credit if such letters of credit are drawn after the date of the Order.
113. No non-contingent or mature reimbursement obligations currently exist and therefore, no such pre-existing mature obligations are covered by the L/C Charge.
114. As a result, the Monitor supports the approval of the L/C Facility and the L/C Charge sought by the Applicants.

KEY EMPLOYEE RETENTION PLAN ("KERP")

115. As set out in the Supplementary Affidavit of Peter Volk sworn April 27, 2016 (the "**KERP Affidavit**"), the Applicants' approved a KERP on April 18, 2016 to incentivize employees who:
- a) perform roles critical to implementing the Pacific Group's restructuring goals; and
 - b) very likely cannot be suitably replaced at reasonable cost (the "**KERP Participants**") to remain in their employment during the anticipated restructuring.
116. The Company is seeking Court approval of the proposed KERP and the related KERP Charge described below.
117. Capitalized terms not otherwise defined in this section are defined in the KERP Affidavit.

118. The proposed Initial Order provides for the creation of a court-ordered charge (the “**KERP Charge**”) over the Company’s assets. The proposed KERP Charge is in the aggregate amount of \$14,200,000 to secure all obligations owing under the KERP. It is proposed to rank behind the Administration Charge (defined and discussed below) and rank *pari passu* with the DIP Charge.
119. The terms of the proposed KERP are summarized as follows:
- a) a total of forty (40) current employees have been identified as KERP Participants;
 - b) the KERP is a pure retention bonus for individual KERP Participants. The retention bonus amounts are calculated as a percentage of annual salaries ranging from 25% to 100% (each a “**KERP Entitlement**”) based on seniority and criticality of the KERP Participant, totalling approximately \$13,140,000.
 - c) a KERP Participant is entitled to a retention bonus payment on the date of CCAA Court approval, provided that the KERP Participant has not resigned or been terminated for just cause;
 - d) the Company proposes to pay the KERP Entitlements as follows:
 - i) An upfront initial payment (an “**Initial Payment**”) set at 25% of the KERP Entitlement for each KERP Participant. In the event that a KERP Participant receives an Initial Payment and resigns within one year of the Initial Payment, or is terminated for just cause, prior to the Emergence Event (defined below), whichever occurs first, the Company will require such amount to be paid back to the Company.

- ii) A subsequent payment set at 75% of the KERP Entitlement for each KERP Participant on the implementation of a plan of arrangement or closing of a sale of the Company's assets (an "**Emergence Event**").
 - e) In the event of a qualifying termination, the KERP Participant shall be entitled to receive a prorated KERP Entitlement based upon a prescribed formula.
120. In identifying and selecting the KERP Participants, the Proposed Monitor is advised that management considered the following criteria, *inter alia*:
- a) the operational importance of an employee;
 - b) the transactional importance of an employee;
 - c) the fact that an employee plays a critical role in dealing with restructuring matters affecting the Company;
 - d) the risk that a particular employee resigns prior to a confirmation of a plan of arrangement or sale of assets, and the impact that such resignation would have on the Company and its business, including its restructuring efforts; and
 - e) In the event of resignation of such employee, the difficulty for the Company to replace that employee, with a person of similar skills and knowledge.
121. The Company's legal counsel, Norton Rose, engaged the Hay Group Limited (the "**Hay Group**"), an independent compensation consultant, to provide advice on a fair KERP design for KERP participants. The Hay Group prepared a report (the "**Hay Report**") which surveyed similar key employee retention plans of other companies that have commenced or

- completed CCAA proceedings, and considered whether the Pacific Group's KERP was consistent with other such plans approved by the Court and other courts in CCAA proceedings across Canada and to determine if it was reasonable. The KERP reflects the recommendations of the Hay Report.
122. The aggregate KERP value is inclusive of a \$1,000,000 reserve (the "**KERP Reserve**") that has been established for the purpose of funding additional retention bonus amounts to participants who may be identified in the future by the Chief Restructuring Officer. Any payment of additional retention bonus amounts shall first be approved by the Monitor.
 123. The Proposed Monitor provided input to the Company in formulating the KERP. The Proposed Monitor and its counsel were invited to meetings with representatives from the Company, its counsel, and the Independent Committee where the KERP was considered and the terms were discussed in detail, including whether the entitlement of certain participants should be changed from what Management had proposed. Certain of the Proposed Monitor's recommendations with respect to the design of the KERP were incorporated into the final plan during this process.
 124. The Ad Hoc Committee and the Bank Steering Committee have reviewed the KERP and provided comments to the Independent Committee. As a result of the Ad Hoc Committee's input, the total scope and quantum of the KERP was increased, the obligation of the Company to make change of control payments as part of the Recapitalization Transaction to KERP Participants was removed, and any existing contractual severance entitlements in excess of 1.5-times base salary were reduced to 1.5-times base salary. The Ad Hoc Committee and the Plan Sponsor endorsed the revised terms of the KERP and the list of KERP Participants.

125. The Proposed Monitor supports the Company's application for the approval of the KERP and the KERP Charge. In reaching this conclusion the Proposed Monitor considered the following:
- a) Key employees are important to the successful completion of a restructuring process. The KERP was implemented by the Independent Committee when it recognized certain risks to the retention of key employees.
 - b) The KERP Participants and the KERP Entitlements were evaluated and supported by the Hay Group, who has a solid understanding of management retention issues, and were confirmed by the Independent Committee of the Board. The Ad Hoc Committee and also reviewed and approved the final form and composition of the KERP.
 - c) The retention bonus amount provides a clear incentive to the KERP Participants to remain employed at the Company, as the value of the retention bonus is substantial for most employees relative to their role and level of compensation. Excluding the KERP Reserve, the average value of the retention bonus per employee is approximately 67.9% of base salary.
 - d) The structure of the KERP and the quantum of amounts payable to KERP Participants are in keeping with comparable precedents as noted by the Hay Report.

ADMINISTRATION CHARGE

126. The proposed Initial Order contemplates a charge on the assets of the Applicants in favour of the Proposed Monitor, counsel to the Proposed Monitor, and the consultants, agents, experts, accountants, counsel and other persons (collectively the “**Assistants**”) to the Applicants (including

the legal and financial advisors of the Company, the Independent Committee, the Ad Hoc Committee, the Banks and the Plan Sponsor) as security for their respective fees and disbursements rendered in respect of the Petitioners in the aggregate amount of \$50 million (the “**Administration Charge**”). A comprehensive list of the Applicants’ Assistants is attached as Schedule B to the proposed Initial Order.

