
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
WASHINGTON, D.C. 20549

FORM 8-K

**Current Report
Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

Date of Report (Date of earliest event reported): **September 12, 2016 (September 9, 2016)**



PDC Energy, Inc.
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of
incorporation or organization)

001-37419
(Commission
File Number)

95-2636730
(I.R.S. Employer
Identification Number)

**1775 Sherman Street, Suite 3000
Denver, Colorado 80203**

Registrant's telephone number, including area code: **303-860-5800**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 7.01 Regulation FD Disclosure

Exercise of Over-Allotment Options

On September 9, 2016, the underwriters of the recent public offering of common stock conducted by PDC Energy, Inc. (the “Company”) exercised their option to purchase an additional 1,185,000 shares, bringing the total shares to be purchased to 9,085,000. On the same date, the underwriters of the Company’s recent public offering of convertible senior notes due 2021 exercised their option to purchase \$25 million principal amount of additional notes, bringing the total aggregate principal amount of the offering to \$200 million. The offerings are expected to close on or around September 14, 2016, subject to customary closing conditions.

Item 8.01 Other Events

Private Notes Offering

On September 12, 2016, the Company issued a press release announcing that it intends to effect a private offering of senior notes to certain eligible purchasers. A copy of the press release is furnished as Exhibit 99.1 hereto. The press release is neither an offer to sell nor the solicitation of an offer to buy the notes or any other securities. The notes will be offered in the United States only to qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933 (the “Securities Act”) and outside the United States in reliance on Regulation S under the Securities Act. The notes have not been registered under the Securities Act and may not be offered or sold in the United States without registration or an applicable exemption from registration requirements.

Pro Forma Financial Information

The following table presents certain unaudited pro forma financial information of the Company for the last twelve months ended as of June 30, 2016, the last six months ended as of June 30, 2016 and for the year ended as of December 31, 2015 (Dollars in thousands) (see note 1 to Exhibit 99.2 hereto):

	Last twelve months ended / As of June 30, 2016	Last six months ended / As of June 30, 2016	Year ended / As of December 31, 2015
Other Financial Data:			
Adjusted EBITDA	\$ 427,014	\$ 173,144	\$ 435,554
Depreciation, depletion and amortization	393,967	213,194	308,575
Pro forma interest expense, net	74,111	36,612	74,321
Pro forma long-term debt	1,080,247	1,080,247	n/a
Ratio of pro forma total long-term debt to Adjusted EBITDA	2.5x	6.2x	n/a
Ratio of Adjusted EBITDA to pro forma interest expense, net	5.8x	4.7x	5.9x
Reconciliation of Adjusted EBITDA:			
Net income (loss)	\$ (254,542)	\$ (179,464)	\$ (119,820)
Interest expense, net	74,111	36,612	74,321
Income tax provision	(152,323)	(107,817)	(69,897)
Depreciation, depletion and amortization	393,967	213,194	308,575
Impairment of properties and equipment	198,277	5,171	200,282
Accretion of asset retirement obligation	6,777	3,623	6,302
(Gain) loss of commodity derivative instruments	(103,892)	81,672	(203,177)
Net settlements on commodity derivative instruments	264,639	120,153	238,968
Adjusted EBITDA	<u>\$ 427,014</u>	<u>\$ 173,144</u>	<u>\$ 435,554</u>

Item 9.01. Financial Statements and Exhibits

(b) Pro Forma Financial Information

The unaudited pro forma condensed consolidated balance sheet of the Company as at June 30, 2016, and the unaudited pro forma condensed consolidated statements of operations of the Company for the six months ended June 30, 2016 and for the year ended December 31, 2015, which give effect to the Company’s recently announced acquisition of properties in the Delaware Basin portion of the Permian Basin region in Texas, are attached as Exhibit 99.2. This pro forma financial information updates the pro forma financial information attached to the Company’s Form 8-K filed September 8, 2016 to reflect, among other things, pricing of and increases in the size of, and the exercise of the underwriters’ over-allotment options with respect to, the Company’s recent public offerings of common stock and convertible notes.

(d) Exhibits

See Exhibit Index.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: September 12, 2016

PDC Energy, Inc.

