IN THE UNITED STATES BANKRUPTCY COURT FOR THE NORTHERN DISTRICT OF TEXAS DALLAS DIVISION

In re:	§	Chapter 11
	§	
COLORADO 2002B LIMITED	§	Case No. 16-33743-BJH-11
PARTNERSHIP and COLORADO 2002C	§	
LIMITED PARTNERSHIP,	§	Jointly Administered
	§	
Debtors.	§	
	§	

DECLARATION OF KAREN NICOLAOU IN SUPPORT OF CONFIRMATION

Karen Nicolaou declares under penalty of perjury, pursuant to 28 U.S.C. § 1746, as follows:

1. I am the Responsible Party for Colorado 2002B Limited Partnership ("2002B") and Colorado 2002C Limited Partnership ("2002C"), the above-captioned debtors and debtors in possession (collectively, the "Debtors"), having been appointed to that position by PDC Energy, Inc. (f/k/a Petroleum Development Corporation) ("PDC"), the managing general partner of the Debtors, on or about December 11, 2015.

2. On September 24, 2016 (the "Petition Date"), each of the Debtors filed petitions for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code"). The Debtors continue to operate their businesses and manage their properties as debtors in possession pursuant to sections 1107 and 1108 of the Bankruptcy Code.

3. I submit this Declaration in support of confirmation of the *Debtors' Joint Chapter 11 Plan* dated March 31, 2017 [Docket No. 103], as it may be amended or supplemented from time to time (the "Plan"). Except as otherwise indicated, all facts set forth in this Declaration are based on my personal knowledge, my discussions with the Debtors' managing general partner,

and my review of relevant documents. If I were called to testify, I could and would testify competently to the facts set forth herein.

BACKGROUND

4. The Debtors are publicly subscribed West Virginia limited partnerships which own undivided working interests in oil wells. The Debtors were organized and began operations with cash contributed by limited and additional general partners (collectively, the "Investor Partners") and the managing general partner. These Investor Partners own approximately 72% of each respective Debtors' capital, or equity interests. PDC (collectively with the Investor Partners, the "Partners"), a Nevada corporation, owns the remaining approximately 28% of each respective Debtors' capital or equity interests, and is the managing general partner of each of the Debtors. In the aggregate, the Debtors have over 800 limited partnership unit holders.

5. The primary business of the Debtors is the operation and development of properties producing oil, gas, and natural gas liquids, and the appropriate allocation of cash proceeds, costs, and tax benefits among the Partners. In the aggregate, the Debtors have 23 wells – 2002B has 11 wells and 2002C has 12 wells. PDC serves as operator for each of these wells. The Debtors' wells are coming to end of their useful lives – production has been trailing off and the monthly cost of operating these wells exceeds the revenue generated by the wells.

6. Given the reduction in production that has occurred and will continue as time passes, and in light of the lack of distributions to Partners and the plugging and abandonment liability ("P&A liability") (which PDC, as managing general partner, typically accounts for at approximately $50,000 per well), in early 2016, I began testing the market to determine the value and marketability of the Debtors' wells. Having spoken to multiple industry participants – including potential acquirers and valuation professionals – and having provided them with all requested information regarding the assets, no offers for purchase were received. Instead, the

information I received from these parties was that the P&A liability substantially exceeded the *de minimus* value of the wells. As a result, the Debtors received no offers for the purchase of their respective assets.

7. After review of their options for disposing of their assets and securing payment of their P&A liabilities, the Debtors and PDC began discussions for an overall transaction that would ultimately become the basis for the Plan. As part of this transaction, the Debtors sought relief under chapter 11 of the Bankruptcy Code to efficiently wind down their businesses and make a final distribution to Partners.

8. In summary, the Plan provides for the sale of all assets of the Debtors and the subsequent liquidation of the Debtors by distributing all cash held or to be received by the Debtors to each Debtor's creditors and Partners. The Plan also provides for a settlement of potential causes of action against PDC, whereby PDC will pay the Debtors $1,500,000.00 for a general release of any causes of action of the limited partners, with the ability of Investor Partners to opt-out of the release. In addition, on the effective date of the Plan, PDC will place up to $350,000.00 in an Administrative Reserve to pay (i) Allowed Administrative Expense Claims (as defined in the Plan) against the Debtors, and (ii) the post-effective date costs and expenses of winding down the Debtors' estates, up to $25,000.

