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PROPOSED COUNSEL TO THE DEBTORS

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

In re:	§	Chapter 11
	§	
ROCKIES REGION 2006 LIMITED PARTNERSHIP,	§	Case No. 18-33513-sgj-11
	§	
Debtor.	§	
	§	
In re:	§	Chapter 11
	§	
ROCKIES REGION 2007 LIMITED PARTNERSHIP,	§	Case No. 18-33514-sgj-11
	§	
	§	(Request for Joint Administration Pending)
Debtor.	§	

DECLARATION OF KAREN NICOLAOU IN SUPPORT OF CHAPTER 11 PETITIONS AND FIRST DAY MOTIONS

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

1. I am the Responsible Party for Rockies Region 2006 Limited Partnership ("RR 2006") and Rockies Region 2007 Limited Partnership ("RR 2007"), 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 May 7, 2018.[1]

2. On October 30, 2018 (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 am familiar with the Debtors' operations, business affairs, and books and records. In order to enable the Debtors to operate effectively, to smooth the transition into chapter 11, and to avoid any potential adverse effects as a result of the commencement of these chapter 11 cases, the Debtors have requested various types of relief in several pleadings filed with the Court (the "First Day Motions").

4. I submit this Declaration in support of the First Day Motions and to otherwise provide the Court with the background facts of these chapter 11 cases. 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.

THE DEBTORS' BUSINESS

5. The Debtors are publicly subscribed West Virginia limited partnerships that 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")

[1] As set forth more fully in the *Debtors' Application for Order (i) Authorizing the Retention of Harney Management Partners to Provide Responsible Party and Additional Personnel, (ii) Designating Karen Nicolaou as Responsible Party Effective as of the Petition Date, and (iii) Granting Related Relief*, filed simultaneously herewith, at the time I was appointed Responsible Party, I provided consulting services through Bridgepoint Consulting LLC ("Bridgepoint"). On or around August 31, 2018, I moved my practice to Red Owl Interests LLC d/b/a Harney Management Partners ("Harney").

and the managing general partner. These Investor Partners own approximately 61% of each respective Debtors' capital, or equity interests. PDC (collectively with the Investor Partners, the "Partners"), a Delaware corporation, owns the remaining approximately 39% 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 3,700 limited partnership unit holders.

6. The primary business of the Debtors is the development and operation of properties producing oil, gas, and natural gas liquids, and the appropriate allocation of cash proceeds, costs, and tax benefits among the Partners. Upon funding, each of the Debtors entered into a Drilling and Operating Agreement with PDC, as operator for the Debtors, which governs the drilling and operational aspects of the Debtors' oil and gas properties. The Debtors utilized substantially all of the capital raised in their respective offerings for the initial drilling and completion of their wells. In accordance with the Debtors' limited partnership agreements, the Partners that held general partnership interests in each Debtor, with the exception of PDC, had such interests converted to limited partnership units upon the completion of the Debtors' drilling activities. PDC remains the sole general partner for each of the Debtors.