By: /s/ Daniel W. Amidon
Daniel W. Amidon
Senior Vice President, General Counsel and Secretary

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release of PDC Energy, Inc. Regarding Proposed Offering of Senior Notes, dated as of September 12, 2016.
99.2	The unaudited pro forma condensed consolidated balance sheet of the Company as at June 30, 2016, and the unaudited pro forma condensed consolidated statements of operations of the Company for the six months ended June 30, 2016 and for the year ended December 31, 2015, which give effect to the Company's recently announced acquisition of properties in the Delaware Basin portion of the Permian Basin region in Texas.



news

FOR IMMEDIATE RELEASE

September 12, 2016

PDC Energy Announces Proposed Private Debt Offering

DENVER, September 12, 2016 (GLOBE NEWSWIRE) — PDC Energy, Inc. (“PDC” or the “Company”) (Nasdaq:PDCE) today announced that, subject to market conditions, the Company is planning a private offering of \$400 million in aggregate principal amount of its senior unsecured notes due 2024 (the “notes”). PDC intends to use the net proceeds from the offering to fund a portion of the cash consideration payable in the previously announced acquisition (the “Acquisition”) of two privately held companies managed by Kimmeridge Energy Management Company, to pay related fees and expenses and for general corporate purposes. The indenture governing the notes will contain a special mandatory redemption feature requiring PDC to redeem the notes at a redemption price equal to the aggregate principal amount of the notes, plus accrued and unpaid interest to, but not including, the redemption date if the Acquisition is terminated or not consummated on or prior to December 31, 2016 (or in some circumstances, January 15, 2017).

This press release is neither an offer to sell nor the solicitation of an offer to buy the notes or any other securities. The notes will be offered in the United States only to qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and outside the United States in reliance on Regulation S under the Securities Act. The notes have not been registered under the Securities Act and may not be offered or sold in the United States without registration or an applicable exemption from registration requirements.

About PDC Energy, Inc.

PDC Energy, Inc. is a domestic independent exploration and production company that produces, develops, acquires and explores for crude oil, natural gas and NGLs with operations in the Wattenberg Field in Colorado and in the Utica Shale in southeastern Ohio. Upon completion of the Acquisition, the Company will also conduct those activities in the Delaware Basin portion of the Permian Basin region in Texas. Its operations are focused on the liquid-rich horizontal Niobrara and Codell plays in the Wattenberg Field and the condensate and wet gas portion of the Utica Shale play.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Statements in this news release related to the Company's planned offering, including the use of proceeds from the planned offering, and all other statements other than statements of historical fact, are forward-looking statements that are made pursuant to the Safe Harbor Provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are subject to a number of risks and uncertainties that may cause actual results to differ materially from the forward-looking statements. PDC urges you to carefully review and consider the cautionary statements made in this press release, the Item 1-A Risk Factors in the 2015 Annual Report on Form 10-K for the year ended December 31, 2015, filed with the Securities and Exchange Commission ("SEC") on February 22, 2016, and other filings with the SEC for further information on risks and uncertainties that could affect the Company's business, financial condition and results of operations, which are incorporated by this reference as though fully set forth herein. The Company cautions you not to place undue reliance on forward-looking statements, which speak only as of the date made. **PDC undertakes no obligation to update any forward-looking statements in order to reflect any event or circumstance occurring after the date of this release or currently unknown facts or conditions or the occurrence of unanticipated events. All forward looking statements are qualified in their entirety by this cautionary statement.**

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PDC ENERGY, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INDEX

Financial Information	Page Number
Pro Forma Condensed Consolidated Balance Sheet as of June 30, 2016	2
Pro Forma Condensed Consolidated Statement of Operations for the Six Months Ended June 30, 2016	3
Pro Forma Condensed Consolidated Statement of Operations for the Year Ended December 31, 2015	4
Notes to Pro Forma Condensed Consolidated Financial Statements	5

PDC ENERGY, INC.
Pro Forma Condensed Consolidated Balance Sheet
(unaudited; in thousands, except share and per share data)