127. The quantum of the Administration Charge is essentially in two parts:
 - a) Approximately \$17 million in respect of the ongoing professional costs of the Monitor, the Monitor’s counsel and the Assistants. This cost has been forecasted by Zolfo to be in the range of \$8-9 million per month, and is expected to be paid within 30 days of the end of the month in which the work was performed; and
 - b) Approximately \$33 million in respect of success fees of certain of the financial advisors included among the Assistants, which fees are payable at certain milestones between the filing date and emergence of the Applicants from the Coordinated Proceedings.
128. The Administration Charge is not to exceed \$50 million and is to rank in first priority over all other claims.
129. The Proposed Monitor is of the view that the proposed Administration Charge is reasonable and appropriate in the circumstances having considered the complexity of the proceedings, the work that has been done to date, the engagement terms and anticipated work levels of the Monitor, the Monitor’s counsel and the Assistants, the estimated duration of the Coordinated Proceedings and the size of charges approved in comparable proceedings.

DIRECTORS' AND OFFICERS' CHARGE

130. The proposed Initial Order grants an indemnity in favour of Pacific's directors and officers for any obligations or liabilities that they may incur as directors or officers of the Applicants (i) after the commencement of the Coordinated Proceedings, or (ii) in respect of actions taken as directors and officers of the Applicant relating to the Coordinated Proceedings, the Restructuring and the development and implementation of the Plan, except to the extent that such obligation or liability is incurred as a result of such director's or officer's gross negligence or willful misconduct.
131. The indemnification is proposed to be secured by a charge in an amount not to exceed \$11 million (the "**Directors' Charge**"). The proposed Directors' Charge would apply only to the extent that the directors and officers do not have coverage under the directors' and officers' insurance policies which are maintained by Pacific and provide coverage to the directors and officers of Pacific.
132. The Directors' Charge is proposed to be ranked behind the Administration Charge, DIP Note Charge and the KERP Charge.
133. The Applicants, with the Proposed Monitor's assistance, have prepared an analysis (the "**D&O Analysis**") of the potential obligations that may accrue due to creditors which could give rise to liability to the directors and officers of the Applicants. This D&O Analysis principally considers the hourly and salaried payroll costs, unremitted employee source deductions, other employment related liabilities that attract liability for directors and officers, vacation pay, and value-added taxes.
134. The D&O Analysis was prepared by jurisdiction in which the Company has operations and considered the specific directors' and officers' liabilities by country based on local legislation. In reviewing the D&O Analysis for Colombia, the Proposed Monitor observed that director and officer

liabilities were limited to employment related liabilities, but actual obligations of directors and officers could include other liabilities incurred but not paid during the Coordinated Proceedings. Should the Applicants not otherwise be able to pay such obligations during the Coordinated Proceedings, the financial exposure of the Colombian-based Applicants may be greater than calculated in the D&O Analysis.

135. The Proposed Monitor notes that the creation of a charge indemnifying directors and officers is typical in CCAA proceedings. The Proposed Monitor is of the view that the creation of the D&O Charge is reasonable in the circumstances and supports the D&O Charge sought by the Company.

SUMMARY OF THE PROPOSED RANKING OF THE CHARGES

136. As outlined above, it is contemplated that the priority of the charges sought by the Applicants (collectively the “**Charges**”) shall rank as follows:
- a) First – the Administration Charge, to a maximum of \$50 million;
 - b) Second – the DIP Note Charge and the KERP Charge (the latter to a maximum of \$14,120,000), ranking *pari passu*;
 - c) Third – the Directors’ Charge, to a maximum of \$11 million; and
 - d) Fourth – the L/C Charge.

CONCLUSION

137. If the Court is satisfied that the Applicants are companies to which the CCAA applies, in connection with the Applicants' request for the Initial Order, the Proposed Monitor supports the Applicants' request for:

- a) approval of the DIP Notes and the L/C Facility;
- b) approval of the KERP; and
- c) approval of the Charges.

This Pre-filing Report is respectfully submitted this 26th day of April, 2016.

PricewaterhouseCoopers Inc.
Proposed Court Appointed Monitor of
Pacific Exploration and Production Corp., et al