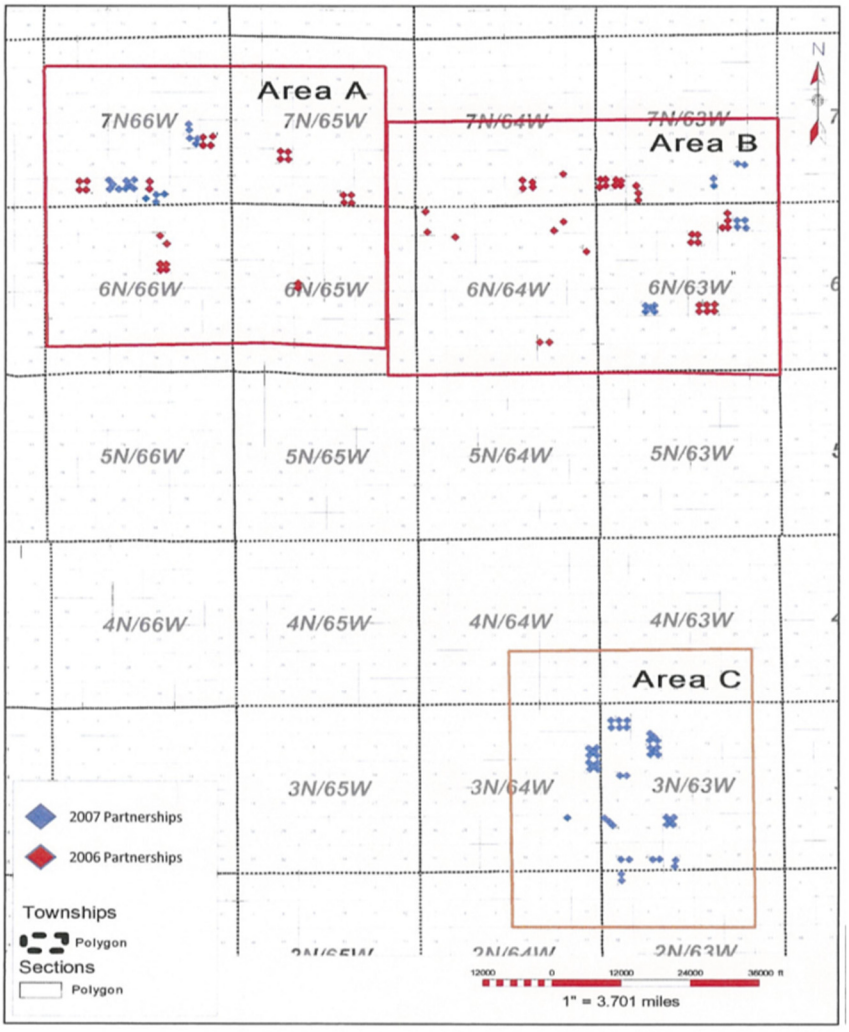
7. PDC serves as operator for each of the wells in which the Debtors have a working interest. PDC markets and sells the oil, gas, and natural gas liquids, pays all applicable operating expenses and royalty interest holders, and thereafter, allocates the net distributable income on each applicable well to the appropriate Debtor and other non-Debtor working interest holders, after netting out and reimbursing itself for expenses incurred. On behalf of each Debtor, PDC then distributes such Debtor's net distributable income to each Debtor's Partners. The Debtors have no operations, no employees, and no creditors (other than PDC, to whom the Debtors owe, in any

given month, reimbursement for expenses incurred in connection with drilling and operating activities).

EVENTS LEADING TO THE CHAPTER 11 CASES

A. The Debtors' Wells

8. The Debtors' primary non-cash assets are their wells, which were drilled and completed as vertical wells in the Codell and Niobrara formations in Weld County, Colorado between 2006 and 2008. In the aggregate, the Debtors initially drilled 132 wells – RR 2006 had drilled 59 wells and RR 2007 had drilled 73 wells. The wells are geographically divided into three areas: A, B, and C, as illustrated below.



9. The Debtors' wells are coming to the end of their useful lives. As of August 31, 2018, RR 2006 and RR 2007 only have 6 wells and 28 wells, respectively, classified as proved developed producing (PDP) that can yield oil, natural gas and NGLs production with existing equipment and operating methods.[2] Each Debtor also owned wells that were previously abandoned due to insufficient production – 18 wells for RR 2006 and 29 wells for RR 2007, respectively. The remaining wells (35 and 16 for RR 2006 and RR 2007, respectively) are classified as proved developed non-producing (PDNP) – that is, wells that have the potential to yield oil and gas reserves, but not without additional capital outlay to make them capable of production. Of the PDNP wells, most were marked as plug and abandon candidates in the Debtors' most recent reserve report produced by Ryder Scott Company, LP ("Ryder Scott").