	June 30, 2016				
	Historical	Arris Petroleum	299 Sellers	Pro Forma Adjustments (1)	Pro Forma
Assets					
Current assets:					
Cash and cash equivalents	\$ 109,099	\$ 1,294	\$ (389,411)(a)	\$ (525,265)(b)	\$ 316,651
				393,000(c)	
				558,824(d)	
				194,250(e)	
				(10,250)(h)	
				(5,890)(i)	
				(9,000)(j)	
Other current assets	210,036	4,978	—	9,000(j)	224,014
Total current assets	319,135	6,272	(389,411)	604,669	540,665
Properties and equipment, net	1,930,595	155,477	639,000(a)	867,000(b)	3,846,090
				400,396(f)	
				(146,378)(g)	
Other assets	21,940	—	—	5,890(i)	27,830
Total Assets	\$ 2,271,670	\$ 161,749	\$ 249,589	\$ 1,731,577	\$ 4,414,585
Liabilities and Equity					
Liabilities					
Current liabilities	\$ 187,199	\$ 14,331	\$ —	\$ —	\$ 201,530
Long-term debt	492,997	—	—	400,000(c)	1,080,247
				(7,000)(e)	
				200,000(e)	
				(5,750)(e)	
Deferred income taxes	41,133	—	—	400,396(f)	441,529
Asset retirement obligations	81,583	1,040	1,000(a)	—	83,623
Other liabilities	44,193	—	—	—	44,193
Total liabilities	847,105	15,371	1,000	987,646	1,851,122
Senior preferred stock	—	233,086	—	(233,086)(g)	—
Equity					
Shareholders' equity:					
Preferred shares, par value \$0.01 per share; authorized 50,000,000 shares; issued: none	—	—	—	—	—
Common shares, par value \$0.01 per share; authorized 100,000,000 shares; issued: 46,210,022	472	1	40(a)	54(b)	657
				91(d)	
				(1)(g)	
Additional paid-in capital	1,211,876	(26,280)	248,549(a)	341,681(b)	2,360,839
				558,733(d)	
				26,280(g)	
Retained earnings	213,442	(60,429)	—	60,429(g)	203,192
				(10,250)(h)	
Treasury shares, at cost: 20,836	(1,225)	—	—	—	(1,225)
Total shareholders' equity	1,424,565	(86,708)	248,589	977,017	2,563,463
Total Liabilities and Shareholders' Equity	\$ 2,271,670	\$ 161,749	\$ 249,589	\$ 1,731,577	\$ 4,414,585

(1) See Note 4

See accompanying Notes to Pro Forma Condensed Consolidated Financial Statements

PDC ENERGY, INC.
Pro Forma Condensed Consolidated Statement of Operations
(unaudited; in thousands, except share and per share data)

	Six Months Ended June 30, 2016			
	PDC Energy Historical	Arris Petroleum Historical	Pro Forma Adjustments (1)	PDC Energy Pro Forma
Revenues:				
Crude oil, natural gas and NGLs sales	\$ 186,208	\$ 8,956	\$ —	\$ 195,164
Sales from natural gas marketing	4,050	—	—	4,050
Commodity price risk management loss, net	(81,745)	—	—	(81,745)
Well operations, pipeline income and other	2,415	7	—	2,422
Total revenues	<u>110,928</u>	<u>8,963</u>	<u>—</u>	<u>119,891</u>
Costs, expenses and other:				
Lease operating expenses	29,005	1,615	—	30,620
Production taxes	10,114	428	—	10,542
Transportation, gathering and processing expenses	8,506	—	—	8,506
Cost of natural gas marketing	4,703	—	—	4,703
Exploration expense	447	2	—	449
Impairment of properties and equipment	5,171	—	—	5,171
General and administrative expense	46,358	2,480	—	48,838
Depreciation, depletion and amortization	204,402	8,792	—	213,194
Provision for uncollectible notes receivable	44,738	—	—	44,738
Accretion of asset retirement obligations	3,623	—	—	3,623
Loss on sale of properties and equipment	176	—	—	176
Total costs, expenses and other	<u>357,243</u>	<u>13,317</u>	<u>—</u>	<u>370,560</u>
Income (loss) from operations	(246,315)	(4,354)	—	(250,669)
Interest expense	(22,566)	—	(15,784)(k)	(38,350)
Interest income	1,735	3	—	1,738
Income (loss) before income taxes	(267,146)	(4,351)	(15,784)	(287,281)
Provision for income taxes	100,166	—	7,651(l)	107,817
Net income (loss)	<u>\$ (166,980)</u>	<u>\$ (4,351)</u>	<u>\$ (8,133)</u>	<u>\$ (179,464)</u>
Earnings per share:				
Basic	<u>\$ (3.78)</u>			<u>\$ (2.92)</u>
Diluted	<u>\$ (3.78)</u>			<u>\$ (2.92)</u>
Weighted-average common shares outstanding:				
Basic	<u>44,175</u>			<u>61,462</u>
Diluted	<u>44,175</u>			<u>61,462</u>

