

# PACIFIC RUBIALES ENERGY CORP.

## *NEWS RELEASE*

### **EXPLORATION UPDATE: KANGAROO-2 WELL TESTS 3,700 BBL/D LIGHT OIL FROM FIRST TEST INTERVALS, IN OFFSHORE SANTOS BASIN, BRAZIL, AND SUCCESSFUL EXPLORATION WELLS DRILLED IN COLOMBIA AND PERU**

**Toronto, Canada, Tuesday December 23, 2014** – Pacific Rubiales Energy Corp. (TSX: PRE) (BVC: PREC) (BOVESPA: PREB) provided today an exploration update highlighted by initial test results in the Kangaroo-2 appraisal well, located in the shallow offshore, Santos Basin, Brazil.

The Kangaroo-2 appraisal well was drilled in Block S-M-1165, approximately 300 meters (943 feet) up-dip from the Kangaroo-1 discovery well, and confirms a 820 foot gross (442 foot net) oil column in Cretaceous and Paleocene aged reservoirs in the structure. The Company has a 35% participating interest in the wells and five surrounding blocks. Karoon Gas Australia Ltd. (ASX:KAR) (“**Karoon**”) holds the remaining 65% interest and is operator.

As announced in a news release yesterday by Karoon (see Karoon website: [www.karoongas.com.au](http://www.karoongas.com.au) “Kangaroo-2 Appraisal Well Progress Report No. 6”), production testing was conducted over a 36 hour flow period across an initial 27 metre (89 foot) lower interval in the target reservoir. A maximum oil flow rate of 3,360 bbl/d (stabilised rate of 2,300 bbl/d) was achieved through a 44/64” choke with a flowing tubing pressure of 690 psi and a gas-oil-ratio (“**GOR**”) of 620 cf/bbl. Following a 57 hour shut-in pressure build-up period, a second test was conducted with an additional 40 metres (131 feet) opened to flow. In this second test, a maximum flow of 3,700 bbl/d (stabilised rate of 3,300 bbl/d) 38° API oil was attained through a 1” choke with a flowing tubing pressure of 430 psi, a GOR of 650 cf/bbl, with no CO<sub>2</sub>, H<sub>2</sub>S, sand or water produced, over a 12 hour test period.

A third test of intervals higher in the reservoir is expected to commence within the next seven days. A decision on a potential side-track program will be made following the completion of testing in the well bore. Karoon is evaluating commercial options and early production strategies for the Kangaroo structure, as a result of these tests.

Following completion of all operations in the Kangaroo-2 well, the rig will move to drill the separate Kangaroo West prospect, located approximately 4.5 kilometres from Kangaroo-2, on the western side of the Kangaroo salt structure.

Ronald Pantin, Chief Executive Officer of the Company, commented:

“We are very pleased with the flow results of the first test interval in the Kangaroo-2 appraisal well, which confirms the significant discovery status of the Kangaroo prospect on our blocks in the offshore Santos Basin, in Brazil. Testing is ongoing, but initial analysis by the operator suggests that reservoir characteristics in the structure are excellent and would support flow rates of 6,000 to 8,000 bbl/d in a vertical producing well, and higher rates in a horizontal well bore. We are looking forward to the results of the additional production testing in Kangaroo-2, and the drilling of the separate Kangaroo West prospect in early 2015.

“The results from Kangaroo-2 complete a very successful year of exploration for the Company. Over 10,000 bbl/d of new net light oil production in Colombia and Peru have been delivered through the drill bit this year from successful exploration wells and we have additional barrels behind the pipe from recently drilled wells. These results demonstrate the quality and value of our exploration portfolio and contribute to our net production which is expected to exit the year at between 151 to 152 Mboe/d.”

## **Exploration Update**

### **Peru – Block 131 (30% working interest)**

The Los Angeles-1X well commenced extended testing of the Cushabatay formation on September 18, 2014. The well and operations on Block 131 are operated by Cepsa S.A., who holds the remaining 70% working interest. As of December 18, 2014 the well was producing 2,157 bbl/d of 45° API oil with a 0.01% water cut, GOR of 29 cf/bbl, flowing naturally on a 32/64” choke, with a well head pressure of 235 psi. Over the last three months of the long-term production test, the well has produced over 185.5 Mbbbl of oil at an average rate of 2,090 bbl/d. Since discovery, the well has produced a total of 233 Mbbbl of oil.

