

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2020

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 001-37419



PDC ENERGY, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

95-2636730
(I.R.S. Employer Identification No.)

1775 Sherman Street, Suite 3000
Denver, Colorado 80203
(Address of principal executive offices) (Zip code)

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

Securities registered pursuant to Section 12(b) of the Act.

<u>Title of each class</u>	<u>Ticker Symbol</u>	<u>Name of each exchange on which registered</u>
Common stock, par value \$0.01 per share	PDCE	Nasdaq Global Select Market

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 99,600,043 shares of the Company's Common Stock (\$0.01 par value) were outstanding as of July 22, 2020.

PDC ENERGY, INC.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 ("Securities Act"), Section 21E of the Securities Exchange Act of 1934 ("Exchange Act") and the United States ("U.S.") Private Securities Litigation Reform Act of 1995 regarding our business, financial condition, results of operations and prospects. All statements other than statements of historical fact included in and incorporated by reference into this report are "forward-looking statements." Words such as expect, anticipate, intend, plan, believe, seek, estimate, schedule and similar expressions or variations of such words are intended to identify forward-looking statements herein. Forward-looking statements include, among other things, statements regarding future: production, costs and cash flows; drilling locations, zones and growth opportunities; commodity prices and differentials; capital expenditures and projects, including the number of rigs employed; cash flows from operations relative to future capital investments; our currently suspended stock repurchase program; financial ratios and compliance with covenants in our revolving credit facility and other debt instruments; impacts of certain accounting and tax changes; timing and adequacy of infrastructure projects of our midstream providers and the related impact on our midstream capacity and related curtailments; impacts of Colorado political matters; ability to meet our volume commitments to midstream providers; and ongoing compliance with our consent decree.

The above statements are not the exclusive means of identifying forward-looking statements herein. Although forward-looking statements contained in this report reflect our good faith judgment, such statements can only be based on facts and factors currently known to us. Forward-looking statements are always subject to risks and uncertainties, and become subject to greater levels of risk and uncertainty as they address matters further into the future. Throughout this report or accompanying materials, we may use the term "projection" or similar terms or expressions, or indicate that we have "modeled" certain future scenarios. We typically use these terms to indicate our current thoughts on possible outcomes relating to our business or our industry in periods beyond the current fiscal year. Because such statements relate to events or conditions further in the future, they are subject to increased levels of uncertainty.

Important factors that could cause actual results to differ materially from the forward-looking statements include, but are not limited to:

- the COVID-19 pandemic, including its effects on commodity prices, downstream capacity, employee health and safety, business continuity and regulatory matters;
- changes in global production volumes and demand, including economic conditions that might impact demand and prices for the products we produce;
- geopolitical factors, such as events that may reduce or increase production from particular oil-producing regions and/or from members of the Organization of Petroleum Exporting Countries;
- impacts of Colorado political matters;
- volatility of commodity prices for crude oil, natural gas and natural gas liquids ("NGLs") and the risk of an extended period of depressed prices, including risks relating to decreased revenue, income and cash flow, write-downs and impairments and availability of capital;
- volatility and widening of differentials;
- reductions in the borrowing base under our revolving credit facility;
- impact of governmental policies and/or regulations, including changes in environmental and other laws, the interpretation and enforcement of those laws and regulations, liabilities arising thereunder and the costs to comply with those laws and regulations;
- timing and receipt of necessary regulatory permits;
- impact of regulatory developments in Colorado, particularly with respect to additional permit scrutiny;
- declines in the value of our crude oil, natural gas and NGLs properties resulting in impairments;
- changes in estimates of proved reserves;
- inaccuracy of reserve estimates and expected production rates;
- potential for production decline rates from our wells being greater than expected;
- timing and extent of our success in discovering, acquiring, developing and producing reserves;
- availability and cost of sufficient pipeline, gathering and other transportation facilities and related infrastructure to process and transport our production and the impact of these facilities and regional capacity on the prices we receive for our production;
- risks incidental to the drilling and operation of crude oil and natural gas wells;
- difficulties in integrating our operations as a result of any significant acquisitions, including the merger with SRC Energy Inc. ("SRC"), or acreage exchanges;
- increases in costs and expenses;

- limitations in the availability of supplies, materials, contractors and services that may delay the drilling or completion of our wells;
- potential losses of acreage due to lease expirations or otherwise;
- future cash flows, liquidity and financial condition;
- competition within the oil and gas industry;
- availability and cost of capital;
- success in marketing our crude oil, natural gas and NGLs;
- effect of crude oil and natural gas derivative activities;
- impact to our operations, personnel retention, strategy, stock price and expenses caused by the actions of activist shareholders;
- impact of environmental events, governmental and other third-party responses to such events and our ability to insure adequately against such events;
- cost of pending or future litigation;
- effect that acquisitions we may pursue have on our capital requirements;
- our ability to retain or attract senior management and key technical employees; and
- success of strategic plans, expectations and objectives for our future operations.

Further, we urge you to carefully review and consider the cautionary statements and disclosures, specifically those under the heading "*Risk Factors*," made in this Quarterly Report on Form 10-Q, our Annual Report on Form 10-K for the year ended December 31, 2019 filed with the U.S. Securities and Exchange Commission ("SEC") on February 26, 2020 (the "2019 Form 10-K"), our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020 filed with the SEC on May 8, 2020 (the "First Quarter 2020 Form 10-Q") and our other filings with the SEC for further information on risks and uncertainties that could affect our business, financial condition, results of operations and prospects, which are incorporated by this reference as though fully set forth herein. We caution you not to place undue reliance on the forward-looking statements, which speak only as of the date of this report. **We undertake no obligation to update any forward-looking statements in order to reflect any event or circumstance occurring after the date of this report 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.**

REFERENCES

Unless the context otherwise requires, references in this report to "PDC Energy," "PDC," "the Company," "we," "us," "our" or "ours" refer to the registrant, PDC Energy, Inc. and all subsidiaries consolidated for the purposes of its financial statements.

PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

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

	June 30, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,191	\$ 963
Accounts receivable, net	196,314	266,354
Fair value of derivatives	222,319	28,078
Prepaid expenses and other current assets	7,643	8,635
Total current assets	427,467	304,030
Properties and equipment, net	5,000,066	4,095,202
Fair value of derivatives	14,719	3,746
Other assets	67,826	45,702
Total Assets	\$ 5,510,078	\$ 4,448,680
Liabilities and Stockholders' Equity		
Liabilities		
Current liabilities:		
Accounts payable	\$ 136,544	\$ 98,934
Production tax liability	121,223	76,236
Fair value of derivatives	25,993	2,921
Funds held for distribution	146,341	98,393
Accrued interest payable	16,168	14,284
Other accrued expenses	76,653	70,462
Total current liabilities	522,922	361,230
Long-term debt	1,935,105	1,177,226
Deferred income taxes	—	195,841
Asset retirement obligations	134,520	95,051
Fair value of derivatives	34,827	692
Other liabilities	238,695	283,133
Total liabilities	2,866,069	2,113,173
Commitments and contingent liabilities		
Stockholders' equity		
Common shares - par value \$0.01 per share, 150,000,000 authorized, 99,611,557 and 61,652,412 issued as of June 30, 2020 and December 31, 2019, respectively	996	617
Additional paid-in capital	3,378,553	2,384,309
Retained deficit	(734,792)	(47,945)
Treasury shares - at cost, 33,138 and 34,922 as of June 30, 2020 and December 31, 2019, respectively	(748)	(1,474)
Total stockholders' equity	2,644,009	2,335,507
Total Liabilities and Stockholders' Equity	\$ 5,510,078	\$ 4,448,680

See accompanying Notes to Condensed Consolidated Financial Statements

PDC ENERGY, INC.
Condensed Consolidated Statements of Operations
(unaudited; in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenues				
Crude oil, natural gas and NGLs sales	\$ 173,921	\$ 338,956	\$ 494,236	\$ 660,055
Commodity price risk management gain (loss), net	(120,786)	47,349	313,912	(142,725)
Other income	1,281	4,353	3,298	7,828
Total revenues	54,416	390,658	811,446	525,158
Costs, expenses and other				
Lease operating expenses	35,808	34,328	85,342	69,549
Production taxes	7,846	22,642	26,316	44,810
Transportation, gathering and processing expenses	16,949	12,208	30,445	23,632
Exploration, geologic and geophysical expense	728	640	864	3,283
General and administrative expense	35,352	42,808	97,517	82,406
Depreciation, depletion and amortization	149,491	168,523	325,648	319,945
Accretion of asset retirement obligations	2,358	1,563	4,978	3,147
Impairment of properties and equipment	32	28,979	881,106	36,854
Gain on sale of properties and equipment	(174)	(33,904)	(353)	(34,273)
Other expenses	2,003	2,836	4,147	6,390
Total costs, expenses and other	250,393	280,623	1,456,010	555,743
Income (loss) from operations	(195,977)	110,035	(644,564)	(30,585)
Interest expense, net	(21,782)	(18,900)	(45,955)	(35,868)
Income (loss) before income taxes	(217,759)	91,135	(690,519)	(66,453)
Income tax (expense) benefit	(4,073)	(22,587)	3,672	14,825
Net income (loss)	\$ (221,832)	\$ 68,548	\$ (686,847)	\$ (51,628)
Earnings per share:				
Basic	\$ (2.23)	\$ 1.04	\$ (7.09)	\$ (0.78)
Diluted	\$ (2.23)	\$ 1.04	\$ (7.09)	\$ (0.78)
Weighted-average common shares outstanding:				
Basic	99,566	65,815	96,821	65,998
Diluted	99,566	65,926	96,821	65,998

See accompanying Notes to Condensed Consolidated Financial Statements
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PDC ENERGY, INC.
Condensed Consolidated Statements of Cash Flows
(unaudited; in thousands)

	Six Months Ended June 30,	
	2020	2019
Cash flows from operating activities:		
Net loss	\$ (686,847)	\$ (51,628)
Adjustments to net loss to reconcile to net cash from operating activities:		
Net change in fair value of unsettled commodity derivatives	(153,294)	121,080
Depreciation, depletion and amortization	325,648	319,945
Impairment of properties and equipment	881,106	36,854
Accretion of asset retirement obligations	4,978	3,147
Non-cash stock-based compensation	12,036	12,258
Gain on sale of properties and equipment	(353)	(34,273)
Amortization and write-off of debt discount, premium and issuance costs	8,941	6,731
Deferred income taxes	(2,430)	(14,975)
Other	1,657	394
Changes in assets and liabilities	(22,180)	17,950
Net cash from operating activities	369,262	417,483
Cash flows from investing activities:		
Capital expenditures for development of crude oil and natural gas properties	(387,930)	(518,038)
Capital expenditures for other properties and equipment	(1,935)	(10,453)
Acquisition of crude oil and natural gas properties	(139,812)	(4,146)
Proceeds from sale of properties and equipment	1,384	1,154
Proceeds from divestitures	62	199,430
Restricted cash	—	8,001
Net cash from investing activities	(528,231)	(324,052)
Cash flows from financing activities:		
Proceeds from revolving credit facility and other borrowings	1,318,000	890,000
Repayment of revolving credit facility and other borrowings	(669,000)	(892,500)
Payment of debt issuance costs	(4,666)	(36)
Purchase of treasury shares	(23,819)	(94,113)
Purchase of treasury shares for employee stock-based compensation tax withholding obligations	(8,180)	(3,717)
Redemption of senior notes	(452,153)	—
Principal payments under financing lease obligations	(985)	(988)
Other	—	(2)
Net cash from financing activities	159,197	(101,356)
Net change in cash, cash equivalents and restricted cash	228	(7,925)
Cash, cash equivalents and restricted cash, beginning of period	963	9,399
Cash, cash equivalents and restricted cash, end of period	\$ 1,191	\$ 1,474

See accompanying Notes to Condensed Consolidated Financial Statements

PDC ENERGY, INC.
Condensed Consolidated Statements of Equity
(unaudited; in thousands, except share data)

Six Months Ended June 30, 2020

	Common Stock			Treasury Stock		Retained Deficit	Total Stockholders' Equity
	Shares	Amount	Additional Paid-in Capital	Shares	Amount		
Balance, December 31, 2019	61,652,412	\$ 617	\$ 2,384,309	(34,922)	\$ (1,474)	\$ (47,945)	\$ 2,335,507
Net loss	—	—	—	—	—	(465,015)	(465,015)
Issuance pursuant to acquisition	39,182,045	391	1,014,921	—	—	—	1,015,312
Stock-based compensation	120,952	1	3,713	—	1,958	—	5,672
Purchase of treasury shares for employee stock-based compensation tax withholding obligations	—	—	—	(306,185)	(7,693)	—	(7,693)
Retirement of treasury shares for employee stock-based compensation tax withholding obligations	(251,287)	(3)	(6,425)	251,287	6,428	—	—
Purchase of treasury shares	—	—	—	(1,266,000)	(23,819)	—	(23,819)
Retirement of treasury shares	(1,266,000)	(12)	(23,807)	1,266,000	23,819	—	—
Issuance of treasury shares	—	—	—	69,327	—	—	—
Balance, March 31, 2020	<u>99,438,122</u>	<u>994</u>	<u>3,372,711</u>	<u>(20,493)</u>	<u>(781)</u>	<u>(512,960)</u>	<u>2,859,964</u>
Net loss	—	—	—	—	—	(221,832)	(221,832)
Stock-based compensation	212,809	2	6,164	—	198	—	6,364
Purchase of treasury shares for employee stock-based compensation tax withholding obligations	—	—	—	(64,219)	(487)	—	(487)
Retirement of treasury shares for employee stock-based compensation tax withholding obligations	(39,374)	—	(322)	39,374	322	—	—
Issuance of treasury shares	—	—	—	12,200	—	—	—
Balance, June 30, 2020	<u>99,611,557</u>	<u>\$ 996</u>	<u>\$ 3,378,553</u>	<u>(33,138)</u>	<u>\$ (748)</u>	<u>\$ (734,792)</u>	<u>\$ 2,644,009</u>

See accompanying Notes to Condensed Consolidated Financial Statements

Six Months Ended June 30, 2019

	Common Stock		Additional Paid-in Capital	Treasury Stock		Retained Earnings (Deficit)	Total Stockholders' Equity
	Shares	Amount		Shares	Amount		
Balance, December 31, 2018	66,148,609	\$ 661	\$ 2,519,423	(45,220)	\$ (2,103)	\$ 8,727	\$ 2,526,708
Net loss	—	—	—	—	—	(120,176)	(120,176)
Stock-based compensation	48,254	1	4,682	—	—	—	4,683
Purchase of treasury shares for employee stock-based compensation tax withholding obligations	—	—	—	(41,787)	(1,460)	—	(1,460)
Issuance of treasury shares	—	—	(2,547)	64,372	2,547	—	—
Balance, March 31, 2019	66,196,863	662	2,521,558	(22,635)	(1,016)	(111,449)	2,409,755
Net income	—	—	—	—	—	68,548	68,548
Stock-based compensation	148,040	1	7,574	—	—	—	7,575
Purchase of treasury shares for employee stock-based compensation tax withholding obligations	—	—	—	(54,784)	(2,257)	—	(2,257)
Retirement of treasury shares for employee stock-based compensation tax withholding obligations	(2,182)	—	(78)	2,182	78	—	—
Purchase of treasury shares	—	—	—	(3,136,406)	(105,215)	—	(105,215)
Retirement of treasury shares	(2,822,259)	(28)	(94,085)	2,822,259	94,113	—	—
Issuance of treasury shares	—	—	(995)	24,604	995	—	—
Balance, June 30, 2019	63,520,462	\$ 635	\$ 2,433,974	(364,780)	\$ (13,302)	\$ (42,901)	\$ 2,378,406

See accompanying Notes to Condensed Consolidated Financial Statements

PDC ENERGY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020
(unaudited)

NOTE 1 - NATURE OF OPERATIONS AND BASIS OF PRESENTATION

PDC Energy, Inc. is a domestic independent exploration and production company that acquires, explores and develops properties for the production of crude oil, natural gas and NGLs, with operations in the Wattenberg Field in Colorado and the Delaware Basin in Texas. Our operations in the Wattenberg Field are focused in the horizontal Niobrara and Codell plays and our Delaware Basin operations are primarily focused in the Wolfcamp zones. As of June 30, 2020, we owned an interest in approximately 3,900 gross productive wells.

The accompanying unaudited condensed consolidated financial statements include the accounts of PDC and our wholly-owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation. In our opinion, the accompanying condensed consolidated financial statements contain all adjustments, consisting of normal recurring adjustments necessary for a fair presentation of our financial statements for interim periods in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the SEC. Accordingly, pursuant to such rules and regulations, certain notes and other financial information included in audited financial statements have been condensed or omitted. The December 31, 2019 condensed consolidated balance sheet data was derived from audited statements, but does not include all disclosures required by U.S. GAAP. The information presented in this Quarterly Report on Form 10-Q should be read in conjunction with our audited consolidated financial statements and notes thereto included in our 2019 Form 10-K. Our results of operations and cash flows for the six months ended June 30, 2020 are not necessarily indicative of the results to be expected for the full year or any other future period.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***Recently Adopted Accounting Standards.***

In March 2020, the SEC adopted final rules that amend the financial disclosure requirements for subsidiary issuers and guarantors of registered debt securities in Rule 3-10 of Regulation S-X. The amended rules, which can be found under new Rule 13-01 of Regulation S-X, narrow the circumstances that require separate financial statements of subsidiary issuers and guarantors and streamline the alternative disclosures required in lieu of those statements. The amended rules allow registrants, among other things, to disclose summarized financial information of the issuer and guarantors on a combined basis and to present only the most recently completed fiscal year and subsequent year-to-date interim period. The rule replaces the requirement to provide condensed consolidating financial information with a requirement to present summarized financial information of the issuers and guarantors. These disclosures may be provided outside the notes to the condensed consolidated financial statements. The rule is effective in the first quarter of 2021, with earlier adoption permitted. We early adopted the rule in the first quarter of 2020 and have provided these disclosures outside the notes to the condensed consolidated financial statements.

NOTE 3 - BUSINESS COMBINATION

In January 2020, we merged with SRC in a transaction valued at \$1.7 billion, inclusive of SRC's net debt (the "SRC Acquisition"). Upon closing, we issued approximately 39 million shares of our common stock to SRC shareholders and holders of SRC equity awards, reflecting the issuance of 0.158 of a share of our common stock in exchange for each outstanding share of SRC common stock and the cancellation of outstanding SRC equity awards pursuant to the merger agreement that we entered into with SRC (the "Merger Agreement"). During the six months ended June 30, 2020, we recorded transaction costs related to the SRC Acquisition of \$20.2 million. These expenses were accounted for separately from the assets and liabilities assumed and are included in general and administrative expense.

PDC ENERGY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020
(unaudited)

The details of the estimated purchase price and the preliminary allocation of the purchase price are as follows:

	Six Months Ended June 30, 2020
	<i>(in thousands)</i>
Consideration:	
Cash	\$ 40
Retirement of seller's credit facility	166,238
Total cash consideration	166,278
Common stock issued	1,009,015
Shares withheld in lieu of taxes	6,299
Total consideration	\$ 1,181,592
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Assets acquired:	
Current assets	\$ 148,977
Properties and equipment, net - proved	1,607,175
Properties and equipment, net - unproved	109,615
Properties and equipment, net - other	16,242
Deferred tax asset	193,410
Other assets	9,489
Total assets acquired	2,084,908
Liabilities assumed:	
Current liabilities	(254,465)
Senior notes	(555,500)
Asset retirement obligations	(40,383)
Other liabilities	(52,968)
Total liabilities assumed	(903,316)
Total identifiable net assets acquired	\$ 1,181,592

This acquisition was accounted for under the acquisition method of accounting for business combinations. Accordingly, we conducted assessments of the net assets acquired and recognized amounts for identifiable assets acquired and liabilities assumed at their estimated acquisition date fair values, while transaction and integration costs associated with the acquisition were expensed as incurred. The fair value measurements of assets acquired and liabilities assumed are based on inputs that are not observable in the market, and therefore represent Level 3 inputs. The fair values of crude oil and natural gas properties 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 proved and unproved crude oil and natural gas properties include estimates of reserves, future operating and development costs, future commodity prices, estimated future cash flows, lease terms and expirations and a market-based weighted-average cost of capital rate of 10 percent. These inputs require significant judgments and estimates by management at the time of the valuation. As of the date of this report, we expect that the measurement period may extend into the fourth quarter of 2020.

Pro Forma Information. The results of operations for the SRC Acquisition since the closing date have been included in our condensed consolidated financial statements for the three and six months ended June 30, 2020 and includes approximately \$48.3 million and \$151.8 million of total revenue, respectively, and \$14.5 million and \$1.4 million of loss from operations for the three and six months ended June 30, 2020, respectively. The following unaudited pro forma financial information represents a summary of the consolidated results of operations for the six months ended June 30, 2020 and for the three and six months ended June 30, 2019, assuming the acquisition had been completed as of January 1, 2019. The financial information for the three months ended June 30, 2020 is included in our condensed consolidated financial statements for the three and six months ended June 30, 2020 and therefore does not require a pro forma disclosure. The pro forma financial information includes certain non-recurring pro forma adjustments that were directly attributable to the business combination. The pro forma financial information is not necessarily indicative of the results of operations that would have been achieved if the acquisition had been effective as of these dates, or of future results.

PDC ENERGY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2020	2019	2020
	<i>(in thousands, except per share data)</i>			
Total revenue	\$ 561,530	\$ 832,786	\$ 862,629	
Net income (loss)	127,425	(667,575)	65,245	
Earnings per share:				
Basic	\$ 1.21	\$ (6.69)	\$ 0.62	
Diluted	\$ 1.21	\$ (6.69)	\$ 0.62	

NOTE 4 - REVENUE RECOGNITION

Crude oil, natural gas and NGLs revenues are recognized when we have transferred control of crude oil, natural gas or NGLs production to the purchaser. We consider the transfer of control to have occurred when the purchaser has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the crude oil, natural gas or NGLs production. We record sales revenue based on an estimate of the volumes delivered at estimated prices as determined by the applicable sales agreement. We estimate our sales volumes based on company-measured volume readings. We then adjust our crude oil, natural gas and NGLs sales in subsequent periods based on the data received from our purchasers that reflects actual volumes delivered and prices received. We receive payment for sales one to two months after actual delivery has occurred. The differences in sales estimates and actual sales are recorded one to two months later. Historically, these differences have not been material.

Disaggregated Revenue. The following table presents crude oil, natural gas and NGLs sales disaggregated by commodity and operating region for the three and six months ended June 30, 2020 and 2019:

Revenue by Commodity and Operating Region	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Percent Change	2020	2019	Percent Change
	<i>(in thousands)</i>					
Crude oil						
Wattenberg Field	\$ 93,540	\$ 203,548	(54.0)%	\$ 300,189	\$ 383,974	(21.8)%
Delaware Basin	22,231	70,620	(68.5)%	64,756	121,277	(46.6)%
Total	\$ 115,771	\$ 274,168	(57.8)%	\$ 364,945	\$ 505,251	(27.8)%
Natural gas						
Wattenberg Field	\$ 29,443	\$ 30,129	(2.3)%	\$ 69,520	\$ 76,831	(9.5)%
Delaware Basin	1,605	910	76.4 %	1,042	6,680	(84.4)%
Total	\$ 31,048	\$ 31,039	— %	\$ 70,562	\$ 83,511	(15.5)%
NGLs						
Wattenberg Field	\$ 22,762	\$ 22,677	0.4 %	\$ 48,004	\$ 50,399	(4.8)%
Delaware Basin	4,340	11,072	(60.8)%	10,725	20,894	(48.7)%
Total	\$ 27,102	\$ 33,749	(19.7)%	\$ 58,729	\$ 71,293	(17.6)%
Crude oil, natural gas and NGLs						
Wattenberg Field	\$ 145,745	\$ 256,354	(43.1)%	\$ 417,713	\$ 511,204	(18.3)%
Delaware Basin	28,176	82,602	(65.9)%	76,523	148,851	(48.6)%
Total	\$ 173,921	\$ 338,956	(48.7)%	\$ 494,236	\$ 660,055	(25.1)%

Contract Assets. Contract assets include material contributions in aid of construction, which are common in purchase and processing agreements with midstream service providers that are our customers. The intent of the payments is primarily to reimburse the customer for actual costs incurred related to the construction of its gathering and processing infrastructure. Contract assets are included in other assets. The contract assets will be amortized as a reduction to crude oil, natural gas and NGLs sales revenue during the periods in which the related production is transferred to the customer.

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The following table presents the changes in carrying amounts of the contract assets associated with our crude oil, natural gas and NGLs sales revenue for the six months ended June 30, 2020:

	Amount	
	<i>(in thousands)</i>	
Beginning balance, January 1, 2020	\$	11,494
Additions		11,246
Amortized as a reduction to crude oil, natural gas and NGLs sales		(881)
Ending balance, June 30, 2020	\$	21,859

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of Fair Value

Our fair value measurements are estimated pursuant to a fair value hierarchy that requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date, giving the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The lowest level input that is significant to a fair value measurement in its entirety determines the applicable level in the fair value hierarchy. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability, and may affect the valuation of the assets and liabilities and their placement within the fair value hierarchy levels. The three levels of inputs that may be used to measure fair value are defined as:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived from observable market data by correlation or other means.

Level 3 – Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity.

Derivative Financial Instruments

We measure the fair value of our derivative instruments based upon a pricing model that utilizes market-based inputs, including, but not limited to, the contractual price of the underlying position, current market prices, crude oil and natural gas forward curves, discount rates such as the LIBOR curve for a similar duration of each outstanding position, volatility factors and nonperformance risk. Nonperformance risk considers the effect of our credit standing on the fair value of derivative liabilities and the effect of our counterparties' credit standings on the fair value of derivative assets. Both inputs to the model are based on published credit default swap rates and the duration of each outstanding derivative position. We validate our fair value measurement by corroborating the original source of inputs, monitoring changes in valuation methods and assumptions and through the review of counterparty statements and other supporting documentation.

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Our crude oil and natural gas fixed-price swaps are included in Level 2. Our collars are included in Level 3. Our basis swaps are included in Level 2 and Level 3. The following table presents, for each applicable level within the fair value hierarchy, our derivative assets and liabilities, including both current and non-current portions, measured at fair value on a recurring basis:

	As of June 30, 2020			As of December 31, 2019		
	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	<i>(in thousands)</i>					
Total assets	\$ 202,183	\$ 34,855	\$ 237,038	\$ 22,886	\$ 8,938	\$ 31,824
Total liabilities	(52,923)	(7,897)	(60,820)	(3,089)	(524)	(3,613)
Net asset	\$ 149,260	\$ 26,958	\$ 176,218	\$ 19,797	\$ 8,414	\$ 28,211

The following table presents a reconciliation of our Level 3 assets measured at fair value:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	<i>(in thousands)</i>			
Fair value of Level 3 instruments, net asset beginning of period	\$ 67,240	\$ 12,990	\$ 8,414	\$ 58,329
Changes in fair value included in condensed consolidated statement of operations line item:				
Commodity price risk management gain (loss), net	(13,169)	10,597	54,361	(32,923)
Settlements included in condensed consolidated statement of operations line items:				
Commodity price risk management gain (loss), net	(27,113)	(1,083)	(35,817)	(2,902)
Fair value of Level 3 instruments, net asset end of period	\$ 26,958	\$ 22,504	\$ 26,958	\$ 22,504
Net change in fair value of Level 3 unsettled derivatives included in condensed consolidated statement of operations line item:				
Commodity price risk management gain (loss), net	\$ (13,675)	\$ 6,200	\$ 21,989	\$ (26,641)

The significant unobservable input used in the fair value measurement of our derivative contracts is the implied volatility curve, which is provided by a third-party vendor. A significant increase or decrease in the implied volatility, in isolation, would have a directionally similar effect resulting in a significantly higher or lower fair value measurement of our Level 3 derivative contracts. There has been no change in the methodology we apply to measure the fair value of our Level 3 derivative contracts during the periods covered by the financial statements.

Non-Derivative Financial Assets and Liabilities

We utilize fair value on a nonrecurring basis to review our proved crude oil and natural gas properties for possible impairment when events and circumstances indicate a possible decline in the recoverability of the carrying value of such assets. The fair value of the properties is determined based upon estimated future discounted cash flow, a Level 3 input, using estimated production and prices at which we reasonably expect the crude oil and natural gas will be sold. Unobservable inputs include estimated future crude oil and natural gas production, forward strip commodity pricing curves (adjusted for basis differentials), operating and development costs, future development plans and a discount rate of 17 percent, based on a weighted-average cost of capital (all of which were designated as Level 3 inputs within the fair value hierarchy).

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The portion of our long-term debt related to our revolving credit facility approximates fair value due to the variable nature of related interest rates. We have not elected to account for the portion of our debt related to our senior notes under the fair value option; however, we have determined an estimate of the fair values based on measurements of trading activity and broker and/or dealer quotes, respectively, which are published market prices, and therefore are Level 2 inputs. The table below presents these estimates of the fair value of the portion of our long-term debt related to our senior notes and convertible notes.

	As of June 30, 2020		As of December 31, 2019	
	Estimated Fair Value	Percent of Par	Estimated Fair Value	Percent of Par
<i>(in millions)</i>				
Senior notes:				
2021 Convertible Notes	\$ 183.0	91.5%	\$ 188.6	94.3%
2024 Senior Notes	378.0	94.5%	409.2	102.3%
2025 Senior Notes	86.3	84.4%	—	—%
2026 Senior Notes	547.2	91.2%	599.4	99.9%

The carrying value of the financial instruments included in current assets and current liabilities approximate fair value due to the short-term maturities of these instruments.

Concentration of Risk

Derivative Counterparties. A portion of our liquidity relates to commodity derivative instruments that enable us to manage a portion of our exposure to price volatility from producing crude oil and natural gas. These arrangements expose us to credit risk of nonperformance by our counterparties. We primarily use financial institutions who are also lenders under our revolving credit facility as counterparties to our commodity derivative contracts. To date, we have had no derivative counterparty default losses. We have evaluated the credit risk of our derivative assets from our counterparties using relevant credit market default rates, giving consideration to amounts outstanding for each counterparty and the duration of each outstanding derivative position. Based on our evaluation, we have determined that the potential impact of nonperformance of our current counterparties on the fair value of our derivative instruments is not significant at June 30, 2020; however, this determination may change.

Cash and Cash Equivalents. We consider all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents potentially subject us to a concentration of credit risk as substantially all of our deposits held in financial institutions were in excess of the FDIC insurance limits at June 30, 2020 and December 31, 2019. We maintain our cash and cash equivalents in the form of money market and checking accounts with financial institutions that we believe are creditworthy and are also lenders under our revolving credit facility.

NOTE 6 - COMMODITY DERIVATIVE FINANCIAL INSTRUMENTS

Our results of operations and operating cash flows are affected by changes in market prices for crude oil, natural gas and NGLs. To manage a portion of our exposure to price volatility from producing crude oil and natural gas we enter into commodity derivative contracts to protect against price declines in future periods. While we structure these commodity derivatives to reduce our exposure to decreases in commodity prices, they also limit the benefit we might otherwise receive from price increases.

