

# PACIFIC EXPLORATION & PRODUCTION CORPORATION

## INSIDER TRADING POLICY

**Introduction:** Pacific Exploration & Production Corporation (the “Corporation”) encourages all employees to become shareholders on a long-term investment basis. Management, employees and members of the Board of Directors of the Corporation and its subsidiaries and others who are in a “special relationship” with the Corporation from time to time may become aware of corporate developments or plans or other information that may affect the value of the Corporation’s securities before these developments, plans or information are made public. In order to avoid civil and criminal insider trading and tipping violations, the Corporation has established this Insider Trading Policy to be followed by all persons who may have access to such information. Trading with, or disclosure of, such information contrary to the provisions of this Insider Trading Policy is illegal, and may expose the violator to prosecution or lawsuits. Such action will also result in a lack of confidence in the trading market and liquidity of the Corporation’s shares and will be considered cause for summary dismissal.

**Persons Affected:** All of the following persons are in a “special relationship” with the Corporation (collectively referred to as “Insiders”) and are expected to observe this Insider Trading Policy:

- all directors, officers and employees of, and other persons retained by, the Corporation or its subsidiaries, and their spouses and dependant children; and
- partners, trusts, corporations, Registered Retirement Savings Plans (or the equivalent in jurisdictions outside of Canada) and similar entities over which any of the above-mentioned individuals exercise control or direction.

### **Policy:**

**1.(a) No Trading on Inside Information:** No Insider may trade in securities of the Corporation, or other securities the market price of which varies materially with the market price of the securities of the Corporation, with knowledge of any information concerning the Corporation or its subsidiaries that is not generally disclosed through dissemination in a press release or other means approved by the Corporation and that either would (i) significantly affect, or would reasonably be expected to have a significant effect on, the market price or value of any securities of the Corporation or (ii) reasonably be expected to have a significant influence on a reasonable investor’s investment decision (collectively, “Inside Information”). A non-exhaustive list of Inside Information is set out in Schedule “A”.

For the purpose of this Insider Trading Policy, all references to trading in securities of the Corporation are deemed to include (i) the exercise of stock options granted under the Corporation’s stock option plan and (ii) any derivatives-based or similar transaction or arrangement.

In order to avoid any implication of impropriety, all Insiders are requested to notify, in advance, the Corporation’s General Counsel or Deputy General Counsel (who, at the date hereof are, respectively, Peter Volk, Tel: (416) 362-7735 ext. 223, E-mail: [pvolk@pacificcorp.energy](mailto:pvolk@pacificcorp.energy), and Michael Galego, Tel: (416) 362-7735 ext. 234; E-mail: [mgalego@ppacificcorp.energy](mailto:mgalego@ppacificcorp.energy)) of any trading of securities of the Corporation in order to confirm that there is no Inside Information that has not been generally disclosed.

Inside Information is not considered to be generally disclosed until the opening of trading on the first business day after such information is released to the public. Accordingly, you should not engage in any trades of securities of the Corporation until the earlier of the opening of business on the trading day following disclosure of the Inside Information, or until you have been advised in writing by the General Counsel or Deputy General Counsel that the information has ceased to be Inside Information.

**(b) Blackout Periods:** In addition to any other restrictions imposed by this policy, trading of the Corporation's securities by Restricted Persons (as defined below) is prohibited during the following "blackout" periods:

- the period commencing fifteen (15) days prior to the release of the Corporation's quarterly financial results and ending at the opening of trading on the first business day following public release of such results; provided that if a Restricted Person obtains knowledge of material information in connection with the preparation or review of quarterly financial results the "blackout" period for such Restricted Person shall commence at the time he or she obtains such knowledge;
- the period commencing thirty days prior to the release of the annual financial results and ending at the opening of trading on the first business day following public release of such results; provided that if a Restricted Person obtains knowledge of material information in connection with the preparation or review of the annual financial results the "blackout" period for such Restricted Person shall commence at the time he or she obtains such knowledge; and
- the period commencing after the receipt of a notice from the General Counsel or Deputy General Counsel of an instruction not to trade until further notice is given by such person.

"Restricted Persons" means:

- all directors and officers of the Corporation; and
- any employee or other person retained by the Corporation or its subsidiaries who: (i) is determined by the Corporation from time to time to be Restricted Person; or (ii) receives notification from the General Counsel or Deputy General Counsel that such employee or other person is regarded as a Restricted Person.

**2. No Tipping:** Insiders are prohibited from communicating Inside Information to others other than in the necessary course of business. If an Insider has any doubt with respect to whether disclosure of Inside Information is required in the necessary course of business, the Insider is required to contact the General Counsel or Deputy General Counsel. Inside Information is to be kept strictly confidential by all Insiders until after it has been released to the public through a press release or other means approved by the Board of Directors of the Corporation. Discussing Inside Information within the hearing of, or leaving it exposed to, any person who has no need to know is to be avoided at all times. An Insider with knowledge of Inside Information shall not encourage any other person or company to trade in the securities of the Corporation, regardless of whether the Inside Information is specifically communicated to such person or company.