10. Given that production has been trailing off, the monthly cost of operating these wells exceeds the revenue generated by the wells. For the period of April 2017 through September 2018, the average monthly revenue for RR 2006 was $38,735, the average monthly cost to operate RR 2006's wells was $46,678, and the average monthly plugging and abandonment cost for RR 2006's wells was $47,887. For that same 18-month period, the average monthly revenue for RR 2007 was $85,722, the average monthly cost to operate RR 2007's wells was $49,808, and the average monthly plugging and abandonment cost for RR 2007's wells was $49,175. In total, for the period of April 2017 through September 2018, RR 2006 and RR 2007 generated losses of $1,022,940 and $238,680, respectively.

11. Moreover, it would cost on average between $10,000 and $50,000 or more per well to convert a PDNP well to PDP and capable of generating revenue. The likelihood of PDC, as operator, recouping its expenses from performing such improvements is low, as (i) the Debtors do

[2] PDC re-fracked 9 wells owned by RR 2007 in 2012.

not currently have enough cash to pay for the improvements, and (ii) there is no guaranty that, given their age and other factors, the re-worked wells would actually generate enough production revenue to cover the cost of the improvements. If the likelihood of PDC recovering its costs is low, the odds of the Investor Partners receiving an income distribution from the re-worked wells are even slimmer.

12. As discussed above, PDC operates these assets and would regularly distribute each Debtor's net distributable income to each Debtor's respective Partners. Given the fact that the wells were operating at a loss, however, the decision was made to suspend the Debtors' interim distributions to the Partners. RR 2006 and RR 2007 last made distributions to their Partners on March 26, 2015 and December 27, 2016, respectively.

13. Over half of the Debtors' remaining wells are candidates for plugging and abandonment. PDC, as managing general partner, typically accounts for plugging and abandonment liability ("P&A liability") at approximately $50,000 per well. As of the Petition Date, RR 2006 has approximately $1,000 in cash on hand, and RR 2007 has approximately $61,000 in cash on hand. With estimated total P&A liability of $1,656,000 and $1,879,000, respectively, RR 2006 and RR 2007 have grossly insufficient cash available to fund their respective P&A liabilities.

B. SEC Reporting

14. The Debtors are reporting companies with certain obligations governed by the Securities Exchange Commission (the "SEC"). The Debtors are currently in compliance with their SEC reporting obligations; however, given the decline in the Debtors' operating revenue, the continued cost of submitting the necessary SEC reports is a significant financial burden on the

Debtors' estates — it will cost approximately $20,000 for each Debtor to prepare and file the shortly-due Form 10-Q for the quarter ended September 30, 2018.

C. Plan Transaction with PDC

15. In connection with my appointment as Responsible Party, I engaged a third party reserve engineering firm, Graves & Co. Consulting ("Graves"), to value the Debtors' wells and independently confirm and update the analysis in the Debtors' latest Ryder Scott reserve report dated effective January 1, 2018. Graves confirmed that the value of Debtors' wells were negative when taking into account the associated P&A liabilities. Given the reduction in production that has occurred and will continue to escalate as time passes, and in light of the lack of distributions to Partners and the inevitable P&A liability, I believe it is in the best interests of the Debtors to liquidate their wells and make a final distribution to the Investor Partners. I asked Graves to review recent asset sales in the Codell and Niobrara formations. However, Graves was unable to identify any comparable recent sales given the fact that the Debtors arguably only own the wellbores and not the surrounding acreage.

16. As part of my review of the Debtors' potential options, including a potential resolution of the Debtors' claims against PDC in the Colorado Action (discussed below), I opened a dialogue with PDC regarding an overall transaction pursuant to which PDC would pay some amount of cash to the estates for the wells, assume the Debtors' P&A liabilities, fund up to a maximum amount for the administration of these chapter 11 cases, and also pay an additional sum of money to settle the estates' claims in the Colorado Action.[3] Those discussions culminated in a

[3] Certain claims were alleged against PDC in the prior Eastern 1996D case and in certain litigation in California state court. PDC vehemently disputed the claims made in both venues. After a multi-day mediation with former Judge Leif Clark, the Eastern 1996D matters were settled and embodied in the Eastern debtors' chapter 11 plan, which was confirmed on December 17, 2014. *See* Case No. 13-34773, Docket No. 555 (solicited plan) and Docket No. 594 (confirmation order). Similar claims have been alleged in the Colorado Action.