(1) See Note 4

See accompanying Notes to Pro Forma Condensed Consolidated Financial Statements

PDC ENERGY, INC.
Pro Forma Condensed Consolidated Statement of Operations
(unaudited; in thousands, except share and per share data)

	Year Ended December 31, 2015			
	PDC Energy Historical	Arris Petroleum Historical	Pro Forma Adjustments (1)	PDC Energy Pro Forma
Revenues:				
Crude oil, natural gas and NGLs sales	\$ 378,713	\$ 3,606	\$ —	\$ 382,319
Sales from natural gas marketing	10,920	—	—	10,920
Commodity price risk management gain, net	203,183	—	—	203,183
Well operations, pipeline income and other	2,510	—	—	2,510
Total revenues	<u>595,326</u>	<u>3,606</u>	<u>—</u>	<u>598,932</u>
Costs, expenses and other:				
Lease operating expenses	56,992	1,110	—	58,102
Production taxes	18,443	204	—	18,647
Transportation, gathering and processing expenses	10,151	174	—	10,325
Cost of natural gas marketing	11,717	—	—	11,717
Exploration expense	1,102	3,056	—	4,158
Impairment of properties and equipment	161,620	38,662	—	200,282
General and administrative expense	89,959	5,913	—	95,872
Depreciation, depletion and amortization	303,258	5,317	—	308,575
Accretion of asset retirement obligations	6,293	9	—	6,302
Gain (loss) on sale of properties and equipment	(385)	733	—	348
Total costs, expenses and other	<u>659,150</u>	<u>55,178</u>	<u>—</u>	<u>714,328</u>
Loss from operations	(63,824)	(51,572)	—	(115,396)
Interest expense	(47,571)	—	(31,567)(k)	(79,138)
Interest income	4,807	10	—	4,817
Loss before income taxes	(106,588)	(51,562)	(31,567)	(189,717)
Provision for income taxes	38,308	—	31,589(1)	69,897
Net loss	<u>\$ (68,280)</u>	<u>\$ (51,562)</u>	<u>\$ 22</u>	<u>\$ (119,820)</u>
Earnings per share:				
Basic	\$ (1.74)			\$ (2.12)
Diluted	\$ (1.74)			\$ (2.12)
Weighted-average common shares outstanding:				
Basic	39,153			56,440
Diluted	39,153			56,440

(1) See Note 4

See accompanying Notes to Pro Forma Condensed Consolidated Financial Statements

Note 1 - Basis of Presentation

The unaudited pro forma condensed consolidated balance sheet of PDC Energy, Inc. (“PDC” or the “Company”) as of June 30, 2016, is derived from:

- the historical consolidated balance sheet of the Company;
- the historical consolidated balance sheet of Arris Petroleum Corporation (“Arris”); and
- the preliminary estimated values assigned to the identifiable assets to be acquired and liabilities to be assumed from 299 Resources, 299 Production, LLC, 299 Pipeline, LLC (collectively, “299 Sellers”)

The unaudited pro forma condensed consolidated statements of operations of the Company for the six months ended June 30, 2016 and year ended December 31, 2015 are derived from:

- the historical consolidated statements of operations of the Company; and
- the historical consolidated statements of operations of Arris.

The unaudited pro forma condensed consolidated balance sheet gives effect to the pending acquisition of the stock of Arris and the assets of 299 Sellers as if the transaction had occurred on June 30, 2016. The unaudited pro forma condensed consolidated statements of operations give effect to the acquisition of Arris and the issuance of the Company’s common shares as if the transactions had occurred on January 1, 2015. The transactions and the related adjustments are described in the accompanying notes to the financial statements. In the opinion of Company management, all adjustments have been made that are necessary to present fairly, in accordance with Regulation S-X of the Securities and Exchange Commission (“SEC”), the pro forma condensed consolidated financial statements.

The unaudited pro forma condensed consolidated balance sheet and statements of operations are presented for illustrative purposes only, and do not purport to be indicative of the results of operations that would actually have occurred if the transaction described had occurred as presented in such statements or that may be obtained in the future. In addition, future results may vary significantly from those reflected in such statements due to factors described in “Risk Factors” included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2015 (the “2015 Form 10-K”), and elsewhere in the Company’s reports and filings with the SEC.