Greg Prince
President



Mica Arlette
Senior Vice-President

APPENDIX A

LIST OF APPLICANTS

APPENDIX A

List of Applicants

Borrower

1. Pacific Exploration and Production Corporation

Guarantors

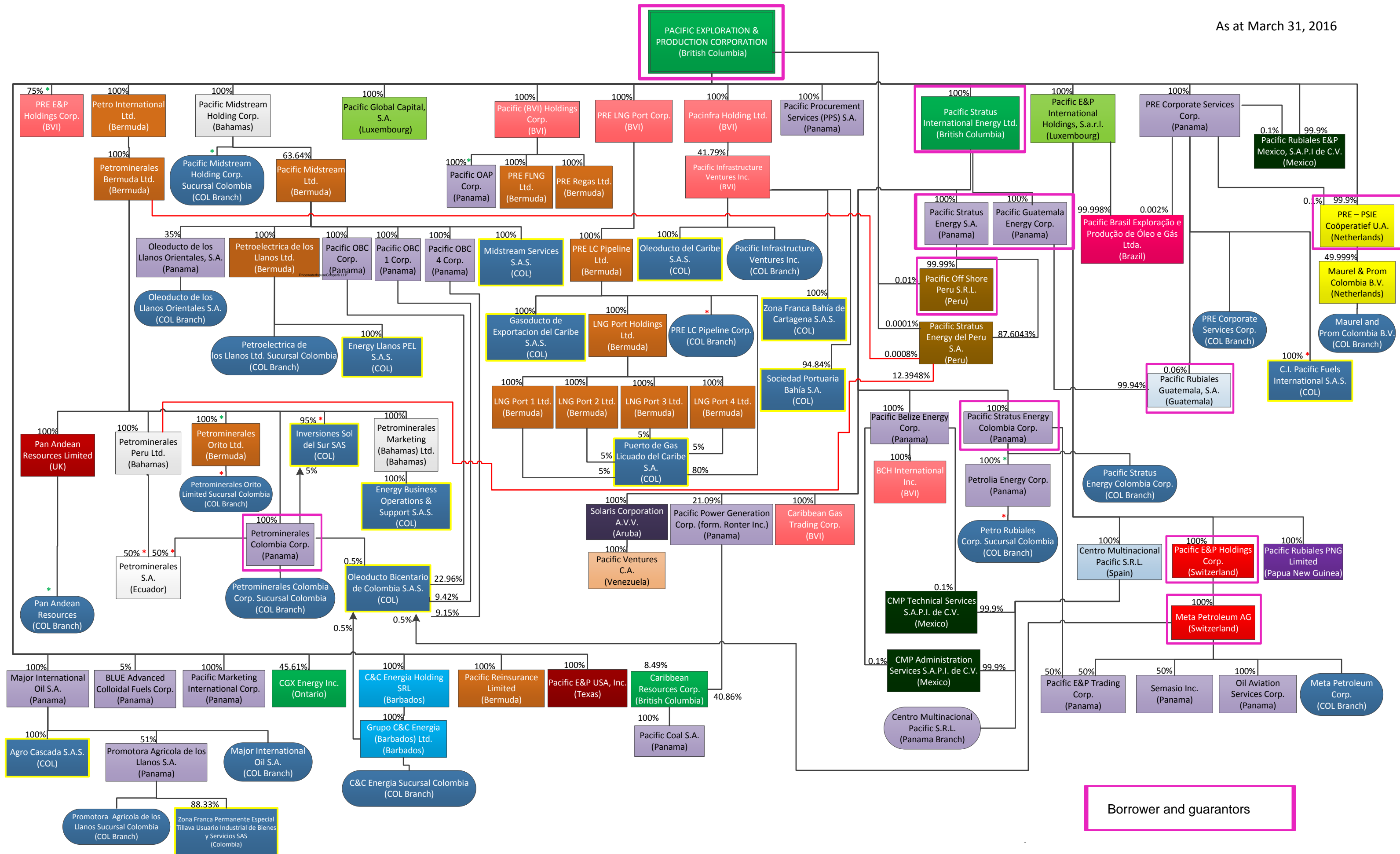
2. Pacific E&P Holdings Corp. (formerly known as Rubiales Holdings Corp.)
3. Meta Petroleum Corp.
4. Pacific Stratus International Energy Ltd.
5. Pacific Stratus Energy Colombia Corp.
6. Pacific Stratus Energy S.A.
7. Pacific Off Shore Peru S.R.L.
8. Pacific Rubiales Guatemala S.A.
9. Pacific Guatemala Energy Corp.
10. PRE-PSIE Cooperatief U.A.
11. Petrominerales Colombia Corp.

Non-Guarantor

12. Grupo C&C Energia (Barbados) Ltd.

APPENDIX B

ORGANIZATIONAL CHART



APPENDIX C

CASH FLOW STATEMENT AND MANAGEMENT'S CONFIRMATION

Pacific Exploration & Production Corporation, et al
CCAA Cash Flow Forecast
For the 13 Week Period, April 25 to July 23, 2016

(in USD \$ thousands)		Week 1	Week 2	Week 3	Week 4	Week 5	Week 6	Week 7	Week 8	Week 9	Week 10	Week 11	Week 12	Week 13	Total
Week ending	Notes	30-Apr	7-May	14-May	21-May	28-May	4-Jun	11-Jun	18-Jun	25-Jun	2-Jul	9-Jul	16-Jul	23-Jul	
Receipts															
Oil and gas exports	1	19,360	27,702	53,478	39,606	53,892	16,144	3,229	19,689	18,100	79,810	1,565	22,136	18,431	373,142
Hedge	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other receipts	3	-	2,301	291	6,573	1,382	55	-	4,607	-	-	-	-	3,116	18,324
Total operating receipts		19,360	30,003	53,770	46,178	55,274	16,199	3,229	24,296	18,100	79,810	1,565	22,136	21,547	391,466
Disbursements															
Oil delivery cost	4	(10,633)	(22,246)	(10,025)	(7,556)	(22,439)	(23,671)	(7,793)	(7,583)	(22,633)	(8,204)	(21,704)	(8,157)	(20,461)	(193,105)
Supplier payments on wholly owned operations	5	(12,788)	(6,762)	(7,963)	(6,761)	(7,290)	(5,940)	(11,016)	(12,745)	(5,162)	(9,857)	(6,458)	(7,093)	(7,539)	(107,374)
Joint venture cash calls (Colombia)	6	(11,213)	(18,590)	(59)	(86)	(12,634)	(833)	(19,448)	(85)	(4,210)	(114)	(16,986)	(50)	(7,944)	(92,253)
Cash calls (Non-Colombia)	7	(4,795)	(5,970)	(6,203)	(3,481)	(1,141)	(6,253)	(5,728)	(3,061)	(1,139)	(5,800)	(5,544)	(3,111)	(321)	(52,547)
Taxes	8	(60)	(7,124)	(2,043)	(14,920)	(512)	(1,425)	(722)	(6,935)	(632)	(314)	(1,973)	(606)	(4,329)	(41,595)
Payroll	9	(2,874)	(2)	(64)	(7,007)	(392)	(2,041)	(59)	(24)	(8,049)	(2,450)	(16)	(5,147)	(5,963)	(34,089)
Abandonment costs	10	-	-	-	-	-	-	-	-	-	(15,600)	-	-	-	(15,600)
Royalties & ANH	11	(1,391)	(2,222)	(288)	(334)	(34)	(2,406)	-	(345)	(741)	(2,405)	-	(415)	(765)	(11,346)
Third-party oil/fuels	12	(27)	(213)	(1,549)	(807)	(31)	-	(7)	-	-	(84)	-	(7)	-	(2,724)
Endorsements	13	(101)	-	-	(72)	-	-	(77)	(119)	(11)	(101)	-	-	(72)	(552)
Total operating disbursements		(43,881)	(63,129)	(28,194)	(41,023)	(44,472)	(42,569)	(44,851)	(30,898)	(42,577)	(44,930)	(52,682)	(24,586)	(47,395)	(551,185)
Net cash flow from operations		(24,521)	(33,125)	25,576	5,155	10,801	(26,370)	(41,622)	(6,603)	(24,478)	34,881	(51,117)	(2,450)	(25,847)	(159,719)
Restructuring Process															
DIP interest		-	-	-	-	-	-	(5,000)	-	-	-	(5,000)	-	-	(10,000)
L/C Fees		-	-	(544)	-	-	-	(535)	-	-	-	(500)	-	-	(1,580)
Professional Fees- General	14	(7,000)	(2,500)	(2,500)	(2,500)	(2,700)	(2,500)	(2,500)	(2,500)	(2,700)	(2,500)	(2,500)	(2,500)	(2,500)	(37,400)
Professional Fees- Lazard success		-	-	-	(12,000)	-	-	-	-	-	-	-	-	-	(12,000)
Total Restructuring Process Disbursements		(7,000)	(2,500)	(3,044)	(14,500)	(2,700)	(2,500)	(8,035)	(2,500)	(2,700)	(2,500)	(8,000)	(2,500)	(2,500)	(60,980)
Net cash flow		(31,521)	(35,625)	22,532	(9,345)	8,101	(28,870)	(49,657)	(9,103)	(27,178)	32,381	(59,117)	(4,950)	(28,347)	(220,699)
Opening cash balance		160,885	129,364	93,739	116,271	106,926	115,028	100,000	100,000	100,000	100,000	100,000	100,000	100,000	160,885
Net cash flow		(31,521)	(35,625)	22,532	(9,345)	8,101	(28,870)	(49,657)	(9,103)	(27,178)	32,381	(59,117)	(4,950)	(28,347)	(220,699)
Use of funds from DIP Cash Collateral Account		-	-	-	-	-	13,842	49,657	9,103	27,178	(32,381)	59,117	4,950	28,347	159,814
Closing cash balance		129,364	93,739	116,271	106,926	115,028	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Note: Roll of DIP Cash Collateral Account															
Opening balance		-	-	-	480,000	480,000	480,000	466,158	416,501	407,398	380,220	412,601	353,484	348,534	
Funds in (out)		-	-	-	-	-	(13,842)	(49,657)	(9,103)	(27,178)	32,381	(59,117)	(4,950)	(28,347)	
Closing balance		-	-	-	480,000	480,000	466,158	416,501	407,398	380,220	412,601	353,484	348,534	320,186	
Initial Amount		-	-	-	288,000	288,000	288,000	288,000	288,000	288,000	288,000	288,000	288,000	288,000	
Subsequent Amount		-	-	-	-	-	-	-	-	192,000	192,000	192,000	192,000	192,000	
Less cumulative funds advanced (net)		-	-	-	-	-	(13,842)	(63,499)	(72,602)	(99,780)	(67,399)	(126,516)	(131,466)	(159,814)	
Total funds available from DIP Facility		-	-	-	288,000	288,000	274,158	224,501	215,398	380,220	412,601	353,484	348,534	320,186	