Term Sheet, dated October 30, 2018, pursuant to which the total value flowing to the estates, accounting for cash consideration, assumed liabilities, a settlement payment and forgiven debt, not including the additional value inuring to the Debtors through the payment of the costs of administration, exceeds $10 million. The Term Sheet, a copy of which is attached hereto as **Exhibit A**, sets forth certain milestones for filing, soliciting, and obtaining confirmation of a chapter 11 plan that implements the transactions contained therein.

17. The Term Sheet is expressly subject to the Debtors' fiduciary duties and the solicitation and acceptance of higher and better offers. Despite the negative value of the Debtors' wells, in order to market test the PDC proposal, I intend to engage the Oil & Gas Asset Clearinghouse, LLC (the "Clearinghouse"), an industry leader in energy A&D, to include the Debtors' wells as part of their continuous online auction. As part of this auction, third parties will be able to execute a non-disclosure agreement, access a virtual data room containing reserve information about the Debtors' wells, and submit bids. Additionally, and independent of the Clearinghouse, one party has expressed a preliminary interest in the Debtors' assets, has executed a non-disclosure agreement and is currently reviewing the Debtors' virtual data room.

18. As part of the overall transaction, the Debtors sought relief under chapter 11 of the Bankruptcy Code to efficiently wind down their businesses, centralize any disputes, and make a final distribution to Partners. The Debtors intend to imminently file a plan and disclosure statement, as well as a motion to approve solicitation procedures for same.

D. The Colorado Class Action

19. On December 20, 2017, certain Investor Partners (the "Plaintiffs") filed suit against PDC and certain of its directors and officers in Colorado federal district court, asserting both alleged direct claims and derivative claims on behalf of a putative class that includes all the

Debtors' limited partners. *See Dufrense, et al. v. PDC Energy, Inc., et al.*, Case No. 1:17-cv-03079 (D. Colo.) (the "Colorado Action").[4] The Debtors are named as nominal defendants in the Colorado Action. Plaintiffs allege they and the Debtors were damaged as a result of PDC's alleged violations of West Virginia state law, including breaches of fiduciary duty, abuse of control, gross mismanagement, waste of assets, and unjust enrichment, occurring from 2015 to the present. In addition, Plaintiffs claim that PDC's alleged wrongful conduct constitutes a breach of its contractual obligations to the Debtors, as set forth in the limited partnership agreements. As of the time of this Declaration, the Colorado court has not certified the proposed class.

20. The Complaint focuses on PDC's alleged refusal to take steps to allow the Debtors to benefit from the development of horizontal wells on their "prospects." Central to this allegation is that the Debtors were entitled to an assignment of the spacing units surrounding the wellbores drilled with the funds raised from the Investor Partners, as opposed to a wellbore-only assignment. I am familiar with this assertion from my experience as Responsible Party to fourteen (14) similarly situated and related debtors in the bankruptcy cases styled *In re Eastern 1996D Limited Partnership, et al.*, Case No. 13-34773-HDH-11 (Bankr. N.D. Tex.) ("*Eastern 1996D*"); and *In re Colorado 2002B Limited Partnership, et al.*, Case No. 16-33743 (Bankr. N.D. Tex.) ("*Colorado 2002B*" and together with *Eastern 1996D*, the "Prior Bankruptcies"). In *Eastern 1996D*, I participated in a three (3) day mediation with PDC and a committee of limited partnership unit holders on behalf of the debtor partnerships where issues substantially identical to the allegations in the Complaint were raised and eventually settled.