**3. No Speculating:** Insiders are not to speculate in securities of the Corporation. This restriction prohibits all dealings in put and call options; all short sales; all buying with the intention of quickly reselling (other than buying pursuant to the exercise of stock options granted under the

Corporation's stock option plan) or selling securities with the intention of quickly buying such securities; and buying securities on margin.

**4. Insider Reporting Obligations:** Certain Insiders, including senior officers and directors of the Corporation, have obligations to report trades and other transactions involving securities of the Corporation under applicable securities legislation and rules of provincial, state and/or federal securities regulators in Canada. While it is the personal responsibility of each Insider to comply with any reporting obligations that they may have in accordance with the foregoing, an Insider may consult with the General Counsel or Deputy General Counsel for assistance in determining whether or not they are subject to such reporting obligations, and as to how they may be satisfied. The Corporation recommends that each of its officers and directors instruct the broker handling their trading accounts to notify the General Counsel or Deputy General Counsel immediately of the details of any trade in the Corporation's securities so that the Legal Department can assist in preparing and filing an insider report in a timely fashion.

**5. Condition of Employment:** It is a condition of their appointment or employment that Insiders at all times abide by the standards, requirements and procedures set out in this Insider Trading Policy. Any breach of this Insider Trading Policy will be grounds for sanctions including possible termination of appointment or employment. All Insiders shall execute the certification set out in Schedule "B" regarding acknowledgement of and compliance with the procedures and restrictions set forth in this Insider Trading Policy upon appointment or employment by the Corporation, and at such other times as may be requested by the General Counsel or Deputy General Counsel.

**6. Penalties and Civil Liability:** The applicable securities laws in Canada that impose trading and tipping prohibitions also impose substantial penalties and civil liability for a breach of these provisions. The following is a brief summary:

- Criminal fines of, in Ontario, up to the greater of (i) \$5,000,000; and (ii) and three times the profit made or loss avoided by the person or company or, in British Columbia, up to the greater of (i) \$3,000,000; and (ii) three times the profit made by all persons because of the contravention of the insider trading or tipping prohibition.
- Prison sentence of up to five years in Ontario or up to three years in British Columbia.
- Civil liability for the profit made or loss avoided by reason of the contravention.

Where a company is found to have committed an offence, the directors, officers and/or supervisory personnel of the company may be subject to the same or additional penalties.

Under Colombian law, the offence of "inadequate use of confidential information" can result, among other things, in the imposition of the following penalties:

- Prison sentence of up to 126 months.
- A fine of up to 4,500 times the applicable minimum monthly wage in Colombia (which would amount to approximately 1,952,100,000 Colombian Pesos),
- Civil liability for damages in the amount established by the courts as a result of legal action in respect of the specific offence.
- Costs awarded by the court against the defendant in any resulting legal action.

**7. Securities of Other Companies:** In the course of the Corporation's business, an Insider may obtain "inside information" about another publicly traded entity. Applicable securities laws prohibit trading in securities of that entity while in possession of such inside information or communicating

such inside information to another person. The restrictions set out in this Insider Trading Policy apply to any Insider with respect to trading in the securities of, and communicating inside information about, any such other entity.

**8. Caution:** The procedures and restrictions set forth in this Insider Trading Policy with respect to the trading of securities of the Corporation by Insiders present only a general framework within which an Insider may trade securities of the Corporation without violating applicable securities laws. The Insider has the ultimate responsibility for complying with applicable securities laws. The Insider should therefore view this Insider Trading Policy as the minimum criteria for compliance with applicable securities laws and should obtain additional guidance whenever possible. **A good rule of thumb to follow at all times is: carefully avoid any trading or disclosure which might be, or appear to be, giving the person receiving the information any unfair advantage over public investors if such person were to buy securities of the Corporation from, or sell securities of the Corporation to, these public investors.**

Should you have any questions or wish information concerning the above, please contact the Legal Department.

#### **Currency of this Policy**

This policy was approved by the Board on September 15, 2009.

## **SCHEDULE A**

### **Examples of Inside Information**

- significant changes in business operations, projections or strategic plans;
- potential mergers or acquisitions;
- potential sales of significant assets or subsidiaries;
- gains or losses of a major supplier, customer or contract;
- introductions of new products or serDeputys;
- significant pricing changes in products or serDeputys;
- declarations of a stock split, stock consolidation, a public or private securities offering by the Corporation or a change in its dividend policies or amounts;
- changes in senior management or in the composition of the Corporation's board of directors,
- major changes in accounting methods; or
- actual or threatened major lawsuits or material government and regulatory investigations.

The foregoing examples are not exhaustive.

## **SCHEDULE B**

### **Certification – Insider Trading Policy**

The undersigned hereby certifies that he/she has read and understands the Corporation's Insider Trading Policy relating to securities trading, a copy of which is attached hereto, and agrees to comply with the procedures and restrictions set forth therein.

Date: \_\_\_\_\_

Signature: \_\_\_\_\_

Name: \_\_\_\_\_  
(please print)