The unaudited pro forma condensed consolidated balance sheet and statements of operations should be read in conjunction with the Company’s historical consolidated financial statements and the notes thereto included in its 2015 Form 10-K. The pro forma statements should also be read in conjunction with the historical statements of Arris and the notes thereto filed as Exhibit 99.1 to the Current Report on Form 8-K of which this Exhibit 99.2 is a part.

Note 2 - Acquisition Date

The Company currently expects the acquisition to close in the fourth quarter of 2016, for an estimated closing price of approximately \$1.5 billion, subject to customary closing conditions, including adjustments based on title and environmental due diligence, and would have an effective date of July 1, 2016. There can be no assurance the acquisition will close or the timing of any such closing.

PDC ENERGY, INC.
Notes To Pro Forma Condensed Consolidated Financial Statements
Six Months Ended June 30, 2016 And Year Ended December 31, 2015
(unaudited)

Note 3 - Preliminary Acquisition Accounting

The transaction is accounted for under the acquisition method of accounting. Accordingly, the Company conducts assessments of net assets acquired and liabilities assumed and recognizes amounts for identifiable assets acquired and liabilities assumed at their estimated acquisition date fair values, while transaction and integration costs associated with the acquisition are expensed as incurred. The preliminary purchase price allocation presented within is based on our initial assessment of the limited financial information available, pending final settlement and completion of valuation. The final purchase price allocation for the business combination will be performed subsequent to closing and adjustments to estimated amounts, or recognition of additional assets acquired or liabilities assumed, may occur as more detailed analyses are completed and additional information is obtained about the facts and circumstances that existed as of the acquisition date.

The following presents the preliminary estimated purchase price allocation of the net assets to be acquired in the pending acquisition (in thousands):

Assets:	
Current Assets	\$ 6,272
Proved properties	91,000
Unproved properties	1,818,171
Other property and equipment	6,324
Total assets to be acquired	<u>\$ 1,921,767</u>
Liabilities:	
Current liabilities	\$ 14,331
Asset retirement obligations	2,040
Deferred tax liabilities	400,396
Total liabilities to be assumed	<u>416,767</u>
Net assets to be acquired	<u>\$ 1,505,000</u>

The preliminary estimated fair value of properties and equipment and asset retirement obligations were measured using valuation techniques that convert future cash flows to a single discounted amount. Significant inputs to the valuation of properties and equipment include estimates of: (i) reserves; (ii) future operating and development costs; (iii) future commodity prices; (iv) estimated future cash flows; and (v) a market-based weighted-average cost of capital rate.

Properties and Equipment. Significant accounting policies related to our properties and equipment are discussed below.

Crude Oil and Natural Gas Properties. We account for our crude oil and natural gas properties under the successful efforts method of accounting. Costs of proved developed producing properties, successful exploratory wells and developmental dry hole costs are capitalized and depreciated or depleted by the unit-of-production method based on estimated proved developed producing reserves. Property acquisition costs are depreciated or depleted on the unit-of-production method based on estimated proved reserves. We calculate quarterly depreciation, depletion and amortization ("DD&A") expense by using our estimated prior period-end reserves as the denominator, with the exception of our fourth quarter where we use the year-end reserve estimate adjusted to add back fourth quarter production. Upon the sale or retirement of significant portions of or complete fields of depreciable or depletable property, the net book value thereof, less proceeds or salvage value, is recognized in the consolidated statements of operations as a gain or loss. Upon the sale of individual wells or a portion of a field, the proceeds are credited to accumulated DD&A.

PDC ENERGY, INC.
Notes To Pro Forma Condensed Consolidated Financial Statements
Six Months Ended June 30, 2016 And Year Ended December 31, 2015
(unaudited)

Proved Property Impairment. Upon a triggering event, we assess our producing crude oil and natural gas properties for possible impairment by comparing net capitalized costs, or carrying value, to estimated undiscounted future net cash flows on a field-by-field basis using estimated production based upon prices at which we reasonably estimate the commodity to be sold. The estimates of future prices may differ from current market prices of crude oil, natural gas and NGLs. Certain events, including but not limited to downward revisions in estimates to our reserve quantities, expectations of falling commodity prices or rising operating costs, could result in a triggering event and, therefore, a possible impairment of our proved crude oil and natural gas properties. If net capitalized costs exceed undiscounted future net cash flows, the measurement of impairment is based on estimated fair value utilizing a future discounted cash flows analysis and is measured by the amount by which the net capitalized costs exceed their fair value. Impairments are included in the consolidated statements of operations line item impairment of crude oil and natural gas properties, with a corresponding impact on accumulated DD&A on the consolidated balance sheets.