Pacific Exploration & Production Corporation, et al
CCAA Cash Flow Forecast - Assumptions
For the 13 Week Period, April 25 to July 23, 2016

Note	Line Item	Assumption
1	Oil and gas exports	Oil and gas exports are made up of international and local sales of heavy and light crude as well as natural gas. May and June receipts are forecasted based on contracted nominations and spreads. Management has estimated July receipts based on forecasted nominations. Pricing has been forecasted over the 13 week period using the forward curve to predict Brent pricing, ranging from US \$41.40 - 42.00/bbl
2	Hedge	The company does not currently have any risk management contracts in place to hedge market prices
3	Other receipts	Other receipts consist of tax refunds from the operating business units, dividends from subsidiaries, reimbursements from prepaid deposits and cash recoveries from joint ventures. These are forecasted based on anticipated timing, filings made, and availability of funds
4	Oil delivery costs	Oil delivery disbursements relate to pipeline, ground transportation and diluent costs. Management has forecasted these disbursements using the fees and tariffs included in agreed upon contracts as well as known nominations and expected production levels
	Ground transportation	Management estimates disbursements related to ground transportation based on contracted services with vendors which have payment terms of 60 days. For the third month of the forecast management relies on historical information, production levels, and information provided by a linear regression model in order to estimate the most reasonable disbursements related to ground transportation
	Pipelines	Disbursements relate to transporting oil and gas via pipeline. Management has based the pricing component on contracted fees and tariffs which are constant over the three month period. The volume component for the first two months is known as volumes are able to be nominated up to two months in advance. The third month is estimated using a complex linear programming model which considers factors such as expected levels of production, production locale, transportation costs, and pricing of both oil and diluent.
	Diluent	Disbursements related to diluent are related to light crude and natural gas used to dilute heavy crude in order to more easily transport heavier crude via pipeline. Similar to pipeline costs, pricing is fixed over the three month period as diluent is contracted with supplies based on known pipeline volumes. The third month is estimated using a complex linear programming model which considers factors such as expected levels of production, production locale, transportation costs, and pricing of both oil and diluent.
5	Supplier payments on wholly owned operations	Supplier disbursements consist of both capex and opex disbursements to suppliers with payment terms that range from immediate payment to BL+60. Additionally, there are certain larger suppliers with whom an agreement has been reached to extend payment terms to five months. No acceleration of pre-filing creditor payment terms from suppliers have been assumed.
6	Joint venture cash calls (Colombia)	Requests for funding from the Colombian joint venture operators for cost incurred at the oil field. An annual budget is prepared each year (and revised every three months) by both JV partners to estimate costs based on anticipated activity levels. Forecasted payments correspond to these monthly budgets together with any closing or extraordinary cash calls required on certain projects
7	Cash calls (Non-Colombia)	Requests for funding from the non-Colombian business units i.e. Brazil, Canada, Panama, Peru for costs expected to be incurred in operations. This includes KERP disbursements which relate to the non-Colombian entities; the initial 25% payment of the KERP is assumed to be paid in the week of the filing
8	Taxes	These disbursements include income taxes, equity taxes, and government withholdings made on both sales and expenditures. These figures have been calculated by applying the relevant rates to the underlying information used in forecasting the receipts and disbursements
9	Payroll	Payroll is based on the most recent payroll information head count. The portion of the KERP related to Colombian operations is also reflected in these figures with 25% of the balance assumed to be paid in the week of filing
10	Abandonment costs	These disbursements relate to a required fee that must be put in a trust account with ANH to provide for the costs related to abandoning oil fields at the end of their life cycle. This fee due in June is a result of ANH reassessing the fee at a higher rate in recognition of the previous fee formula not being sufficient to cover the actual abandonment costs. Additionally, new fields have required the Company, as the producer, to contribute funds to an abandonment trust
11	Royalties & ANH	Royalties and ANH are forecasted using the agreed upon rates and production levels on a per field basis
12	Third-party oil/fuels	Third-party oil/fuels are oils that are purchased for trading activities
13	Endorsements	Endorsements relate to payments made to financial institutions for factoring of receiveables. These amounts are known for the initial two months of the forecast and estimated using payment trends for the third month
14	Professional fees	Forecasted based on the anticipated run rate of professionals assumed to be paid, based on engagement letters and estimated billings provided by the relevant advisors