We believe our commodity derivative instruments continue to be effective in achieving the risk management objectives for which they were intended. As of June 30, 2020, we had derivative instruments, which were comprised of collars, fixed-price swaps and basis protection swaps, in place for a portion of our anticipated 2020, 2021 and 2022 production. Our commodity derivative contracts have been entered into at no upfront cost to us as we hedge our anticipated production at the then-prevailing commodity market prices, without adjustment for premium or discount.

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As of June 30, 2020, we had the following outstanding derivative contracts. When aggregating multiple contracts, the weighted-average contract price is shown.

Commodity/ Index/ Maturity Period	Collars				Fixed-Price Swaps		Fair Value June 30, 2020 (1) <i>(in thousands)</i>
	Quantity <i>(Crude oil - MBbls Natural Gas - BBtu)</i>	Weighted-Average Contract Price		Quantity <i>(Crude Oil - MBbls Gas and Basis- BBtu)</i>	Weighted- Average Contract Price		
		Floors	Ceilings				
Crude Oil							
NYMEX							
2020	1,800	\$ 55.00	\$ 71.68	6,349	\$ 58.90	\$	150,963
2021	—	—	—	9,180	46.90		60,169
2022	—	—	—	1,980	34.88		(11,705)
Total Crude Oil	1,800			17,509		\$	199,427
Natural Gas							
NYMEX							
2020	32,442	\$ 2.02	\$ 2.31	2,000	\$ 2.30	\$	4,045
2021	30,000	2.28	2.61	31,800	2.40		(11,248)
Total Natural Gas	62,442			33,800		\$	(7,203)
Basis Protection - Natural Gas							
CIG							
2020	—	\$ —	\$ —	32,525	\$ (0.49)	\$	(8,341)
2021	—	—	—	65,700	(0.49)		(5,727)
Waha							
2020	—	—	—	2,000	(1.40)		(1,938)
Total Basis Protection - Natural Gas	—			100,225		\$	(16,006)
Commodity Derivatives Fair Value						\$	176,218

(1) Approximately 14.7 percent of the fair value of our commodity derivative assets and 13.0 percent of the fair value of our commodity derivative liabilities were measured using significant unobservable inputs (Level 3).

Subsequent to June 30, 2020, we entered into commodity derivative positions covering approximately 996 MBbls of crude oil production at an average New York Mercantile Exchange ("NYMEX") contract price of \$40.61 for 2021 and 8,700 BBtu of NYMEX natural gas production, at an average contract price of \$2.73 for 2021.

We have not elected to designate any of our derivative instruments as cash flow hedges; therefore, these instruments do not qualify for hedge accounting. Accordingly, changes in the fair value of our derivative instruments are recorded in the condensed consolidated statements of operations.

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The following table presents the condensed consolidated balance sheet line item and fair value amounts of our derivative instruments as of June 30, 2020 and December 31, 2019:

Derivative Instruments:	Condensed Consolidated Balance Sheet Line Item	Fair Value	
		June 30, 2020	December 31, 2019
<i>(in thousands)</i>			
Derivative assets:	Current		
	Commodity derivative contracts	\$ 222,289	\$ 27,766
	Basis protection derivative contracts	30	312
		222,319	28,078
	Non-current		
	Commodity derivative contracts	14,719	3,746
	Total derivative assets	\$ 237,038	\$ 31,824
Derivative liabilities:	Current		
	Commodity derivative contracts	\$ 13,092	\$ 529
	Basis protection derivative contracts	12,901	2,392
		25,993	2,921
	Non-current		
	Commodity derivative contracts	31,692	692
	Basis protection derivative contracts	3,135	—
		34,827	692
	Total derivative liabilities	\$ 60,820	\$ 3,613

The following table presents the impact of our derivative instruments on our condensed consolidated statements of operations:

Condensed Consolidated Statement of Operations Line Item	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<i>(in thousands)</i>				
Commodity price risk management gain (loss), net				
Net settlements	\$ 114,795	\$ (13,193)	\$ 160,618	\$ (21,645)
Net change in fair value of unsettled derivatives	(235,581)	60,542	153,294	(121,080)
Total commodity price risk management gain (loss), net	\$ (120,786)	\$ 47,349	\$ 313,912	\$ (142,725)

Our financial derivative agreements contain master netting provisions that provide for the net settlement of contracts through a single payment in the event of early termination. We have elected not to offset the fair value positions recorded on our condensed consolidated balance sheets.

The following table reflects the impact of netting agreements on gross derivative assets and liabilities:

As of June 30, 2020	Derivative Instruments, Gross	Effect of Master Netting Agreements	Derivative Instruments, Net
<i>(in thousands)</i>			
Asset derivatives:			
Derivative instruments, at fair value	\$ 237,038	\$ (46,969)	\$ 190,069
Liability derivatives:			
Derivative instruments, at fair value	\$ 60,820	\$ (46,969)	\$ 13,851

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As of December 31, 2019	Derivative Instruments, Gross	Effect of Master Netting Agreements	Derivative Instruments, Net
(in thousands)			
Asset derivatives:			
Derivative instruments, at fair value	\$ 31,824	\$ (2,619)	\$ 29,205
Liability derivatives:			
Derivative instruments, at fair value	\$ 3,613	\$ (2,619)	\$ 994

NOTE 7 - PROPERTIES AND EQUIPMENT

The following table presents the components of properties and equipment, net of accumulated depreciation, depletion and amortization ("DD&A"):

	June 30, 2020	December 31, 2019
(in thousands)		
Properties and equipment, net:		
Crude oil and natural gas properties		
Proved	\$ 7,369,104	\$ 6,241,780
Unproved	385,322	403,379
Total crude oil and natural gas properties	7,754,426	6,645,159
Equipment and other	64,898	41,888
Land and buildings	26,014	12,312
Construction in progress	492,497	408,428
Properties and equipment, at cost	8,337,835	7,107,787
Accumulated DD&A	(3,337,769)	(3,012,585)
Properties and equipment, net	\$ 5,000,066	\$ 4,095,202

Impairment Charges. During the three months ended March 31, 2020, we recorded impairment charges of \$881.1 million. The impairment charges during the three months ended March 31, 2020 were due to a significant decline in crude oil prices, which was considered a triggering event that required us to assess our crude oil and natural gas properties for possible impairment. As a result of our assessment, we recorded impairment charges of \$881.1 million to write-down our proved and unproved properties. Of these impairment charges, approximately \$753.0 million was related to our Delaware Basin proved properties. These impairment charges represented the amount by which the carrying value of the crude oil and natural gas properties exceeded the estimated fair value. The estimated fair value was determined based on estimated future discounted net cash flows, a Level 3 input, using estimated production and realized prices at which we reasonably expect the crude oil and natural gas will be sold. In addition to our proved property impairment, we also recognized approximately \$127.3 million of impairment charges for our unproved properties in the Delaware Basin. These impairment charges were recognized based on a review of our current drilling plans, estimated future cash flows for probable well locations and expected future lease expirations, primarily in areas where we have no development plans. During the three months ended June 30, 2020, we did not have any material impairments.

We recorded impairment charges of \$29.0 million and \$36.9 million, respectively, in the three and six months ended June 30, 2019, of which \$2.2 million and \$10.1 million, respectively, were related to leaseholds and leasehold expirations within our non-focus areas of the Delaware Basin where we were no longer pursuing plans to develop the properties. During the three and six months ended June 30, 2019, we also recorded impairments of \$26.8 million related to certain midstream facility infrastructure in the Delaware Basin. We determined the fair value of the properties based upon estimated future discounted cash flow, a Level 3 input, using estimated production and prices at which we reasonably expect the crude oil and natural gas will be sold.

Midstream Asset Divestitures. During the second quarter of 2019, we completed the sales of our Delaware Basin produced water gathering and disposal, crude oil gathering and natural gas gathering assets (the "Midstream Asset Divestitures") for aggregate proceeds of \$345.6 million. The proceeds were received upon closing, with the exception of

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\$82.0 million that we received in June 2020. Concurrent with the Midstream Asset Divestitures, we entered into agreements with the purchasers which provide us with certain gathering, processing, transportation and water disposal services. See footnote titled *Other Accrued Expenses and Other Liabilities* for further details regarding these agreements. Proceeds were allocated first to the assets sold based upon the fair values of the tangible assets sold, with the remainder of \$179.6 million allocated to the acreage dedication agreements. We recorded an aggregate gain on the sale of \$34.0 million based on the fair value of the tangible assets sold.

Suspended Well Costs. The following table presents the capitalized exploratory well cost pending determination of proved reserves and included in properties and equipment, net on the condensed consolidated balance sheets:

	Six Months Ended June 30,	Year Ended December 31, 2019
	<i>(in thousands, except for number of wells)</i>	
Beginning balance	\$ 16,078	\$ 12,188
Additions to capitalized exploratory well costs pending the determination of proved reserves	11,556	31,901
Reclassifications to proved properties	(20,431)	(28,011)
Ending balance	\$ 7,203	\$ 16,078
Number of wells pending determination at period-end	2	4

During six months ended June 30, 2020, two wells classified as exploratory at December 31, 2019 were reclassified as productive and no new wells drilled were classified as exploratory.

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NOTE 8 - OTHER ACCRUED EXPENSES AND OTHER LIABILITIES

Other Accrued Expenses. The following table presents the components of other accrued expenses as of:

	June 30, 2020	December 31, 2019
	<i>(in thousands)</i>	
Employee benefits	\$ 12,480	\$ 21,611
Asset retirement obligations	30,350	32,200
Environmental expenses (1)	10,866	2,256
Operating and finance leases	9,602	5,926
Other	13,355	8,469
Other accrued expenses	<u>\$ 76,653</u>	<u>\$ 70,462</u>

(1) Amount includes \$8.9 million of environmental liability assumed in the SRC Acquisition.

Other Liabilities. The following table presents the components of other liabilities as of:

	June 30, 2020	December 31, 2019
	<i>(in thousands)</i>	
Production taxes	\$ 29,585	\$ 68,020
Deferred oil gathering credits	19,095	20,100
Deferred midstream gathering credits	173,006	175,897
Operating and finance leases	14,354	15,779
Other	2,655	3,337
Other liabilities	<u>\$ 238,695</u>	<u>\$ 283,133</u>

Deferred Oil Gathering Credits. In 2018, we entered into an agreement that dedicates crude oil from the majority of our Wattenberg Field acreage to the midstream provider's gathering lines and extends the term of the agreement through December 2029. The payment is being amortized over the life of the agreement. Amortization charges related to this deferred oil gathering credit totaling approximately \$0.5 million for the three months ended June 30, 2020 and 2019, respectively, and \$1.0 million for the six months ended June 30, 2020 and 2019, respectively, are included as a reduction to transportation, gathering and processing expenses.

Deferred Midstream Gathering Credits. In the second quarter of 2019, concurrent with the sale of our Delaware Basin midstream assets, we entered into agreements with the purchasers that dedicated the gathering of certain of our production and all water gathering and disposal volumes in the Delaware Basin. The terms of these agreements range from 10 to 22 years. The credits are being amortized on a units-of-production basis. The amortization rates are assessed on an annual basis for changes in estimated future production. Amortization charges included in crude oil sales totaled approximately \$0.9 million and \$1.7 million for the three and six months ended June 30, 2020, respectively. Amortization charges included as a reduction to transportation, gathering and processing expenses totaled approximately \$0.3 million and \$0.4 million for the three and six months ended June 30, 2020, respectively. Amortization charges included as a reduction to lease operating expenses and capital costs totaled approximately \$0.4 million and \$0.8 million for the three and six months ended June 30, 2020, respectively. Amortization charges related to the deferred midstream gathering credits were not material for the three and six months ended June 30, 2019.

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NOTE 9 - LONG-TERM DEBT

Long-term debt consisted of the following as of:

	June 30, 2020	December 31, 2019
(in thousands)		
Senior Notes:		
1.125% Convertible Notes due September 2021:		
Principal amount	\$ 200,000	\$ 200,000
Unamortized discount	(10,589)	(14,763)
Unamortized debt issuance costs	(1,178)	(1,666)
Net of unamortized discount and debt issuance costs	188,233	183,571
6.125% Senior Notes due September 2024:		
Principal amount	400,000	400,000
Unamortized debt issuance costs	(4,121)	(4,611)
Net of unamortized debt issuance costs	395,879	395,389
6.25% Senior Notes due December 2025:		
Principal amount	102,324	—
Unamortized premium	956	—
Net of unamortized premium	103,280	—
5.75% Senior Notes due May 2026:		
Principal amount	600,000	600,000
Unamortized debt issuance costs	(5,287)	(5,734)
Net of unamortized debt issuance costs	594,713	594,266
Total senior notes	1,282,105	1,173,226
Revolving Credit Facility:		
Revolving credit facility due May 2023	653,000	4,000
Total long-term debt, net of unamortized discount and debt issuance costs	\$ 1,935,105	\$ 1,177,226

Senior Notes

2021 Convertible Notes. In September 2016, we issued \$200 million of 1.125% convertible notes due September 15, 2021 (the "2021 Convertible Notes"). Interest is payable semi-annually on March 15 and September 15. The conversion price at maturity is \$85.39 per share. We allocated the gross proceeds of the 2021 Convertible Notes between the liability and equity components of the debt. The initial \$160.5 million liability component was determined based on the fair value of similar debt instruments, excluding the conversion feature, priced on the same day we issued the 2021 Convertible Notes. The initial \$39.5 million equity component represents the debt discount and was calculated as the difference between the fair value of the debt and the gross proceeds of the 2021 Convertible Notes. Approximately \$4.8 million in costs associated with the issuance of the 2021 Convertible Notes were capitalized as debt issuance costs and are being amortized as interest expense over the life of the notes.

Upon conversion, the 2021 Convertible Notes may be settled, at our sole election, in shares of our common stock, cash or a combination thereof. We have initially elected a combination settlement method to satisfy our conversion obligation, which allows us to settle the principal amount of the 2021 Convertible Notes in cash and to settle the excess conversion value, if any, in shares, as well as cash in lieu of fractional shares.

2024 Senior Notes. In September 2016, we issued \$400 million aggregate principal amount of 6.125% senior notes due September 15, 2024 (the "2024 Senior Notes"). Interest is payable semi-annually on March 15 and September 15.

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Approximately \$7.8 million in costs associated with the issuance of the 2024 Senior Notes were capitalized as debt issuance costs and are being amortized as interest expense over the life of the notes.

2025 Senior Notes. Upon completion of the SRC Acquisition in January 2020, we assumed \$550 million aggregate principal amount of 6.25% senior notes due December 1, 2025 (the "2025 Senior Notes"). The 2025 Senior Notes were recorded at \$555.5 million, representing the approximate fair value. The difference between the acquisition date fair value and the principal amount of the 2025 Senior Notes will be recognized as a reduction to interest expense over the remaining life of the notes. Interest is payable semi-annually on June 1 and December 1. On January 17, 2020, we commenced an offer to repurchase the 2025 Senior Notes from the holders at 101 percent of the principal amount of the 2025 Senior Notes, together with any accrued and unpaid interest. Upon expiration of the repurchase offer on February 18, 2020, holders of \$447.7 million of the outstanding 2025 Senior Notes accepted the redemption offer for a total redemption price of approximately \$452.2 million, plus accrued and unpaid interest of \$6.2 million. The fair value of the 2025 Senior Notes approximated the repurchase offer price, resulting in recognition of an immaterial loss on extinguishment of the repurchased notes. The repurchase was funded by proceeds from our revolving credit facility. An aggregate principal amount of approximately \$102.3 million remains outstanding.

2026 Senior Notes. In November 2017, we issued \$600 million aggregate principal amount of 5.75% senior notes due May 15, 2026 (the "2026 Senior Notes"). Interest is payable semi-annually on May 15 and November 15. Approximately \$7.6 million in costs associated with the issuance of the 2026 Senior Notes were capitalized as debt issuance costs and are being amortized as interest expense over the life of the notes.

Our wholly-owned subsidiary, PDC Permian, Inc., is a guarantor of our obligations under the 2021 Convertible Notes, the 2024 Senior Notes, the 2025 Senior Notes and the 2026 Senior Notes (collectively, the "Notes"). As of June 30, 2020, we were in compliance with all covenants related to the Notes.

Revolving Credit Facility

In May 2018, we entered into a Fourth Amended and Restated Credit Agreement (the "Restated Credit Agreement"). Among other things, the Restated Credit Agreement provides for a maximum credit amount of \$2.5 billion. The amount we may borrow under the Restated Credit Agreement is subject to certain limitations. As a result of closing the SRC Acquisition, the borrowing base on our revolving credit facility increased to \$2.1 billion and we elected to increase the aggregate commitment amount under our revolving credit facility to \$1.7 billion. On May 5, 2020, we entered into a Second Amendment to the Restated Credit Agreement (the "Second Amendment") that amended our interest rate and certain other provisions in the Restated Credit Agreement. In connection with the Second Amendment and as part of our semi-annual redetermination of our borrowing base, the borrowing base under the Restated Credit Agreement was reduced to \$1.7 billion, while the commitment amount was unchanged at \$1.7 billion.

The revolving credit facility is available for working capital requirements, capital investments, acquisitions, to support letters of credit and for general corporate purposes. The borrowing base is based on, among other things, the loan value assigned to the proved reserves attributable to our crude oil and natural gas interests. The borrowing base is subject to a semi-annual redetermination on November 1 and May 1 based upon quantification of our reserves at June 30 and December 31, and is also subject to a redetermination upon the occurrence of certain events. Substantially all of our crude oil and natural gas properties have been mortgaged or pledged as security for our revolving credit facility.

The outstanding principal amount under the revolving credit facility accrues interest at a varying interest rate that fluctuates with an alternate base rate (equal to the greatest of the administrative agent's prime rate, the federal funds rate plus a premium and the rate for dollar deposits in the London interbank market ("LIBOR") for one month, plus a premium) or, at our election, a rate equal to LIBOR for certain time periods. Additionally, commitment fees, interest margin and other bank fees, charged as a component of interest, vary with our utilization of the facility. As of June 30, 2020, the applicable interest margin is one percent for the alternate base rate option or two percent for the LIBOR option, and the unused commitment fee is 0.375 percent. Principal payments are generally not required until the revolving credit facility expires in May 2023, unless the borrowing base falls below the outstanding balance.

The revolving credit facility contains covenants customary for agreements of this type, with the most restrictive being certain financial tests on a quarterly basis. The financial tests, as defined per the revolving credit facility, include requirements to: (a) maintain a minimum current ratio of 1.0:1.0 and (b) not exceed a maximum leverage ratio of

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4.0:1.0. As of June 30, 2020, we were in compliance with all covenants related to the revolving credit facility.

As of June 30, 2020 and December 31, 2019, debt issuance costs related to our revolving credit facility were \$10.1 million and \$8.9 million, respectively, and are included in other assets. As of June 30, 2020, the weighted-average interest rate on the outstanding balance on our revolving credit facility, exclusive of fees on the unused commitment, was two percent.

NOTE 10 - LEASES

We determine if an arrangement is representative of a lease at contract inception. Right-of-use ("ROU") assets represent our right to use the underlying assets for the lease term and the corresponding lease liabilities represent our obligations to make lease payments arising from the leases. Operating and finance lease ROU assets and liabilities are recognized at the commencement date based on the present value of the expected lease payments over the lease term. As most of our leases do not provide an implicit interest rate, we utilize our incremental borrowing rate based on information available at the commencement date in determining the present value of lease payments. Subsequent measurement, as well as presentation of expenses and cash flows, will depend upon the classification of the lease as either a finance or operating lease. Terms of our leases include options to extend or terminate the lease only when we can ascertain that it is reasonably certain we will exercise that option.

We have operating leases for office space and compressors and finance leases for vehicles. Our leases have remaining lease terms ranging from one to five years. The vehicle leases include options to renew for up to four years. Lease payments associated with vehicle leases also include a contractually stated residual value guarantee.

The following table presents the components of lease costs:

Lease Costs	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	<i>(in thousands)</i>			
Operating lease costs	\$ 1,930	\$ 1,384	\$ 3,812	\$ 2,731
Finance lease costs:				
Amortization of ROU assets	\$ 500	\$ 497	\$ 989	\$ 987
Interest on lease liabilities	51	67	106	129
Total finance lease costs	\$ 551	\$ 564	\$ 1,095	\$ 1,116
Short-term lease costs	35,912	51,074	131,985	112,105
Total lease costs	\$ 38,393	\$ 53,022	\$ 136,892	\$ 115,952

Our operating lease costs are recorded in lease operating expenses or general and administrative expense and our finance lease costs are recorded in DD&A expense and interest expense. Our short-term lease costs include amounts that are capitalized as part of the cost of another asset and are recorded as properties and equipment or recognized as expense.

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The following table presents the balance sheet classification and other information regarding our leases as of:

Leases	Condensed Consolidated Balance Sheet Line Item	June 30, 2020	December 31, 2019
<i>(in thousands)</i>			
Operating Leases:			
Operating lease ROU assets	Other assets	\$ 15,172	\$ 14,926
Operating lease obligation - short-term	Other accrued expenses	\$ 7,749	\$ 4,159
Operating lease obligation - long-term	Other liabilities	11,947	12,944
Total operating lease liabilities		\$ 19,696	\$ 17,103
Finance Leases:			
Finance lease ROU assets	Properties and equipment, net	\$ 4,289	\$ 4,637
Finance lease obligation - short-term	Other accrued expenses	\$ 1,852	\$ 1,767
Finance lease obligation - long-term	Other liabilities	2,407	2,835
Total finance lease liabilities		\$ 4,259	\$ 4,602
Weighted-average remaining lease term (years)			
Operating leases		3.27	4.28
Finance leases		2.86	3.17
Weighted-average discount rate			
Operating leases		5.0%	5.0%
Finance leases		5.0%	5.0%

Maturity of lease liabilities by year and in the aggregate, under operating and financing leases with terms of one year or more, as of June 30, 2020 consist of the following:

	Operating Leases	Finance Leases	Total
<i>(in thousands)</i>			
2020 (remaining after June 30, 2020)	\$ 5,988	\$ 1,159	\$ 7,147
2021	6,027	1,621	7,648
2022	5,084	930	6,014
2023	1,559	680	2,239
2024	950	141	1,091
Thereafter	1,698	9	1,707
Total lease payments	21,306	4,540	25,846
Less interest and discount	(1,610)	(281)	(1,891)
Present value of lease liabilities	\$ 19,696	\$ 4,259	\$ 23,955

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NOTE 11 - ASSET RETIREMENT OBLIGATIONS

The following table presents the changes in carrying amounts of the asset retirement obligations associated with our working interests in crude oil and natural gas properties:

	<u>Amount</u>
	<i>(in thousands)</i>
Balance at December 31, 2019	\$ 127,251
Obligations incurred with development activities and other	7,308
Obligations incurred with acquisition	45,639
Accretion expense	4,978
Obligations discharged with asset retirements	(20,221)
Obligations discharged with divestitures	(85)
Balance at June 30, 2020	<u>164,870</u>
Current portion	(30,350)
Long-term portion	<u>\$ 134,520</u>

Our estimated asset retirement obligations liability is based on historical experience in plugging and abandoning wells, estimated economic lives and estimated plugging, abandonment and surface reclamation costs considering federal and state regulatory requirements in effect at that time. The liability is discounted using the credit-adjusted risk-free rate estimated at the time the liability is incurred or revised. To the extent future revisions to these assumptions impact the present value of the existing asset retirement obligations liability, a corresponding adjustment is made to the properties and equipment balance. Changes in the liability due to the passage of time are recognized as an increase in the carrying amount of the liability and as accretion expense. Short-term asset retirement obligations are included in other accrued expenses.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

Firm Transportation and Processing Agreements. We enter into contracts that provide firm transportation and processing on pipeline systems through which we transport or sell crude oil and natural gas. Satisfaction of the volume requirements includes volumes produced by us, purchased from third parties and produced by other third-party working, royalty and overriding royalty interest owners whose volumes we market on their behalf. Our condensed consolidated statements of operations reflect our share of these firm transportation and processing costs. These contracts require us to pay these transportation and processing charges whether or not the required volumes are delivered. We may from time to time find ourselves unable to market our commodities at prices acceptable to us, or at all, which could cause us to be unable to meet these obligations. In such cases, we may be subject to penalties, fees, minimum margins or other payments.

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The following table presents gross volume information related to our long-term firm transportation, sales and processing agreements for pipeline capacity and water delivery and disposal commitments:

Area	For the Twelve Months Ending June 30,				2025 and Through Expiration	Total	Expiration Date
	2021	2022	2023	2024			
Natural gas (MMcf)							
Wattenberg Field	63,922	63,923	63,922	64,098	102,988	358,853	August 31, 2026
Delaware Basin	29,326	13,045	9,125	9,125	70,775	131,396	March 31, 2031
Gas Marketing	7,117	6,874	1,147	—	—	15,138	August 31, 2022
Total	100,365	83,842	74,194	73,223	173,763	505,387	
Crude oil (MBbls)							
Wattenberg Field	16,332	16,006	14,415	9,882	21,384	78,019	August 31, 2026
Delaware Basin	8,398	8,030	8,030	4,048	—	28,506	December 31, 2023
Total	24,730	24,036	22,445	13,930	21,384	106,525	
Water (MBbls)							
Wattenberg Field	6,207	6,207	6,207	6,224	3,128	27,973	December 31, 2024
Dollar commitment (in thousands)							
	\$ 138,697	\$ 119,050	\$ 105,066	\$ 80,073	\$ 150,543	\$ 593,429	

Wattenberg Field. We entered into two facilities expansion agreements with our primary midstream provider to expand and improve its natural gas gathering pipelines and processing facilities. The midstream provider completed and turned on line the first of the two 200 MMcf cryogenic plants in August 2018 and the second plant was completed in August 2019. We are bound to the volume requirements in these agreements on the first day of the calendar month following the actual in-service date of the relevant plant. Both agreements require baseline volume commitments, consisting of our gross wellhead volume delivered in November 2016 to this midstream provider, and incremental wellhead volume commitments of 51.5 MMcf and 33.5 MMcf for the first and second agreements, respectively, for seven years. In addition, as a result of the SRC Acquisition, we are subject to substantially similar facilities expansion agreements with the same primary midstream provider of 46.4 MMcf and 43.8 MMcf, respectively. We may be required to pay shortfall fees for any volumes under the 97.9 MMcf and 77.3 MMcf incremental commitments. Any shortfall in these volume commitments may be offset by other producers' volumes sold to the midstream provider that are greater than a certain total baseline volume. We are also required for the first three years of the contracts to guarantee a certain target profit margin to the midstream provider on these incremental volumes.

Delaware Basin. In May 2018, we entered into a firm sales agreement that is effective from June 2018 through December 2023 with an integrated marketing company for our crude oil production in the Delaware Basin. Contracted volumes are currently 24,000 barrels of crude oil per day and decrease over time to 22,000 barrels per day. This agreement is expected to provide price diversification through realization of export market pricing via a Corpus Christi terminal and exposure to Brent-weighted prices.

Crude Oil, Natural Gas and NGLs Sales. For the three months ended June 30, 2020 and 2019, amounts related to long-term transportation volumes in the table above were \$6.6 million and \$12.2 million, respectively, and were netted against our crude oil and natural gas sales. For the six months ended June 30, 2020 and 2019, amounts related to long-term transportation volumes in the table above were \$13.0 million and \$23.1 million, respectively, and were netted against our crude oil and natural gas sales.

Litigation and Legal Items. We are involved in various legal proceedings. We review the status of these proceedings on an ongoing basis and, from time to time, may settle or otherwise resolve these matters on terms and conditions that management believes are in our best interests. We have provided the necessary estimated accruals in the accompanying balance sheets where deemed appropriate for litigation and legal related items that are ongoing and not yet concluded. Although the

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results cannot be known with certainty, we currently believe that the ultimate results of such proceedings will not have a material adverse effect on our financial position, results of operations or liquidity.

Environmental. Due to the nature of the natural gas and oil industry, we are exposed to environmental risks. We have various policies and procedures to minimize and mitigate the risks from environmental contamination. We conduct periodic reviews and simulated drills to identify changes in our environmental risk profile. Liabilities are recorded when environmental damages resulting from past events are probable and the costs can be reasonably estimated. Except as discussed herein, we are not aware of any material environmental claims existing as of June 30, 2020 which have not been provided for or would otherwise have a material impact on our financial statements; however, there can be no assurance that current regulatory requirements will not change or that unknown potential past non-compliance with environmental laws or other environmental liabilities will not be discovered on our properties. Accrued environmental liabilities are recorded in other accrued expenses. The liability ultimately incurred with respect to a matter may exceed the related accrual.

In recent years, we have been executing a program to plug and abandon certain of our older vertical wells in the Wattenberg Field. A self-audit of final reclamation activities associated with site retirements, which we concluded in 2019, identified deficiencies, including incomplete documentation and agency submittals, inadequate plant growth and incomplete earthwork. In December 2019, we formally disclosed these deficiencies to the COGCC and are working to close this backlog of site reclamation work. During 2020, we are similarly assessing reclamation activities at sites acquired through the SRC Acquisition. We do not believe potential penalties and other expenditures associated with the deficiencies disclosed to the COGCC, nor any potential future disclosure of deficiencies associated with sites acquired in the SRC Acquisition, will have a material effect on our financial condition or results of operations, but they may exceed \$100,000.

In July 2020, a ruling by the U.S. Court of Appeals for the District of Columbia Circuit found that U.S. Environmental Protection Agency ("EPA") established the northern boundary of the Denver Metro/Northern Front Range ozone non-attainment area based on erroneous criteria and ordered the EPA to reconsider that boundary, potentially including more land within the designated area. All of our Wattenberg Field operations and leaseholds are within the current non-attainment area. Accordingly, we do not currently expect the ruling to impact us, regardless of the results of the EPA's reconsideration.

Clean Air Act Agreement and Related Consent Decree. In June 2017, following our receipt of a 2015 Clean Air Act information request from the EPA and a 2015 compliance advisory from the Colorado Department of Public Health and Environment's ("CDPHE") Air Pollution Control Division, the U.S. Department of Justice, on behalf of the EPA and the state of Colorado, filed a complaint against us in the U.S. District Court for the District of Colorado, claiming that we failed to operate and maintain certain condensate collection facilities at 65 facilities so as to minimize leakage of volatile organic compounds in compliance with applicable law.

In October 2017, we entered into a consent decree to resolve the lawsuit and the compliance advisory. Pursuant to the consent decree, we agreed to implement a variety of operational enhancements and mitigation and similar projects, including vapor control system modifications and verification, increased inspection and monitoring and installation of tank pressure monitors. The three primary elements of the consent decree are: (i) fine/supplemental environmental projects (\$1.5 million cash fine, plus \$1 million in supplemental environmental projects) of which the cash fines and the full cost of supplemental environmental projects were paid in the first and third quarters of 2018, respectively, (ii) injunctive relief with an estimated cost of approximately \$18 million, primarily representing capital enhancements to our operations and (iii) mitigation with an estimated cost of \$1.7 million continue to incur costs associated with these activities. If we fail to comply fully with the requirements of the consent decree with respect to those matters, we could be subject to additional liability. We do not believe that the expenditures resulting from the settlement will have a material adverse effect on our condensed consolidated financial statements.