Unproved Property Impairment. The acquisition costs of unproved properties are capitalized when incurred, until such properties are transferred to proved properties or charged to expense when expired, impaired or amortized. Unproved crude oil and natural gas properties with individually significant acquisition costs are periodically assessed for impairment. Unproved crude oil and natural gas properties which are not individually significant are amortized, by field, based on our historical experience, acquisition dates and average lease terms. Impairment and amortization charges related to unproved crude oil and natural gas properties are charged to the consolidated statements of operations line item impairment of crude oil and natural gas properties.

Other Property and Equipment. Other property and equipment is carried at cost. Depreciation is provided principally on the straightline method over the assets' estimated useful lives. We review these long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of the asset exceeds our estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

The following table presents the estimated useful lives of our other property and equipment:

Transportation and other equipment	3 - 20 years
Buildings	20 - 30 years

Maintenance and repair costs on other property and equipment are charged to expense as incurred. Major renewals and improvements are capitalized and depreciated over the remaining useful life of the asset. Upon the sale or other disposition of assets, the cost and related accumulated DD&A are removed from the accounts, the proceeds are applied thereto and any resulting gain or loss is reflected in income.

Note 4 - Pro Forma Adjustments

The pro forma condensed consolidated financial statements have been adjusted to reflect the estimated closing price to be paid by the Company for the stock of Arris and assets of 299 Sellers, estimated additional borrowings, issuance of Company stock to seller, adjustments to historical book values of Arris' and 299 Sellers' properties to their preliminary estimated fair values in accordance with the acquisition method of accounting and estimated direct acquisition costs, including to:

(a) reflect the consideration of \$638.0 million, including cash paid of \$389.4 million and 3,996,290 shares of Company stock valued at \$248.6 million and the preliminary estimated fair value measurement of assets acquired from 299 Sellers and liabilities assumed for the acquisition;

PDC ENERGY, INC.
Notes To Pro Forma Condensed Consolidated Financial Statements
Six Months Ended June 30, 2016 And Year Ended December 31, 2015
(unaudited)

- (b) reflect the consideration of \$867.0 million, including cash paid of \$525.3 million and 5,390,478 shares of Company stock valued at \$341.7 million for the stock of Arris and adjustments to historical book value of the Arris assets to their preliminary estimated fair values in accordance with the acquisition method of accounting;
- (c) reflect issuance of \$400 million of senior notes due 2024, net of estimated debt issuance costs of \$7.0 million;
- (d) reflect issuance of 9,085,000 shares of common stock, valued at \$574.6 million, net of estimated issuance costs of \$15.8 million;
- (e) reflect issuance of \$200 million of convertible senior notes, net of estimated debt issuance costs of \$5.8 million;
- (f) record deferred tax liabilities of \$421.7 million on the difference between the book basis and tax basis of Arris properties acquired as this was a non-taxable transaction due to no IRS section 338 election being made;
- (g) eliminate Arris capital and adjust fair value of assets acquired;
- (h) record estimated direct acquisition costs of \$10.3 million;
- (i) record estimated fees of \$5.9 million paid to increase revolving credit facility commitment to \$700.0 million;
- (j) record estimated fees of \$9.0 million for securing \$600.0 million short-term financing;
- (k) reflect interest payable and amortization of debt issuance costs for each period presented associated with issuance of senior notes, convertible senior notes and our existing credit facility incurred to fund the acquisition. The Company assumed a total of \$22.6 million of debt issuance costs associated with issuance of senior notes and convertible senior notes and an increase in the commitment under its existing credit facility. The Company assumed interest expense of \$1.5 million and \$3.1 million associated with amortization of debt issuance costs for the six months ended June 30, 2016 and year ended December 31, 2015, respectively. Interest expense of \$14.3 million and \$28.5 million was computed using an estimated interest rate of 6.50% for \$400 million of senior notes and an interest rate of 1.25% for \$200 million of convertible senior notes for the six months ended June 30, 2016 and year ended December 31, 2015, respectively; and
- (l) record the tax benefit on additional loss for the periods.