The Los Angeles Noi-3X exploration well spud on December 6, 2014. The well is currently drilling ahead at 5,858 feet with a planned TD of 8,855 feet in the Copacabana Formation. The primary target of this well is the Ene Formation with a secondary target in the Cushabatay Formation.

### **Colombia – Guatiquia Block (100% working interest)**

The Ardilla-1 exploration well spud during the third quarter of 2014. The well reached a TD of 12,825 feet on October 19, 2014. Petrophysical interpretation indicated the presence of 71 feet of net pay including seven feet in the Mirador, 17 feet in the Guadalupe and 44 feet in the Lower Sandstone-1 Unit (with no water contact present). The well was cased and perforated in the upper 14 feet of the Lower Sandstone-1 Unit. Production with an electrical submersible pump commenced on November 7, 2014. Since then, the well has produced a total of 86 Mbbbl of 21° API oil at an average rate of 2,038 bbl/d and an average water cut of 5.7%.

The Avispa-2 appraisal well spud on December 14, 2014 and is expected to reach total depth in early 2015.

The Gulupa-1 exploration well spud during the fourth quarter of 2014. The well reached a TD of 10,650 feet on November 29, 2014. The well was cased and perforated in the upper six feet of the Guadalupe Formation. Testing with coiled tubing and nitrogen commenced on December 15, 2014. The well produced a total of 246 bbl of 14° API oil prior to shut-in for a pressure build up on December 17, 2014. Over the flow test period, the well produced at an average rate of 114 bbl/d with an average water cut of 37%, average choke size of 55/64” and average tubing head pressure of 114 psi. Pending the results of pressure transient analysis of the pressure build up data, the well may be perforated in the Mirador formation to test other potential pay zones.

### **Colombia – Corcel Block (100% working interest)**

The Espadarte-1 exploration well spud during the fourth quarter of 2014. The well reached TD of 13,045 feet on November 27, 2014. Petrophysical interpretation indicates the presence of 22 feet of net pay including 20 feet in the Lower Sandstone-1 Unit and one foot in the Guadalupe Formation. The well was cased and perforated in the upper four feet of the Lower Sandstone-1 Unit. Production by natural flow commenced on December 9, 2014. The well has produced a total of 16 Mbbbl of 34° API oil at an average

rate of 1,629 bbl/d, an average water cut of 3.5%, an average GOR of 46 cf/bbl, with a choke size of 24/64" and tubing head pressure of 135 psi.

#### **Colombia - Chiguiro Oeste Block (100% working interest)**

The Matapalos-1D exploration well was spud in the fourth quarter of 2014 and encountered a total of 16 feet of net pay in the Mirador Formation, on petrophysical logs. The Mirador test interval has produced at a maximum rate of 100 bbl/d of 16° API oil (average 50 bbl/d over the 29 day test period) at 96% water cut, through a 28/64" and 64/64" (full open) choke. The well produced a total of 1.5 Mbbbl of oil during the test period.

#### **Colombia – LLA19 Block (50% working interest)**

The Langur-1X exploration well was drilled during the fourth quarter of 2014 and reached TD at 13,717 feet. The well encountered 14 feet of net pay in the Gacheta Formation on petrophysical logs. Testing of the potential zone is currently underway.

#### **Colombia – Rio Ariari Block (100% working interest)**

The Lapon-1D exploration well, located in the far eastern portion of the Rio Ariari Block, spud on December 6, 2014 and reached a TD of 4,240 feet on December 20, 2014. The well encountered a total of 36 feet of net pay calculated on petrophysical logs in the Upper and Lower Mirador Formation. Encouraging oil shows were encountered in the target Mirador Formation.