April 25, 2016

PricewaterhouseCoopers Inc. ("PwC")
PwC Tower, 18 York Street, Suite 2600,
Toronto ON M5J 0B2

Attention: Gregory Prince

Dear Sirs,

Re: Proceedings under the *Companies' Creditors Arrangement Act* ("CCAA") for Pacific Exploration and Production Corporation, et al., ("Pacific") – Responsibilities / Obligations and Disclosure with Respect to Cash-flow Projections

In connection with the application by Pacific for the commencement of proceedings under the CCAA, the management of Pacific ("**Management**") has prepared, the attached cash-flow statement and the assumptions on which the cash-flow statement is based.

Mr. Perez confirms that:

1. The cash-flow statement and the underlying assumptions are the responsibility of Pacific;
2. All material information relevant to the cash-flow statement and to the underlying assumptions has been made available to PwC in its capacity as Monitor; and
3. Management has taken all actions that it considers necessary to ensure:
 - a. That the individual assumptions underlying the cash-flow statement are appropriate in the circumstances; and
 - b. That the assumptions underlying the cash-flow statement, taken as a whole, are appropriate in the circumstances.



- c. That all relevant assumptions have been properly presented in the cash-flow statement or in the notes accompanying the cash-flow statement.
4. Management understands its duties and obligations under the CCAA and that a breach of these duties and obligations could make Management liable to fines and imprisonment in certain circumstances.
5. The cash-flow statement and assumptions have been reviewed and approved by the Pacific's board of directors or management has been duly authorized by the Pacific's board of directors to prepare and approve the cash-flow assumptions.

Yours truly,

Name
Title

Carlos Perez
Chief Financial Officer

Jorge Rafael Fonseca Chaumer
Corporate Finance Manager

APPENDIX D

PROPOSED MONITOR'S CONCLUSION ON CASH FLOW STATEMENT

APPENDIX D

Proposed Monitor's Conclusion on the Cash Flow Statement

1. The Proposed Monitor's conclusions from its review of the Cash Flow Statement pursuant to section 23(1) (b) of the CCAA are as follows³:
 - a) The Cash Flow Statement attached as Appendix C to this report has been prepared by the Company for the purpose described in the notes to the Cash Flow Statement (the "**Notes**"), using the Probable and Hypothetical Assumptions set out in Notes 1 to 14.
 - b) The Proposed Monitor's review of the Cash Flow Statement consisted of inquiries, analytical procedures and discussion related to information supplied to the Proposed Monitor by certain of the management and employees of the Pacific Group. Since Hypothetical Assumptions need not be supported, the procedures with respect to them were limited to evaluating whether they were consistent with the purpose of the Cash Flow Statement. The Proposed Monitor has also reviewed the support provided by management of the Pacific Group for the Probable Assumptions, and the preparation and presentation of the Cash Flow Statement.
 - c) Based on the Proposed Monitor's review, nothing has come to our attention that causes us to believe that, in all material respects:
 - i) The Hypothetical Assumptions are not consistent with the purpose of the Cash Flow Statement;
 - ii) As at the date of this Pre-filing Report, the Probable Assumptions developed by management are not suitably

³ All terms used but not defined in this section of the Pre-filing Report have the meanings ascribed to them in the Canadian Association of Insolvency and Restructuring Professionals ("**CAIRP**") Standard of Professional Practice No. 9, Cash-Flow Statement.

supported and consistent with the plans of the Pacific Group or do not provide a reasonable basis for the Cash Flow Statement, given the Hypothetical Assumptions; or

iii) The Cash Flow Statement does not reflect the Probable and Hypothetical Assumptions.

2. Since the Cash Flow Statement is based on Assumptions about future events, actual results will vary from the information presented even if the Hypothetical Assumptions occur, and the variations may be material. Accordingly, the Proposed Monitor expresses no assurance as to whether the results shown in the Cash Flow Statement will be achieved. The Proposed Monitor also expresses no opinion or other form of assurance with respect to the accuracy of any financial information presented in this Pre-filing Report, or relied upon by it in preparing this Pre-filing Report.
3. The Cash Flow Statement has been prepared solely for the purpose described in the Notes, and readers are cautioned that it may not be appropriate for other purposes.

APPENDIX E

SUMMARY OF THE SUPPORT AGREEMENT

APPENDIX E

SUMMARY OF THE SUPPORT AGREEMENT

Below is a summary of the Support Agreement (the “SA”), a copy of which is attached as **Exhibit “D”** to the Initial Affidavit. Unless otherwise indicated, capitalized terms not otherwise defined herein are defined in the SA.

1. Effectiveness of SA: The SA becomes effective when, among other things, (i) the Consenting Creditors holding an aggregate of 45% of the outstanding principal of the Note Claims and Bank Debt Claims have executed the SA; and (ii) the commitment letters in connection with the DIP Notes and the L/C Facility have been executed.
2. Consenting Creditors’ and Plan Sponsor’s Commitments: The Consenting Creditors and Plan Sponsor each agree in pertinent part to:
 - a) vote in favour of the Plan;
 - b) not object, delay or take other actions enforcing rights as a holder of Note Claims or Bank Debt Claims; and
 - c) not seek or support any amendment to the KERP.
3. Company Commitments: The Company agrees, in pertinent part, to:
 - a) consummate the Recapitalization Transaction;
 - b) provide counsel to the Consenting Creditors and Plan Sponsor draft court materials and other pleadings within specified timelines;
 - c) seek certain orders in the Coordinated Proceedings within specified timelines; and
 - d) take no steps to amend the KERP.