The pro forma condensed consolidated statements of operations also include an adjustment to the weighted-average common shares outstanding to reflect shares issued to fund the purchase price of the stock of Arris and the assets of 299 Sellers.

Note that the fair value of the proved properties and other property and equipment being acquired approximates the net book value and, as a result, no pro forma adjustment was made to DD&A expense for all periods presented as there would not be a significant change to DD&A expense.

The final structure and terms of the acquisition financing will be subject to market conditions and may change materially from the assumptions described above. Changes in the assumptions described above would result in changes to various components of the unaudited pro forma condensed consolidated balance sheet, including cash and cash equivalents, long-term debt and additional paid-in capital, and various components of the unaudited pro forma condensed consolidated statements of income, including interest expense, earnings per share and weighted-average shares outstanding. Depending upon the nature of the changes, the impact on the pro forma financial information could be material.

- The 9,386,768 shares of Company stock which will be issued was valued at approximately \$63 per share for a total value of approximately \$590.3 million. The following sets forth the increase or decreases to this value at the stock prices shown:

PDC ENERGY, INC.
Notes To Pro Forma Condensed Consolidated Financial Statements
Six Months Ended June 30, 2016 And Year Ended December 31, 2015
(unaudited)

Company Stock Price (per share)	Value	Increase / (Decrease)
	(in thousands)	
\$ 55	\$ 516,272	\$ (74,052)
60	563,206	(27,118)
65	610,140	19,816
70	657,074	66,750
75	704,008	113,684

- For each 0.25% increase (decrease) in the assumed interest rate for the \$400 million senior notes, interest expense would increase (decrease) by approximately \$0.5 million and \$1.0 million for the six months ended June 30, 2016 and the year ended December 31, 2015, respectively.

Note 5 - Supplemental Oil and Natural Gas Reserve Information

The following tables set forth certain unaudited pro forma information concerning the Company's proved crude oil, natural gas and natural gas liquids ("NGLs") reserves for the year December 31, 2015, giving effect to the acquisition of Arris as if it had occurred on January 1, 2015. There are numerous uncertainties inherent in estimating the quantities of proved reserves and projecting future rates of production and timing of development costs. The estimates of reserves, and the standardized measure of future net cash flow, shown below, reflects Arris' development plan for the Arris properties, rather than the Company's development plan for the properties. The following reserve data represent estimates only and should not be construed as being precise. Arris oil reserves include NGLs.

PDC ENERGY, INC.
Notes To Pro Forma Condensed Consolidated Financial Statements
Six Months Ended June 30, 2016 And Year Ended December 31, 2015
(unaudited)

	PDC Energy Historical	Arris Historical	PDC Energy Historical	Arris Historical	PDC Energy Historical	PDC Energy Pro Forma Total
	Crude Oil, Condensate (MBbls)		Natural Gas (MMcf)		NGLs (MBbls)	(MBoe)
Proved Reserves:						
Proved reserves, December 31, 2014	100,515	547	536,972	3,486	60,119	251,257
Revisions of previous estimates	(43,268)	(229)	(154,775)	853	(24,407)	(93,558)
Extension and discoveries	48,707	2,902	311,709	18,499	30,835	137,479
Purchases of reserves	17	—	215	—	23	76
Dispositions	(12)	—	(82)	—	(8)	(34)
Production	(6,984)	(59)	(33,302)	(638)	(2,835)	(15,535)
Proved reserves, December 31, 2015	<u>98,975</u>	<u>3,161</u>	<u>660,737</u>	<u>22,200</u>	<u>63,727</u>	<u>279,685</u>
Proved developed reserves as of:						
December 31, 2014	<u>26,798</u>	<u>157</u>	<u>186,633</u>	<u>2,256</u>	<u>17,002</u>	<u>75,438</u>
December 31, 2015	<u>26,257</u>	<u>1,051</u>	<u>175,367</u>	<u>11,448</u>	<u>15,011</u>	<u>73,455</u>
Proved undeveloped reserves:						
December 31, 2014	<u>73,717</u>	<u>390</u>	<u>350,339</u>	<u>1,230</u>	<u>43,117</u>	<u>175,819</u>
December 31, 2015	<u>72,718</u>	<u>2,110</u>	<u>485,370</u>	<u>10,752</u>	<u>48,716</u>	<u>206,231</u>