Since the consent decree took effect, and more recently was expanded to include the 2018 Compliance Order on Consent, we have timely implemented the various programs that meet its requirements. Over the course of this execution, we have identified certain immaterial deficiencies in our implementation of the programs. We report these immaterial deficiencies to the appropriate authorities and remediate them promptly. We do not believe that the penalties and expenditures associated with the consent decree, including any sanctions associated with these deficiencies, will have a material effect on our financial condition or results of operations, but they may exceed \$100,000.

Further, we could be the subject of other enforcement actions by regulatory authorities in the future relating to our past, present or future operations.

NOTE 13 - COMMON STOCK

Stock-Based Compensation Plans

2018 Equity Incentive Plan. In May 2020, our stockholders approved an amendment to increase the number of shares of our common stock reserved for issuance pursuant to our long-term equity compensation plan for employees and non-employee directors (the "2018 Plan") from 1,800,000 to 7,050,000. The 2018 Plan was approved in May 2018 and expires in March 2028. Shares issued may be either authorized but unissued shares, treasury shares or any combination thereof. Additionally, the 2018 Plan permits the reuse or reissuance of shares of common stock which were canceled, expired, forfeited or paid out in the form of cash. However, shares tendered or withheld to satisfy the exercise price of options or tax withholding obligations, and shares covering the portion of exercised stock-settled stock appreciation rights ("SARs") (regardless of the number of shares actually delivered), count against the share limit. Awards may be issued in the form of options, SARs, restricted stock, restricted stock units ("RSUs"), performance stock units ("PSUs") and other stock-based awards. Awards may vest over periods of continued service or upon the satisfaction of performance conditions set at the discretion of the Compensation Committee of the Board (the "Compensation Committee"), with a minimum one-year vesting period applicable to most awards. With regard to SARs and options, awards have a maximum exercisable period of ten years. As of June 30, 2020, there were 5,142,500 shares available for grant under the 2018 Plan.

2010 Long-Term Equity Compensation Plan. Our Amended and Restated 2010 Long-Term Equity Compensation Plan, which was approved by stockholders in 2013 (as the same has been amended and restated from time to time, the "2010 Plan"), will remain outstanding and we may continue to use the 2010 Plan to grant awards. No awards may be granted under the 2010 Plan on or after June 5, 2023. As of June 30, 2020, there were 111,617 shares available for grant under the 2010 Plan.

2015 SRC Equity Incentive Plan. Pursuant to the closing of the SRC Acquisition, SRC granted 155,928 PSUs to certain SRC executives under the 2015 SRC Equity Incentive Plan (the "2015 SRC Plan"). These PSUs (the "SRC PSUs") were granted prior to the consummation of the merger, were assumed and converted into PDC PSUs at a rate of 0.158 per share and remain subject to the same terms and conditions (including performance-vesting terms) that applied immediately prior to the closing of the SRC Acquisition. The PSUs will result in a payout between zero and 200 percent of the target PSUs awarded. As of June 30, 2020, there were no shares available for grant under the 2015 SRC Plan.

Stock-based Compensation. The impact of our stock-based compensation plans on our results of operations was \$6.4 million and \$12.0 million for the three and six months ended June 30, 2020, respectively, and \$7.6 million and \$12.3 million for the three and six months ended June 30, 2019, respectively.

Restricted Stock Units

Time-Based Awards. The fair value of the time-based RSUs is amortized ratably over the requisite service period, primarily three years. The time-based RSUs generally vest ratably on each anniversary following the grant date provided that a participant is continuously employed.

The following table presents the changes in non-vested time-based RSUs to all employees, including executive officers, for the six months ended June 30, 2020:

	Shares	Weighted-Average Grant Date Fair Value per Share
Non-vested at December 31, 2019	795,926	\$ 45.51
Granted	1,033,498	11.69
Vested	(394,007)	42.71
Forfeited	(140,403)	23.36
Non-vested at June 30, 2020	1,295,014	21.77

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The following table presents the weighted-average grant date fair value per share and related information as of/for the periods presented:

	As of/Six Months Ended June 30,	
	2020	2019
	<i>(in thousands, except per share data)</i>	
Total intrinsic value of time-based awards vested	\$ 5,432	\$ 10,424
Total intrinsic value of time-based awards non-vested	16,110	30,815
Market price per share as of June 30	12.44	36.06
Weighted-average grant date fair value per share	11.69	40.47

Total compensation cost related to non-vested time-based awards and not yet recognized in our condensed consolidated statements of operations as of June 30, 2020 was \$21.8 million. This cost is expected to be recognized over a weighted-average period of 2.2 years.

Performance Stock Units

Market-Based Awards. The fair value of the market-based PSUs is amortized ratably over the requisite service period, primarily three years. The market-based shares vest if the participant is continuously employed throughout the performance period and the market-based performance measure is achieved, with a maximum vesting period of three years. All compensation cost related to the market-based awards will be recognized if the requisite service period is fulfilled, even if the market condition is not achieved.

The Compensation Committee awarded a total of 289,494 market-based PSUs to our executive officers during the six months ended June 30, 2020. In addition to continuous employment, the vesting of these PSUs is contingent on a combination of absolute stock performance and our total stockholder return ("TSR"), which is essentially our stock price change, including any dividends over a three-year period ending on December 31, 2022, as compared to the TSR of a group of peer companies over the same period. The PSUs will result in a payout between zero and 250 percent of the target PSUs awarded. The weighted-average grant date fair value per PSU granted was computed using the Monte Carlo pricing model using the following assumptions:

	Six Months Ended June 30,	
	2020	2019
Expected term of award (in years)	3	3
Risk-free interest rate	1.4%	2.5%
Expected volatility	46.6%	41.4%
Weighted-average grant date fair value per share	\$ 33.52	\$ 56.68

The expected term of the awards was based on the requisite service period. The risk-free interest rate was based on the U.S. Treasury yields in effect at the time of grant and extrapolated to approximate the life of the award. The expected volatility was based on our historical volatility.

SRC Performance Stock Units. Terms of the SRC PSUs are substantially the same as PDC PSUs, except that the awards do not require continuous employment and the performance period associated with the awards of January 1, 2019 through December 31, 2021 predates the grant date. The fair value of the SRC PSU awards was determined on the grant date of January 13, 2020 using the Monte Carlo pricing model using the following assumptions:

	Six Months Ended	
	June 30,	
	2020	
Expected term of awards (in years)	2	
Risk-free interest rate	1.6%	
Expected volatility	56.9%	
Weighted-average grant date fair value per share	\$	33.35

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The expected term of the awards is based on the number of years from the grant date through the end of the performance period. The risk-free interest rate was based on the U.S. Treasury yields in effect at the time of grant, extrapolated to approximate the life of the awards. The expected volatility was based on our historical volatility, as well as that of our peer group.

The following table presents the change in non-vested market-based awards, including SRC PSUs, during the six months ended June 30, 2020:

	Shares	Weighted-Average Grant Date Fair Value per Share
Non-vested at December 31, 2019	221,142	\$ 61.61
Granted	445,422	32.96
Forfeited	(11,014)	40.69
Non-vested at June 30, 2020	655,550	42.49

The following table presents the weighted-average grant date fair value per share and related information as of/for the periods presented:

	As of/Six Months Ended June 30,	
	2020	2019
	<i>(in thousands, except per share data)</i>	
Total intrinsic value of market-based awards non-vested	\$ 8,155	\$ 8,731
Market price per common share as of June 30,	12.44	36.06
Weighted-average grant date fair value per share	32.96	56.68

Total compensation cost related to non-vested market-based awards not yet recognized in our condensed consolidated statements of operations as of June 30, 2020 was \$13.0 million. This cost is expected to be recognized over a weighted-average period of 1.9 years.

Stock Appreciation Rights

The SARs vest ratably over a three-year period and may generally be exercised at any point after vesting through ten years from the date of issuance. Pursuant to the terms of the awards, upon exercise, the executive officers will receive, in shares of common stock, the excess of the market price of the award on the date of exercise over the market price of the award on the date of issuance. The following table presents the change in SARs during the six months ended June 30, 2020:

	Shares	Weighted-Average Grant Date Fair Value per Share
Outstanding at December 31, 2019	290,258	\$ 46.64
Exercised	(7,807)	24.44
Expired	(71,776)	40.83
Outstanding at June 30, 2020	210,675	49.45

All outstanding SARs as of June 30, 2020 have vested and the related compensation cost has been fully recognized.

Preferred Stock

We are authorized to issue 50,000,000 shares of preferred stock, par value \$0.01 per share, which may be issued in one or more series, with such rights, preferences, privileges and restrictions as shall be fixed by the Board from time to time. Through June 30, 2020, no shares of preferred stock have been issued.

Stock Repurchase Program

In April 2019, the Board approved the acquisition of up to \$200 million of our outstanding common stock, depending on market conditions (the "Stock Repurchase Program"). Effective upon the closing of the SRC Acquisition, our Board approved an increase and extension to the Stock Repurchase Program from \$200 million to \$525 million. Repurchases under the Stock Repurchase Program can be made in open markets at our discretion and in compliance with safe harbor provisions, or in privately negotiated transactions. The Stock Repurchase Program does not require any specific number of shares to be acquired, and can be modified or discontinued by the Board at any time. During the six months ended June 30, 2020, we repurchased 1.3 million shares of our outstanding common stock at a cost of \$23.8 million. The last repurchases occurred in early March 2020. Approximately \$346.8 million of our outstanding common stock remains available for repurchase under the Stock Repurchase Program. We expect repurchases made pursuant to the Stock Repurchase Program to extend beyond December 31, 2021, given current market conditions.

NOTE 14 - INCOME TAXES

We compute our quarterly tax provision using the effective tax rate method by applying the anticipated annual effective rate to our year-to-date income or loss, except for discrete items. Income tax on discrete items is computed and recorded in the period in which the specific transaction occurs.

As previously noted, we recorded impairments totaling \$881.1 million for the six months ending June 30, 2020. These impairments resulted in three years of cumulative historical pre-tax losses and a net deferred tax asset position. We also have net operating loss carryovers ("NOLs") for federal income tax purposes of \$500.0 million. These losses were a key consideration that led us to continue to provide a valuation allowance against our net deferred tax assets as of June 30, 2020 since we cannot conclude that it is more likely than not that our net deferred tax asset will be fully realized in future periods.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. At each reporting period, management considers the scheduled reversal of deferred tax liabilities, available taxes in carryback periods, tax planning strategies and projected future taxable income in making this assessment. Future events or new evidence which may lead us to conclude that it is more likely than not that our net deferred tax assets will be realized include, but are not limited to, cumulative historical pre-tax earnings, sustained or continued improvements in oil prices, and taxable events that could result from one or more transactions. We will continue to evaluate whether the valuation allowance is needed in future reporting periods.

As noted in the footnote *Business Combinations*, the accounting for the SRC Acquisition is still in the measurement period. Additional purchase accounting adjustments recorded in the quarter ended June 30, 2020 resulted in an insignificant change to the preliminary purchase price allocated to the net deferred income tax assets from the SRC Acquisition. This also impacted the income tax provision effects from the valuation allowance recorded against our net deferred tax assets recorded in the quarter ended March 31, 2020. Additional adjustments during the measurement period for the SRC Acquisition may have an impact on the income tax provision in future periods, although such adjustments are not expected to be material. Other than business combination accounting adjustments during the measurement period, we will likely not have any additional income tax expense or benefit other than for state income taxes as long as we continue to conclude that it is appropriate to maintain a full valuation allowance against our net deferred tax assets.

The effective income tax rate for the three and six months ended June 30, 2020 was 1.9 percent and 0.5 percent benefit on loss, respectively, compared to a 24.8 percent provision on income for the three months ended June 30, 2019 and a 22.3 percent benefit on loss for the six months ended June 30, 2019.

As of June 30, 2020, there is no liability for unrecognized income tax benefits. As of the date of this report, we are current with our income tax filings in all applicable state jurisdictions and are not currently under any state income tax examinations. The IRS has accepted our 2018 federal income tax return with no tax adjustments. We continue to voluntarily

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participate in the IRS CAP Program for the review of our 2019 and 2020 tax year. Participation in the IRS CAP Program has enabled us to have minimal uncertain tax benefits associated with our federal tax return filings.

NOTE 15 - EARNINGS PER SHARE

Basic earnings per share is computed by dividing net earnings by the weighted-average number of common shares outstanding for the period. Diluted earnings per share is similarly computed, except that the denominator includes the effect, using the treasury stock method, of unvested equity-based employee awards, convertible notes and shares held pursuant to our non-employee director deferred compensation plan, if including such potential shares of common stock is dilutive.

The following table presents our weighted-average basic and diluted shares outstanding:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	<i>(in thousands)</i>			
Weighted-average common shares outstanding - basic	99,566	65,815	96,821	65,998
Dilutive effect of:				
RSUs and PSUs	—	85	—	—
Other equity-based awards	—	26	—	—
Weighted-average common shares and equivalents outstanding - diluted	99,566	65,926	96,821	65,998

We reported a net loss for the three and six months ended June 30, 2020 and the six months ended June 30, 2019. As a result, our basic and diluted weighted-average common shares outstanding were the same for those periods because the effect of the common share equivalents was anti-dilutive.

The following table presents the weighted-average common share equivalents excluded from the calculation of diluted earnings per share due to their anti-dilutive effect:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	<i>(in thousands)</i>			
Weighted-average common share equivalents excluded from diluted earnings per share due to their anti-dilutive effect:				
RSUs and PSUs	1,914	770	1,600	1,048
Other equity-based awards	244	208	236	302
Total anti-dilutive common share equivalents	2,158	978	1,836	1,350

The 2021 Convertible Notes give the holders, at our election, the right to convert the aggregate principal amount into 2.3 million shares of our common stock at a conversion price of \$85.39 per share. The 2021 Convertible Notes were not included in the diluted earnings per share calculation using the treasury stock method for any periods presented because the average market price of our common stock did not exceed the conversion price.

PDC ENERGY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2020
(unaudited)

NOTE 16 - SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

	Six Months Ended June 30,	
	2020	2019
	<i>(in thousands)</i>	
Supplemental cash flow information:		
Cash payments (receipts) for:		
Interest, net of capitalized interest	\$ 39,168	\$ 29,034
Income taxes	(204)	200
Non-cash investing and financing activities:		
Change in accounts payable related to capital expenditures	\$ (7,223)	\$ 41,273
Change in asset retirement obligations, with a corresponding change to crude oil and natural gas properties, net of disposals	44,082	(1,139)
Issuance of common stock for the acquisition of crude oil and natural gas properties, net	1,009,015	—
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 4,421	\$ 2,914
Operating cash flows from finance leases	109	127
ROU assets obtained in exchange for lease obligations:		
Operating leases	\$ 4,217	\$ 1,428
Finance leases	703	1,593

Subsequent to the filing of our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2019, we identified an immaterial error in our condensed consolidated statement of cash flows related to cash paid for capital expenditures for development of crude oil and natural gas properties for the period ended June 30, 2019. Our balance sheet and statement of operations for the relevant period were not impacted. We evaluated the error under the guidance of Accounting Standards Codification 250, *Accounting Changes and Error Corrections* ("ASC 250"). Based on the guidance in ASC 250, we determined that the error did not have a material impact on our previously-issued financial statements or those of the period of correction.

The error resulted in an overstatement of cash flows from operations of \$24.8 million and an overstatement of cash used in investing activities of \$24.8 million in each period as follows:

	Six Months Ended	
	June 30, 2019	
	<i>(dollars in thousands)</i>	
Cash flows from operating activities, as reported	\$ 442,236	
Adjustment	(24,753)	
Cash flows from operating activities, as adjusted	\$ 417,483	
Cash flows from investing activities, as reported	\$ (348,805)	
Adjustment	24,753	
Cash flows from investing activities, as adjusted	\$ (324,052)	

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this report. Further, we encourage you to review the *Special Note Regarding Forward-Looking Statements*.

EXECUTIVE SUMMARY**June 30, 2020 Financial Overview of Operations and Liquidity**

We have been adversely affected by the ongoing global COVID-19 pandemic, including its effects on commodity demand and pricing, downstream capacity, employee health and safety, business continuity and regulatory matters. We expect those impacts to continue in the near-term and we may experience additional impacts in the future. See *Item 1A. Risk Factors* for additional information regarding the potential impacts of the COVID-19 pandemic.

Production volumes increased to 17.2 MMboe and 34.1 MMboe for the three and six months ended June 30, 2020, respectively, representing increases of 39 percent and 44 percent as compared to the three and six months ended June 30, 2019, respectively. The majority of the increase can be attributed to producing properties received in the SRC Acquisition. Total liquids production of crude oil and NGLs comprised 61 percent and 60 percent of production during the three and six months ended June 30, 2020, respectively. For the month ended June 30, 2020, we maintained an average daily production rate of approximately 197,000 Boe per day, up from approximately 138,000 Boe per day for the month ended June 30, 2019.

On a sequential quarterly basis, total production for the three months ended June 30, 2020 as compared to the three months ended March 31, 2020 increased two percent.

Crude oil, natural gas and NGLs sales revenue decreased to \$173.9 million and \$494.2 million for the three and six months ended June 30, 2020, respectively, compared to \$339.0 million and \$660.1 million for the three and six months ended June 30, 2019, respectively. The decreases were primarily due to the 63 percent and 48 percent decreases in weighted-average realized commodity prices, partially offset by the 39 percent and 43 percent increases in production as compared to the prior periods.

We had positive net settlements from our commodity derivative contracts of \$114.8 million and \$160.6 million for the three and six months ended June 30, 2020, respectively, as compared to negative net settlements of \$13.2 million and \$21.6 million for the three and six months ended June 30, 2019, respectively.

The combined revenue from crude oil, natural gas and NGLs sales and net settlements from our commodity derivative instruments decreased 11 percent to \$288.7 million for the three months ended June 30, 2020 from \$325.8 million for the three months ended June 30, 2019 and increased three percent to \$654.8 million for the six months ended June 30, 2020 from \$638.4 million for the six months ended June 30, 2019.

For the three months ended June 30, 2020, we generated a net loss of \$221.8 million, or \$2.23 per diluted share, compared to net income of \$68.5 million, or \$1.04 per diluted share, for the comparable period in 2019. Our net loss for the three months ended June 30, 2020 as compared to the net income for the three months ended June 30, 2019 was primarily due to the decrease in crude oil, natural gas and NGLs sales and the commodity price risk management loss. For the six months ended June 30, 2020, we generated a net loss of \$686.8 million, or \$7.09 per diluted share, compared to a net loss of \$51.6 million, or \$0.78 per diluted share, for the comparable period in 2019. Our net loss for the six months ended June 30, 2020 as compared to the six months ended June 30, 2019 was most significantly impacted by the increase in impairment of properties and equipment and the decrease in crude oil, natural gas and NGLs sales, partially offset by the commodity price risk management gain.

During the three and six months ended June 30, 2020, our adjusted EBITDAX, a non-U.S. GAAP financial measure, was \$198.5 million and \$426.4 million, respectively, compared to \$222.9 million and \$431.8 million for the comparable periods in 2019. The decreases for the three and six months ended June 30, 2020 were primarily due to the decreases in crude oil, natural gas and NGLs sales of \$165.0 million and \$165.8 million, respectively. These changes were partially offset by the increases in the gain on commodity derivative settlements of \$128.0 million and \$182.2 million, respectively.

Our cash flows from operations were \$369.3 million and \$417.5 million and our adjusted cash flows from operations, a non-U.S. GAAP financial measure, were \$391.5 million and \$399.5 million for the six months ended June 30, 2020 and

June 30, 2019, respectively. Free cash flow, a non-U.S. GAAP financial measure, was \$10.8 million for the six months ended June 30, 2020 and free cash flow deficit was \$159.8 million for the six months ended June 30, 2019. Free cash flow for the six months ended June 30, 2020 includes approximately \$20.2 million of transaction costs incurred related to the SRC Acquisition.

See *Reconciliation of Non-U.S. GAAP Financial Measures* below for a more detailed discussion of these non-U.S. GAAP financial measures and a reconciliation of these measures to the most comparable U.S. GAAP measures.

SRC Acquisition

In January 2020, we merged with SRC in a transaction valued at \$1.7 billion, inclusive of SRC's net debt. Upon closing, we issued approximately 39 million shares of our common stock to SRC shareholders and holders of SRC equity awards, reflecting issuance of 0.158 of a share of our common stock in exchange for each share of SRC common stock and the cancellation of outstanding SRC equity awards pursuant to the Merger Agreement.

Liquidity

Available liquidity as of June 30, 2020 was \$1.0 billion, which was comprised of \$1.2 million of cash and cash equivalents and \$1.0 billion available for borrowing under our revolving credit facility. The \$82.0 million of proceeds from the Midstream Asset Divestiture was received in June 2020 and used to repay amounts outstanding under our revolving credit facility.

Pursuant to closing the SRC Acquisition, the borrowing base on our revolving credit facility increased to \$2.1 billion and we elected to increase the aggregate commitment amount under the facility to \$1.7 billion. On May 5, 2020, we entered into the Second Amendment, and, in connection with the Second Amendment and as part of our semi-annual redetermination of our borrowing base, the borrowing base under the revolving credit facility was reduced to \$1.7 billion, while the commitment amount was unchanged at \$1.7 billion.

Drilling and Completion Overview

The following tables summarize our drilling and completion activity for the six months ended June 30, 2020:

	Operated Wells					
	Wattenberg Field		Delaware Basin		Total	
	Gross	Net	Gross	Net	Gross	Net
In-process as of December 31, 2019	145	134.3	30	29.1	175	163.4
Wells spud	69	61.5	2	2.0	71	63.5
Wells acquired in-process (1)	88	80.5	—	—	88	80.5
Wells turned-in-line	(99)	(94.5)	(13)	(13.0)	(112)	(107.5)
In-process as of June 30, 2020	203	181.8	19	18.1	222	199.9

(1) Represents in-process wells and wells being completed that we received as part of the SRC Acquisition.

	Non-Operated Wells					
	Wattenberg Field		Delaware Basin		Total	
	Gross	Net	Gross	Net	Gross	Net
In-process as of December 31, 2019	41	5.3	—	—	41	5.3
Wells spud	65	6.1	—	—	65	6.1
Wells acquired in-process (now operated by PDC) (1)	(15)	(1.1)	—	—	(15)	(1.1)
Wells turned-in-line	(27)	(1.2)	—	—	(27)	(1.2)
In-process as of June 30, 2020	64	9.1	—	—	64	9.1

(1) Represents in-process wells and wells being completed that we received as part of the SRC Acquisition.

Our in-process wells represent wells that are in the process of being drilled or have been drilled and are waiting to be fractured and/or for gas pipeline connection. Our in-process wells are generally completed and turned-in-line within a year of drilling.

2020 Operational and Financial Outlook

In February 2020, the Board approved our initial 2020 development plan. This plan was based upon our February 2020 internal outlook for crude oil and natural gas prices, favorable debt metrics and the strength of our balance sheet, including our hedge position for 2020. Since that time, future commodity prices, and future crude oil prices in particular, have significantly declined. As a result, in April 2020, we finalized a comprehensive revision to our 2020 development plan, which includes estimated service cost savings and further reductions to planned drilling and completion activity.

Our revised 2020 capital investments in crude oil and natural gas properties are expected to range between \$500 million and \$550 million. The revised 2020 development plan is based upon our current outlook for the remainder of the year and is subject to further revision due to the significant volatility in market conditions and historically high levels of uncertainty affecting the oil and gas exploration sector. We will further revise our development plans as necessary to react to market conditions in the best interest of our shareholders, while prioritizing our financial strength and liquidity.

We currently anticipate that our total production for 2020 will range between 175,000 Boe to 185,000 Boe per day, approximately 64,000 Bbls to 68,000 Bbls of which are expected to be crude oil. This decrease as compared to our initial 2020 development plan is reflective of, among other things, a curtailment of our second quarter production volumes, in response to takeaway capacity or market limitations, decreases in NYMEX pricing and significantly widened differentials, largely due to the global COVID-19 pandemic.

We believe that we maintain a degree of operational flexibility to control the pace of our capital spending and may further revise our 2020 capital investment program during the year. As we execute our capital investment program, we will continue to monitor potential further deterioration of commodity prices and our internal long-term outlook for commodity prices throughout 2020, as well as expected rates of return, the political environment, requirements to hold acreage, the cost of services for drilling and well completion activities, drilling results, changes in our borrowing capacity, cash flows, requirements to maintain continuous activity on leaseholds or acquisition and/or divestiture opportunities and our remaining inventory in order to best meet our short- and long-term corporate strategy.

Wattenberg Field. We ran three drilling rigs in the Wattenberg Field through the middle of April 2020, when we dropped to a two-rig pace. We released a second rig at the end of May 2020, and expect to remain at a one-rig pace during the remainder of the year. We also released our last completion crew in the Wattenberg Field in early May 2020 and currently expect that we will resume completions late in the third quarter of 2020. We are drilling in the horizontal Niobrara and Codell plays in the rural areas of the core Wattenberg Field, which is further delineated between the Kersey, Prairie, Plains and Summit development areas. Our 2020 capital investment program for the Wattenberg Field is approximately 85 percent of our expected total capital investments in crude oil and natural gas properties, of which approximately 80 percent is expected to be invested in operated drilling and completion activity. The majority of the wells we plan to drill in 2020 in the Wattenberg Field are mid-reach lateral (“MRL”) and extended-reach lateral (“XRL”) wells. In 2020, we anticipate spudding approximately 90 to 110 operated wells and turning-in-line approximately 115 to 130 operated wells. We expect an average development cost per well of between \$2.5 million and \$4.0 million, depending upon the lateral length of the well. The remainder of the Wattenberg Field capital investment program is expected to be used for land, capital workovers, facilities projects and non-operated drilling.

Delaware Basin. In the Delaware Basin, we ran one drilling rig through early May 2020 and we released our only active completion crew in March 2020. We do not currently expect that we will perform further drilling or completion activity in the Delaware Basin in 2020. Total capital investments in crude oil and natural gas properties in the Delaware Basin for 2020 are expected to be approximately 15 percent of our total capital investments in crude oil and natural gas properties, of which approximately 90 percent is expected to be invested in operated drilling and completion activity. In 2020, we have spud ten operated wells (eight of which were started as part of a batch drilling process prior to the end of 2019) and expect to turn-in-line 13 operated wells. The wells we drilled in 2020 in the Delaware Basin are MRL and XRL wells.

Financial Guidance. We are committed to our disciplined approach to managing our development plans. Based on our updated production forecast for 2020 and assumed average NYMEX prices of \$35.00 per Bbl of crude oil and \$2.00 per Mcf of natural gas and an assumed average composite price of \$9.00 per Bbl for NGLs for the second half of the year, we expect 2020 adjusted cash flows from operations, a non-U.S. GAAP financial measure, to exceed our capital investments in crude oil and natural gas properties by more than \$300 million.

In April 2020, we also updated our 2020 financial guidance to include the implementation of several payroll and non-payroll general and administrative expense cost saving initiatives. These initiatives include a 15 percent voluntary reduction in salaries for our senior management team and fees for our Board, an approximate 15 percent reduction-in-force to better align with our revised operating plan and tiered salary reductions for a large number of our remaining employees. Additionally, we plan to begin a transitioned closure of our Bridgeport, West Virginia, office beginning in the third quarter of 2020, with a target completion date of early 2021.

The following table sets forth our current financial guidance for the year ended December 31, 2020 for certain expenses:

	Low	High
Operating Expenses		
Lease operating expenses (in millions)	\$ 170	\$ 180
Transportation, gathering and processing expenses ("TGP") (\$/Boe)	\$ 1.00	\$ 1.15
Production taxes (% of crude oil, natural gas and NGLs sales)	6%	7%

Based on the general and administrative expense cost saving initiatives outlined above and excluding transaction costs incurred related to the SRC Acquisition of approximately \$20 million, we expect our general and administrative expense to be in the range of \$135 million to \$140 million for 2020.

Ballot Initiative Update

Certain interest groups in Colorado opposed to oil and natural gas development generally, and hydraulic fracturing in particular, have advanced various alternatives for ballot initiatives which would result in significantly limiting or preventing oil and natural gas development in the state. Proponents of such initiatives began the process of attempting to qualify six initiatives to appear on the ballot in November 2020, but ultimately announced they will not be able to collect a sufficient number of signatures to qualify for the ballot.

In late July 2020, Governor Polis authored an op-ed stating that both industry and mainstream environmental groups have communicated a willingness to stand down on ballot initiatives in 2020, and to work together to prevent initiatives in 2022, while the regulatory process associated with 2019's Senate Bill 19-181 is in progress. As part of that agreement, Governor Polis stated that he would "actively oppose" ballot initiatives around the oil and gas industry and acknowledged the importance of regulatory certainty.

Because approximately 81 percent of our proved reserves are located in Colorado, the risks we face with respect to possible future setback or other ballot proposals are greater than those of our competitors with more geographically diverse operations. We cannot predict the outcome of possible future regulatory developments.

Results of Operations
Summary Operating Results

The following table presents selected information regarding our operating results:

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Percent Change	2020	2019	Percent Change
<i>(dollars in millions, except per unit data)</i>						
Production						
Crude oil (MBbls)	6,215	4,899	26.9 %	12,103	9,425	28.4 %
Natural gas (MMcf)	40,708	28,992	40.4 %	82,055	54,643	50.2 %
NGLs (MBbls)	4,249	2,693	57.8 %	8,314	5,108	62.8 %
Crude oil equivalent (MBoe)	17,248	12,425	38.8 %	34,093	23,640	44.2 %
Average Boe per day (Boe)	189,538	136,539	38.8 %	187,324	130,608	43.4 %
Crude Oil, Natural Gas and NGLs Sales						
Crude oil	\$ 115.8	\$ 274.2	(57.8)%	\$ 364.9	\$ 505.3	(27.8)%
Natural gas	31.0	31.0	—%	70.6	83.5	(15.4)%
NGLs	27.1	33.8	(19.8)%	58.7	71.3	(17.7)%
Total crude oil, natural gas and NGLs sales	\$ 173.9	\$ 339.0	(48.7)%	\$ 494.2	\$ 660.1	(25.1)%
Net Settlements on Commodity Derivatives						
Crude oil	\$ 115.0	\$ (14.7)	*	\$ 161.9	\$ (17.6)	*
Natural gas	(0.2)	1.5	*	(1.3)	(4.0)	(67.5)%
Total net settlements on derivatives	\$ 114.8	\$ (13.2)	*	\$ 160.6	\$ (21.6)	*
Average Sales Price (excluding net settlements on derivatives)						
Crude oil (per Bbl)	\$ 18.63	\$ 55.96	(66.7)%	\$ 30.15	\$ 53.61	(43.8)%
Natural gas (per Mcf)	0.76	1.07	(29.0)%	0.86	1.53	(43.8)%
NGLs (per Bbl)	6.38	12.53	(49.1)%	7.06	13.96	(49.4)%
Crude oil equivalent (per Boe)	10.08	27.28	(63.0)%	14.50	27.92	(48.1)%
Average Costs and Expenses (per Boe)						
Lease operating expenses	\$ 2.08	\$ 2.76	(24.6)%	\$ 2.50	\$ 2.94	(15.0)%
Production taxes	0.45	1.82	(75.3)%	0.77	1.90	(59.5)%
Transportation, gathering and processing expenses	0.98	0.99	(1.0)%	0.89	1.00	(11.0)%
General and administrative expense	2.05	3.45	(40.6)%	2.86	3.49	(18.1)%
Depreciation, depletion and amortization	8.67	13.56	(36.1)%	9.55	13.53	(29.4)%
Lease Operating Expenses by Operating Region (per Boe)						
Wattenberg Field	\$ 1.88	\$ 2.46	(23.6)%	\$ 2.31	\$ 2.55	(9.4)%
Delaware Basin	3.19	3.76	(15.2)%	3.53	4.37	(19.2)%

* Percent change is not meaningful.