4. Payment of Fees and Expenses: The Company agrees to reimburse currently outstanding and future fees and documented expenses of the counsel and financial advisors for, the Company, Monitor, Consenting Noteholders, Consenting Lenders, and Plan Sponsor. In addition, the Company will provide on a monthly basis a detailed statement of professional fees and expenses paid in the prior month.
5. Automatic Termination Events: the SA automatically terminates upon the occurrence of, among other things, the following events:
 - a) the aggregate amount of Company Claims held by the Plan Sponsor and the Consenting Creditors that have not terminated their obligations under the SA is less than 35% of the aggregate amount of outstanding Company Claims for a period of five business days;
 - b) if the Plan Effective Date does not occur within 270 calendar days following the filing date; and
 - c) on the Plan Effective Date.
6. Consenting Noteholder and Consenting Lender Termination Events: The Consenting Creditors are entitled to terminate the SA if, among other things:
 - a) the Company fails to obtain certain orders within the insolvency proceedings (including recognition orders in ancillary proceedings) by prescribed deadlines;
 - b) the Company has not retained a CRO by May 6, 2016;
 - c) the Company does not file a plan within sixty (60) calendar days after the filing date;

- d) the creditors' meeting is not held within one hundred (100) days of the filing date; and
 - e) the Plan Effective Date does not occur within one hundred eighty days (180) of the filing date.
- 7. Plan Sponsor Terminating Events: The Plan Sponsor is entitled to terminate the SA, among other things:
 - a) upon the occurrence of an event of default under the DIP Notes or the L/C Facility;
 - b) the SA is terminated by the Consenting Noteholders or Consenting Lenders.
- 8. Individual Consenting Creditor Termination Events: Any Consenting Creditor may terminate its agreement to the SA if, among other things:
 - a) the interest rate on the credit facilities contemplated in the DIP Term Sheet or Exit Financing Term Sheet is increased, the amount of the Reorganized Common Stock (as defined in the DIP Term Sheet) to be distributed in accordance with the DIP Term Sheet is increased, or the Company alters its reimbursement obligation under the L/C Facility, each without prior written consent of such Consenting Creditor; and
 - b) the call protection or maturity dates of the Exit Notes are altered.
- 9. Company Termination Events: The Company may terminate the SA if, among others, the Company's board of directors reasonably determines in good faith, with counsel's advice and the recommendation of the Independent Committee, that the Recapitalization Transaction is not in

the best interests of the Company having regard to the reasonable expectations of various stakeholders.

APPENDIX F

SUMMARY OF THE L/C FACILITY

APPENDIX F

SUMMARY OF THE L/C FACILITY

1. The Recapitalization Transaction contemplates that certain of the Applicants' existing lenders (each a "**DIP L/C Issuer**") will provide to the Company a letter of credit facility by way of renewed, replaced or extended letters of credit (the "**L/C Facility**") in the aggregate maximum amount of \$133.2 million pursuant to the L/C Commitment Letter dated April 20, 2016 (the "**L/C Commitment Letter**"), which includes the L/C Term Sheet as Annex "B" thereto (the "**L/C Term Sheet**"). A copy of the L/C Commitment Letter is attached as **Exhibit "N"** to the Initial Affidavit.
2. Below is a summary of the material terms of the L/C Facility:
 - a) DIP L/Cs: The DIP L/C Issuers will issue, extend or renew for the benefit of the Company and its subsidiaries certain letters of credit listed on confidential Schedule "B" to the L/C Term Sheet (each, as issued, renewed, replaced, a "**DIP L/C**").
 - b) Renewal L/Cs: Certain letters of credit issued by the DIP L/C Issuer that are scheduled to expire within the term of the L/C Facility (the "**Renewal L/Cs**") will be deemed to be DIP L/Cs on the Closing Date (i.e., the date upon which all conditions precedent in the L/C Term Sheet have been satisfied).
 - c) DIP L/C Commitment: Each issuance, renewal, extension or amendment of a DIP L/C shall be subject to the conditions precedent in the L/C Term Sheet. The DIP L/C Issuers shall, by no later than 2 business days following the satisfaction of the conditions precedent in the L/C Term Sheet, renew or extend the DIP L/Cs for the benefit of the Applicants.
 - d) DIP Borrower: Pacific is the borrower under the L/C Facility.

- e) Guarantors: The L/C Facility is guaranteed by the Guarantors.
- f) Purpose: The DIP L/Cs are solely to be used for general corporate purposes of the Company and its subsidiaries.
- g) Term: The term of the L/C Facility is the earlier of six months or the occurrence of a demand following an event of default, a Transaction (as defined) is consummated without the consent of the DIP L/C Issuers, or the expiry of any stay of proceedings, which conforms with the term of the DIP Notes.
- h) Interest: Amounts outstanding under a DIP L/C that has been drawn upon but has not been reimbursed by the Company according to the terms of the DIP Term Sheet accrue interest at a rate equal to 8% per annum. In addition, the DIP L/C Issuers are entitled to an L/C Fee equal to 5% per annum, compounded monthly and payable monthly in arrears, and calculated on the undrawn portion of the outstanding DIP L/Cs. Upon the occurrence of an event of default, the interest rate on all amounts subject to interest and the L/C Fee increase by 2% per annum.
- i) Prepetition L/Cs: In the event that, despite its obligations under the DIP L/C Agreement, any DIP L/C Issuer fails to replace, extend or renew the prepetition letters of credit for the benefit of the Borrower, such letters of credit shall be referred to as “**Pre-Petition L/Cs**”. The DIP L/C Issuer for a Pre-Petition L/C will become a defaulting lender, and as such, will lose its secured status under the L/C Facility for both its Pre-Petition L/C and its other DIP L/C's, if such other DIP L/Cs exist.
- j) Exit L/C Facility: The L/C Term Sheet contemplates the DIP L/Cs will continue as Exit L/Cs pursuant to an Exit L/C Term Sheet (the

“Exit L/C Facility”). By committing to providing DIP L/Cs, each DIP L/C Issuer concurrently commits to provide its *pro rata* share of the Exit L/C Facility equal to its *pro rata* share of the L/C Facility.

- k) Security: The DIP L/Cs will be secured by the L/C Charge. The L/C Charge will only secure (i) new L/C’s issued or DIP L/Cs that are renewed after the date of the order and (ii) reimbursement obligations that arise on existing letters of credit if such letters of credit are drawn after the date of the Order. No non-contingent or mature reimbursement obligations currently exist and therefore, no such pre-existing mature obligations are covered by the L/C Charge.