21. I understand that the filing of chapter 11 petitions by the Debtors vests me with standing to pursue and if appropriate, settle, any and all derivative claims on behalf of the Debtors,

[4] The live complaint is dated July 10, 2018 and is available at Docket No. 37 in the Colorado Action (the "Complaint").

including those asserted in the Complaint. The Debtors' limited partnership agreements do not appear to support many of the allegations made in the Complaint, and the Plaintiffs appear to have a low likelihood of success should the Colorado Action proceed to trial, due in part to the fact that PDC is arguably under no obligation to, and indeed, cannot drill additional wells beyond those drilled with the proceeds of the initial capital raise. In addition, the limited partnership agreements do not provide a mechanism for PDC to make capital calls to fund the drilling of additional wells, which could reach into the millions of dollars.[5]

22. For the reasons stated above, I believe that it is in the best interests of the Debtors' estates to pursue the transaction with PDC, as reflected by the Debtors' soon-to-be-filed plan and disclosure statement. It is uneconomic for the Debtors to continue operating wells that do not produce in sufficient quantities. In addition, there are massive looming P&A liabilities, and the continued SEC reporting requirements are a drain on the Debtors' already-limited cash. In light of the Colorado Action, the likelihood of success of the claims asserted therein, and the fact that a class has not yet been certified, I believe that the Investor Partners would receive a greater distribution via a chapter 11 plan than a class action judgment, a substantial portion of which would automatically go to fund Plaintiffs' attorneys' contingency fee. In any event, the economics of the proposed transaction with PDC are in line with those that resulted from the mediated settlement in *Eastern 1996D*, as well as the confirmed plan in *Colorado 2002B*.

[5] It further appears that, despite certain claims being delineated as "direct" in the Colorado Action, such claims are, in actuality, derivative and, thus, property of the estate.

THE DEBTORS' FIRST DAY MOTIONS

A. Motion for Joint Administration of Cases

23. The Debtors seek joint administration of their estates for procedural purposes only, pursuant to Rule 1015(b) of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and Rules 1015-1 of the Local Bankruptcy Rules of the United States Bankruptcy Court for the Northern District of Texas (the "Joint Administration Motions").

24. Though the Debtors may not technically be "affiliates," as defined in section 101(2) of the Bankruptcy Code, they are unquestionably "related." The Debtors share a common general partner and Responsible Party, have a substantial number of shared limited partners (approximately 15% of the total), are part of the same overall oil and gas investment structure, and have a "joint" plan for successfully exiting chapter 11. PDC also holds limited partnership interests in each Debtor, owning approximately 39% of the outstanding partnership interests in each Debtor.

25. In order to optimally and economically administer these cases, the Debtors request that their cases be jointly administered, for procedural purposes only, under the case number and caption assigned to Rockies Region 2006 Limited Partnership. Joint Administration will reduce the costs and fees associated with administering these chapter 11 cases, thus benefiting the Debtors' estates as, among other things, the need to file duplicative notices, motions, application and orders will be obviated. To that end, joint administration will also serve to streamline administration of these cases for the Court and the Office of the United States Trustee.

26. Jointly administering these cases will not adversely affect any equity holders of the Debtors. The consolidation sought is administrative only, not substantive. Equity holders may still file proofs of interest against their respective Debtor, and distributions will be Debtor-specific.

B. Motion to Establish Notice Procedures

27. The Debtors request that the Court implement notice procedures in these chapter 11 cases and designate the parties upon whom notice must be served. I understand that this motion will minimize confusion regarding procedural matters by regulating the service, notice and filing requirements at the outset of these cases. The proposed procedures will ease the Court's administration of these cases and materially reduce the economic burden on the Debtors' estates, and are consistent with the procedures approved and utilized in other cases in this District and others.

C. Motion to Maintain Cash Management System, Bank Accounts and Business Forms

28. By their *Motion for Order Pursuant to Sections 345, 363, 1107 and 1108 of the Bankruptcy Code Authorizing Continued Use of Existing (i) Cash Management System, (ii) Bank Accounts and (iii) Business Forms* (the "Cash Management Motion"), the Debtors seek authority to maintain their existing cash management system, bank accounts and business forms.