Crude Oil, Natural Gas and NGLs Sales

Crude oil, natural gas and NGLs sales revenue for the three and six months ended June 30, 2020 decreased compared to the three and six months ended June 30, 2019 due to the following:

	Three Months Ended June 30, 2020	Six Months Ended June 30, 2020
	(in millions)	
Change in:		
Production	\$ 105.7	\$ 230.2
Average crude oil price	(232.0)	(283.9)
Average natural gas price	(12.6)	(54.8)
Average NGLs price	(26.1)	(57.3)
Total change in crude oil, natural gas and NGLs sales revenue	<u>\$ (165.0)</u>	<u>\$ (165.8)</u>

Crude Oil, Natural Gas and NGLs Production

The following table presents crude oil, natural gas and NGLs production.

Production by Operating Region	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Percent Change	2020	2019	Percent Change
Crude oil (MBbls)						
Wattenberg Field	5,170	3,681	40.5 %	10,095	7,253	39.2 %
Delaware Basin	1,045	1,218	(14.2)%	2,008	2,172	(7.6)%
Total	<u>6,215</u>	<u>4,899</u>	26.9 %	<u>12,103</u>	<u>9,425</u>	28.4 %
Natural gas (MMcf)						
Wattenberg Field	34,779	23,233	49.7 %	69,836	44,193	58.0 %
Delaware Basin	5,929	5,759	3.0 %	12,219	10,450	16.9 %
Total	<u>40,708</u>	<u>28,992</u>	40.4 %	<u>82,055</u>	<u>54,643</u>	50.2 %
NGLs (MBbls)						
Wattenberg Field	3,685	2,007	83.6 %	7,031	3,908	79.9 %
Delaware Basin	564	686	(17.8)%	1,283	1,200	6.9 %
Total	<u>4,249</u>	<u>2,693</u>	57.8 %	<u>8,314</u>	<u>5,108</u>	62.8 %
Crude oil equivalent (MBoe)						
Wattenberg Field	14,651	9,561	53.2 %	28,766	18,526	55.3 %
Delaware Basin	2,597	2,864	(9.3)%	5,327	5,114	4.2 %
Total	<u>17,248</u>	<u>12,425</u>	38.8 %	<u>34,093</u>	<u>23,640</u>	44.2 %
Average crude oil equivalent per day (Boe)						
Wattenberg Field	161,000	105,066	53.2 %	158,055	102,354	54.4 %
Delaware Basin	28,538	31,473	(9.3)%	29,269	28,254	3.6 %
Total	<u>189,538</u>	<u>136,539</u>	38.8 %	<u>187,324</u>	<u>130,608</u>	43.4 %

Amounts may not recalculate due to rounding.

The following table presents our crude oil, natural gas and NGLs production ratio by operating region:

Three Months Ended June 30, 2020				
	Crude Oil	Natural Gas	NGLs	Total
Wattenberg Field	35%	40%	25%	100%
Delaware Basin	40%	38%	22%	100%

Three Months Ended June 30, 2019				
	Crude Oil	Natural Gas	NGLs	Total
Wattenberg Field	39%	40%	21%	100%
Delaware Basin	42%	34%	24%	100%

Six Months Ended June 30, 2020				
	Crude Oil	Natural Gas	NGLs	Total
Wattenberg Field	35%	41%	24%	100%
Delaware Basin	38%	38%	24%	100%

Six Months Ended June 30, 2019				
	Crude Oil	Natural Gas	NGLs	Total
Wattenberg Field	39%	40%	21%	100%
Delaware Basin	43%	34%	23%	100%

Midstream Capacity

Our ability to market our production depends substantially on the availability, proximity and capacity of in-field gathering systems, compression and processing facilities, as well as transportation pipelines out of the basin, all of which are owned and operated by third parties. If adequate midstream facilities and services are not available to use on a timely basis and at acceptable costs, our production and results of operations could be adversely affected. In response to the substantial development drilling in our current areas of operation in recent years, third-party midstream providers have significantly expanded their midstream facilities and services. These third-party midstream facility expansions, in conjunction with the relative slowdown in producer activity, have provided for improved and more stabilized line pressures which are providing a production environment that is more favorable for producers, both currently and for the near term given anticipated producer activity levels.

The ultimate timing and availability of adequate infrastructure remains out of our control. Weather, regulatory developments and other factors also affect the adequacy of midstream infrastructure. Like other producers, from time to time, we enter into volume commitments with midstream providers in order to incentivize them to provide increased capacity to sufficiently meet our projected volume growth from our areas of operation. If our production falls below the level required under these agreements, we could be subject to transportation charges or aid of construction payments for commitment shortfalls.

Wattenberg Field. Beginning in the mid-fourth quarter of 2019 and continuing through the first half of 2020, the combination of DCP Midstream, LP's ("DCP") continued system expansions and the availability of both residue gas and NGL takeaway out of the basin allowed DCP to more meaningfully reduce line pressures in all of our operated areas of the Wattenberg Field. DCP was able to fully utilize its most recent processing and bypass infrastructure expansions during the first half of 2020. In addition, by year-end 2020, DCP is forecasted to complete another processing expansion of up to an incremental 225 MMcf/d. Given current and forecasted activity levels in the basin, we anticipate that this expansion will provide ample processing capacity.

Our production in the Wattenberg Field is significantly dependent on DCP's gathering system, and this reliance increased considerably when we closed the SRC Acquisition. We continue to work with our midstream service providers in an effort to ensure all of the existing in-basin infrastructure is fully utilized and that all options for system expansion are evaluated and implemented to the extent possible to accommodate projected future volume growth from the field.

As midstream infrastructure development continues, we anticipate having the ability to move additional volumes on DCP's system in 2020 and beyond. The successful and timely completion of these development projects is dependent on

continued capital investment by DCP and other third-party midstream providers, which could be impacted by current market conditions.

Beginning in the second quarter of 2020, COVID-19 led to government restrictions on movement and economic activity, triggering a dramatic reduction in crude oil demand. This negatively impacted crude oil netback pricing realizations, which resulted in production curtailments during the quarter. However, we anticipate that the third and fourth quarters of 2020 are likely to see improved crude oil demand and lower storage inventories, which may improve our netback pricing realizations.

Delaware Basin. Our production from the Delaware Basin was not materially affected by midstream or downstream capacity constraints during the six months ended June 30, 2020. Similar to the Wattenberg Field, our crude oil netback pricing realizations were most negatively impacted by the demand reduction from COVID-19.

Pipeline utilization in the Permian Basin has fallen from the constrained levels experienced during the first quarter of 2020. The COVID-19-induced downturn also forced widespread curtailments in natural gas production, which lowered pipeline utilization and eventually improved pricing differentials in the basin during the second quarter. The completion of Kinder Morgan's Permian Highway Pipeline anticipated in the first quarter of 2021 is expected to provide additional takeaway capacity out of the Permian Basin.

Crude Oil, Natural Gas and NGLs Pricing

Our results of operations depend upon many factors. Key factors include market prices of crude oil, natural gas and NGLs and our ability to market our production effectively. Crude oil, natural gas and NGLs prices have a high degree of volatility and our realizations can change substantially. Our realized sales prices for crude oil, natural gas and NGLs decreased 63 percent and 48 percent during the three and six months ended June 30, 2020, respectively, compared to the three and six months ended June 30, 2019. The NYMEX average daily crude oil prices decreased 53 percent and 35 percent for the three and six months ended June 30, 2020, respectively, as compared to the same period in 2019. The NYMEX average first-of-the-month natural gas price decreased 35 percent and 37 percent for the three and six months ended June 30, 2020, respectively, as compared to the same period in 2019. Our internal long-term outlook for commodity prices anticipates improvements beginning in the fourth quarter of 2020.

The following tables present weighted-average sales prices of crude oil, natural gas and NGLs for the periods presented.

Weighted-Average Realized Sales Price by Operating Region (excluding net settlements on derivatives)	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Percent Change	2020	2019	Percent Change
Crude oil (per Bbl)						
Wattenberg Field	\$ 18.09	\$ 55.30	(67.3)%	\$ 29.73	\$ 52.94	(43.8)%
Delaware Basin	21.28	57.97	(63.3)%	32.25	55.83	(42.2)%
Weighted-average price	18.63	55.96	(66.7)%	30.15	53.61	(43.8)%
Natural gas (per Mcf)						
Wattenberg Field	\$ 0.85	\$ 1.30	(34.6)%	\$ 1.00	\$ 1.74	(42.5)%
Delaware Basin	0.27	0.16	68.8 %	0.09	0.64	(85.9)%
Weighted-average price	0.76	1.07	(29.0)%	0.86	1.53	(43.8)%
NGLs (per Bbl)						
Wattenberg Field	\$ 6.18	\$ 11.30	(45.3)%	\$ 6.83	\$ 12.90	(47.1)%
Delaware Basin	7.70	16.14	(52.3)%	8.36	17.41	(52.0)%
Weighted-average price	6.38	12.53	(49.1)%	7.06	13.96	(49.4)%
Crude oil equivalent (per Boe)						
Wattenberg Field	\$ 9.95	\$ 26.81	(62.9)%	\$ 14.52	\$ 27.59	(47.4)%
Delaware Basin	10.85	28.84	(62.4)%	14.36	29.11	(50.7)%
Weighted-average price	10.08	27.28	(63.0)%	14.50	27.92	(48.1)%

Amounts may not recalculate due to rounding.

Crude oil, natural gas and NGLs revenues are recognized when we transfer control of crude oil, natural gas or NGLs production to the purchaser. We consider the transfer of control to occur when the purchaser has the ability to direct the use of, and obtain substantially all of the remaining benefits from, the crude oil, natural gas or NGLs production. We record sales revenue based on an estimate of the volumes delivered at estimated prices as determined by the applicable sales agreement. We estimate our sales volumes based on company-measured volume readings. We then adjust our crude oil, natural gas and NGLs sales in subsequent periods based on the data received from our purchasers that reflects actual volumes delivered and prices received.

Our crude oil, natural gas and NGLs sales are recorded using either the "net-back" or "gross" method of accounting, depending upon the related purchase agreement. We use the net-back method when control of the crude oil, natural gas or NGLs has been transferred to the purchasers of these commodities that are providing transportation, gathering or processing services. In these situations, the purchaser pays us based on a percent of proceeds or a sales price fixed at index less specified deductions. The net-back method results in the recognition of a net sales price that is lower than the index for which the production is based because the operating costs and profit of the midstream facilities are embedded in the net price we are paid. We use the gross method of accounting when control of the crude oil, natural gas or NGLs is not transferred to the purchaser and the purchaser does not provide transportation, gathering or processing services as a function of the price we receive. Rather, we contract separately with midstream providers for the applicable transportation and processing on a per unit basis. Under this

method, we recognize revenues based on the gross selling price and recognize transportation, gathering and processing expenses.

As discussed above, we enter into agreements for the sale and transportation, gathering and processing of our production, the terms of which can result in variances in the per unit realized prices that we receive for our crude oil, natural gas and NGLs. Information related to the components and classifications in the condensed consolidated statements of operations is shown below. For crude oil, the average NYMEX prices shown below are based on average daily prices throughout each month and, for natural gas, the average NYMEX pricing is based on first-of-the-month index prices, as in each case this is the method used to sell the majority of these commodities pursuant to terms of the relevant sales agreements. For NGLs, we use the NYMEX crude oil price as a reference for presentation purposes. The average realized price both before and after transportation, gathering and processing expenses shown in the table below represents our approximate composite per barrel price for NGLs.

Three Months Ended June 30, 2020	Average NYMEX Price	Average Realized Price Before Transportation, Gathering and Processing Expenses	Average Realization Percentage Before Transportation, Gathering and Processing Expenses	Average Transportation, Gathering and Processing Expenses	Average Realized Price After Transportation, Gathering and Processing Expenses	Average Realization Percentage After Transportation, Gathering and Processing Expenses
Crude oil (per Bbl)	\$ 27.85	\$ 18.63	67%	\$ 1.87	\$ 16.76	60%
Natural gas (per MMBtu)	1.72	0.76	44%	0.12	0.64	37%
NGLs (per Bbl)	27.85	6.38	23%	—	6.38	23%
Crude oil equivalent (per Boe)	20.94	10.08	48%	0.96	9.12	44%

Three Months Ended June 30, 2019	Average NYMEX Price	Average Realized Price Before Transportation, Gathering and Processing Expenses	Average Realization Percentage Before Transportation, Gathering and Processing Expenses	Average Transportation, Gathering and Processing Expenses	Average Realized Price After Transportation, Gathering and Processing Expenses	Average Realization Percentage After Transportation, Gathering and Processing Expenses
Crude oil (per Bbl)	\$ 59.81	\$ 55.96	94%	\$ 1.20	\$ 54.76	92%
Natural gas (per MMBtu)	2.64	1.07	41%	0.19	0.88	33%
NGLs (per Bbl)	59.81	12.53	21%	0.18	12.35	21%
Crude oil equivalent (per Boe)	42.78	27.28	64%	0.96	26.32	62%

Six Months Ended June 30, 2020	Average NYMEX Price	Average Realized Price Before Transportation, Gathering and Processing Expenses	Average Realization Percentage Before Transportation, Gathering and Processing Expenses	Average Transportation, Gathering and Processing Expenses	Average Realized Price After Transportation, Gathering and Processing Expenses	Average Realization Percentage After Transportation, Gathering and Processing Expenses
Crude oil (per Bbl)	\$ 37.01	\$ 30.15	81%	\$ 1.67	\$ 28.48	77%
Natural gas (per MMBtu)	1.83	0.86	47%	0.12	0.74	40%
NGLs (per Bbl)	37.01	7.06	19%	—	7.06	19%
Crude oil equivalent (per Boe)	26.58	14.50	55%	0.87	13.63	51%

Six Months Ended June 30, 2019	Average NYMEX Price	Average Realized Price Before Transportation, Gathering and Processing Expenses	Average Realization Percentage Before Transportation, Gathering and Processing Expenses	Average Transportation, Gathering and Processing Expenses	Average Realized Price After Transportation, Gathering and Processing Expenses	Average Realization Percentage After Transportation, Gathering and Processing Expenses
Crude oil (per Bbl)	\$ 57.36	\$ 53.61	93%	\$ 1.21	\$ 52.40	91%
Natural gas (per MMBtu)	2.89	1.53	53%	0.19	1.34	46%
NGLs (per Bbl)	57.36	13.96	24%	0.21	13.75	24%
Crude oil equivalent (per Boe)	41.93	27.92	67%	0.97	26.95	64%

Our average realization percentages for crude oil decreased materially for the three and six months ended June 30, 2020 as compared to the same periods in 2019, primarily due to the global deterioration of commodity prices during the first half of 2020. We currently expect improved crude oil realizations for the second half of 2020, assuming improvement in global demand for crude oil.

Commodity Price Risk Management

We use commodity derivative instruments to manage fluctuations in crude oil and natural gas prices, including collars, fixed-price swaps and basis protection swaps on a portion of our estimated crude oil and natural gas production. For our commodity swaps, we ultimately realize the fixed price value related to the swaps. See the footnote titled *Commodity Derivative Financial Instruments* to our accompanying condensed consolidated financial statements included elsewhere in this report for a summary of our derivative positions as of June 30, 2020.

Commodity price risk management, net, includes cash settlements upon maturity of our derivative instruments, as well as the change in fair value of unsettled commodity derivatives related to our crude oil and natural gas production.

Net settlements of commodity derivative instruments are based on the difference between the crude oil and natural gas index prices at the settlement date of our commodity derivative instruments compared to the respective strike prices contracted for the settlement months that were established at the time we entered into the commodity derivative transaction. The net change in fair value of unsettled commodity derivatives is comprised of the net increase or decrease in the beginning-of-period fair value of commodity derivative instruments that settled during the period and the net change in fair value of unsettled commodity derivatives during the period or from inception of any new contracts entered into during the applicable period. The net change in fair value of unsettled commodity derivatives during the period is primarily related to shifts in the crude oil and natural gas forward curves and changes in certain differentials.

The following table presents net settlements and net change in fair value of unsettled derivatives included in commodity price risk management, net:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
(in millions)				
Commodity price risk management gain (loss), net:				
Net settlements of commodity derivative instruments:				
Crude oil collars and fixed price swaps	\$ 115.0	\$ (14.7)	\$ 162.0	\$ (17.5)
Natural gas collars and fixed price swaps	3.3	2.1	3.6	0.5
Natural gas basis protection swaps	(3.5)	(0.6)	(5.0)	(4.6)
Total net settlements of commodity derivative instruments	114.8	(13.2)	160.6	(21.6)
Change in fair value of unsettled commodity derivative instruments:				
Reclassification of settlements included in prior period changes in fair value of commodity derivative instruments				
Crude oil collars and fixed price swaps	(125.9)	15.4	(2.4)	(39.7)
Natural gas collars and fixed price swaps	(95.8)	38.3	177.1	(85.6)
Natural gas basis protection swaps	(3.0)	7.2	(7.0)	6.7
Natural gas basis protection swaps	(10.9)	(0.4)	(14.4)	(2.5)
Net change in fair value of unsettled commodity derivative instruments	(235.6)	60.5	153.3	(121.1)
Total commodity price risk management gain (loss), net	\$ (120.8)	\$ 47.3	\$ 313.9	\$ (142.7)

Lease Operating Expenses

Lease operating expenses increased four percent to \$35.8 million in the three months ended June 30, 2020 compared to \$34.3 million in the three months ended June 30, 2019. The increase was primarily related to \$2.6 million for produced water disposal. Lease operating expense per Boe decreased 25 percent to \$2.08 for the three months ended June 30, 2020 from \$2.76 for the three months ended June 30, 2019, primarily due to a 39 percent increase in production volumes.

Lease operating expenses increased 23 percent to \$85.3 million in the six months ended June 30, 2020 compared to \$69.5 million in the six months ended June 30, 2019. Significant changes in lease operating expenses included increases of \$6.5 million for produced water disposal, \$5.7 million in additional compressor and equipment rentals and \$2.4 million for non-operated well expenses. The increases were partially offset by a \$3.1 million decrease related to midstream expenses resulting from the sale of Delaware Basin midstream assets during the second quarter of 2019. Lease operating expense per Boe decreased by 15 percent to \$2.50 for the six months ended June 30, 2020 from \$2.94 for the six months ended June 30, 2019, primarily due to a 44 percent increase in production volumes.

Production Taxes

Production taxes are comprised mainly of severance tax and ad valorem tax, and are directly related to crude oil, natural gas and NGLs sales and are generally assessed as a percentage of net revenues. From time to time, there are adjustments to the statutory rates for these taxes based upon certain credits that are determined based upon activity levels and relative commodity prices from year-to-year.

Production taxes decreased 65 percent to \$7.8 million in the three months ended June 30, 2020 compared to \$22.6 million in the three months ended June 30, 2019, primarily due to reductions in revenues, effective severance tax rates and lower reserve appraisal values in the Delaware Basin during the three months ended June 30, 2020 compared to the three months ended June 30, 2019. Production taxes per Boe decreased 75 percent to \$0.45 for the three months ended June 30, 2020 compared to \$1.82 for the three months ended June 30, 2019.

Production taxes decreased 41 percent to \$26.3 million in the six months ended June 30, 2020 compared to \$44.8 million in the six months ended June 30, 2019, primarily due to reductions in revenues, effective severance tax rates and lower reserve appraisal values in the Delaware Basin during the six months ended June 30, 2020 compared to the six months ended June 30, 2019. Production taxes per Boe decreased 59 percent to \$0.77 for the six months ended June 30, 2020 compared to \$1.90 for the six months ended June 30, 2019.

Transportation, Gathering and Processing Expenses

Transportation, gathering and processing expenses increased 39 percent to \$16.9 million in the three months ended June 30, 2020 compared to \$12.2 million in the three months ended June 30, 2019 and increased 29 percent to \$30.4 million in the six months ended June 30, 2020 compared to \$23.6 million in the six months ended June 30, 2019. Transportation, gathering and processing expenses are primarily impacted by the volumes delivered through pipelines and for natural gas gathering and transportation operations. Transportation, gathering and processing expenses per Boe decreased one percent to \$0.98 for the three months ended June 30, 2020 compared to \$0.99 for the three months ended June 30, 2019 and decreased 11 percent to \$0.89 for the six months ended June 30, 2020 compared to \$1.00 for the six months ended June 30, 2019.

Impairment of Properties and Equipment

The following table sets forth the major components of our impairment of properties and equipment:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	(in millions)			
Impairment of proved and unproved properties	\$ —	\$ 2.2	\$ 881.1	\$ 10.1
Impairment of infrastructure and other	—	26.8	—	26.8
Impairment of properties and equipment	\$ —	\$ 29.0	\$ 881.1	\$ 36.9

During the three months ended March 31, 2020, we recorded impairment charges of \$881.1 million. The impairment charges during the three months ended March 31, 2020 were due to a significant decline in crude oil prices, which was considered a triggering event that required us to assess our crude oil and natural gas properties for possible impairment. As a result of our assessment, we recorded impairment charges of \$881.1 million to write-down our proved and unproved properties. Of these impairment charges, approximately \$753.0 million was related to our Delaware Basin proved properties. These impairment charges represented the amount by which the carrying value of the crude oil and natural gas properties exceeded the estimated fair value. In addition to our proved property impairment, we also recognized approximately \$127.3 million of impairment charges for our unproved properties in the Delaware Basin. These impairment charges were recognized based on a review of our current drilling plans, estimated future cash flows for probable well locations and expected future lease expirations, primarily in areas where we have no development plans. During the three months ended June 30, 2020, we did not have any material impairments.

We recorded impairment charges of \$29.0 million and \$36.9 million, respectively, in the three and six months ended June 30, 2019, of which \$2.2 million and \$10.1 million, respectively, were related to leaseholds and leasehold expirations within our non-focus areas of the Delaware Basin where we were no longer pursuing plans to develop the properties. During the three and six months ended June 30, 2019, we also recorded impairments of \$26.8 million related to certain midstream facility infrastructure in the Delaware Basin. We determined the fair value of the properties based upon estimated future discounted cash flow, a Level 3 input, using estimated production and prices at which we reasonably expect the crude oil and natural gas will be sold.

General and Administrative Expense

General and administrative expense decreased 17 percent to \$35.4 million in the three months ended June 30, 2020 compared to \$42.8 million in the three months ended June 30, 2019. The decrease was primarily related to decreases in shareholder activism fees of \$4.7 million, professional fees of \$3.4 million and payroll and related benefits of \$2.0 million as compared to the comparable period of the prior year. The decreases were partially offset by an increase of \$3.8 million related to an insurance reimbursement related to legal fees that was received in the three months ended June 30, 2019.

General and administrative expense increased 18 percent to \$97.5 million in the six months ended June 30, 2020 compared to \$82.4 million in the six months ended June 30, 2019. The increase was primarily attributable to \$20.0 million in transaction costs related to the SRC acquisition, \$3.0 million related to an insurance reimbursement related to legal fees that was received in the three months ended June 30, 2019 and government relations costs of \$1.9 million. The increases were offset by a decrease in shareholder activism fees of \$5.7 million and professional fees of \$5.0 million as compared to the comparable period of the prior year.

Depreciation, Depletion and Amortization Expense

Crude oil and natural gas properties. DD&A expense related to crude oil and natural gas properties is directly related to proved reserves and production volumes. DD&A expense related to crude oil and natural gas properties was \$147.3 million and \$321.1 million for the three and six months ended June 30, 2020, respectively, compared to \$167.1 million and \$317.0 million for the three and six months ended June 30, 2019, respectively.

The period-over-period change in DD&A expense related to crude oil and natural gas properties was primarily due to the following:

	Three Months Ended June 30, 2020		Six Months Ended June 30, 2020	
	<i>(in millions)</i>			
Increase in production	\$	56.9	\$	129.4
Decrease in weighted-average depreciation, depletion and amortization rates		(76.7)		(125.3)
Total increase in DD&A expense related to crude oil and natural gas properties	\$	(19.8)	\$	4.1

The following table presents our per Boe DD&A expense rates for crude oil and natural gas properties:

Operating Region/Area	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
	<i>(per Boe)</i>			
Wattenberg Field	\$ 8.92	\$ 12.12	\$ 9.04	\$ 12.27
Delaware Basin	6.74	17.88	11.80	17.53
Total weighted-average	\$ 8.67	\$ 13.45	\$ 9.55	\$ 13.41

Non-crude oil and natural gas properties. Depreciation expense for non-crude oil and natural gas properties was \$2.2 million and \$4.5 million for the three and six months ended June 30, 2020, respectively, compared to \$1.4 million and \$2.9 million for the three and six months ended June 30, 2019, respectively.

Interest Expense, Net

Interest expense, net increased \$2.9 million to \$21.8 million for the three months ended June 30, 2020 compared to \$18.9 million for the three months ended June 30, 2019. The increase was primarily related to a \$3.5 million increase in interest expense related to our revolving credit facility and a \$0.5 million increase related to the assumption of SRC's 2025 Senior Notes. The increases were partially offset by a \$1.2 million increase in capitalized interest.

Interest expense, net increased \$10.1 million to \$46.0 million for the six months ended June 30, 2020 compared to \$35.9 million for the six months ended June 30, 2019. The increase was primarily related to a \$9.1 million increase in interest expense related to our revolving credit facility and a \$4.8 million increase related to the assumption of SRC's 2025 Senior Notes. The increases were partially offset by a \$4.0 million increase in capitalized interest.

Provision for Income Taxes

We recorded a full valuation allowance against our net deferred tax assets in the six months ended June 30, 2020 resulting in effective income tax rates of 1.9 percent and 0.5 percent benefit on loss for the three and six months ended June 30, 2020, respectively, compared to a 24.8 percent provision on income and a 22.3 percent benefit on loss for the three and six months ended June 30, 2019, respectively.

As previously noted, we recorded impairments totaling \$881.1 million for the six months ended June 30, 2020. These impairments resulted in three years of cumulative historical pre-tax losses and a net deferred tax asset position. We also have net operating loss carryovers ("NOLs") for federal income tax purposes of \$500.0 million. These losses were a key consideration that led us to continue to provide a valuation allowance against our net deferred tax assets as of June 30, 2020 since we cannot conclude that it is more likely than not that our net deferred tax asset will be fully realized in future periods.

The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. At each reporting period, management considers the scheduled reversal of deferred tax liabilities, available taxes in carryback periods, tax planning strategies and projected future

taxable income in making this assessment. Future events or new evidence which may lead us to conclude that it is more likely than not that our net deferred tax assets will be realized include, but are not limited to, cumulative historical pre-tax earnings, sustained or continued improvements in oil prices, and taxable events that could result from one or more transactions. We will continue to evaluate whether the valuation allowance is needed in future reporting periods.

As noted in the footnote *Business Combinations*, the accounting for the SRC Acquisition is still in the measurement period. Additional adjustments during the measurement period for the SRC Acquisition may have an impact on the income tax provision in future periods, although such adjustments are not expected to be material. Other than business combination accounting adjustments during the measurement period, we will likely not have any additional income tax expense or benefit other than for state income taxes as long as we continue to conclude that it is appropriate to maintain a full valuation allowance against our net deferred tax assets.

Net Income (Loss)/Adjusted Net Income (Loss)

The factors impacting net losses of \$221.8 million and \$686.8 million for the three and six months ended June 30, 2020, respectively, and net income of \$68.5 million and a net loss of \$51.6 million for the three and six months ended June 30, 2019, respectively, are discussed above. Adjusted net income, a non-U.S. GAAP financial measure, was \$13.8 million for the three months ended June 30, 2020 and adjusted net loss was \$840.1 million for the six months ended June 30, 2020 and adjusted net income was \$22.5 million and \$40.5 million for the three and six months ended June 30, 2019, respectively. With the exception of the tax-affected (when applicable) net change in fair value of unsettled derivatives, the same factors impacted adjusted net income (loss), a non-U.S. GAAP financial measure. See *Reconciliation of Non-U.S. GAAP Financial Measures* below for a more detailed discussion of these non-U.S. GAAP financial measures and a reconciliation of these measures to the most comparable U.S. GAAP measures.

Financial Condition, Liquidity and Capital Resources

Our primary sources of liquidity are cash flows from operating activities, our revolving credit facility, asset sales and proceeds raised in debt and equity capital market transactions. For the six months ended June 30, 2020, our net cash flows from operating activities were \$369.3 million.

Our primary source of cash flows from operating activities is the sale of crude oil, natural gas and NGLs. Fluctuations in our operating cash flows are principally driven by commodity prices and changes in our production volumes. Commodity prices have historically been volatile and we manage a portion of this volatility through our use of derivative instruments. We enter into commodity derivative instruments with maturities of no greater than five years from the date of the instrument. Our revolving credit facility imposes limits on the amount of our production we can hedge, and we may choose not to hedge the maximum amounts permitted. Therefore, we may still have fluctuations in our cash flows from operating activities due to the remaining non-hedged portion of our future production.

We may use our available liquidity for operating activities, capital investments, working capital requirements, acquisitions and for general corporate purposes. We maintain a significant capital investment program to execute our development plans, which requires capital expenditures to be made in periods prior to initial production from newly developed wells.

We had a working deficit of \$95.5 million at June 30, 2020 and \$57.2 million at December 31, 2019. We intend to continue to manage our liquidity position by a variety of means, including through the generation of cash flows from operations, investment in projects with favorable rates of return, protection of cash flows on a portion of our anticipated sales through the use of an active commodity derivative hedging program, utilization of the borrowing capacity under our revolving credit facility and, if warranted, capital markets transactions from time to time.

Our cash and cash equivalents were \$1.2 million at June 30, 2020 and availability under our revolving credit facility was \$1.0 billion, providing for a total liquidity position of \$1.0 billion as of June 30, 2020. Pursuant to closing the SRC Acquisition, the borrowing base on our revolving credit facility increased to \$2.1 billion and we elected to increase the aggregate commitment amount under the facility to \$1.7 billion. On May 5, 2020, we entered into the Second Amendment, and, in connection with the Second Amendment and as part of our semi-annual redetermination of our borrowing base, the borrowing base under the revolving credit facility was reduced to \$1.7 billion, while the commitment amount was unchanged at \$1.7 billion.

Based on our updated production forecast for 2020 and assumed average NYMEX prices of \$35.00 per Bbl of crude oil and \$2.00 per Mcf of natural gas and an assumed average composite price of \$9.00 per Bbl for NGLs for the second half

of the year, we expect 2020 adjusted cash flows from operations, a non-U.S. GAAP financial measure, to exceed our capital investments in crude oil and natural gas properties by more than \$300 million.