APPENDIX G

COMPARABLE DIP SUMMARY

Appendix G - Full Comparable DIP Summary

Debtor-in-Possession Comparable Analysis
Commodity related businesses (i.e. Oil & Gas, Metals & Mining and related services) since January 1, 2015
Debtor-in-Possession facilities under \$300 million
(in \$ millions)

Filing Date	Borrower	Industry	Facilities				Fees				Interest Rate			All in Cost ²	Term (months)
			Revolver	Term Loan	Roll-up	Total Commitment	Unused Commitment	Closing / Upfront ¹ [A]	Exit / Termination [B]	Total [A]+[B]	LIBOR / Base Rate Floor	Revolver	Term Loan		
3/18/16	Venoco	Oil and Gas	-	35.0	-	35.0	1.00%	1.00% ³		1.00%			L + 1,000	11.2%	10
2/24/16	Abengoa Bioenergy	Energy	-	41.0	-	41.0		2.44%	3.66%	6.10%			1,400	26.2%	6
2/11/16	Sundevil Power Holdings	Energy	45.0	-	-	45.0	0.75%	3.00%		3.00%		L + 750		14.7%	5
2/8/16	Noranda Aluminum (Note 4)	Metals	68.5	35.0	61.5	165.0	0.50%	4.00%		4.00%	1.00%	L + 250	L + 1,100	10.7%	9
2/2/16	Horsehead Holding Corp.	Metals	90.0	-	-	90.0	4.00%	2.00%	2.00%	4.00%		1,200		16.0%	12
1/11/16	Arch Coal	Coal	-	275.0	-	275.0	5.00%	5.00%	1.00%	6.00%	1.00%		L + 900	15.0%	12
1/11/16	Sherwin Alumina	Metals	40.0	-	-	40.0						800		8.0%	4
12/31/15	Swift Energy	Oil and Gas	-	75.0	-	75.0		3.00%		3.00%			L + 1,200	18.6%	6
12/17/15	New Gulf	Oil and Gas	-	75.0	-	75.0		3.00%		3.00%	1.00%		L + 1,000	14.0%	12
12/15/15	Magnum Hunter	Oil and Gas	-	200.0	-	200.0		2.00%		2.00%	1.00%		L + 800	11.7%	9
12/7/15	Energy & Exploration Partners	Oil and Gas	-	40.0	-	40.0		3.00%	3.00%	6.00%	1.00%		L + 1,000	19.0%	9
11/9/15	Essar Steel Algoma	Metals	25.0	175.0	-	200.0		2.00%		2.00%			L + 900	11.5%	8
10/12/15	CCNG Energy Partners	Oil and Gas	-	30.0	-	30.0		2.00%		2.00%			950	14.3%	5
10/1/15	Miller Energy	Oil and Gas	-	20.0	-	20.0		2.00%		2.00%			800	14.0%	4
8/11/15	Black Elk Energy	Oil and Gas	-	15.0	15.0	30.0		2.00%		2.00%			1,500	19.0%	6
8/3/15	Alpha Natural	Coal	200.0	300.0	-	500.0		5.00%		5.00%	1.00%		L + 900	9.7%	18
7/15/15	Walter Energy	Coal	-	50.0	-	50.0		10.00%		10.00%			1,200	132.0%	1
7/15/15	Milagro Oil & Gas	Oil and Gas	15.0	-	102.3	117.3	0.75%		3.00%	3.00%	1.00%	L + 950	L + 950	19.5%	4
6/25/15	Molycorp	Metals	-	135.4	-	135.4		3.67%		3.67%			1,400	22.0%	6
6/9/15	Boomerang Tube	O&G Services	52.0	60.0	33.0	145.0	0.50%	2.00%		2.00%		L + 450	L + 1,100	14.6%	4
5/13/15	Patriot Coal Corp.	Coal	-	100.0	-	100.0		2.00%	3.00%	5.00%			1,200	22.0%	6
5/5/15	Magnetation	Mining	-	63.7	71.3	135.0		3.00%		3.00%			1,200	17.1%	7
4/30/15	ERG Resources	Energy	-	17.5	-	17.5		0.50%		0.50%	2.00%		L + 300	7.0%	3
4/6/15	Xinergy	Mining	-	20.0	20.0	40.0		2.50%	1.00%	3.50%			1,400	18.7%	9
3/9/15	Allied Nevada	Mining	-	78.0	-	78.0							1,200	12.0%	12
3/3/15	Cal Dive Intl.	O&G Services	20.2	-	99.8	120.0	1.00%	3.00%		3.00%	2.75%	BR + 625 ⁽⁵⁾	BR + 625 ⁽⁵⁾	12.3%	11
						Max	5.00%	10.00%	3.66%	10.00%	2.75%	1200	1,500	132.0%	
						Mean	1.69%	2.96%	39.58%	3.53%	1.28%	733	1,064	19.6%	
						Median	0.88%	2.50%	3.00%	3.00%	1.00%	775	1,050	14.7%	
						Min	0.50%	0.50%	1.00%	0.50%	1.00%	250	300	7.0%	

Notes:

(1) Excludes backstopping fees paid as equity in reorganized entity and admin. agent fees

(2) Annualized cost including closing/upfront fees

(3) 1.0% upfront fee plus 5.0% backstop fee if RSA is terminated with plan of reorganization being consummated

(4) 0.50% Commitment Fee and 0.50% Unused Line Fee on ABL DIP Facility. 4.0% Commitment Fee on Term DIP Facility

(5) BR (Base Rate) equal to highest of (a) Federal Funds Rate plus 1/2 of 1%, (b) Bank of America “prime rate”, (c) LIBOR plus 1%, and (d) 2.75%

Appendix G - Industry Comparable DIP Summary

Debtor-in-Possession Comparable Analysis
Oil & Gas businesses since January 1, 2015
Debtor-in-Possession facilities under \$300 million
(in \$ millions)