29. As set forth more fully in the Cash Management Motion, the Debtors, in the ordinary course of their businesses, each maintain one bank account. PDC, as the managing general partner of each Debtor, operates each of the Debtors' wells, sells the hydrocarbons obtained therefrom, pays all expenses in connection therewith, and then distributes the net distributable income to the Debtors and other non-Debtor working interest holders in the appropriate pro rata amounts. PDC then, on behalf of each Debtor, distributes each Debtor's share of the net distributable income to, in the aggregate, over 3,700 Partners.[6] Although electronic

[6] As discussed above, RR 2006 and RR 2007 have not made distributions to their Partners since March 26, 2015 and December 27, 2016, respectively, due to minimal net distributable income from decreased production and the associated costs. Although the Debtors do not expect to make any "interim" distributions to their Partners while these chapter 11 cases are pending, the Debtors' wells continue to produce and PDC continues to incur costs and expenses in connection with the production of hydrocarbons. The Debtors request that they be allowed to continue to reimburse PDC in the normal course of business for these ordinary course expenses.

financial records are maintained on a Debtor-by-Debtor basis, there is no separate or individual "revenue distribution system" for each Debtor, PDC's non-Debtor partnerships or other working interest owners. Instead, the system is centralized through PDC, and it would be an insurmountable hurdle for the Debtors to have to implement a heretofore non-existent cash distribution system. The Debtors thus desire to continue to maintain and use their cash management system and bank accounts, and reimburse PDC for its expenses, all in the ordinary course of business and consistent with their past practices.

30. To minimize expenses and interruption to the business, the Debtors request that they be authorized to use their existing check stock, correspondence, and business forms, substantially in the forms existing immediately before the Petition Date, but with the added "debtor in possession" designation along with the case number.

31. The entry of an order granting the Cash Management Motion is necessary to avoid immediate and irreparable harm to the Debtors and their respective estates.

D. Application to Employ BMC Group, Inc. as Noticing, Solicitation and Tabulation Agent for Purposes of 28 U.S.C § 156(c)

32. The Debtors seek entry of an order authorizing the employment of BMC Group, Inc. ("BMC") as noticing, solicitation, and tabulation agent and appointing BMC as this Court's outside agent. I understand, upon information and belief, that BMC is one of the country's leading chapter 11 administrators with vast experience in noticing, claims processing, administration and reconciliation, balloting, tabulation, and distributions, and I believe that BMC is well qualified to serve as the Noticing, Solicitation, and Tabulation Agent in these chapter 11 cases. The retention of BMC will provide the Clerk of Court and the Debtors with efficient management of the noticing and solicitation processes in these chapter 11 cases, which will allow the Debtors' professionals to focus their attention more closely on the Debtors' overall chapter 11 efforts.

E. Debtors' Professionals

33. In addition, although not filed as "first day" motions, the Debtors are also seeking to employ certain professionals to assist with these chapter 11 cases. First, the Debtors seek formal approval to retain my firm, Harney, to provide a Responsible Party for the Debtors under sections 105(a) and 363(b) of the Bankruptcy Code. For legal counsel, the Debtors seek to retain Gray Reed & McGraw LLP under section 327(a) of the Bankruptcy Code. The Debtors will seek hearings on these applications, if necessary, on regular notice, in accordance with the Bankruptcy Rules and the Local Rules.

CONCLUSION

34. I respectfully request that the Court grant all relief requested in the First Day Motions, along with any and all other and further relief that the Court may deem to be just and proper.

Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

Executed this 30th day of October, 2018.