As a result of merging with SRC, we assumed the SRC Senior Notes and paid off and terminated SRC's revolving credit facility. On January 17, 2020, we commenced an offer to repurchase the outstanding SRC Senior Notes at 101 percent of the principal amount. Upon expiration of the repurchase offer on February 18, 2020, holders of \$447.7 million of the outstanding SRC Senior Notes accepted our redemption offer for a total redemption price of approximately \$452.2 million, plus accrued and unpaid interest of \$6.2 million. We funded the repurchase with proceeds from our revolving credit facility. An aggregate principal amount of approximately \$102.3 million of the SRC Senior Notes remains outstanding.

In April 2019, the Board approved the Stock Repurchase Program. Effective upon the closing of the SRC Acquisition, our Board approved an increase and extension to the Stock Repurchase Program from \$200 million to \$525 million. During the six months ended June 30, 2020, we repurchased 1.3 million shares of our outstanding common stock at a cost of \$23.8 million. The last repurchases occurred in early March 2020. Approximately \$346.8 million remains available for repurchases under the Stock Repurchase Program; however, further repurchases pursuant to the program have been suspended and, when we resume the program, we expect to slow the pace of previously planned share repurchases as we continue to prioritize our financial strength and liquidity. We expect purchases made pursuant to the Stock Repurchase Program to extend beyond December 31, 2021, given current market conditions.

In addition, we may from time to time seek to pay down, retire or repurchase our outstanding debt using cash or through exchanges of other debt or equity securities, in open market purchases, privately negotiated transactions or otherwise. Such repurchases or exchanges, if any, will depend on available funds, prevailing market conditions, our liquidity requirements, contractual restrictions in our Restated Credit Agreement and other factors.

Based on our expected cash flows from operations, our cash and cash equivalents and availability under our revolving credit facility, we believe that we will have sufficient capital available to fund our planned activities through the 12-month period following the filing of this report.

Our revolving credit facility is available for working capital requirements, capital investments, acquisitions, to support letters of credit and for general corporate purposes. The borrowing base is primarily based on the loan value assigned to the proved reserves attributable to our crude oil and natural gas interests.

The revolving credit facility contains covenants customary for agreements of this type, with the most restrictive being certain financial tests on a quarterly basis. The financial tests, as defined per the revolving credit facility, include requirements to: (a) maintain a minimum current ratio of 1.0:1.0 and (b) not exceed a maximum leverage ratio of 4.0:1.0. For purposes of the current ratio covenant, the revolving credit facility's definition of total current assets, in addition to current assets as presented under U.S. GAAP, includes, but is not limited to, unused commitments under the revolving credit facility. Accordingly, the existence of a working capital deficit under U.S. GAAP is not necessarily indicative of a violation of the current ratio covenant. At June 30, 2020, we were in compliance with all covenants in the revolving credit facility with a current ratio of 2.5:1.0 and a leverage ratio of 1.8:1.0. We expect to remain in compliance throughout the 12-month period following the filing of this report.

Cash Flows

Operating Activities. Our net cash flows from operating activities are primarily impacted by commodity prices, production volumes, net settlements from our commodity derivative positions, operating costs and general and administrative expenses. Cash flows from operating activities decreased by \$48.2 million to \$369.3 million for the six months ended June 30, 2020 compared to the six months ended June 30, 2019. The decrease was primarily due to a \$165.8 million decrease in revenue from crude oil, natural gas and NGLs sales and a decrease of \$40.1 million related to the change in working capital, which includes \$82.0 million received in June 2020 related to the Midstream Asset Divestitures. The decreases were partially offset by an increase in commodity derivative settlements of \$182.3 million and a decrease in operating expense of \$16.8 million.

Adjusted cash flows from operations, a non-U.S. GAAP financial measure, decreased by \$8.0 million to \$391.5 million during the six months ended June 30, 2020 compared to the six months ended June 30, 2019. The decrease was primarily due to the factors mentioned above for changes in cash flows provided by operating activities, without regard to timing of cash payments and receipts of assets and liabilities. Free cash flow, a non-U.S. GAAP financial measure, increased by \$170.6 million during the six months ended June 30, 2020 to \$10.8 million from a free cash flow deficit of \$159.8 million during the six months ended June 30, 2019. The increase was primarily due to the decrease in capital investments in crude oil and natural gas properties during the six months ended June 30, 2020.

See *Reconciliation of Non-U.S. GAAP Financial Measures*, below, for a more detailed discussion of these non-U.S. GAAP financial measures and a reconciliation of these measures to the most comparable U.S. GAAP measures.

Investing Activities. Because crude oil and natural gas production from a well declines rapidly in the first few years of production, we need to continue to commit significant amounts of capital in order to maintain and grow our production and replace our reserves. If capital is not available or is constrained in the future, we will be limited to our cash flows from operations and liquidity under our revolving credit facility as the sources for funding our capital investments.

Cash flows from investing activities primarily consist of the acquisition, exploration and development of crude oil and natural gas properties, net of dispositions of crude oil and natural gas properties. Net cash used in investing activities of \$528.2 million during the six months ended June 30, 2020 was primarily related to our drilling and completion activities of \$387.9 million and \$139.8 million related to the closing of the SRC Acquisition. Net cash used in investing activities of \$324.1 million during the six months ended June 30, 2019 was primarily related to our drilling and completion activities of \$518.0 million and net cash received from the Midstream Asset Divestitures and certain Delaware Basin crude oil and natural gas properties was \$199.4 million.

Financing Activities. Net cash used in financing activities of \$159.2 million during the six months ended June 30, 2020 was primarily due to net borrowings from our credit facility of \$649.0 million, partially offset by the redemption of a portion of the 2025 Senior Notes totaling \$452.2 million and the repurchase and retirement of shares of our common stock totaling \$23.8 million pursuant to the Stock Repurchase Program. Net cash proceeds used in financing activities of \$101.4 million during the six months ended June 30, 2019 was primarily due to the repurchase and retirement of shares of our common stock totaling \$94.1 million.

Subsidiary Guarantor

PDC Permian, Inc., a Delaware corporation (the "Guarantor"), our wholly-owned subsidiary, guarantees our obligations under our 2024 Senior Notes, 2025 Senior Notes and 2026 Senior Notes (collectively, the "Senior Notes") and our 2021 Convertible Notes. The Guarantor holds our assets located in the Delaware Basin. The Senior Notes and 2021 Convertible Notes are fully and unconditionally guaranteed on a joint and several basis by the Guarantor. The guarantees are subject to release in limited circumstances only upon the occurrence of certain customary conditions.

The indentures governing the Senior Notes contain customary restrictive covenants that, among other things, limit our ability and the ability of our restricted subsidiaries to: (a) incur additional debt including under our revolving credit facility, (b) make certain investments or pay dividends or distributions on our capital stock or purchase, redeem or retire capital stock, (c) sell assets, including capital stock of our restricted subsidiaries, (d) restrict the payment of dividends or other payments by restricted subsidiaries to us, (e) create liens that secure debt, (f) enter into transactions with affiliates and (g) merge or consolidate with another company.

The following summarized subsidiary guarantor financial information has been prepared on the same basis of accounting as our condensed consolidated financial statements. Investments in subsidiaries are accounted for under the equity method.

	As of/Six Months Ended		As of/Year Ended	
	June 30, 2020		December 31, 2019	
	Issuer	Guarantor	Issuer	Guarantor
	(in millions)			
Assets				
Current assets	\$ 400.4	\$ 25.4	\$ 175.8	\$ 126.0
Intercompany accounts receivable, guarantor subsidiary	126.7	—	348.8	—
Intercompany accounts receivable, non-guarantor subsidiary	7.1	—	6.3	—
Investment in guarantor subsidiary	1,766.8	—	1,766.8	—
Properties and equipment, net	4,095.2	904.8	2,328.3	1,766.9
Other non-current assets	77.1	4.8	41.8	6.8
Liabilities				
Current liabilities	\$ 487.2	\$ 33.9	\$ 306.6	\$ 52.4
Intercompany accounts payable	—	126.7	—	348.8
Long-term debt	1,935.1	—	1,177.2	—
Other non-current liabilities	223.5	182.9	361.1	211.6
Statement of Operations				
Crude oil, natural gas and NGLs sales	\$ 417.7	\$ 76.5	\$ 999.3	\$ 308.0
Commodity price risk management gain (loss), net	313.9	—	(162.8)	—
Total revenues	732.7	75.4	838.1	308.7
Production costs	106.7	35.4	180.1	89.2
Gross profit	311.0	41.1	819.2	218.8
Impairment of properties and equipment	0.8	880.3	0.3	38.2
Net income (loss)	9.3	(695.3)	(24.6)	(30.0)

Off-Balance Sheet Arrangements

At June 30, 2020, we had no off-balance sheet arrangements, as defined under SEC rules, which have or are reasonably likely to have a material current or future effect on our financial condition, revenues or expenses, results of operations, liquidity, capital investments or capital resources.

Commitments and Contingencies

See the footnote titled *Commitments and Contingencies* to the accompanying condensed consolidated financial statements included elsewhere in this report.

Recent Accounting Standards

See the footnote titled *Summary of Significant Accounting Policies* to the accompanying condensed consolidated financial statements included elsewhere in this report.

Critical Accounting Policies and Estimates

The preparation of the accompanying condensed consolidated financial statements in conformity with U.S. GAAP required management to use judgment in making estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses.

There have been no significant changes to our critical accounting policies and estimates or in the underlying accounting assumptions and estimates used in these critical accounting policies from those disclosed in the consolidated financial statements and accompanying notes contained in our 2019 Form 10-K filed with the SEC on February 26, 2020.

Reconciliation of Non-U.S. GAAP Financial Measures

We use "adjusted cash flows from operations," "free cash flow (deficit)," "adjusted net income (loss)" and "adjusted EBITDAX," non-U.S. GAAP financial measures, for internal management reporting, when evaluating period-to-period changes and, in some cases, in providing public guidance on possible future results. In addition, we believe these are measures of our fundamental business and can be useful to us, investors, lenders and other parties in the evaluation of our performance relative to our peers and in assessing acquisition opportunities and capital expenditure projects. These supplemental measures are not measures of financial performance under U.S. GAAP and should be considered in addition to, not as a substitute for, net income (loss) or cash flows from operations, investing or financing activities and should not be viewed as liquidity measures or indicators of cash flows reported in accordance with U.S. GAAP. The non-U.S. GAAP financial measures that we use may not be comparable to similarly titled measures reported by other companies. In the future, we may disclose different non-U.S. GAAP financial measures in order to help us and our investors more meaningfully evaluate and compare our future results of operations to our previously reported results of operations. We strongly encourage investors to review our financial statements and publicly filed reports in their entirety and to not rely on any single financial measure.

Adjusted cash flows from operations and free cash flow (deficit). We believe adjusted cash flows from operations can provide additional transparency into the drivers of trends in our operating cash flows, such as production, realized sales prices and operating costs, as it disregards the timing of settlement of operating assets and liabilities. We believe free cash flow (deficit) provides additional information that may be useful in an analysis of our ability to generate cash to fund exploration and development activities and to return capital to stockholders.

We are unable to present a reconciliation of forward-looking adjusted cash flow because components of the calculation, including fluctuations in working capital accounts, are inherently unpredictable. Moreover, estimating the most directly comparable GAAP measure with the required precision necessary to provide a meaningful reconciliation is extremely difficult and could not be accomplished without unreasonable effort. We believe that forward-looking estimates of adjusted cash flow are important to investors because they assist in the analysis of our ability to generate cash from our operations.

Adjusted net income (loss). We believe that adjusted net income (loss) provides additional transparency into operating trends, such as production, realized sales prices, operating costs and net settlements on commodity derivative contracts, because it disregards changes in our net income (loss) from mark-to-market adjustments resulting from net changes in the fair value of our unsettled commodity derivative contracts, and these changes are not directly reflective of our operating performance.

Adjusted EBITDAX. We believe that adjusted EBITDAX provides additional transparency into operating trends because it reflects the financial performance of our assets without regard to financing methods, capital structure, accounting methods or historical cost basis. In addition, because adjusted EBITDAX excludes certain non-cash expenses, we believe it is not a measure of income, but rather a measure of our liquidity and ability to generate sufficient cash for exploration, development and acquisitions and to service our debt obligations.

Beginning in the third quarter of 2019, we included a reconciling item for gains or losses on the sale of properties and equipment when calculating adjusted EBITDAX, thereby no longer including such gains or losses in our reported adjusted EBITDAX. We believe this methodology for calculating adjusted EBITDAX will enable greater comparability to our peers, as well as consistent treatment of adjustments for impairment and gains or losses on the sale of properties and equipment. For comparability, all prior periods presented have been conformed to the aforementioned methodology.

PDC ENERGY, INC.

The following table presents a reconciliation of each of our non-U.S. GAAP financial measures to its most comparable U.S. GAAP measure:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<i>(in millions)</i>				
Cash flows from operations to adjusted cash flows from operations and free cash flow (deficit):				
Net cash from operating activities	\$ 103.0	\$ 260.4	\$ 369.3	\$ 417.5
Changes in assets and liabilities	78.7	(53.4)	22.2	(18.0)
Adjusted cash flows from operations	181.7	207.0	391.5	399.5
Capital expenditures for development of crude oil and natural gas properties	(197.1)	(275.8)	(387.9)	(518.0)
Change in accounts payable related to capital expenditures	77.2	(1.6)	7.2	(41.3)
Free cash flow (deficit)	\$ 61.8	\$ (70.4)	\$ 10.8	\$ (159.8)
Net income (loss) to adjusted net income (loss):				
Net income (loss)	\$ (221.8)	\$ 68.5	\$ (686.8)	\$ (51.6)
(Gain) loss on commodity derivative instruments	120.8	(47.3)	(313.9)	142.7
Net settlements on commodity derivative instruments	114.8	(13.2)	160.6	(21.6)
Tax effect of above adjustments (1)	—	14.5	—	(29.0)
Adjusted net income (loss)	\$ 13.8	\$ 22.5	\$ (840.1)	\$ 40.5
Net income (loss) to adjusted EBITDAX:				
Net income (loss)	\$ (221.8)	\$ 68.5	\$ (686.8)	\$ (51.6)
(Gain) loss on commodity derivative instruments	120.8	(47.3)	(313.9)	142.7
Net settlements on commodity derivative instruments	114.8	(13.2)	160.6	(21.6)
Non-cash stock-based compensation	6.4	7.6	12.0	12.3
Interest expense, net	21.8	18.9	46.0	35.9
Income tax expense (benefit)	4.1	22.6	(3.7)	(14.8)
Impairment of properties and equipment	—	29.0	881.1	36.9
Exploration, geologic and geophysical expense	0.7	0.6	0.9	3.3
Depreciation, depletion and amortization	149.5	168.5	325.6	319.9
Accretion of asset retirement obligations	2.4	1.6	5.0	3.1
Gain on sale of properties and equipment	(0.2)	(33.9)	(0.4)	(34.3)
Adjusted EBITDAX	\$ 198.5	\$ 222.9	\$ 426.4	\$ 431.8
Cash from operating activities to adjusted EBITDAX:				
Net cash from operating activities	\$ 103.0	\$ 260.4	\$ 369.3	\$ 417.5
Interest expense, net	21.8	18.9	46.0	35.9
Amortization of debt discount and issuance costs	(5.3)	(3.4)	(8.9)	(6.7)
Exploration, geologic and geophysical expense	0.7	0.6	0.9	3.3
Other	(0.4)	(0.2)	(3.1)	(0.2)
Changes in assets and liabilities	78.7	(53.4)	22.2	(18.0)
Adjusted EBITDAX	\$ 198.5	\$ 222.9	\$ 426.4	\$ 431.8

(1) Due to the full valuation allowance recorded against our net deferred tax assets, there is no tax effect for the three or six months ended June 30, 2020.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**Market-Sensitive Instruments and Risk Management**

We are exposed to market risks associated with interest rate risks, commodity price risk and credit risk. We have established risk management processes to monitor and manage these market risks.

Interest Rate Risk

Changes in interest rates affect the amount of interest we earn on our interest bearing cash, cash equivalents and restricted cash accounts and the interest we pay on borrowings under our revolving credit facility. Our 2021 Convertible Notes, 2024 Senior Notes, 2025 Senior Notes and 2026 Senior Notes have fixed rates, and therefore near-term changes in interest rates do not expose us to risk of earnings or cash flow loss; however, near-term changes in interest rates may affect the fair value of our fixed-rate debt.

As of June 30, 2020, we had a \$653.0 million outstanding balance on our revolving credit facility. If market interest rates would have increased or decreased one percent, our interest expense for the six months ended June 30, 2020 would have changed by approximately \$1.9 million.

Commodity Price Risk

We are exposed to the potential risk of loss from adverse changes in the market price of crude oil, natural gas, natural gas basis and NGLs. Pursuant to established policies and procedures, we manage a portion of the risks associated with these market fluctuations using commodity derivative instruments. These instruments help us predict with greater certainty the effective crude oil and natural gas prices we will receive for our hedged production. We believe that our commodity derivative policies and procedures are effective in achieving our risk management objectives.

Based on a sensitivity analysis as of June 30, 2020, we estimate that a ten percent increase in natural gas and crude oil, inclusive of basis, over the entire period for which we have commodity derivatives in place, would have resulted in a decrease in the fair value of our derivative positions of \$68.6 million, whereas a ten percent decrease in prices would have resulted in an increase in fair value of \$68.8 million.

Credit Risk

Credit risk represents the loss that we would incur if a counterparty fails to perform its contractual obligations. We attempt to reduce credit risk by diversifying our counterparty exposure. When exposed to significant credit risk, we analyze the counterparty's financial condition prior to entering into an agreement, establish credit limits and monitor the appropriateness of those limits on an ongoing basis. We monitor the creditworthiness of significant counterparties through our credit committee, which utilizes a number of qualitative and quantitative tools to assess credit risk and takes mitigative actions if deemed necessary. While we believe that our credit risk analysis and monitoring procedures are reasonable, no amount of analysis can assure performance by our counterparties.

We primarily use financial institutions which are lenders in our revolving credit facility as counterparties for our derivative financial instruments. Disruption in the credit markets, changes in commodity prices and other factors may have a significant adverse impact on a number of financial institutions. To date, we have had no material counterparty default losses from our commodity derivative financial instruments.

Our crude oil, natural gas and NGLs sales are concentrated with a few predominately large customers. This concentrates our credit risk exposure with a small number of large customers.

Disclosure of Limitations

Because the information above included only those exposures that existed at June 30, 2020, it does not consider those exposures or positions which could arise after that date. As a result, our ultimate realized gain or loss with respect to interest rate and commodity price fluctuations will depend on the exposures that arise during the period, our commodity price risk management strategies at the time and interest rates and commodity prices at the time.

ITEM 4. CONTROLS AND PROCEDURES***Evaluation of Disclosure Controls and Procedures***

As of June 30, 2020, we carried out an evaluation under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act. Based on the results of this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2020.

Management's Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer, or persons performing similar functions, and effected by our board of directors, management and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies or procedures may deteriorate.

Management has assessed the effectiveness of our internal control over financial reporting as of June 30, 2020, based upon the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO").

Changes in Internal Control over Financial Reporting

As of January 1, 2020, we implemented a new ERP system. In connection with the ERP system implementation, we have updated our internal controls over financial reporting to accommodate modifications to our business processes and accounting procedures.

PART II

ITEM 1. LEGAL PROCEEDINGS

Information regarding our legal proceedings can found in the footnote titled *Commitments and Contingencies - Litigation and Legal Items* to our accompanying condensed consolidated financial statements included elsewhere in this report.

RISK FACTORS

We face many risks. Factors that could materially adversely affect our business, financial condition, operating results or liquidity and the trading price of our common stock are described under Item 1A, *Risk Factors*, of our 2019 Form 10-K. This information should be considered carefully, together with other information in this report and other reports and materials we file with the SEC.

There have been no material changes from the risk factors previously disclosed in our 2019 Form 10-K and First Quarter 2020 Form 10-Q, except for the following:

Global COVID-19 Pandemic and Crude Oil Market Downturn

Our operations have been adversely affected as a result of the ongoing global COVID-19 pandemic and the precipitous decline in crude oil demand and pricing. We expect those impacts to continue in the near-term and we may experience additional impacts in the future. For example:

- Prolonged depressed crude oil prices may have adverse effects on the financial wellbeing of our business, including with respect to revenue, profitability, cash flows and liquidity; quantity and present value of our reserves; borrowing base under our revolving credit facility; and access to other sources of capital;
- Decreased crude oil prices may require us to shut in production for a significant portion of our producing wells, which will reduce our revenue and require monetary compensation to mineral lessors;
- Domestic oversupply of crude oil may lead to insufficient storage capacity and could impact our midstream providers' ability to accept and transport our production to market;
- Effects of COVID-19, including demand destruction, reduction in skilled workforce and state and local orders regarding public health and safety may result in claims of force majeure by us or our counterparties relating to obligations under material agreements;
- Low commodity prices may lead to financial distress and restructuring events affecting working interest partners, vendors, service providers and other counterparties;
- Negative financial impacts to our business partners may cause delays or failure to pay service providers, which could result in liens filed against our real and personal property;
- Our reduced capital spend and projected decline in revenues have led to temporary and permanent reductions in our work force and decreases to our director, executive and employee compensation, which may affect our ability to attract and retain experienced technical and other professional personnel;
- Our reduced drilling program may result in losses of acreage due to lease expirations, which could result in impairment charges and the loss of future drilling opportunities;
- Reported reductions in the work forces of our service providers may result in delays in procuring products and services essential to our operations;
- State and local orders, ordinances and guidance related to COVID-19 have forced a significant portion of our employees to work remotely, which may result in decreased productivity and continuity among the employee base;
- Current market conditions and impacts on our business generally may lead to an increased risk of litigation; and
- The cumulative effects of COVID-19 on the economy may result in a long-term global recession or depression.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

Period	Total Number of Shares Purchased (1) (2)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (in millions)
April 1 - 30, 2020	49,064	\$ 6.29	—	\$ 346.8
May 1 - 31, 2020	14,134	11.27	—	346.8
June 1 - 30, 2020	1,021	16.02	—	346.8
Total second quarter 2020 purchases	<u>64,219</u>	\$ 7.54	<u>—</u>	\$ 346.8

(1) Certain purchases represent shares withheld from employees for the payment of their tax liabilities related to the vesting of securities issued pursuant to our stock-based compensation plans. The withheld shares are not issued or considered common stock repurchased under the Stock Repurchase Program described in the footnote titled Common Stock to our accompanying condensed consolidated financial statements included elsewhere in this report.

(2) In April 2019, the Board approved a program to acquire up to \$200 million of our outstanding common stock and in August 2019, effective with the closing of the SRC Acquisition, increased such amount to \$525 million. The Stock Repurchase Program does not require any specific number of shares to be acquired, and can be modified or discontinued by the Board at any time; further repurchases pursuant to the program have been suspended and, when we resume the program, we expect to slow the pace of previously planned share repurchases as we continue to prioritize our financial strength and liquidity. We expect purchases made pursuant to the Stock Repurchase Program to extend beyond December 31, 2021, given current market conditions.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES - None.

ITEM 4. MINE SAFETY DISCLOSURES - Not applicable.

ITEM 5. OTHER INFORMATION - None.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit Description	Incorporated by Reference				Filed Herewith
		Form	SEC File Number	Exhibit	Filing Date	
10.1	Executive Severance Compensation Plan, as amended and restated.					X
10.2	Employment Agreement with Lance A. Lauck, as amended.					X
22	Securities guaranteed by PDC Permian, Inc., a subsidiary guarantor of PDC Energy, Inc.					X
31.1	Certification by Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) of the Exchange Act Rules, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification by Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) of the Exchange Act Rules, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certifications by Chief Executive Officer and Chief Financial Officer pursuant to Title 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of Sarbanes-Oxley Act of 2002.					
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)					X

* Furnished herewith.

PDC ENERGY, INC.

SIGNATURES

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, thereunto duly authorized.

PDC Energy, Inc.
(Registrant)

Date: August 5, 2020

/s/ Barton Brookman
Barton Brookman
President and Chief Executive Officer
(principal executive officer)

/s/ R. Scott Meyers
R. Scott Meyers
Senior Vice President and Chief Financial Officer
(principal financial officer)

**PDC ENERGY
EXECUTIVE SEVERANCE COMPENSATION PLAN**

(As Amended and Restated on June 25, 2020)

**PDC ENERGY
EXECUTIVE SEVERANCE COMPENSATION PLAN**

(As Amended and Restated on June 25, 2020)

**ARTICLE I
INTRODUCTION; ESTABLISHMENT OF PLAN; AMENDMENT AND RESTATEMENT**

The Board of Directors of PDC Energy, Inc. (the "Company") recognizes that, as is the case with many publicly held corporations, the possibility of a Change in Control (as defined below) or the need to terminate members of senior managements exists. These possibilities, and the uncertainty they create with executives, may be detrimental to the Company and its shareholders if executives are distracted and/or leave the Company.

The Board considers the avoidance of such loss and distraction to be essential to protecting and enhancing the best interests of the Company and its shareholders. The Board also believes that when a Change in Control is perceived as imminent, or is occurring, the Board should be able to receive and rely on disinterested service from executive employees regarding the best interests of the Company and its shareholders without concern that the executive employees might be distracted or concerned by their personal uncertainties and risks created by the perception of an imminent or occurring Change in Control.

In addition, the Board believes that it is consistent with the Company's employment practices and policies and in the best interests of the Company and its shareholders to treat fairly its executive employees whose employment terminates without cause and to establish up front the terms and conditions of an executive's separation from employment.

Accordingly, the Board determined previously that appropriate steps should be taken to assure the Company and its Affiliates of the executive employees' continued employment and attention and dedication to duty, and to seek to ensure the availability of their continued service, notwithstanding the possibility, threat or occurrence of a termination of employment or a Change in Control.

In order to fulfill the above purposes, the Company established a separation compensation plan known as the PDC Energy Executive Severance Compensation Plan (the "Plan"), originally effective as of the Effective Date. The Plan has been amended from time to time following the Effective Date and is now hereby amended and restated in its entirety effective as of June 25, 2020, to incorporate all such previous amendments into a single document and to make certain additional changes, as set forth herein.

ARTICLE II

- 2 -

DEFINITIONS

As used herein, the following words and phrases shall have the following respective meanings unless the context clearly indicates otherwise.

(a) Affiliate. The Company and any entity that is treated as the same employer as the Company under Sections 414(b), (c), (m), or (o) of the Code, any entity required to be aggregated with the Company pursuant to regulations adopted under Section 409A of the Code, or any entity otherwise designated as an Affiliate by the Company.

(b) Annual Cash Incentive Plan. The regular annual cash incentive plan, program or arrangement offered by the Company to the Participant, which, for purposes of clarity, excludes any special, irregular, acquisition, or similar irregular bonus plan or program that may be offered.

(c) Base Salary. The Participant's highest annual base salary in effect during the two years of employment immediately preceding the Date of Termination.

(d) Board. The Board of Directors of the Company.

(e) Cause. A good faith determination of the Board that the Participant: (i) failed to substantially perform his or her duties with the Company or its Affiliates (other than a failure resulting from his incapacity due to physical or mental illness) after a written demand for substantial performance has been delivered to him or her by the Board, which demand specifically identifies the manner in which the Board believes he or she has not substantially performed his or her duties, and the Participant has failed to cure such deficiency within thirty (30) days of the receipt of such notice; or (ii) has engaged in conduct the consequences of which are materially adverse to the Company or its Affiliates, monetarily or otherwise; or (iii) has pleaded guilty to or been convicted of a felony or a crime involving moral turpitude or dishonesty; or (iv) has engaged in conduct which demonstrates the Participant's gross unfitness to serve the Company in his or her current position; or (v) has materially breached the terms of this Plan. Following a Change in Control, "Cause" shall be limited to (1) the Participant's refusal to or failure to attempt in good faith to perform his or her duties or to follow the written direction of the Board after fifteen (15) days' written notice specifically identifying the manner in which the Board believes he or she has not performed his or her duties; and (2) subsection (iii) above.

(f) Change in Control. The earliest of the following events:

(i) Change in Ownership: A change in ownership of the Company occurs on the date that any one person, or more than one person acting as a group, acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company, excluding the acquisition of additional stock by a person or more than one person acting as a group who is considered to own more than fifty percent (50%) of the total fair market value or total voting power of the stock of the Company.

(ii) Change in Effective Control: A change in effective control of the Company occurs on the date that either:

(A) Any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing thirty percent (30%) or more of the total voting power of the stock of the Company; or

(B) A majority of the members of the Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election; provided, that this paragraph (B) will apply only to the Company if no other corporation is a majority shareholder.

(iii) Change in Ownership of Substantial Assets: A change in the ownership of a substantial portion of the Company's assets occurs on the date that any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than ninety percent (90%) of the total gross fair market value of the assets of the Company immediately prior to such acquisition or acquisitions. For this purpose, "gross fair market value" means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

The foregoing definition of Change of Control shall be interpreted, administered and construed in manner necessary to ensure that the occurrence of any such event shall result in a Change of Control only if such event qualifies as a change in the ownership or effective control of a corporation, or a change in the ownership of a substantial portion of the assets of a corporation, as applicable, within the meaning of Treasury Regulation §1.409A-3(i)(5) or any successor provision.

(g) Code. The Internal Revenue Code of 1986, as amended from time to time.

(h) Company. PDC Energy, Inc. and any successor to such entity.

(i) Date of Termination. The date on which a Participant has a Separation from Service from the Company.

(j) Disability. A medically-determinable physical or mental impairment as a result of which Executive is receiving income replacement benefits under the Company's long-term disability plan.

(k) Effective Date. September 24, 2012.

(l) Eligible Employee. Any member of the Company's senior management.

(m) ERISA. The Employee Retirement Income Security Act of 1974, as amended from time to time.

(n) Good Reason. With respect to a Participant's Separation from Service, any of the following events or conditions which occur without the Participant's written consent, and which remain in effect after notice has been provided by the Participant to the Company of such material reduction and the expiration of a 30 day cure period: (i) a material reduction in the Participant's base compensation or bonus opportunity under the Annual Cash Incentive Plan unless a proportionate reduction is made to the base compensation or bonus opportunity of all members of the Company's senior management; (ii) a material diminution in the Participant's authority, duties or responsibilities including a requirement that the CEO report to a corporate officer or employee instead of reporting directly to the Board; or (iii) any other action or inaction that constitutes a material breach by the Company of this Plan. In addition, after a Change of Control, "Good Reason" shall also include (1) a failure to, during the two-year period following the date of the Change of Control, to provide Participant with compensation and benefits, which in the aggregate, are at least substantially equal (in terms of benefit levels and/or reward opportunities) to those provided for under the material employee benefit plans, programs and practices in which the Participant was participating as of the date of the Change of Control, (2) a failure to permit Participant to participate in any or all incentive (including equity), savings, retirement plans and benefit plans, fringe benefits, practices, policies and programs applicable generally to other similarly situated employees of the Company, or (3) a material change in the geographic location at which the Participant primarily performs his or her services. The Participant's notification to the Company must be in writing and must occur within a reasonable period of time, not to exceed 90 days, following the Participant's discovery of the relevant event or condition.