9. The Court approved the Disclosure Statement for the Plan on March 31, 2017, along with certain voting, tabulation and solicitation procedures, and the Plan, Disclosure Statement and solicitation materials were mailed to parties entitled to vote as scheduled on April 4, 2017.

10. As set forth more fully in the *Declaration of Balloting Agent Regarding Solicitation and Tabulation of Votes in Connection with the Debtors' Joint Chapter 11 Plan* [Docket No. 118], the Plan has been overwhelmingly accepted by each class entitled to vote.

CONFIRMATION REQUIREMENTS

11. The Debtors believe that the Plan satisfies the requirements of section 1129(a) and should be confirmed.

12. The Plan meets the requirements of section 1129(a)(1) because it complies with the applicable provisions of the Bankruptcy Code, including sections 1122 and 1123. The classification requirements of section 1122 are satisfied because the claims and interests in each class are substantially similar to other claims and interests in the class. The Plan classified Claims and Equity Interests into 8 classes, each of which contains similar claims and interests.

13. The Plan complies with each of the seven requirements in section 1123(a) of the Bankruptcy Code:

a. The Plan designates classes of claims and interests, pursuant to section 1122, other than claims and interests specified in sections 507(a)(1, (2) and (8);

b. The Plan specifies classes of claims and interests that are impaired and not impaired;

c. The Plan provides the same treatment for each claim or interest in a particular class, unless a holder of a particular claim or interest has agreed to a less favorable treatment of such claim or interest;

d. The Plan provides adequate means for its implementation – in particular, through the settlement with PDC set forth in Article VI;

e. Section 1123(a)(6) is inapplicable because the Debtors are liquidating and not reorganizing; and

f. The Plan contains only provisions that are consistent with the interests of creditors and equity security holders and public policy with respect to officers, directors, trustees or successors to any under the Plan.

14. The Plan also complies with section 1123(b) of the Bankruptcy Code. Although section 1123(b) does not include any mandatory provisions or requirements for chapter 11 plans, the Plan does contain certain of the listed permissive requirements in section 1123(b), such as leaving classes impaired and unimpaired, providing for the rejection of contacts, and providing for the settlement and release of estate claims.

15. The Plan also provides for certain third party releases, and exculpations. The third party releases are voluntary, and all parties were provided with the opportunity to opt out of the releases. No party who voted indicated a desire to opt out; as a result, all equity holders are deemed to have consented to the third party releases in section 11.4 of the Plan. In addition, it is my understanding the remaining exculpation provisions are standard and customary in chapter 11 cases, and, as modified by the proposed confirmation order, are consistent with both the Bankruptcy Code and prevailing case law in this Circuit.

16. Sections 1123(c) and (d) are inapplicable in these cases.

17. I also believe that the Plan complies with the remaining provisions of section 1129(a):

a. The Debtors, as proponents of the Plan, have complied with the applicable provisions of the Bankruptcy Code;

b. The Plan has been proposed in good faith and not by any means forbidden by law;

c. All payments to be made by the Debtors under the Plan for services are reasonable and will be subject to Court approval;

d. The persons or entities to serve after confirmation of the Plan as a director, officer or voting trustee have been disclosed, and the appointment of such

persons to office is consistent with the interests of creditors, interest holders and public policy;

e. Each holder of a claim or interest in an impaired class has either accepted the Plan or will receive what such holder would otherwise receive if these were cases under chapter 7;

f. Each class of claims or interests has either accepted the Plan or is unimpaired under the Plan;

g. Except to the extent a holder of a particular claim has agreed to a different treatment, all holders of administrative expense claims, priority tax claims and priority non-tax claims shall be paid in cash on the effective date of the Plan, or as soon as practicable thereafter;

h. The Plan contemplates the liquidation of the Debtors; and

i. The Plan provides for all fees payable under 28 USC § 1930.

18. The remaining provisions of section 1129(a) are inapplicable in these chapter 11 cases.

CONCLUSION

19. For these reasons, I respectfully request that the Court confirm the Plan.

I declare under penalty of perjury that the foregoing is true and correct.

Executed this 12th day of May, 2017.

/s/ Karen Nicolaou
Karen Nicolaou
Responsible Party