*Pacific Rubiales, a Canadian company and producer of natural gas and crude oil, owns 100% of Meta Petroleum Corp., which operates the Rubiales, Piriri and Quifa heavy oil fields in the Llanos Basin, and 100% of Pacific Stratus Energy Colombia Corp., which operates the La Creciente natural gas field in the northwestern area of Colombia. Pacific Rubiales has also previously acquired 100% of Petrominerales Ltd, which owns light and heavy oil assets in Colombia and oil and gas assets in Peru, 100% of PetroMagdalena Energy Corp., which owns light oil assets in Colombia, and 100% of C&C Energia Ltd., which owns light oil assets in the Llanos Basin. In addition, the Company has a diversified portfolio of assets beyond Colombia, which includes producing and exploration assets in Peru, Guatemala, Brazil, Guyana and Papua New Guinea.*

*The Company's common shares trade on the Toronto Stock Exchange and La Bolsa de Valores de Colombia and as Brazilian Depositary Receipts on Brazil's Bolsa de Valores Mercadorias e Futuros under the ticker symbols PRE, PREC, and PREB, respectively.*

#### **Advisories**

##### **Cautionary Note Concerning Forward-Looking Statements**

*This news release contains forward-looking statements. All statements, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future (including, without limitation, statements regarding estimates and/or assumptions in respect of production, revenue, cash flow and costs, reserve and resource estimates, potential resources and reserves and the Company's exploration and development plans and objectives) are forward-looking statements. These forward-looking statements reflect the current expectations or beliefs of the Company based on information currently available to the Company. Forward-looking statements are subject to a number of risks and uncertainties that may cause the actual results of the Company to differ materially from those discussed in the forward-looking statements, and even if such*

*actual results are realized or substantially realized, there can be no assurance that they will have the expected consequences to, or effects on, the Company. Factors that could cause actual results or events to differ materially from current expectations include, among other things: uncertainty of estimates of capital and operating costs, production estimates and estimated economic return; the possibility that actual circumstances will differ from the estimates and assumptions; failure to establish estimated resources or reserves; fluctuations in petroleum prices and currency exchange rates; inflation; changes in equity markets; political developments in Colombia, Guatemala, Peru, Brazil, Papua New Guinea and Guyana; changes to regulations affecting the Company's activities; uncertainties relating to the availability and costs of financing needed in the future; the uncertainties involved in interpreting drilling results and other geological data; and the other risks disclosed under the heading "Risk Factors" and elsewhere in the Company's annual information form dated March 13, 2014 filed on SEDAR at www.sedar.com. Any forward-looking statement speaks only as of the date on which it is made and, except as may be required by applicable securities laws, the Company disclaims any intent or obligation to update any forward-looking statement, whether as a result of new information, future events or results or otherwise. Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, forward-looking statements are not guarantees of future performance and accordingly undue reliance should not be put on such statements due to the inherent uncertainty therein.*

### **Boe Conversion**

*Boe may be misleading, particularly if used in isolation. A boe conversion ratio of 5.7 Mcf: 1 bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. The estimated values disclosed in this news release do not represent fair market value. The estimates of reserves and future net revenue for individual properties may not reflect the same confidence level as estimates of reserves and future net revenue for all properties, due to the effects of aggregation.*

### **Definitions**

Bcf	Billion cubic feet.
Bcfe	Billion cubic feet of natural gas equivalent.
bbl	Barrel of oil.
bbl/d	Barrel of oil per day.
boe	Barrel of oil equivalent. Boe's may be misleading, particularly if used in isolation. The Colombian standard is a boe conversion ratio of 5.7 Mcf:1 bbl and is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
boe/d	Barrel of oil equivalent per day.
Mbbl	Thousand barrels.
Mboe	Thousand barrels of oil equivalent.
MMbbl	Million barrels.
MMboe	Million barrels of oil equivalent.
Mcf	Thousand cubic feet.
WTI	West Texas Intermediate Crude Oil.

***Translation***

*This news release was prepared in the English language and subsequently translated into Spanish and Portuguese. In the case of any differences between the English version and its translated counterparts, the English document should be treated as the governing version.*

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