(o) Participant. An Eligible Employee who is designated as a Participant pursuant to Section 3.1.

(p) Plan. The PDC Energy Executive Severance Compensation Plan, as set forth in this document.

(q) Plan Administrator. The Compensation Committee of the Board.

(r) Separation from Service. A "separation from service" within the meaning of Section 409A(a)(2)(A)(i) of the Code and Treasury Regulation Section 1.409A-1(h).

(s) Target Annual Bonus Amount. The product of (i) the highest target bonus percentage established for the Participant under the Annual Cash Incentive Plan for the fiscal year of the Company in which the Date of Termination occurs, or for the fiscal year of the Company immediately preceding the fiscal year of the Company in which the Date of Termination occurs, multiplied by (ii) the Participant's Base Salary.

(t) Tier 1 Participant. Any Participant who has been designated by the Plan Administrator as a Tier 1 Participant pursuant to Section 3.1, below. It is anticipated, though not required, that only the Company's Chief Executive Officer will be designated as a Tier 1 Participant.

(u) Tier 2 Participant. Any Participant who has been designated by the Plan Administrator as a Tier 2 Participant pursuant to Section 3.1, below.

ARTICLE III
ELIGIBILITY

3.1 Participation. The Plan Administrator shall select from the group of Eligible Employees those individuals who shall participate in the Plan, and shall designate such Participants as Tier 1 Participants or Tier 2 Participants, in its discretion. Any Eligible Employee selected for participation shall become a Participant upon formal action taken by the Plan Administrator. The Plan Administrator shall notify any Eligible Employee selected for participation in the Plan of his or her participation and whether such individual is a Tier 1 or Tier 2 Participant.

3.2 Duration of Participation. Once an individual is designated as a Participant in the Plan, he or she shall continue to be a Participant in the Plan until the soonest of (i) the date the Participant terminates employment in a manner not entitling such Participant to payments or other benefits under the Plan, (ii) the date on which the Participant and the Company agree in writing that the individual shall no longer be a Participant in the Plan, (iii) the date the Plan is amended to terminate the individual's participation in the Plan in accordance with Section 9.2, below, or (iv) the second anniversary of a Change in Control. For purposes of clarity, once a Participant incurs a Separation from Service entitling the Participant to benefits under Article IV below, such Participant shall remain entitled to such payments or benefits until they have been paid to the Participant in full.

ARTICLE IV
ENTITLEMENT TO BENEFITS

A Participant shall be entitled to separation benefits as set forth in Article V below if the Participant incurs a Separation from Service from the Company that is (a) initiated by the Company for any reason other than Cause, death, or Disability, or (b) initiated by the Participant for Good Reason within 90 days following the expiration of the cure period afforded the Company to rectify the condition giving rise to Good Reason. If the Participant incurs a Separation from Service for any other reason, the Participant shall not be entitled to any payments or benefits hereunder. An Eligible Employee who is not a Participant on his or her Date of Termination shall not be entitled to any payments or benefits hereunder.

ARTICLE V
SEPARATION BENEFITS

5.1 Tier I Participants. If a Tier I Participant's employment is terminated in circumstances entitling the Participant to separation benefits under this Article V, the cash severance to which the Participant shall be entitled shall be determined as follows:

(a) Prior to Change in Control.

(i) General. In the event the Tier I Participant's Date of Termination occurs prior to a Change in Control, and the Participant executes the Release in accordance with Section 5.4 below, the Company shall pay to Participant a cash severance payment equal to two (2) times the sum of:

- (A) Participant's Base Salary, plus
- (B) the Target Annual Bonus Amount.

Such amount shall be paid in twelve equal monthly installments beginning sixty (60) days after the Date of Termination; provided, however, that in the event the Participant has an existing employment agreement with the Company that provides for a lump sum payout, and if necessary to maintain compliance with Code Section 409A, such amount shall instead be paid in a lump sum on the sixtieth (60th) day after the Date of Termination.

(ii) Change in Control "True-Up" if Termination Occurs Within Six (6) Months Prior to a Change in Control. If the Tier I Participant's Date of Termination occurs in the six (6) month period prior to the occurrence of a Change in Control, and the Participant executes the Release in accordance with Section 5.4 below, then in addition to the cash severance set forth in Section 5.1(a)(i) above, the Participant shall be entitled to a true-up cash severance payment equal to the sum of:

- (x) one (1) times the sum of:
 - (A) Participant's Base Salary, plus
 - (B) the Target Annual Bonus Amount.

plus

(y) a cash payment equal to the product of (i) the Target Annual Bonus Amount, multiplied by (ii) a fraction, the numerator of which is the number of months (rounded up to whole months) the Participant was employed during the calendar year in which the Date of Termination occurs, and the denominator of which is 12.

Such additional true-up cash severance shall be paid in a single lump sum on the date of the Change in Control (or if later, on the date on which the Participant satisfies the Release requirement in Section 5.4, below). For avoidance of doubt, the additional true-up cash

severance provided in this subparagraph shall not affect the general severance payable in accordance with Section 5.1(a)(i) above, which general severance shall continue to be paid at the time(s) set forth in Section 5.1(a)(i).

(b) On or After a Change in Control. In the event the Tier I Participant's Date of Termination occurs on or after a Change in Control, and the Participant executes the Release in accordance with Section 5.4 below, the Company shall:

(i) Pay to Participant on the sixtieth (60) day after the Date of Termination, a lump sum cash severance payment equal to three (3) times the sum of:

(A) Participant's Base Salary, plus

(B) the Target Annual Bonus Amount, and

(ii) Pay to Participant a cash payment equal to the product of (i) the Target Annual Bonus Amount, multiplied by (ii) a fraction, the numerator of which is the number of months (rounded up to whole months) the Participant was employed during the calendar year in which the Date of Termination occurs, and the denominator of which is 12.

5.2 Tier II Participants. If a Tier II Participant's employment is terminated in circumstances entitling the Participant to separation benefits under this Article V, the cash severance to which the Participant shall be entitled shall be determined as follows:

(a) Prior to Change in Control.

(i) General. In the event the Tier II Participant's Date of Termination occurs prior to a Change in Control, and the Participant executes the Release in accordance with Section 5.4 below, the Company shall pay to Participant a cash severance payment equal to one and one-half (1.5) times the sum of:

(A) Participant's Base Salary, plus

(B) the Target Annual Bonus Amount.

Such amount shall be paid in twelve equal monthly installments beginning sixty (60) days after the Date of Termination; provided, however, that in the event the Participant has an existing employment agreement with the Company that provides for a lump sum payout, and if necessary to maintain compliance with Code Section 409A, such amount shall instead be paid in a lump sum on the sixtieth (60th) day after the Date of Termination.

(ii) Change in Control "True-Up" if Termination Occurs Within Six (6) Months Prior to a Change in Control. If the Tier II Participant's Date of Termination occurs in the six (6) month period prior to the occurrence of a Change in Control, and the Participant executes the Release in accordance with Section 5.4 below, then in addition to the cash severance

set forth in Section 5.2(a)(i) above, the Participant shall be entitled to a true-up cash severance payment equal to the sum of:

(x) one (1) times the sum of:

(A) Participant's Base Salary, plus

(B) the Target Annual Bonus Amount.

plus

(y) a cash payment equal to the product of (i) the Target Annual Bonus Amount, multiplied by (ii) a fraction, the numerator of which is the number of months (rounded up to whole months) the Participant was employed during the calendar year in which the Date of Termination occurs, and the denominator of which is 12.

Such additional true-up cash severance shall be paid in a single lump sum on the date of the Change in Control (or if later, on the date on which the Participant satisfies the Release requirement in Section 5.4, below). For avoidance of doubt, the additional true-up cash severance provided in this subparagraph shall not affect the general severance payable in accordance with Section 5.2(a)(i) above, which general severance shall continue to be paid at the time(s) set forth in Section 5.2(a)(i).

(b) On or After a Change in Control. In the event the Tier II Participant's Date of Termination occurs on or after a Change in Control, and the Participant executes the Release in accordance with Section 5.4 below, the Company shall:

(i) Pay to Participant on the sixtieth (60th) day after the Date of Termination, a lump sum cash severance payment equal to two and one-half (2.5) times the sum of:

(A) Participant's Base Salary, plus

(B) the Target Annual Bonus Amount, and

(ii) Pay to Participant a cash payment equal to the product of (i) the Target Annual Bonus Amount, multiplied by (ii) a fraction, the numerator of which is the number of months (rounded up to whole months) the Participant was employed during the year in which the Date of Termination occurs, and the denominator of which is 12.

5.3 Additional Benefits for Participants. If the Company is required to pay cash severance to a Participant under Section 5.1 or Section 5.2, above, and the Participant executes the Release in accordance with Section 5.4 below, then in addition to such cash severance, the Company shall:

(a) Pay to Participant any unpaid expense reimbursement upon presentation by Participant of an accounting of such expenses in accordance with normal Company practices, but no later than March 15 of the year following the year of termination,

(b) Pay or reimburse on a monthly basis the premiums required to continue Participant's (and, to the extent applicable, Participant's spouse's and dependent children's) Company group health care coverage for a period of the lesser of (i) thirty-six (36) months following Participant's Date of Termination, or (ii) until such time as Participant is eligible for group health care coverage provided by any successor employer, provided that Participant or Participant's spouse or dependent children, as applicable, elect coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"). If necessary to avoid inclusion in taxable income by Participant of the value of in-kind benefits, or if coverage cannot be provided under COBRA or the Company's health and welfare plans, such health care continuation premiums shall be provided in the form of taxable payments to Participant, which payments shall be made without regard to whether Participant elects to continue and remain eligible for such coverage under COBRA, and in which event the Company shall pay to Participant an amount each month equal to (i) the applicable monthly COBRA premium under the Company's group health plan plus (ii) an additional amount of cash equal to $A/(1-R)-A$, where A is the amount of the applicable monthly COBRA premium, and R is the sum of the maximum federal individual income tax rate then applicable to ordinary income and the maximum individual Colorado income tax rate then applicable to ordinary income,

(c) Vest any unvested Company stock options, SARs, and restricted stock (excluding LTIP shares under the Company's long-term incentive plan) that were outstanding as of the Effective Date of the Plan, and

(d) Make any other payments or provide any benefits earned under any other Company agreement or plan.

5.4 Release. As a condition precedent to the payment or provision by the Company of the amounts or benefits due under the relevant sections of this Article V, the Participant must execute a release in substantially the form attached hereto as Exhibit A (the "Release") within forty-five (45) days following the Date of Termination and not revoke such Release within the subsequent seven (7) day revocation period (if applicable).

5.5 Board Resignation. As a condition precedent to the payment or provision by the Company of the amounts or benefits due under the relevant sections of this Article V, the Participant must tender his or her resignation from the Board and the board of directors of any of the Company's Affiliates upon termination of Participant's employment with the Company.

5.6 Coordination. Any Executive who is a party to an individual employment or severance agreement or who is covered by another plan of the Company that provides severance benefits upon a Change of Control or termination of employment ("Other Plan") and who becomes eligible to receive benefits under this Article V shall receive such severance payments

and benefits as provided under this Article V, but any cash severance payments shall be offset or reduced by any cash severance payments provided to such Executive under any such Other Plan.

ARTICLE VI
SECTION 280G

6.1 **Best Net After-Tax.** If it is determined that any payment or benefit provided to or for the benefit of any Participant (a "**Payment**"), whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise, would be subject to the excise tax imposed by Code section 4999 or any interest or penalties with respect to such excise tax (such excise tax together with any such interest and penalties, shall be referred to as the "**Excise Tax**"), then a calculation shall first be made under which such payments or benefits provided to the Participant are reduced to the extent necessary so that no portion thereof shall be subject to the Excise Tax (the "**4999 Limit**"). The Company shall then compare (a) Participant's Net After-Tax Benefit (as defined below) assuming application of the 4999 Limit with (b) Participant's Net After-Tax Benefit without application of the 4999 Limit. In the event (a) is greater than (b), Participant shall receive Payments solely up to the 4999 Limit. In the event (b) is greater than (a), then Participant shall be entitled to receive all such Payments, and shall be solely liable for any and all Excise Tax related thereto. "**Net After-Tax Benefit**" shall mean the sum of (i) all payments that Participant receives or is entitled to receive that are contingent on a change in the ownership or effective control of the Company or in the ownership of a substantial portion of the assets of the Company within the meaning of Code section 280G(b)(2), less (ii) the amount of federal, state, local, employment, and Excise Tax (if any) imposed with respect to such payments.

6.2 **Reduction of Payments.** In the event Payments must be reduced pursuant to Section 6.1, the Participant may select the order of reduction; **provided**, however, that none of the selected Payments may be "nonqualified deferred compensation" subject to Code Section 409A. In the event the Participant fails to select an order in which Payments are to be reduced, or cannot select such an order without selecting payments that would be "nonqualified deferred compensation" subject to Code Section 409A, the Company shall (to the extent feasible) reduce accelerated equity incentive vesting first (to the extent the value of such accelerated vesting for 280G purposes is **not** determined pursuant to Treasury Regulation Section 1.280G-1 Q&A 24(c)), followed by cash Payments and in the order in which such payments would be made (with payments made closest to the Change in Control being reduced first), followed by accelerated equity incentive vesting (to the extent the value of such accelerated vesting **is** determined pursuant to Treasury Regulation Section 1.280G-1 Q&A 24(c)), and followed last by the continued health and welfare benefits set forth, above.

6.3 **Performance of Calculations.** The calculations in Section 6.1 above shall be made by a certified public accounting firm, executive compensation consulting firm, or law firm designated by the Company in its sole and absolute discretion, and may be determined using reasonable assumptions and approximations concerning applicable taxes and relying on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The costs of performing such calculations shall be borne exclusively by the Company.

**ARTICLE VII
SUCCESSOR TO COMPANY**

This Plan shall bind any successor of the Company, its assets or its businesses (whether direct or indirect, by purchase, merger, consolidation or otherwise), in the same manner and to the same extent that the Company would be obligated under this Plan if no succession had taken place. In the case of any transaction in which a successor would not by the foregoing provision or by operation of law be bound by this Plan, the Company shall require such successor expressly and unconditionally to assume and agree to perform the Company's obligations under this Plan, in the same manner and to the same extent that the Company would be required to perform if no such succession had taken place. The term "Company," as used in this Plan, shall mean the Company as hereinbefore defined and any successor or assignee to the business or assets which by reason hereof becomes bound by this Plan.

**ARTICLE VIII
CONFIDENTIAL MATERIAL AND PARTICIPANT OBLIGATIONS**

8.1 Confidential Material. Each Participant shall not, directly or indirectly, either during the term of their employment or thereafter, disclose to anyone (except in the regular course of the Company's business or as required by law), or use in any manner, any information acquired by the Participant during his or her employment by the Company with respect to any clients or customers of the Company or any confidential, proprietary or secret aspect of the Company's operations or affairs unless such information has become public knowledge other than by reason of actions, direct or indirect, of the Participant. Information subject to the provisions of this paragraph will include, without limitation:

- (i) Names, addresses and other information regarding investors in the Company's or its Affiliates' drilling programs;
- (ii) Names, addresses and other information regarding investors who participate with the Company or its Affiliates in the drilling, completion or operation of oil and gas wells as joint venture partners, working interest owners or in any other form of ownership;
- (iii) Lists of or information about personnel seeking employment with or who are currently employed by the Company or its Affiliates;
- (iv) Maps, logs, drilling reports and any other information regarding past, planned or possible future leasing, drilling, acquisition or other operations that the Company or its Affiliates have completed or are investigating or have investigated for possible inclusion in future activities; and

(v) Any other information or contacts relating to the Company's or its Affiliates' drilling, development, fund-raising, purchasing, engineering, marketing, merchandising and selling activities.

8.2. Return of Confidential Material. All maps, logs, data, drawings and other records and written and digital material prepared or compiled by the Participant or furnished to the Participant during the term of his or her employment will be the sole and exclusive property of the Company, and none of such material may be retained by the Participant upon termination of his or her employment. The aforementioned materials include materials on the Participant's personal computer. The Participant shall return to the Company or destroy all such materials on or prior to the Date of Termination. Notwithstanding the foregoing, the Participant will be under no obligation to return or destroy public information.

8.3 Non-Compete. The Participant shall not directly, either during the term of employment or for a period of one (1) year thereafter, engage in any Competitive Business (as defined below) within any county or parish or adjacent to any county or parish in which the Company or an Affiliate owns any oil and gas interests; provided, however, that the ownership of less than five percent (5%) of the outstanding capital stock of a corporation whose shares are traded on a national securities exchange or on the over-the-counter market shall not be deemed engaging in a Competitive Business. "Competitive Business" shall mean typical oil and gas exploration and production activities, including oil and gas leasing, drilling or any other business activities that are the same as or similar to the Company's or an Affiliate's business operations as its business exists on the Date of Termination.

8.4 No Solicitation. The Employee shall not, directly or indirectly, either during the term of employment or for a period of years thereafter equal to the lesser of (i) two, or (ii) the multiple used to calculate the Participant's cash severance (for avoidance of doubt, any Participant receiving a true-up cash severance pursuant to Section 5.1(a)(ii) or 5.2(a)(ii) shall be subject to a non-solicitation period of two (2) years), (i) solicit, directly or indirectly, the services of any person who was a full-time employee of the Company, its subsidiaries, divisions or affiliates, or otherwise induce such employee to terminate or reduce such employment, or (ii) solicit the business of any person who was a client or customer of the Company, its subsidiaries, divisions or affiliates, in each case at any time during the last year of the term of employment. For purposes of this Agreement, the term "person" includes natural persons, corporations, business trusts, associations, sole proprietorships, unincorporated organizations, partnerships, joint ventures, limited liability companies or partnerships, and governments, or any agencies, instrumentalities or political subdivisions thereof.

8.5. Remedies. The Participant acknowledges and agrees that the Company's remedy at law for a breach or a threatened breach of the provisions herein would be inadequate, and in recognition of this fact, in the event of a breach or threatened breach by the Participant of any of the provisions of this Plan, it is agreed that the Company will be entitled to equitable relief in the form of specific performance, a temporary restraining order, a temporary or permanent injunction or any other equitable remedy which may then be available, without posting bond or other security. The Participant acknowledges that the granting of a temporary injunction, a temporary

restraining order or other permanent injunction merely prohibiting the Participant from engaging in any business activities would not be an adequate remedy upon breach or threatened breach of this Plan, and consequently agrees upon any such breach or threatened breach to the granting of injunctive relief prohibiting the Participant from engaging in any activities prohibited by this Plan. No remedy herein conferred is intended to be exclusive of any other remedy, and each and every such remedy will be cumulative and will be in addition to any other remedy given hereunder now or hereinafter existing at law or in equity or by statute or otherwise. In addition, in the event of any breach or suspected breach of the provisions of this Article VIII, the Company shall have the right to suspend immediately any payments or benefits that may otherwise be due Executive pursuant to this Plan.

ARTICLE IX
DURATION, AMENDMENT AND TERMINATION

9.1 Duration. Unless sooner terminated pursuant to Section 9.2, below, the Plan shall continue in full force and effect until the date that is two years following a Change in Control of the Company, and shall then automatically terminate; provided, however, that all Participants who become entitled to any payments hereunder shall continue to receive such payments notwithstanding any termination of the Plan.

9.2 Amendment or Termination. The Board may amend or terminate this Plan for any reason prior to a Change in Control; provided, however, that no such amendment or termination may adversely affect the rights of any Participant in the Plan in any material way unless (i) the Participant is given written notice at least one (1) year prior to the effective date of such amendment or termination, or (ii) the Board secures such Participant's written consent. In the event of a Change in Control, this Plan shall automatically terminate as set forth in Section 9.1 but may not be amended or prematurely terminated.

9.3 Procedure for Extension, Amendment or Termination. Any amendment or termination of this Plan by the Board in accordance with the foregoing shall be made by action of the Board in accordance with the Company's charter and by-laws and applicable law.

ARTICLE X
MISCELLANEOUS

10.1 Full Settlement. Except as otherwise specifically provided herein, the Company's obligation to make the payments provided for under this Plan and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against a Participant or others. In no event shall a Participant be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to the Participant under any of the provisions of this Plan and such amounts shall not be reduced whether or not the Participant obtains other employment.

10.2 Employment Status. This Plan does not constitute a contract of employment or impose on the Participant or the Company any obligation for the Participant to remain an

employee or change the status of the Participant's employment or the policies of the Company regarding termination of employment.

10.3 Named Fiduciary; Administration.

(a) Plan Administration. The Company is the named fiduciary of the Plan, and shall administer the Plan, acting through its Compensation Committee, who shall be the Plan Administrator. The Plan Administrator shall have full and complete discretionary authority to administer, construe, and interpret the Plan, to decide all questions of eligibility, to determine the amount, manner and time of payment, and to make all other determinations deemed necessary or advisable for the Plan, which determinations (to the extent made in good faith) shall be final and conclusive on all persons claiming payments or benefits hereunder. The Plan Administrator shall review and determine all claims for benefits under this Plan.

(b) Indemnification. The Company shall indemnify and hold harmless each member of the Compensation Committee in the performance of his or her duties under the Plan against any and all expenses and liabilities arising out of his or her administrative functions or fiduciary responsibilities under the Plan, including any expenses and liabilities that are caused by or result from an act or omission constituting the negligence of such member in the performance of such functions or responsibilities, but excluding expenses and liabilities that are caused by or result from such member's own gross negligence or willful misconduct. Expenses against which such Compensation Committee member shall be indemnified shall include, without limitation, the amounts of any settlement or judgment, costs, counsel fees, and related charges reasonably incurred in connection with a claim asserted or a proceeding brought or settlement thereof.

10.4 Claim Procedure.

(a) Filing a Claim. All claims and inquiries concerning benefits under the Plan must be submitted to the Plan Administrator in writing. The claimant may submit written comments, documents, records or any other information relating to the claim. Furthermore, the claimant shall be provided, upon request and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claim for benefits. If an employee or former employee makes a written request alleging a right to receive benefits under this Plan or alleging a right to receive an adjustment in benefits being paid under the Plan, the Company shall treat it as a claim for benefits.

(b) Review of Claims; Claims Denial. The Plan Administrator shall initially deny or approve all claims for benefits under the Plan. If any claim for benefits is denied in whole or in part, the Plan Administrator shall notify the claimant in writing of such denial and shall advise the claimant of his right to a review thereof. Such written notice shall set forth, in a manner calculated to be understood by the claimant, specific reasons for such denial, specific references to the Plan provisions on which such denial is based, a description of any information or material necessary for the claimant to perfect his claim, an explanation of why such material is necessary and an explanation of the Plan's review procedure, and the time limits applicable to such procedures. Furthermore, the notification shall include a statement of the claimant's right to

bring a civil action under Section 502(a) of ERISA following an adverse benefit determination on review. Such written notice shall be given to the claimant within a reasonable period of time, which normally shall not exceed ninety (90) days, after the claim is received by the Plan Administrator.

(c) Appeals. Any claimant or his duly authorized representative, whose claim for benefits is denied in whole or in part, may appeal such denial by submitting to the Plan Administrator a request for a review of the claim within sixty (60) days after receiving written notice of such denial from the Plan Administrator. The Plan Administrator shall give the claimant upon request, and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claim of the claimant, in preparing his request for review. The request for review must be in writing. The request for review shall set forth all of the grounds upon which it is based, all facts in support thereof, and any other matters which the claimant deems pertinent. The Plan Administrator may require the claimant to submit such additional facts, documents, or other materials as the Plan Administrator may deem necessary or appropriate in making its review.

(d) Review of Appeals. The Plan Administrator shall act upon each request for review within sixty (60) days after receipt thereof. The review on appeal shall consider all comments, documents, records and other information submitted by the claimant relating to the claim without regard to whether this information was submitted or considered in the initial benefit determination.

(e) Decision on Appeals. The Plan Administrator shall give written notice of its decision to the claimant. If the Plan Administrator confirms the denial of the application for benefits in whole or in part, such notice shall set forth, in a manner calculated to be understood by the claimant, the specific reasons for such denial, and specific references to the Plan provisions on which the decision is based. The notice shall also contain a statement that the claimant is entitled to receive upon request, and free of charge, reasonable access to, and copies of, all documents, records and other information relevant to the claimant's claim for benefits. Information is relevant to a claim if it was relied upon in making the benefit determination or was submitted, considered or generated in the course of making the benefit determination, whether it was relied upon or not. The notice shall also contain a statement of the claimant's right to bring an action under ERISA Section 502(a). If the Plan Administrator has not rendered a decision on a request for review within sixty (60) days after receipt of the request for review, the claimant's claim shall be deemed to have been approved. The Plan Administrator's decision shall be final and not subject to further review within the Company. There are no voluntary appeals procedures after appellate review by the Plan Administrator.

(f) Determination of Time Periods. If the day on which any of the foregoing time periods is to end is a Saturday, Sunday or holiday recognized by the Company, the period shall extend until the next following business day.

10.5 Unfunded Plan Status. All payments pursuant to the Plan shall be made from the general funds of the Company and no special or separate fund shall be established or other

segregation of assets made to assure payment. No Participant or other person shall have under any circumstances any interest in any particular property or assets of the Company as a result of participating in the Plan. Notwithstanding the foregoing, the Company may (but shall not be obligated to) create one or more grantor trusts, the assets of which are subject to the claims of the Company's creditors, to assist it in accumulating funds to pay its obligations under the Plan.

10.6 Attorney Fees; Interest. The Company agrees to pay as incurred, to the full extent permitted by law, and in accordance with Section 10.7(d) hereof, all legal fees and expenses which a Participant may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Participant, or others of the validity or enforceability of, or liability under, any provision of this Plan or any guarantee of performance thereof (including as a result of any contest by the Participant about the amount of any payment pursuant to this Plan), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Code, to the extent such contest arises out of a Participant's Separation from Service following a Change of Control. The foregoing right to legal fees and expenses shall not apply to any contest brought by a Participant (or other party seeking payment under the Plan) that is found by a court of competent jurisdiction to be frivolous or vexatious.

10.7 Section 409A.

(a) General. The payments and benefits provided hereunder are intended to be exempt from or compliant with the requirements of Section 409A of the Code. Notwithstanding any provision of this Plan to the contrary, in the event that the Company reasonably determines that any payments or benefits hereunder are not either exempt from or compliant with the requirements of Section 409A of the Code, the Company shall have the right to adopt such amendments to this Plan or adopt such other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, that are necessary or appropriate (i) to preserve the intended tax treatment of the payments and benefits provided hereunder, to preserve the economic benefits with respect to such payments and benefits, and/or (ii) to exempt such payments and benefits from Section 409A of the Code or to comply with the requirements of Section 409A of the Code and thereby avoid the application of penalty taxes thereunder; provided, however, that this Section 10.7 does not, and shall not be construed so as to, create any obligation on the part of the Company to adopt any such amendments, policies or procedures or to take any other such actions or to indemnify any Participant for any failure to do so.

(b) Exceptions to Apply. The Company shall apply the exceptions provided in Treasury Regulation Section 1.409A-1(b)(4), Treasury Regulation Section 1.409A-1(b)(9) and all other applicable exceptions or provisions of Code Section 409A to the payments and benefits provided under this Plan so that, to the maximum extent possible, (i) such payments and benefits are not deemed to be "nonqualified deferred compensation" subject to Code Section 409A, and (ii) such payments and benefits are not subject to the payment delay required by Section 10.7(c) below. All payments and benefits provided under this Plan shall be deemed to be separate payments (and any payments made in installments shall be deemed a series of separate payments) for purposes of Code Section 409A.

(c) Specified Employees. Notwithstanding anything to the contrary in this Plan, no compensation or benefits that are “nonqualified deferred compensation” subject to Code Section 409A shall be paid to a Participant during the 6-month period following his or her Date of Termination to the extent that the Company determines that the Participant is a “specified employee” as of the Date of Termination and that paying such amounts at the time or times indicated in this Plan would be a prohibited distribution under Code Section 409A(a)(2)(B)(i). If the payment of any such amounts is delayed as a result of the previous sentence, then on the first business day following the end of such 6-month period (or such earlier date upon which such amount can be paid under Code Section 409A without being subject to such additional taxes, including as a result of the Participant’s death), the Company shall pay to the Participant a lump-sum amount equal to the cumulative amount that would have otherwise been payable to the Participant during such 6-month period.

(d) Taxable Reimbursements. To the extent that any payments or reimbursements provided to the Participant are deemed to constitute “nonqualified deferred compensation” subject to Code Section 409A, such amounts shall be paid or reimbursed reasonably promptly, but not later than December 31 of the year following the year in which the expense was incurred. The amount of any payments or expense reimbursements that constitute compensation in one year shall not affect the amount of payments or expense reimbursements constituting compensation that are eligible for payment or reimbursement in any subsequent year, and the Participant’s right to such payments or reimbursement of any such expenses shall not be subject to liquidation or exchange for any other benefit.

10.8 Validity and Severability. The invalidity or unenforceability of any provision of the Plan shall not affect the validity or enforceability of any other provision of the Plan, which shall remain in full force and effect, and any prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

10.9 Governing Law. The validity, interpretation, construction and performance of the Plan shall in all respects be governed by the laws of Colorado, without reference to principles of conflict of law, except to the extent pre-empted by Federal law.

10.10 Withholding. All payments Participants in accordance with the provisions of this Plan shall be subject to applicable withholding of local, state, Federal and foreign taxes, as determined in the sole discretion of the Company.

10.11 Clawback. As a condition of Participation in this Plan, each Participant agrees to be bound by the provisions of any recoupment or “clawback” policy that the Company may adopt from time to time that by its terms is applicable to the Participant, or by any recoupment or “clawback” that is otherwise required by law or the listing standards of any exchange on which the Company’s common stock is then traded, including the “clawback” required by Section 954 of the Dodd-Frank Act.

10.12 Directors and Officers Insurance Coverage. The following shall apply to each Participant in the Plan, irrespective of whether the Participant is or ever becomes entitled to benefits under Article V, above.

(a) General. The Company hereby covenants and agrees that, so long as the Participant shall continue to serve as an agent of the Company and thereafter so long as the Participant shall be subject to any possible proceeding by reason of the fact that Participant was an agent of the Company, the Company shall, subject to Section 10.12(b), below, use reasonable efforts to obtain and maintain in full force and effect directors' and officers' liability insurance ("D&O Insurance") in reasonable amounts from established and reputable insurers, and Participant shall be a covered party under such D&O Insurance to the maximum extent of the coverage available for any director or officer of the Company.

(b) Commercial Reasonableness. Notwithstanding the foregoing, the Company shall have no obligation to obtain or maintain D&O Insurance if the Company determines in good faith that such insurance is not reasonably available, the premium costs for such insurance are disproportionate to the amount of coverage provided, or the coverage is reduced by exclusions so as to provide an insufficient benefit.

(c) Change in Control. In the event of a Change in Control pursuant to which the Company or any successor is obligated to provide D&O Insurance for a period of time following the effective date of the transaction or to purchase a D&O Insurance tail policy, Participant shall be a covered party under such D&O Insurance or tail policy to the maximum extent of the coverage available for any director or officer of the Company.