Standardized Measure of Discounted Future Net Cash Flows and Changes Therein Relating to Proved Reserves

Summarized in the following table is information for the standardized measure of discounted cash flows relating to proved reserves as of December 31, 2015, giving effect to the acquisition of Arris properties. Future estimated cash flows were based on a 12-month average price calculated as the unweighted arithmetic average of the prices on the first day of each month, January through December applied to the year-end estimated proved reserves. Prices were adjusted by field for Btu content, transportation and regional price differences; however, they were not adjusted to reflect the value of commodity derivatives. Production and development costs were based on prices as of December 31, 2015. The amounts shown do not give effect to non-property related expenses, such as corporate general and administrative expenses, debt service or to depreciation, depletion and amortization expense. Production and development costs include those cash flows associated with the ultimate settlement of our asset retirement obligation. Future estimated income tax expense is computed by applying the statutory rate in effect at the end of each year to the future pretax net cash flows, less the tax basis of the properties and gives effect to permanent differences, tax credits and allowances related to the properties.

PDC ENERGY, INC.
Notes To Pro Forma Condensed Consolidated Financial Statements
Six Months Ended June 30, 2016 And Year Ended December 31, 2015
(unaudited)

Changes in the demand for crude oil, natural gas and NGLs, inflation, and other factors make such estimates inherently imprecise and subject to substantial revision. This table should not be construed to be an estimate of the current market value of the Company's proved reserves.

	December 31, 2015		
	PDC Energy Historical	Arris Historical	PDC Energy Pro Forma
	(in thousands)		
Future estimated revenues	\$ 6,297,298	\$ 202,923	\$ 6,500,221
Future estimated production costs	(1,577,393)	(64,859)	(1,642,252)
Future estimated development costs	(1,952,332)	(46,839)	(1,999,171)
Future estimated income tax expense	(508,332)	(1,065)	(509,397)
Future net cash flows	2,259,241	90,160	2,349,401
10% annual discount for estimated timing of cash flows	(1,162,377)	(44,897)	(1,207,274)
Standardized measure of discounted future net cash flows	<u>\$ 1,096,864</u>	<u>\$ 45,263</u>	<u>\$ 1,142,127</u>
Netted Back Prices Used to Estimate Reserves:			
Oil (Bbl)	\$ 42.10	\$ 50.28	
Natural gas (MMBtu)	\$ 2.05	2.59	
NGLs (Bbl)	\$ 12.23	\$ —	

PDC ENERGY, INC.
Notes To Pro Forma Condensed Consolidated Financial Statements
Six Months Ended June 30, 2016 And Year Ended December 31, 2015
(unaudited)

The following table summarizes the principal sources of change in the standardized measure of discounted future net cash flows:

	December 31, 2015		
	PDC Energy Historical	Arris Historical	PDC Energy Pro Forma
	(in thousands)		
Sales of crude oil, natural gas and NGLs production, net of production costs	\$ (293,127)	\$ (2,119)	\$ (295,246)
Net changes in prices and production costs	(1,752,921)	(13,935)	(1,766,856)
Extensions, discoveries and improved recovery, less related costs	489,178	38,442	527,620
Sales of reserves	(463)	—	(463)
Purchases of reserves	374	—	374
Development costs incurred during the period	368,840	7,000	375,840
Revisions of previous quantity estimates	(1,286,462)	(3,612)	(1,290,074)
Changes in estimated income taxes	902,994	(499)	902,495
Net changes in future development costs	112,958	1	112,959
Accretion of discount	345,007	1,840	346,847
Timing and other	(95,979)	(165)	(96,144)
Total	<u>\$ (1,209,601)</u>	<u>\$ 26,953</u>	<u>\$ (1,182,648)</u>

It is necessary to emphasize that the data presented should not be viewed as representing the expected cash flow from, or current value of, existing proved reserves since the computations are based on a large number of estimates and arbitrary assumptions. Reserve quantities cannot be measured with precision and their estimation requires many judgmental determinations and frequent revisions. The required projection of production and related expenditures over time requires further estimates with respect to pipeline availability, rates of demand and governmental control. Actual future prices and costs are likely to be substantially different from the recent average prices and current costs utilized in the computation of reported amounts. Any analysis or evaluation of the reported amounts should give specific recognition to the computational methods utilized and the limitations inherent therein.