Filing Date	Borrower	Industry	Facilities				Fees				Interest Rate			All in Cost ²	Term (months)
			Revolver	Term Loan	Roll-up	Total Commitment	Unused Commitment	Closing / Upfront ¹ [A]	Exit / Termination [B]	Total [A]+[B]	LIBOR / Base Rate Floor	Revolver	Term Loan		
3/18/16	Venoco	Oil and Gas	-	35.0	-	35.0	1.00%	1.00% ³		1.00%			L + 1,000	11.2%	10
12/31/15	Swift Energy	Oil and Gas	-	75.0	-	75.0		3.00%		3.00%			L + 1,200	18.6%	6
12/17/15	New Gulf	Oil and Gas	-	75.0	-	75.0		3.00%		3.00%	1.00%		L + 1,000	14.0%	12
12/15/15	Magnum Hunter	Oil and Gas	-	200.0	-	200.0		2.00%		2.00%	1.00%		L + 800	11.7%	9
12/7/15	Energy & Exploration Partners	Oil and Gas	-	40.0	-	40.0		3.00%	3.00%	6.00%	1.00%		L + 1,000	19.0%	9
10/12/15	CCNG Energy Partners	Oil and Gas	-	30.0	-	30.0		2.00%		2.00%			950	14.3%	5
10/1/15	Miller Energy	Oil and Gas	-	20.0	-	20.0		2.00%		2.00%			800	14.0%	4
8/11/15	Black Elk Energy	Oil and Gas	-	15.0	15.0	30.0		2.00%		2.00%			1,500	19.0%	6
7/15/15	Milagro Oil & Gas	Oil and Gas	15.0	-	102.3	117.3	0.75%		3.00%	3.00%	1.00%	L + 950	L + 950	19.5%	4
6/9/15	Boomerang Tube	O&G Services	52.0	60.0	33.0	145.0	0.50%	2.00%		2.00%		L + 450	L + 1,100	14.6%	4
3/3/15	Cal Dive Intl.	O&G Services	20.2	-	99.8	120.0	1.00%	3.00%		3.00%	2.75%	BR + 625 ⁽⁵⁾	BR + 625 ⁽⁵⁾	12.3%	11
							Max	1.00%	3.00%	3.00%	2.75%	950	1,500	19.5%	
							Mean	0.81%	2.30%	102.00%	1.29%	675	993	15.3%	
							Median	0.88%	2.00%	3.00%	1.00%	625	1,000	14.3%	
							Min	0.50%	1.00%	3.00%	1.00%	450	625	11.2%	

Notes:

- (1) Excludes backstopping fees paid as equity in reorganized entity and admin. agent fees
- (2) Annualized cost including closing/upfront fees
- (3) 1.0% upfront fee plus 5.0% backstop fee if RSA is terminated with plan of reorganization being consummated
- (4) 0.50% Commitment Fee and 0.50% Unused Line Fee on ABL DIP Facility. 4.0% Commitment Fee on Term DIP Facility
- (5) BR (Base Rate) equal to highest of (a) Federal Funds Rate plus 1/2 of 1%, (b) Bank of America “prime rate”, (c) LIBOR plus 1%, and (d) 2.75%

Appendix G - Comparable DIP Summary between \$100 and \$300 million

Debtor-in-Possession Comparable Analysis
Commodity related businesses (i.e. Oil & Gas, Metals & Mining and related services) since January 1, 2015
Debtor-in-Possession facilities between \$100 million and \$300 million
(in \$ millions)

Filing Date	Borrower	Industry	Facilities				Fees				Interest Rate			All in Cost ²	Term (months)
			Revolver \$	Term Loan \$	Roll-up \$	Total Commitment \$	Unused Commitment	Closing / Upfront ¹ [A]	Exit / Termination [B]	Total [A]+[B]	LIBOR / Base Rate Floor	Revolver	Term Loan		
2/8/16	Noranda Aluminum (Note 4)	Metals	68.5	35.0	61.5	165.0	0.50%	4.00%		4.00%	1.00%	L + 250	L + 1,100	10.7%	9
1/11/16	Arch Coal	Coal	-	275.0	-	275.0	5.00%	5.00%	1.00%	6.00%	1.00%		L + 900	15.0%	12
12/15/15	Magnum Hunter	Oil and Gas	-	200.0	-	200.0		2.00%		2.00%	1.00%		L + 800	11.7%	9
11/9/15	Essar Steel Algoma	Metals	25.0	175.0	-	200.0		2.00%		2.00%			L + 900	11.5%	8
8/3/15	Alpha Natural	Coal	200.0	300.0	-	500.0		5.00%		5.00%	1.00%		L + 900	9.7%	18
7/15/15	Milagro Oil & Gas	Oil and Gas	15.0	-	102.3	117.3	0.75%		3.00%	3.00%	1.00%	L + 950	L + 950	19.5%	4
6/25/15	Molycorp	Metals	-	135.4	-	135.4		3.67%		3.67%			1,400	22.0%	6
6/9/15	Boomerang Tube	O&G Services	52.0	60.0	33.0	145.0	0.50%	2.00%		2.00%		L + 450	L + 1,100	14.6%	4
5/13/15	Patriot Coal Corp.	Coal	-	100.0	-	100.0		2.00%	3.00%	5.00%			1,200	22.0%	6
5/5/15	Magnetation	Mining	-	63.7	71.3	135.0		3.00%		3.00%			1,200	17.1%	7
3/3/15	Cal Dive Intl.	O&G Services	20.2	-	99.8	120.0	1.00%	3.00%		3.00%	2.75%	BR + 625 ⁽⁵⁾	BR + 625 ⁽⁵⁾	12.3%	11
						Max	5.00%	5.00%	3.00%	6.00%	2.75%	950	1,400	22.0%	
						Mean	1.55%	3.17%	2.33%	3.52%	1.29%	569	1,007	15.1%	
						Median	0.75%	3.00%	3.00%	3.00%	1.00%	538	950	14.6%	
						Min	0.50%	2.00%	1.00%	2.00%	1.00%	250	625	9.7%	

- Notes:
- (1) Excludes backstopping fees paid as equity in reorganized entity and admin. agent fees
 - (2) Annualized cost including closing/upfront fees
 - (3) 1.0% upfront fee plus 5.0% backstop fee if RSA is terminated with plan of reorganization being consummated
 - (4) 0.50% Commitment Fee and 0.50% Unused Line Fee on ABL DIP Facility. 4.0% Commitment Fee on Term DIP Facility
 - (5) BR (Base Rate) equal to highest of (a) Federal Funds Rate plus 1/2 of 1%, (b) Bank of America “prime rate”, (c) LIBOR plus 1%, and (d) 2.75%