By this action, I hereby memorialize the Board's adoption of this amendment and restatement of the PDC Energy Executive Severance Compensation Plan on this 25th day of June, 2020.

PDC ENERGY, INC.
Plan Sponsor

By: /s/ Nicole L. Martinet
Nicole L. Martinet
Title: Senior Vice President, General Counsel & Corporate Secretary

EXHIBIT A

GENERAL RELEASE OF CLAIMS

This General Release (this "Release") is entered into as of this ____ day of _____, 20__, by and between PDC Energy, Inc. (the "Company") and _____, an employee of the Company (the "Employee") (collectively, the "Parties").

WHEREAS, the Employee is a participant in the PDC Energy Executive Severance Compensation Plan (the "Plan"), governing the terms and conditions applicable to the Employee's termination of employment under certain circumstances;

WHEREAS, pursuant to the terms of the Plan, the Company has agreed to provide the Employee certain benefits and payments under the terms and conditions specified therein, provided that the Employee has executed and not revoked a general release of claims in favor of the Company;

WHEREAS, the Employee's employment with the Company is being terminated effective _____, 20__; and

WHEREAS, the Parties wish to terminate their relationship amicably and to resolve, fully and finally, all actual and potential claims and disputes relating to the Employee's employment with and termination from the Company and all other relationships between the Employee and the Company, up to and including the date of execution of this Release.

NOW, THEREFORE, in consideration of these Recitals and the promises and mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are expressly acknowledged, the Parties, intending to be legally bound, agree as follows:

1. **Termination of Employment.** The Employee's employment with the Company shall terminate on _____, 20__ (the "Termination Date").
2. **Severance Benefits.** Pursuant to the terms of the Plan, and in consideration of the Employee's release of claims and the other covenants and agreements contained herein and therein, and provided that the Employee has signed this Release and delivered it to the Company and has not exercised any revocation rights as provided in Section 6 below, the Company shall provide the severance benefits described in Section 5 of the Plan (the "Benefits") in the time and manner provided therein; provided, however, that the Company's obligations will be excused if the Employee breaches any of the provisions of the Plan, including, without limitation, Article VIII thereof. The Employee acknowledges and agrees that the Benefits constitute consideration beyond that which, but for the mutual covenants set forth in this Release and the covenants contained in the Plan, the Company otherwise would not be obligated to provide, nor would the Employee otherwise be entitled to receive.

3. Effective Date. Provided that it has not been revoked pursuant to Section 6 hereof, this Release will become effective on the eighth (8th) day after the date of its execution by the Employee (the "Effective Date").
4. Effect of Revocation. The Employee acknowledges and agrees that if the Employee revokes this Release pursuant to Section 6 hereof, the Employee will have no right to receive the Benefits.
5. General Release. In consideration of the Company's obligations, the Employee hereby releases, acquits and forever discharges the Company and each of its subsidiaries and affiliates and each of their respective officers, employees, directors, successors and assigns (collectively, the "Released Parties") from any and all claims, actions or causes of action in any way related to his employment with the Company or the termination thereof, whether arising from tort, statute or contract, including, but not limited to, claims of defamation, claims arising under the Employee Retirement Income Security Act of 1974, as amended, the Age Discrimination in Employment Act of 1967, as amended by the Older Workers Benefit Protection Act of 1990, Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, the Family and Medical Leave Act, the discrimination and wage payment laws of Colorado and any other federal, state or local statutes or ordinances of the United States, it being the Employee's intention and the intention of the Company to make this release as broad and as general as the law permits. The Employee understands that this Release does not waive any rights or claims that may arise after his execution of it and does not apply to claims arising under the terms of the Plan with respect to payments the Employee may be owed pursuant to the terms thereof.
6. Review and Revocation Period. The Employee acknowledges that the Company has advised the Employee that the Employee may consult with an attorney of the Employee's own choosing (and at the Employee's expense) prior to signing this Release and that the Employee has been given at least forty-five (45) days during which to consider the provisions of this Release, although the Employee may sign and return it sooner. The Employee further acknowledges that the Employee has been advised by the Company that after executing this Release, the Employee will have seven (7) days to revoke this Release, and that this Release shall not become effective or enforceable until such seven (7) day revocation period has expired. The Employee acknowledges and agrees that if the Employee wishes to revoke this Release, the Employee must do so in writing, and that such revocation must be signed by the Employee and received by [_____] no later than 5:00 p.m. Mountain Time on the seventh (7th) day after the Employee has executed this Release. **The Employee further acknowledges and agrees that, in the event that the Employee revokes this Release, the Employee will have no right to receive any benefits hereunder, including the Benefits.** The Employee represents that the Employee has read this Release and understands its terms and enters into this Release freely, voluntarily and without coercion.

7. Confidentiality, Non-Compete and Non-Solicitation. The Employee reaffirms his/her commitments in Article VIII of the Plan.
8. Cooperation in Litigation. At the Company's reasonable request, the Employee shall use his/her good faith efforts to cooperate with the Company, its Affiliates (as defined in the Agreement), and each of its and their respective attorneys or other legal representatives ("Attorneys ") in connection with any claim, litigation or judicial or arbitral proceeding which is material to the Company or its Affiliates and is now pending or may hereinafter be brought against the Released Parties by any third party; provided, that, the Employee's cooperation is essential to the Company's case. The Employee's duty of cooperation will include, but not be limited to: (a) meeting with the Company's and/or its Affiliates' Attorneys by telephone or in person at mutually convenient times and places in order to state truthfully the Employee's knowledge of matters at issue and recollection of events; (b) appearing at the Company's, its Affiliates' and/or their Attorneys' request (and, to the extent possible, at a time convenient to the Employee that does not conflict with the needs or requirements of the Employee's then-current employer) as a witness at depositions or trials, without necessity of a subpoena, in order to state truthfully the Employee's knowledge of matters at issue; and (c) signing at the Company's, its Affiliates' and/or their Attorneys' request, declarations or affidavits that truthfully state matters of which the Employee has knowledge. The Company shall reimburse the Employee for the reasonable expenses incurred by him in the course of his cooperation hereunder and shall pay to the Employee per diem compensation in an amount equal to the daily prorated portion of the Employee's base salary immediately prior to the Termination Date. The obligations set forth in this Section 8 shall survive any termination or revocation of this Release.
9. Non-Admission of Liability. Nothing in this Release will be construed as an admission of liability by the Employee or the Released Parties; rather, the Employee and the Released Parties are resolving all matters arising out of the employer-employee relationship between the Employee and the Company and all other relationships between the Employee and the Released Parties.
10. Nondisparagement. The Employee agrees not to make negative comments or otherwise disparage the Company or its officers, directors, employees, shareholders or agents, in any manner likely to be harmful to them or their business, business reputation or personal reputation. The Company agrees that the members of the Company's Board of Directors (the "Board") and officers of the Company as of the date hereof will not, while employed by the Company or serving as a director of the Company, as the case may be, make negative comments about the Employee or otherwise disparage the Employee in any manner that is likely to be harmful to the Employee's business or personal reputation. The foregoing shall not be violated by truthful statements in response to legal process or required governmental testimony or filings, and the foregoing limitation on the Company's directors and officers will not be violated by statements that they in good faith believe are necessary or appropriate to make in connection with performing their duties for or on behalf of the Company.

11. **Binding Effect.** This Release will be binding upon the Parties and their respective heirs, administrators, representatives, executors, successors and assigns, and will inure to the benefit of the Parties and their respective heirs, administrators, representatives, executors, successors and assigns.
12. **Governing Law.** This Release will be governed by and construed and enforced in accordance with the laws of the State of Colorado applicable to agreements negotiated, entered into and wholly to be performed therein, without regard to its conflicts of law or choice of law provisions which would result in the application of the law of any other jurisdiction.
13. **Severability.** Each of the respective rights and obligations of the Parties hereunder will be deemed independent and may be enforced independently irrespective of any of the other rights and obligations set forth herein. If any provision of this Release should be held illegal or invalid, such illegality or invalidity will not affect in any way other provisions hereof, all of which will continue, nevertheless, in full force and effect.
14. **Counterparts.** This Release may be signed in counterparts. Each counterpart will be deemed to be an original, but together all such counterparts will be deemed a single agreement.
15. **Entire Agreement; Modification.** This Release constitutes the entire understanding between the Parties with respect to the subject matter hereof and may not be modified without the express written consent of both Parties. This Release supersedes all prior written and/or oral and all contemporaneous oral agreements, understandings and negotiations regarding its subject matter. This Release may not be modified or canceled in any manner except by a writing signed by both Parties.
16. **Acceptance.** The Employee may confirm his acceptance of the terms and conditions of this Release by signing and returning two (2) original copies of this Release to _____, no later than 5:00 p.m. Mountain Time forty five (45) days after the Employee's Termination Date.

THE EMPLOYEE ACKNOWLEDGES AND REPRESENTS THAT THE EMPLOYEE HAS FULLY AND CAREFULLY READ THIS RELEASE PRIOR TO SIGNING IT AND UNDERSTANDS ITS TERMS. THE EMPLOYEE FURTHER ACKNOWLEDGES AND AGREES THAT THE EMPLOYEE HAS BEEN, OR HAS HAD THE OPPORTUNITY TO BE, ADVISED BY INDEPENDENT LEGAL COUNSEL OF THE EMPLOYEE'S OWN CHOICE AS TO THE LEGAL EFFECT AND MEANING OF EACH OF THE TERMS AND CONDITIONS OF THIS RELEASE, AND IS ENTERING INTO THIS RELEASE FREELY AND VOLUNTARILY AND NOT IN RELIANCE ON ANY PROMISES OR REPRESENTATIONS OTHER THAN AS SET FORTH IN THIS RELEASE.

IN WITNESS WHEREOF, the Company and the Employee have duly executed this Release as of the date first above written.

PDC ENERGY, INC. Employee

By: _____ Name: _____

Amended & Restated Employment Agreement

This Amended & Restated Employment Agreement (the "Agreement") is effective as of August 4, 2020, by and between PDC Energy, Inc., a Delaware Corporation (the "Company"), and Lance Lauck ("Lauck").

WHEREAS, pursuant to an employment agreement effective April 1, 2010, the Company employs Lauck as Executive Vice President Corporate Development and Strategy;

WHEREAS, the Company and Lauck desire to amend and restate such employment agreement to incorporate certain recent amendments thereto that were approved by the Company, and to provide for Lauck's continued employment with the Company upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, in consideration of the premises and mutual covenants and obligations set forth herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and accepted, the parties hereto, intending to be legally bound, agree as follows:

1. Effective Date and Term.

(a) Initial Term. The effective date of this Agreement shall be August 4, 2020 (the "Effective Date"), and the initial term shall be for the period beginning on the Effective Date and ending December 31, 2020.

(b) Automatic Extensions. The Term of this Agreement shall be extended for an additional 12 months beginning on December 31, 2020 and on each successive December 31 unless either party provides the other with at least thirty (30) days prior written notice of its non-renewal for an additional twelve (12) months (the "Non-Renewal Notice"), or unless the Agreement has otherwise been terminated by the parties in accordance with the provisions of Section 7 of this Agreement. The period of time from the Effective Date until the Termination Date, as defined in Section 7.b., shall be the "Term."

2. Place of Employment.

The place of employment shall be the Company's offices in Denver, Colorado, unless Lauck and the Company mutually agree to an alternative location. Lauck acknowledges that there may be substantial business travel associated with Lauck's position.

3. Position and Responsibilities.

(a) Position. Lauck shall serve as Executive Vice President, Corporate Development and Strategy of the Company and shall initially report to the Chief Executive Officer of the Company (the "Chief Executive Officer") and be under the general direction and control of the Chief Executive Officer.

(b) Responsibilities. Lauck shall have obligations, duties, authority and power to do such acts as are customarily done by a person holding the same or an equivalent position in corporations of similar size to the Company. Lauck shall perform such managerial duties and responsibilities for the Company as may reasonably be assigned to him and, at no additional compensation, if requested, shall serve on the Board of Directors of the Company (the "Board") and in other such positions with any subsidiary corporation of the Company, or any partnership, limited liability company or other entity in which the Company has an interest (herein collectively called "Affiliates"), as may from time to time be requested.

(c) Dedication of Professional Services. Lauck shall devote substantially all of his business time, best efforts and attention to promote and advance the business of the Company and its Affiliates and to perform diligently and faithfully all the duties, responsibilities and obligations of his position with the Company. Lauck shall not be employed in any other business activity, other than with the Company and its Affiliates, during the Term, whether or not such activity is pursued for gain, profit or other pecuniary advantage without approval by the Compensation Committee of the Board (the "Compensation Committee"); *provided, however*, that this restriction shall not be construed as preventing Lauck from investing his personal assets in a business which does not compete with the Company or its Affiliates, where the form or manner of such investment will not require services of any significance on his part in the operation of the affairs of the business in which such investment is made and in which his participation is solely that of a passive investor.

(d) Adherence to Standards. Lauck shall comply with the written policies, standards, rules and regulations of the Company from time to time established for all employees or executive officers of the Company consistent with his position and level of authority.

(e) Minimum Stock Ownership. Lauck shall comply with the Company's minimum stock ownership requirements for officers specific to his level.

4. Compensation.

(a) Base Salary. The Company shall continue to pay Lauck an annual base salary at the rate in effect as of the Effective Date. The Base Salary shall be payable in accordance with the ordinary payroll practices of the Company. The Base Salary shall be reviewed annually by the Compensation Committee and may be changed by the Compensation Committee in its sole discretion, taking into account the base salaries, aggregate annual cash compensation, and other compensation of individuals holding similar positions at other comparable companies, the performance of Lauck and the Company, and other relevant factors.

(b) Performance Bonus. Lauck shall be eligible to earn an annual performance bonus (the "Bonus") during the Term based on criteria established by the Compensation Committee in its sole discretion each year.

(c) Equity Compensation Grant. As a long-term incentive, under the Company's long-term equity compensation plan, Lauck shall participate in any equity compensation program provided to all executive officers, based on criteria established by the Compensation Committee in its sole discretion each year.

(d) Other Compensation. Lauck shall continue to be eligible to participate in all other cash or stock compensation plans or programs maintained by the Company, as in effect from time to time, in which other senior executives of the Company are allowed to participate.

(e) Recoupment of Certain Compensation. If the Company has to restate all or a portion of its financial statements due to the material noncompliance of the Company with any financial reporting requirement under the securities laws, Lauck shall, for the affected years, reimburse the Company for any excess bonus paid to Lauck pursuant to Section 4.b. The reimbursements shall be equal to the difference between the bonus paid to him for the affected years and the bonus that would have been paid to Lauck had the financial results been properly reported. Such reimbursement shall be paid to the Company within ninety days after the Company notifies Lauck of the amount owed to the Company.

5. Employee Benefits.

(a) Participation in Company Benefit Plans. During the Term, the Company shall provide Lauck with coverage under all employee pension and welfare benefit programs, plans and practices commensurate with Lauck's positions in the Company and to the extent permitted under the respective employee benefit plan.

(b) Vacation. Lauck will be entitled to four (4) weeks of paid vacation in each calendar year, to be taken at such times as is reasonably determined by him to be consistent with his responsibilities under this Agreement and the Company's vacation policy applicable to all employees.

(c) Automobile. During the Term, Lauck shall be entitled to an annual automobile allowance as approved by the Compensation Committee and updated from time to time at its discretion.

6. Restrictive Covenants.

(a) Confidential Information. Lauck hereby acknowledges that in connection with his employment by the Company, he will be exposed to and may obtain certain Confidential Information (as defined below, including, without limitation, procedures, memoranda, notes, records and customer and supplier lists whether such information has been or is made, developed or compiled by Lauck or otherwise has been or is made available to him) regarding the business and operations of the Company and its subsidiaries or Affiliates. Lauck further acknowledges that such Confidential Information is unique, valuable, considered trade secrets and deemed proprietary by the Company or its subsidiaries or Affiliates. For purposes of the Agreement, "Confidential Information" includes, without limitation, any information heretofore or hereafter acquired, developed or used by any of the Company or its direct or indirect subsidiaries or Affiliates relating to Business Opportunities or Intellectual Property (as those terms are defined below) or other geological, geophysical, economic, financial or management aspects of the business, operations, properties or prospects of the Company or its direct or indirect subsidiaries or Affiliates, whether oral or in written form (including electronic). Lauck agrees that all Confidential Information is and will remain the property of the Company or its direct or indirect subsidiaries or Affiliates, as the case may be. Lauck further agrees,

except for disclosures occurring in the good faith performance of his duties for the Company or its direct or indirect subsidiaries or Affiliates, during the Term and for a period of three (3) years after the Termination Date, to hold in the strictest confidence all Confidential Information, and not to, directly or indirectly, duplicate, sell, use, lease, commercialize, disclose or otherwise divulge to any person or entity any portion of the Confidential Information or use any Confidential Information, directly or indirectly, for his own benefit or profit or allow any person, entity or third party, other than the Company or its direct or indirect subsidiaries or Affiliates, and authorized executives of the same, to use or otherwise gain access to any Confidential Information. Lauck will have no obligation under this Agreement with respect to any information that becomes generally available to the public other than as a result of a disclosure by Lauck or his agent or other representative or becomes available to him on a non-confidential basis from a source other than the Company or its direct or indirect subsidiaries or Affiliates. Further, Lauck will have no obligation under this Agreement to keep confidential any of the Confidential Information to the extent that a disclosure of it is required by law or is consented to by the Company or its subsidiaries or Affiliates, as appropriate; *provided, however*, that if and when such a disclosure is required by law, Lauck promptly shall provide the Company or its subsidiaries or Affiliates, as appropriate, with notice of such requirement, so that the Company, or its subsidiaries, or its Affiliates, as the case may be, may seek an appropriate protective order.

(b) Return of Property. Lauck agrees to deliver promptly to the Company, upon termination of his employment hereunder, or at any other time when the Company so requests, all documents and property relating to the business of the Company or its direct or indirect subsidiaries or Affiliates, including without limitation: all geological and geophysical reports and related data such as maps, charts, logs, seismographs, seismic records and other reports and related data, calculations, summaries, memoranda and opinions relating to the foregoing, production records, electric logs, core data, pressure data, lease files, well files and records, land files, abstracts, title opinions, title or curative matters, contract files, notes, records, drawings, manuals, correspondence, financial and accounting information, customer lists, statistical data and compilations, patents, copyrights, trademarks, trade names, inventions, formulae, methods, processes, agreements, contracts, manuals, electronic data, or any documents, whether written or digital and whether prepared or compiled by him or furnished to Lauck during the Term, relating to the business of the Company or its direct or indirect subsidiaries or Affiliates and all copies thereof and therefrom; *provided, however*, that he will be permitted to retain copies of any documents or materials of a personal nature or otherwise related to his rights under this Agreement. The aforementioned materials include materials on his personal computers, which materials shall be destroyed in a manner satisfactory to the Company.

(c) Non-Compete Obligations.

(i) *Non-Compete Obligations During Employment Term*. Lauck agrees that during the Term all investments made by Lauck (whether in his own name or in the name of any family members or other nominees or made by Lauck's controlled affiliates), which relate to the leasing, acquisition, exploration, production, gathering or marketing of hydrocarbons and related products will be made solely through the Company; and Lauck will not (directly or indirectly through any family members or other persons), and will not

permit any of his controlled affiliates to: (1) invest or otherwise participate alongside the Company or its direct or indirect subsidiaries or Affiliates in any Business Opportunities, or (2) invest or otherwise participate in any business or activity relating to a Business Opportunity, regardless of whether any of the Company or its direct or indirect subsidiaries or Affiliates ultimately participates in such business or activity, in either case, except through the Company. Notwithstanding the foregoing, nothing in this Section 6 shall be deemed to prohibit Lauck or any family member from owning, or otherwise having an interest in, less than one percent (1%) of any publicly-owned entity or three percent (3%) or less of any private equity fund or similar investment fund that invests in any business or activity engaged in any of the activities set forth above, *provided* that Lauck has no active role with respect to any investment by such fund in any entity.

(ii) Non-Compete Obligations After Termination Date. Lauck shall not directly or indirectly through any family member or other person or as an employee, employer, consultant, agent principal, partner, more than one percent shareholder, officer, director, licensor, lender, lessor or in any other individual or representative capacity either during the Term or for a period of one (1) year thereafter, engage in any Competitive Business within any county or parish or adjacent to any county or parish in which the Company, a subsidiary or an Affiliate owns any oil and gas interests; *provided, however*, that the ownership of less than five percent (5%) of the outstanding capital stock of a corporation whose shares are traded on a national securities exchange or on the over-the-counter market shall not be deemed engaging any Competitive Business. "Competitive Business" shall mean typical oil and gas exploration activities, including oil and gas leasing, drilling, or any other business activities that are the same as or similar to the Company's, a subsidiary's or an Affiliate's business operations as its business exists on the Termination Date.

(d) Non-Solicitation. During the Term and for a period of twenty-four (24) months after the Termination Date, Lauck will not, whether for his own account or for the account of any other person (other than the Company or its direct or indirect subsidiaries or Affiliates), intentionally solicit, endeavor to entice away from the Company or its direct or indirect subsidiaries or Affiliates, or otherwise interfere with the relationship of the Company or its direct or indirect subsidiaries or Affiliates with, (i) any person who is employed by the Company or its direct or indirect subsidiaries or Affiliates (including any independent sales representatives or organizations), or (ii) any client or customer of the Company or its direct or indirect subsidiaries or Affiliates.

(e) Assignment of Developments. Lauck assigns and agrees to assign without further compensation from the Company and its successors, assigns or designees, all of Lauck's right, title and interest in and to all Business Opportunities and Intellectual Property (as those terms are defined below), and further acknowledges and agrees that all Business Opportunities and Intellectual Property constitute the exclusive property of the Company.

For purposes of this Agreement, "Business Opportunities" shall mean all business ideas, prospects, proposals or other opportunities pertaining to the lease, acquisition, exploration, production, gathering or marketing of hydrocarbons and related products and the exploration potential of geographical areas on which hydrocarbon exploration prospects are located, which are

developed by Lauck during his employment by the Company, or originated by any third party and brought to the attention of Lauck during his employment by the Company, together with information relating thereto (including, without limitation, geological and seismic data and interpretations thereof, whether in the form of maps, charts, logs, seismographs, calculations, summaries, memoranda, opinions or other written, digital or charted means).

For purposes of this Agreement, "Intellectual Property" shall mean all ideas, inventions, discoveries, processes, designs, methods, substances, articles, computer programs and improvements (including, without limitation, enhancements to, or further interpretation or processing of, information that became for the first time in the possession of Lauck during his employment by the Company), whether or not patentable or copyrightable, which do not fall within the definition of Business Opportunities, which Lauck discovers, conceives, invents, creates or develops, alone or with others, during his employment by the Company, if such discovery, conception, invention, creation or development (i) occurs in the course of his employment with the Company, or (ii) occurs with the use of any of the time, materials or facilities of the Company or its direct or indirect subsidiaries or Affiliates, or (iii) in the good faith judgment of the Board, relates or pertains in any material way to the purposes, activities or affairs of the Company or its direct or indirect subsidiaries or Affiliates.

(f) Injunctive Relief. Lauck acknowledges that a breach of any of the covenants contained in this Section 6 may result in material, irreparable injury to the Company for which there is no adequate remedy at law, that it will not be possible to measure damages for such injuries precisely and that, in the event of such a breach or threat of breach, the Company will be entitled to obtain a temporary restraining order and/or a preliminary or permanent injunction restraining Lauck from engaging in activities prohibited by this Section 6 or such other relief as may be required to specifically enforce any of the covenants in this Section 6. To the extent that the Company seeks a temporary restraining order (but not a preliminary or permanent injunction), Lauck agrees that a temporary restraining order may be obtained ex parte.

(g) Adjustment of Covenants. The parties consider the covenants and restrictions contained in this Section 6 to be reasonable. However, if and when any such covenant or restriction is found to be void or unenforceable and would have been valid had some part of it been deleted or had its scope of application been modified, such covenant or restriction will be deemed to have been applied with such modification as would be necessary and consistent with the intent of the parties to have made it valid, enforceable and effective.

(h) Forfeiture Provision.

(i) Detrimental Activities. If Lauck engages in any activity that violates any covenant or restriction contained in this Section 6, in addition to any other remedy the Company may have at law or in equity, (A) Lauck will be entitled to no further payments or benefits from the Company under this Agreement or otherwise, except for any payments or benefits required to be made or provided under applicable law, (B) all unexercised stock options, restricted stock and other forms of equity compensation held by or credited to Lauck will terminate effective as of the date on which Lauck engages in that activity, unless terminated sooner by operation of another term or condition of this Agreement or other

applicable plans and agreements, and (C) any exercise, payment or delivery pursuant to any equity compensation award that occurred within one year prior to the date on which Lauck engages in that activity may be rescinded within one year after the first date that a majority of the members of the Board first became aware that Lauck engaged in that activity. In the event of any such rescission, Lauck will pay to the Company the amount of any gain realized or payment received as a result of the rescinded exercise, payment or delivery, in such manner and on such terms and conditions as may be required.

(ii) *Right of Set-Off.* Lauck consents to a deduction from any amounts the Company owes Lauck from time to time (including amounts owed as wages or other compensation, fringe benefits, or vacation pay, as well as any other amounts owed to Lauck by the Company), to the extent of the amounts Lauck owes the Company under Section 6 above. Whether or not the Company elects to make any set-off in whole or in part, if the Company does not recover by means of set-off the full amount Lauck owes, calculated as set forth above, Lauck agrees to pay immediately the unpaid balance to the Company. In the discretion of the Board, reasonable interest may be assessed on the amounts owed, calculated from the later of (A) the date Lauck engages in the prohibited activity and (B) the applicable date of exercise, payment or delivery.

7. Termination of the Agreement.

(a) Notice of Termination. Either Lauck or the Board may terminate this Agreement at any time and in Lauck's or their sole discretion upon no less than thirty (30) days written Notice of Termination to the other party. "Notice of Termination" shall mean a written notice which shall indicate the specified termination provision in this Agreement relied upon (either a Non-Renewal Notice as provided under Section 1.b. or otherwise pursuant to Section 7.c., Section 7.d., Section 7.e., Section 7.f., Section 7.g. or Section 7.h.) and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of Lauck's employment under the provision so indicated; *provided, however*, no such purported termination shall be effective without such Notice of Termination; *provided further, however*, any purported termination by the Company or by Lauck shall be communicated by a Notice of Termination to the other party hereto in accordance with Section 8 ("Notices") of this Agreement. Termination of this Agreement by reason of a Non-Renewal Notice pursuant to Section 1.b. shall not entitle Lauck to receive the severance benefits described in Section 7.d. or Section 7.f.

(b) Termination Date. Except as provided in Section 7.e.(ii) with respect to Disability, the "Termination Date" shall mean the date specified in the Notice of Termination. The Termination Date shall not be less than thirty (30) days after the date such Notice of Termination is given.

(c) Termination by the Company for Just Cause.

(i) The Company may terminate Lauck for "Just Cause" (as defined in Section 7.c.(ii)), *provided* that the Company shall:

(A) Give Lauck Notice of Termination as specified in Section 7.a., and

(B) Pay Lauck, within forty (40) days after this Termination Date, Lauck's Base Salary through the Termination Date at the rate in effect at the time the Notice of Termination is given plus a good faith estimate by the Company of any unpaid Bonus (in full for any completed annual period and prorated for months completed in the current annual period), incentive, deferred, retirement or other compensation, and provide any other benefits, which have been earned or become payable as of the Termination Date, pursuant to the terms of this or any other agreement, or compensation or benefit plan, but which have not yet been paid or provided.

(ii) For purposes of this Agreement "Just Cause" shall be a reasonable determination of the Board that Lauck:

(A) Failed to substantially perform Lauck's duties with the Company (other than a failure resulting from Lauck's incapacity due to physical or mental illness) after a written demand for substantial performance has been delivered to him by the Board, which demand specifically identifies the manner in which the Board believes Lauck has not substantially performed his duties, and Lauck has failed to cure such deficiency within thirty (30) days after his receipt of such notice;

(B) Has engaged in conduct the consequences of which are materially adverse to the Company, monetarily or otherwise;

(C) Has pleaded guilty to or been convicted of a felony or a crime involving moral turpitude or dishonesty; or

(D) Has materially breached the terms of this Agreement.

(E) Following a Change of Control, "Just Cause" shall be limited to (1) Lauck's refusal to or failure to attempt in good faith to perform his duties or to follow the written direction of the Board after fifteen (15) days' written notice specifically identifying the manner in which the Board believes he has not performed his duties; and (2) Subsections (B) and (C) above.

(d) Termination by the Company Without Just Cause. In the event the Company terminates this Agreement prior to its expiration (including extensions as provided in Section 1.b) for any reason other than for Just Cause or the death or Disability (as defined in Section 7.e.) of Lauck, the Company shall:

(i) Pay to Lauck within forty (40) days after the Termination Date a lump sum severance payment equal to two times the sum of:

(A) Lauck's highest Base Salary during the previous two years of employment immediately preceding the Termination Date, plus

(B) the highest Bonus paid to Lauck during the same two-year period,

(ii) Pay to Lauck any unpaid expense reimbursement upon presentation by Lauck of an accounting of such expenses in accordance with normal Company practices, but no later than March 15 of the year following the year of termination,

(iii) Vest any unvested Company stock options, SARs, and restricted stock (excluding LTIP shares under the Company's long-term incentive plan),

(iv) Make any other payments or provide any benefits earned under this or any other employment agreement or plan, including the Company's long-term incentive plan (including LTIP shares under the Company's long-term incentive plan), and

(v) Pay or reimburse on a monthly basis the premiums required to continue Lauck's (and, to the extent applicable, Lauck's spouse's and dependent children's) Company group health care coverage for a period of the lesser of (i) thirty-six (36) months following Lauck's Termination Date, or (ii) until such time as Participant is eligible for group health care coverage provided by any successor employer, provided that Lauck or Lauck's spouse or dependent children, as applicable, elect coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"). If necessary to avoid inclusion in taxable income by Lauck of the value of in-kind benefits, or if coverage cannot be provided under COBRA or the Company's health and welfare plans, such health care continuation premiums shall be provided in the form of taxable payments to Lauck, which payments shall be made without regard to whether Lauck elects to continue and remain eligible for such coverage under COBRA, and in which event the Company shall pay to Lauck an amount each month equal to (i) the applicable monthly COBRA premium under the Company's group health plan plus (ii) an additional amount of cash equal to $A/(1-R)-A$, where A is the amount of the applicable monthly COBRA premium, and R is the sum of the maximum federal individual income tax rate then applicable to ordinary income and the maximum individual Colorado income tax rate then applicable to ordinary income.

(e) Termination in the Event of Death or Disability.

(i) This Agreement will be terminated by the Company in the event of the death of Lauck upon proper notification to his estate. The Company shall pay to the estate of Lauck the Base Salary described in Section 4.a. of this Agreement which would have been earned for six (6) months after the Termination Date.

(ii) This Agreement may be terminated by the Company in the event of the Disability (as hereinafter defined) of Lauck upon proper notification to Lauck, following the latest of the three events noted in this subsection (ii) (the "Disability Termination Date"). Base Salary shall continue for up to thirteen (13) weeks following the initial period of Disability. Lauck shall also receive in a lump sum payment an amount equal to the Base Salary described in Section 4.a. of this Agreement which would have been earned for six (6) months after the Disability Termination Date. This lump sum payment shall be made upon the latest to occur of: (1) the cessation of the thirteen (13) weeks of Base Salary continuation; (2) the expiration of the Family and Medical Leave Act period; and (3) Disability, which is defined as the inability Lauck to engage in any substantial gainful activity

by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months, as provided in Internal Revenue Code (the "Code") Section 409A(a)(2)(C) and Treas. Reg. § 1.409A-3(i)(4).

(iii) All amounts that are payable under this Section 7.e. in the form of a lump sum shall be paid as soon as practicable, but no later than two and one-half (2-1/2) months following the close of the calendar year in which the death or Disability occurred.

(f) Termination by Lauck for Good Reason.

(i) Except as otherwise provided in Section 7.h.(i), in the event Lauck terminates this Agreement for Good Reason (as defined in Section 7.f.(ii)), *provided* that such termination occurs within ninety days after the Good Reason event, the Company shall:

(A) Pay to Lauck within forty (40) days after the Termination Date, a lump sum severance payment equal to two times the sum of:

- (1) Lauck's highest Base Salary during the previous two years of employment immediately preceding the Termination Date, plus
- (2) the highest Bonus paid to Lauck during the same two-year period,

(B) Pay to Lauck any unpaid expense reimbursement upon presentation by Lauck of an accounting of such expenses in accordance with normal Company practices, but no later than March 15 of the year following the year of termination,

(C) Vest any unvested Company stock options, SARs, and restricted stock (excluding LTIP shares under the Company's Long-Term Incentive Plan),

(D) Make any other payments or provide any benefits earned under this or any other employment agreement or plan, including the Company's long-term incentive plan (including LTIP shares under the Company's long-term incentive plan), and

(E) Pay or reimburse on a monthly basis the premiums required to continue Lauck's (and, to the extent applicable, Lauck's spouse's and dependent children's) Company group health care coverage for a period of the lesser of (i) thirty-six (36) months following Lauck's Termination Date, or (ii) until such time as Participant is eligible for group health care coverage provided by any successor employer, provided that Lauck or Lauck's spouse or dependent children, as applicable, elect coverage under COBRA. If necessary to avoid inclusion in taxable income by Lauck of the value of in-kind benefits, or if coverage cannot be provided under COBRA or the Company's health and welfare plans, such health care continuation premiums shall be provided in the form of taxable payments to Lauck, which payments shall be made without regard to whether Lauck elects to continue and remain eligible for such coverage under COBRA, and in which event the Company

shall pay to Lauck an amount each month equal to (i) the applicable monthly COBRA premium under the Company's group health plan plus (ii) an additional amount of cash equal to $A/(1-R)-A$, where A is the amount of the applicable monthly COBRA premium, and R is the sum of the maximum federal individual income tax rate then applicable to ordinary income and the maximum individual Colorado income tax rate then applicable to ordinary income..

(ii) "Good Reason" shall mean the occurrence of any of the following events without Lauck's prior express written consent:

- (A) A material diminution in Lauck's Base Salary;
- (B) A material diminution in Lauck's authority, duties or responsibilities;
- (C) A material diminution in reward opportunities under the annual Bonus;
- (D) Any other action or inaction that constitutes a material breach by the Company of this Agreement, or

(E) In addition, after a Change of Control, (1) a failure to, during the two-year period following the date of the Change of Control, provide Lauck with compensation and benefits, which in the aggregate, are at least substantially equal (in terms of benefit levels and/or reward opportunities) to those provided for under a material employee benefit plan, program and practice in which Lauck was participating as of the date of the Change of Control, (2) a failure to permit Lauck to participate in any or all incentive (including equity), savings, retirement plans and benefit plans, fringe benefits, practices, policies and programs applicable generally to other similarly situated employees of the Company, (3) a material diminution in the budget over which Lauck retains authority, or (4) a material change in the geographic location at which Lauck must perform services.

Lauck must provide notice to the Company of the condition described in Section 7.f.(ii) within ninety (90) days following the occurrence of such event, upon the notice of which the Company will have a period of thirty (30) days during which it may remedy the condition and thereupon not be required to pay the amount.

(g) Termination by Lauck for other than Good Reason. Lauck may terminate this Agreement for other than Good Reason upon proper Notice of Termination as provided in Section 7.a. In such event the Company shall pay to Lauck:

(i) Within forty (40) days after Lauck's Termination Date, in a lump-sum, the compensation provided in Section 4 at the rate in effect at the time of the Notice of Termination. If Lauck's termination occurs prior to the end of the year, Lauck shall not be entitled to any Bonus for the year;

(ii) Any incentive, deferred or other compensation which has been earned or has become payable pursuant to the terms of this or any other agreement or compensation or benefit plan as of the Termination Date, but which has not yet been paid, *provided* such payments shall be made under the schedule originally contemplated in the agreement under which they were granted, but if no such payment schedule is provided, the payments shall be made no later than March 15 of the year following the year of termination;

(iii) Any unpaid expense reimbursement upon presentation by Lauck of an accounting of such expenses in accordance with normal Company practices, but not later than March 15 of the year following the year of termination; and

(iv) Any other payments for benefits earned under this Agreement, which shall in no event be paid later than March 15 of the year following the year of termination.

(h) Termination in Connection with a Change of Control.

(i) If, within the period that begins six (6) months prior to and ends two years following a Change of Control (as defined in Section 7.h.(ii) below), either (A) the Company terminates Lauck's employment without Just Cause (as defined in Section 7.c.(ii) above) or (B) Lauck terminates this Agreement for Good Reason (as defined in Section 7.f.(ii) above), then the Company shall:

(A) Pay to Lauck severance equal to the three times the sum of:

- (1) Lauck's highest Base Salary during the previous two years of employment immediately preceding the Termination Date, plus
- (2) the highest Bonus paid to Lauck during the same two-year period.

If Lauck's Termination Date is on or after the Change of Control, such amount shall be paid in a lump sum within forty (40) days after the Termination Date.

If Lauck's Termination Date is prior to the Change of Control, such amount shall be paid as follows: (I) 2/3rds of such amount shall be paid within forty (40) days after the Termination Date (it being the intent of the parties that such amount shall be the same amount and paid at the same time as the severance payable in a termination without Just Cause or termination for Good Reason outside of a Change of Control context), and (II) the remaining 1/3rd payable shall be paid upon the occurrence of the Change of Control (or if later, upon the execution of the release described in Section 7.j. and such release becoming irrevocable).

(B) Pay to Lauck any unpaid expense reimbursement upon presentation by Lauck of an accounting of such expenses in accordance with normal Company practices but no later than March 15 of the year following the year of termination,

(C) Vest any unvested Company stock options, SARs, and restricted stock (excluding LTIP shares under the Company's long-term incentive plan),

(D) Make any other payments or provide any benefits earned under this or any other employment agreement or plan, including the Company's long-term incentive plan (including LTIP shares under the Company's long-term incentive plan),

(E) Pay or reimburse on a monthly basis the premiums required to continue Lauck's (and, to the extent applicable, Lauck's spouse's and dependent children's) Company group health care coverage for a period of the lesser of (i) thirty-six (36) months following Lauck's Termination Date, or (ii) until such time as Participant is eligible for group health care coverage provided by any successor employer, provided that Lauck or Lauck's spouse or dependent children, as applicable, elect coverage under COBRA. If necessary to avoid inclusion in taxable income by Lauck of the value of in-kind benefits, or if coverage cannot be provided under COBRA or the Company's health and welfare plans, such health care continuation premiums shall be provided in the form of taxable payments to Lauck, which payments shall be made without regard to whether Lauck elects to continue and remain eligible for such coverage under COBRA, and in which event the Company shall pay to Lauck an amount each month equal to (i) the applicable monthly COBRA premium under the Company's group health plan plus (ii) an additional amount of cash equal to $A/(1-R)-A$, where A is the amount of the applicable monthly COBRA premium, and R is the sum of the maximum federal individual income tax rate then applicable to ordinary income and the maximum individual Colorado income tax rate then applicable to ordinary income, and

(F) In the event Lauck's Termination Date is coincident with or following a Change of Control, pay to Lauck any reasonable legal fees incurred by Lauck in seeking to enforce any legal right under this Agreement if Lauck substantially prevails in such action.

(ii) "Change of Control" of the Company shall occur on the earliest of the following events:

(A) Change in Ownership: A change in ownership of the Company occurs on the date that any one person, or more than one person acting as a group, acquires ownership of stock of the Company that, together with stock held by such person or group, constitutes more than 50% of the total fair market value or total voting power of the stock of the Company, excluding the acquisition of additional stock by a person or more than one person acting as a group who is considered to own more than 50% of the total fair market value or total voting power of the stock of the Company.

(B) Change in Effective Control: A change in effective control of the Company occurs on the date that either:

(1) Any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) ownership of stock of the Company possessing 35% or more of the total voting power of the stock of the Company; or

(2) A majority of the members of the Board of Directors of the Company (the "Board") is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of the board of directors prior to the date of the appointment or election; *provided*, that this paragraph (b) shall apply only to the Company if no other corporation is a majority shareholder.

(C) **Change in Ownership of Substantial Assets:** A change in the ownership of a substantial portion of the Company's assets occurs on the date that any one person, or more than one person acting as a group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 90% of the total gross fair market value of the assets of the Company immediately prior to such acquisition or acquisitions. For this purpose, "gross fair market value" means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

It is the intent that this definition be construed consistent with the definition of "Change of Control" as defined under Internal Revenue Code Section 409A and the applicable Treasury Regulations, as amended from time to time.

(iii) Notwithstanding the preceding provisions of this Section 7.h.:

(A) If any of the payments or benefits received or to be received by Lauck in connection with Lauck's termination of employment in respect of a Change in Control, whether pursuant to the terms of this Agreement or any other plan, arrangement or agreement with the Company (all such payments and benefits, being hereinafter referred to as the "Total Payments") would be subject to the excise tax (the "Excise Tax") imposed under Section 4999 of the Code, Lauck shall receive the Total Payments and be responsible for the Excise Tax; *provided, however* that Lauck shall not receive the Total Payments and the Total Payments shall be reduced to the Safe Harbor amount if (1) the net amount of such Total Payments, as so reduced (and after subtracting the net amount of federal, state and local income taxes on such reduced Total Payments) is greater than or equal to (2) the net amount of such Total Payment without such reduction (but after subtracting the net amount of federal, state and local income taxes on such Total Payments and the amount of Excise Tax to which Lauck would be subject in respect of such unreduced Total Payments). The "Safe Harbor Amount" is the amount to which the Total Payments would hypothetically have to be reduced so that no portion of the Total Payments would be subject to the Excise Tax.

(B) For purposes of determining whether any of the Total Payments will be subject to the Excise Tax and the amount of such Excise Tax, (1) all of the Total Payments shall be treated as "parachute payments" (within the meaning of Section 280G(b)(2) of the Code) unless, in the opinion of tax counsel ("Tax Counsel") selected by the accounting firm which was, immediately prior to the Change in Control, the Company's independent auditor (the "Auditor"), such payments or benefits (in whole or in part) do not constitute parachute payments, including by reason of Section 280G(b)(4)(A) of the Code, (2) all "excess parachute payments" within the meaning of Section 280G(b)(1) of the Code shall be treated

as subject to the Excise Tax unless, in the opinion of Tax Counsel, such excess parachute payments (in whole or in part) represent reasonable compensation for services actually rendered (within the meaning of Section 280G(b)(4)(B) of the Code) in excess of the base amount (within the meaning of Section 280G(b)(3) of the Code) allocable to such reasonable compensation, or are otherwise not subject to the Excise Tax, and (3) the value of any noncash benefits or any deferred payment or benefit shall be determined by the Auditor in accordance with the principles of Sections 280G(d)(3) and (4) of the Code. If the Auditor is prohibited by applicable law or regulation from performing the duties assigned to it hereunder, then a different auditor, acceptable to both the Company and Lauck, shall be selected. The fees and expenses of Tax Counsel and the Auditor shall be paid by the Company.

(C) In the event it is determined that the Safe Harbor amount is payable to Lauck, then the severance payments provided under Section 7.h(i) which are cash shall first be reduced on a pro rata basis among the different types of cash payments until the Safe Harbor amount is reached; *provided, however*, in the event further reduction is needed to reach the Safe Harbor amount after reducing all cash payments to zero, then the non-cash severance payments shall thereafter be reduced among the different types of non-cash payments on a pro rata basis, to the extent necessary so that no portion of the Total Payments is subject to the Excise Tax.

(i) Internal Revenue Code Section 409A Compliance. Except with respect to amounts paid pursuant to a schedule in a plan or arrangement outside of this Agreement, it is intended that amounts payable under this Section 7 not be considered non-qualified deferred compensation subject to Code Section 409A. Lauck is a Specified Employee under Code Section 409A, therefore, to the extent such amounts are considered non-qualified deferred compensation payable upon a separation from service under Code Section 409A, payment of those amounts so deferred under Code Section 409A may not be made until at least six (6) months following Lauck's separation from service of the Company (or, if earlier, the date of death of Lauck).

(j) Release. As a condition to the payment by the Company of the amounts due under subsections d., f., or h. above, Lauck shall execute the release attached hereto as Exhibit A within twenty-one (21) days following the Termination Date and shall not revoke it within the seven (7) day revocation period.

8. Notices. For the purposes of this Agreement, notices and all other communications provided for in the Agreement shall be in writing and shall be deemed to have been duly given when personally delivered, by facsimile transmission or sent by certified mail, return receipt requested, postage prepaid, or by expedited (overnight) courier with established national reputation, shipping prepaid or billed to sender, in either case addressed to the respective addresses last given by each party to the other (*provided* that all notices to the Company shall be directed to the attention of the Secretary of the Company) or to such other address as either party may have furnished to the other in writing in accordance herewith. All notices and communication shall be deemed to have been received on the date of delivery thereof, or on the second day after deposit thereof with an expedited courier service, except that notice of change of address shall be effective only upon receipt.

Company at: PDC Energy, Inc.

1775 Sherman Street
Suite 3000
Denver, CO 80203

Lauck at: Lance Lauck
8683 Sawgrass Drive
Lone Tree, CO 80124

9. Life Insurance. The Company may, at any time after the execution of this Agreement, maintain any outstanding life insurance policies and apply for and procure as owner and for its own benefit new life insurance on Lauck, in such amounts and in such form or forms as the Company may determine. Lauck shall, at the request of the Company, submit to such medical examinations, supply such information, and execute such documents as may be required by the insurance company or companies to whom the Company has applied for such insurance. Lauck hereby represents that to Lauck's knowledge Lauck is in excellent physical and mental condition.

10. Successors. This Agreement shall be binding on the Company and any successor to any of its businesses or assets. Without limiting the effect of the prior sentence, the Company shall use its best efforts to require any successor or assign (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession or assignment had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor or assign to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement or which is otherwise obligated under this Agreement by the first sentence of this Section, entitled Successors, by operation of law or otherwise.

11. Binding Effect. This Agreement shall inure to the benefit of and be enforceable by Lauck's personal and legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees. If Lauck should die while any amounts would still be payable to him hereunder if Lauck had continued to live, all such amounts, unless otherwise provided herein, shall be paid in accordance with the terms of this Agreement to Lauck's estate.

12. Integration, Modification and Waiver. This Agreement constitutes the sole employment agreement between the parties, and any prior employment agreement, written or oral, is terminated. No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by Lauck and such officer of the Company as may be specifically designated by the Board. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time.

13. Headings. Headings used in this Agreement are for convenience only and shall not be used to interpret or construe its provisions.

14. Waiver of Breach. The waiver of either the Company or Lauck of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any subsequent breach by either the Company or Lauck.
15. Amendments. No amendments or variations of the terms and conditions of this Agreement shall be valid unless the same is in writing and signed by all of the parties hereto.
16. Survival of Obligations. The provisions of Section 6 of this Agreement shall continue to be binding upon Lauck and Company in accordance with their terms, notwithstanding the termination of Lauck's employment with the Company for any reason or the expiration of this Agreement.
17. Severability. The invalidity or unenforceability of any provision of this Agreement, whether in whole or in part, shall not in any way affect the validity and/or enforceability of any other provision contained herein. Any invalid or unenforceable provision shall be deemed severable to the extent of any such invalidity or unenforceability. It is expressly understood and agreed that while the Company and Lauck consider the restrictions contained in this Agreement reasonable for the purpose of preserving for the Company the good will, other proprietary rights and intangible business value of the Company, if a final judicial determination is made by a court having jurisdiction that the time or territory or any other restriction contained in this Agreement is an unreasonable or otherwise unenforceable restriction against Lauck, the provisions of such clause shall not be rendered void but shall be deemed amended to apply as to maximum time and territory and to such other extent as such court may judicially determine or indicate to be reasonable.
18. Governing Law. This Agreement shall be construed and enforced pursuant to the laws of the State of Colorado, without giving effect to its conflict of laws.
19. Executive Officer Status. Lauck acknowledges that Lauck may be deemed to be an "executive officer" of the Company for purposes of the Securities Act of 1933, as amended (the "1933 Act"), and the Securities Exchange Act of 1934, as amended (the "1934 Act") and, if so, Lauck shall comply in all respects with all the rules and regulations under the 1933 Act and the 1934 Act applicable to him in a timely and non-delinquent manner. In order to assist the Company in complying with its obligations under the 1933 Act and 1934 Act, Lauck shall provide to the Company such information about Lauck as the Company shall reasonably request including, but not limited to, information relating to personal history and stockholdings. Lauck shall immediately report to the General Counsel of the Company or other designated officer of the Company all changes in beneficial ownership of any shares of the Company Common Stock deemed to be beneficially owned by Lauck and/or any members of Lauck's immediate family.
20. Pronouns. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, neuter, singular, or plural, as the identity of the person or entity may require. As used in this Agreement: (1) words of the masculine gender shall mean and include corresponding neuter words or words of the feminine gender, (2) words in the singular shall mean and include the plural and vice versa, and (3) the word "may" gives sole discretion without any obligation to take any action.

21. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute but one document.
22. Exhibits. Any Exhibits attached hereto are incorporated herein by reference and are an integral part of this Agreement.
23. Withholding of Taxes. The Company will withhold from any amounts payable under the Agreement, all federal, state, local or other taxes as legally will be required to be withheld.
24. Consent to Jurisdiction and Service of Process.

(a) Section 6 Disputes. In the event of any dispute, controversy or claim between the Company and Lauck arising out of or relating to the interpretation, application or enforcement of the provisions of Section 6, the Company and Lauck agree and consent to the personal jurisdiction of the state and local courts of Colorado State Judicial Branch and/or the United States District Court for the District of Colorado for resolution of the dispute, controversy or claim, and that those courts, and only those courts, will have jurisdiction to determine any dispute, controversy or claim related to, arising under or in connection with Section 6 of this Agreement. The Company and Lauck also agree that those courts are convenient forums for the parties to any such dispute, controversy or claim and for any potential witnesses and that process issued out of any such court or in accordance with the rules of practice of that court may be served by mail or other forms of substituted service to the Company at the address of its principal executive offices and to Lauck at his last known address as reflected in the Company's records.

(b) Disputes Other Than Under Section 6. In the event of any dispute relating to this Agreement, other than a dispute relating solely to Section 6, the parties will use their best efforts to settle the dispute, claim, question, or disagreement. To this effect, they will consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to both parties. If such a dispute cannot be settled through negotiation, the parties agree first to try in good faith to settle the dispute by mediation administered by the American Arbitration Association under its Commercial Mediation Rules before resorting to arbitration, litigation, or some other dispute resolution procedure. If the parties do not reach such solution through negotiation or mediation within a period of sixty (60) days, then, upon notice by either party to the other, all disputes, claims, questions, or differences will be finally settled by arbitration administered by the American Arbitration Association in accordance with the provisions of its Commercial Arbitration Rules. The arbitrator will be selected by agreement of the parties or, if they do not agree on an arbitrator within thirty (30) days after either party has notified the other of his or her desire to have the question settled by arbitration, then the arbitrator will be selected pursuant to the procedures of the American Arbitration Association (the "AAA") in Denver, Colorado. The determination reached in such arbitration will be final and binding on all parties. Enforcement of the determination by such arbitrator may be sought in any court of competent jurisdiction. Unless otherwise agreed by the parties, any such arbitration will take place in Denver, Colorado, and will be conducted in accordance with the Commercial Arbitration Rules of the AAA.

IN WITNESS WHEREOF, the Company and Lauck have duly executed this Agreement as of the date first above written.

PDC Energy, Inc.

Lance Lauck

By: /s/ Barton R. Brookman, Jr. /s/ Lance Lauck

Barton R. Brookman, Jr. Lance Lauck

Position: President and Chief Executive Officer

EXHIBIT A

GENERAL RELEASE OF CLAIMS

This General Release ("Release") is entered into as of this ____ day of _____, 20__, by and between PDC Energy, Inc. (the "Company"), and Lance Lauck, an employee of the Company (the "Employee") (collectively, the "Parties").

WHEREAS, Employee and the Company are parties to an Amended & Restated Employment Agreement (the "Agreement") dated _____, 2020, governing the terms and conditions applicable if Employee's employment is terminated for various reasons;

WHEREAS, pursuant to the terms of the Agreement, the Company has agreed to provide Employee certain benefits and payments under the terms and conditions specified therein, *provided* that Employee has executed and not revoked a general release of claims in favor of the Company;

WHEREAS, Employee's employment with the Company is being terminated effective _____, 20__; and

WHEREAS, the Parties wish to terminate their relationship amicably and to resolve, fully and finally, all actual and potential claims and disputes relating to Employee's employment with and termination from the Company and all other relationships between Employee and the Company, up to and including the date of execution of this Release.

NOW, THEREFORE, in consideration of these Recitals and the promises and mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are expressly acknowledged, the Parties, intending to be legally bound, agree as follows:

1. Termination of Employment. Employee's employment with the Company shall terminate on _____, 20__ (the "Termination Date").
2. Severance Benefits. Pursuant to the terms of the Agreement, and in consideration of Employee's release of claims and the other covenants and agreements contained herein and therein, and *provided* that Employee has signed this Release and delivered it to the Company and has not exercised any revocation rights as provided in Section 6 below, the Company shall provide the severance benefits described in Section 7 of the Agreement (the "Benefits") in the time and manner provided therein; *provided, however*, that the Company's obligations will be excused if Employee breaches any of the provisions of the Agreement including, without limitation, Sections 6, 7 and 8 hereof. Employee acknowledges and agrees that the Benefits constitute consideration beyond that which, but for the mutual covenants set forth in this Release and the covenants contained in the Agreement, the Company otherwise would not be obligated to provide, nor would Employee otherwise be entitled to receive.

3. Effective Date. *Provided* that it has not been revoked pursuant to Section 6 hereof, this Release will become effective on the eighth (8th) day after the date of its execution by Employee (the “Effective Date”).
4. Effect of Revocation. Employee acknowledges and agrees that if Employee revokes this Release pursuant to Section 6 hereof, Employee will have no right to receive the Benefits.
5. General Release. In consideration of the Company’s obligations, Employee hereby releases, acquits and forever discharges Company and each of its subsidiaries and affiliates and each of their respective officers, employees, directors, successors and assigns from any and all claims, actions or causes of action in any way related to his employment with the Company or the termination thereof, whether arising from tort, statute or contract, including but not limited to, claims of defamation, claims arising under the Employee Retirement Income Security Act of 1974, as amended, the Age Discrimination in Employment Act of 1967, as amended by the Older Workers Benefit Protection Act of 1990, Title VII of the Civil Rights Act of 1964, as amended, the Americans with Disabilities Act, the Family and Medical Leave Act, the discrimination and wage payment laws of Colorado and any other federal, state or local statutes or ordinances of the United States, it being Employee’s intention and the intention of the Company to make this release as broad and as general as the law permits. Employee understands that this Agreement does not waive any rights or claims that may arise after his execution of it and does not apply to claims arising under the terms of this Agreement.
6. Review and Revocation Period. Employee acknowledges that the Company has advised Employee that Employee may consult with an attorney of Employee’s own choosing (and at Employee’s expense) prior to signing this Release and that Employee has been given at least twenty-one (21) days during which to consider the provisions of this Release, although Employee may sign and return it sooner. Employee further acknowledges that Employee has been advised by the Company that after executing this Release, Employee will have seven (7) days to revoke this Release, and that this Release shall not become effective or enforceable until such seven (7) day revocation period has expired. Employee acknowledges and agrees that if Employee wishes to revoke this Release, Employee must do so in writing, and that such revocation must be signed by Employee and received by the Chairman of the Board of the Company (or the Chair of the Compensation Committee) no later than 5:00 p.m. Mountain Time on the seventh (7th) day after Employee has executed this Release. Employee acknowledges and agrees that, in the event that Employee revokes this Release, Employee will have no right to receive any benefits hereunder, including the Benefits. Employee represents that Employee has read this Release and understands its terms and enters into this Release freely, voluntarily and without coercion.
7. Confidentiality, Non-Compete and Non-Solicitation. Employee reaffirms his commitments in Sections 6.a., 6.c. and 6.d. of the Agreement.
8. Cooperation in Litigation. At the Company’s reasonable request, Employee shall use his good faith efforts to cooperate with the Company, its Affiliates, and each of its and their respective attorneys or other legal representatives (“Attorneys”) in connection with any claim, litigation or judicial or arbitral proceeding which is material to the Company and is now pending or may hereinafter be brought against the Released Parties by any third party; *provided*, that, Employee’s

cooperation is essential to the Company's case. Employee's duty of cooperation will include, but not be limited to (a) meeting with the Company's and/or its Affiliates' Attorneys by telephone or in person at mutually convenient times and places in order to state truthfully Employee's knowledge of matters at issue and recollection of events; (b) appearing at the Company's, its Affiliates' and/or their Attorneys' request (and, to the extent possible, at a time convenient to Employee that does not conflict with the needs or requirements of Employee's then-current employer) as a witness at depositions or trials, without necessity of a subpoena, in order to state truthfully Employee's knowledge of matters at issue; and (c) signing at the Company's, its Affiliates' and/or their Attorneys' request declarations or affidavits that truthfully state matters of which Employee has knowledge. The Company shall reimburse Employee for the reasonable expenses incurred by him in the course of his cooperation hereunder and shall pay to Employee per diem compensation in an amount equal to the daily prorated portion of the Employee's base salary immediately prior to the Termination Date. The obligations set forth in this Section 8 shall survive any termination or revocation of this Release.

9. Non-Admission of Liability. Nothing in this Release will be construed as an admission of liability by Employee or the Released Parties; rather, Employee and the Released Parties are resolving all matters arising out of the employer-employee relationship between Employee and the Company and all other relationships between Employee and the Released Parties.

10. Nondisparagement. Employee agrees not to make negative comments or otherwise disparage the Company or its officers, directors, employees, shareholders or agents, in any manner likely to be harmful to them or their business, business reputation or personal reputation. The Company agrees that the members of the Board and officers of the Company as of the date hereof will not, while employed by the Company or serving as a director of the Company, as the case may be, make negative comments about the Employee or otherwise disparage the Employee in any manner that is likely to be harmful to the Employee's business or personal reputation. The foregoing shall not be violated by truthful statements in response to legal process or required governmental testimony or filings, and the foregoing limitation on the Company's directors and officers will not be violated by statements that they in good faith believe are necessary or appropriate to make in connection with performing their duties for or on behalf of the Company.

11. Binding Effect. This Release will be binding upon the Parties and their respective heirs, administrators, representatives, executors, successors and assigns, and will inure to the benefit of the Parties and their respective heirs, administrators, representatives, executors, successors and assigns.

12. Governing Law. This Release will be governed by and construed and enforced in accordance with the laws of the State of Colorado applicable to agreements negotiated, entered into and wholly to be performed therein.

13. Severability. Each of the respective rights and obligations of the Parties hereunder will be deemed independent and may be enforced independently irrespective of any of the other rights and obligations set forth herein. If any provision of this Release should be held illegal or invalid, such illegality or invalidity will not affect in any way other provisions hereof, all of which will continue, nevertheless, in full force and effect.

14. Counterparts. This Release may be signed in counterparts and each counterpart will be deemed to be an original but together all such counterparts will be deemed a single agreement.

15. Entire Agreement; Modification. This Release constitutes the entire understanding between the Parties with respect to the subject matter hereof and may not be modified without the express written consent of both Parties. This Release supersedes all prior written and/or oral and all contemporaneous oral agreements, understandings and negotiations regarding its subject matter. This Release may not be modified or canceled in any manner except by a writing signed by both Parties.

16. Acceptance. Employee may confirm his acceptance of the terms and conditions of this Release by signing and returning two (2) original copies of this Release to the Chairman of the Board of the Company, no later than 5:00 p.m. Mountain Time twenty-one (21) days after Employee's receipt of notice of termination.

EMPLOYEE ACKNOWLEDGES AND REPRESENTS THAT EMPLOYEE HAS FULLY AND CAREFULLY READ THIS RELEASE PRIOR TO SIGNING IT AND UNDERSTANDS ITS TERMS. EMPLOYEE FURTHER ACKNOWLEDGES AND AGREES THAT EMPLOYEE HAS BEEN, OR HAS HAD THE OPPORTUNITY TO BE, ADVISED BY INDEPENDENT LEGAL COUNSEL OF EMPLOYEE'S OWN CHOICE AS TO THE LEGAL EFFECT AND MEANING OF EACH OF THE TERMS AND CONDITIONS OF THIS RELEASE, AND IS ENTERING INTO THIS RELEASE FREELY AND VOLUNTARILY AND NOT IN RELIANCE ON ANY PROMISES OR REPRESENTATIONS OTHER THAN AS SET FORTH IN THIS RELEASE.

IN WITNESS WHEREOF, the Company and the Employee have duly executed this Release as of the date first above written.

Company Lance Lauck

PDC Energy, Inc.

By: _____

Barton R. Brookman, Jr.

Position: President and Chief Executive Officer

Securities Guaranteed by Subsidiary Guarantor

Guaranteed Security	Subsidiary Guarantor
1.25 % Convertible Notes, due September 15, 2021	PDC Permian, Inc.
6.125 % Senior Notes, due September 15, 2024	PDC Permian, Inc.
6.25% Senior Notes, due December 1, 2025	PDC Permian, Inc.
5.75% Senior Notes, due May 15, 2026	PDC Permian, Inc.

CERTIFICATIONS

I, Barton Brookman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PDC Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2020

/s/ Barton Brookman

Barton Brookman

President and Chief Executive Officer

(principal executive officer)

CERTIFICATIONS

I, R. Scott Meyers, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of PDC Energy, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2020

/s/ R. Scott Meyers

R. Scott Meyers

Senior Vice President and Chief Financial Officer

(principal financial officer)

CERTIFICATION

In connection with the Quarterly Report of PDC Energy, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certify pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Barton Brookman

Barton Brookman
President and Chief Executive Officer

(principal executive officer)

August 5, 2020

/s/ R. Scott Meyers

R. Scott Meyers
Senior Vice President and Chief Financial Officer
(principal financial officer)

August 5, 2020