/s/ Karen Nicolaou
Karen Nicolaou
Responsible Party

EXHIBIT A

Term Sheet

Subject to Definitive Documentation

TERM SHEET
FOR PROPOSED SALE OF ASSETS BY ROCKIES REGION 2006 LIMITED PARTNERSHIP AND ROCKIES REGION 2007 LIMITED PARTNERSHIP

October 30, 2018

This term sheet (the "Term Sheet") describes certain of the principal terms of a proposed transaction (the "Transaction") for the sale of substantially all of the assets (the "Purchased Assets") of Rockies Region 2006 Limited Partnership ("RR06") and Rockies Region 2007 Limited Partnership ("RR07" and collectively with RR06, the "Debtors" or "Sellers") to, and the assumption of certain liabilities by, PDC Energy, Inc. (the "Buyer" or "Purchaser"). The transaction shall be effected through chapter 11 filings (the "Chapter 11 Cases") by the Sellers in the United States Bankruptcy Court for the Northern District of Texas (the "Bankruptcy Court"). The terms contained in this Term Sheet are subject in all respect to the terms of final, definitive documentation (the "Transaction Documents"), and shall be subject to the solicitation and acceptance of higher and/or better offers.

Sellers	Rockies Region 2006 Limited Partnership and Rockies Region 2007 Limited Partnership
Buyer	PDC Energy, Inc.
Proposed Transaction "Milestones"	On or before October 31, 2018, Sellers shall file with the Bankruptcy Court voluntary petitions for relief under chapter 11 of the Bankruptcy Code and such other first day pleadings as may be necessary or appropriate. Within fourteen (14) days thereafter, Sellers shall file with the Bankruptcy Court (i) a Joint Chapter11 Plan (the "Plan") that implements the transactions contained herein,; (ii) a Disclosure Statement to Accompany the Plan (the "Disclosure Statement"); and (iii) a Motion to Approve Disclosure Statement, all of which shall be reasonably acceptable to Purchaser in form and substance. The Bankruptcy Court shall have entered an order approving the Disclosure Statement (the "Disclosure Statement Order") no later than forty-five (45) days following the date the Disclosure Statement is filed (subject to the Bankruptcy Court's calendar). The Bankruptcy Court shall have entered an order confirming the Plan (the "Confirmation Order") within ninety (90) days of the date the Plan is filed (subject to the Bankruptcy Court's calendar). The effective date of the Plan shall occur within fifteen (15) days after entry of the Confirmation Order

Purchase Price	Purchaser shall pay (i) $304,000 for the oil and gas properties of RR06; and (ii) $458,000 for the oil and gas properties of RR07 (the "Cash Consideration"), and Purchaser shall also assume all plugging and abandonment liability (the "P&A Liability") and certain other liabilities associated with the Purchased Assets as set forth below (together, the assumption of the P&A Liability with the Cash Consideration the "Purchase Price"). PDC agrees to waive any recovery on account of its limited and general partnership interests in each Debtor with respect to the Cash Consideration.
Purchased Assets	The Purchased Assets shall include all of the Debtors' right, title, and interest in and to all of their respective properties, including but not limited to: *Oil and Gas Interests*. All of the Debtors' right, title, and interest in and to all of their respective oil and gas properties, including any leases, wells or other real or personal property associated with the operation of such leases and wells. *Contracts*. All of the interests, rights, claims, and benefits arising or accruing to any of Debtors under any contract (including any lease) to which a Debtor is a party or has or may acquire a benefit and that relate to the Purchased Assets (the "Assigned Contracts"), with such Assigned Contracts to be identified in the Transaction Documents.
Assumed Liabilities	Purchaser will assume all liabilities associated with the Purchased Assets, including but not limited to the P&A Liability and environmental liability (collectively, the "Assumed Liabilities"). Purchaser estimates the P&A Liability to be $1,656,000 for RR06 and $1,879,000 for RR07. The Cash Consideration is what Purchaser estimates the value of the assets to be without accounting for P&A Liability. Additionally, RR06 currently owes Purchaser approximately $1,350,000 for expenses not reimbursed by RR06. Purchaser will reduce this claim by $600,000 to $750,000, with such claim being paid as a general unsecured claim under the Plan (the "Forgiven Debt").
Releases	In consideration for payment of the Purchase Price and assumption of the Assumed Liabilities by Buyer, Sellers shall cause the Plan to contain provision for a mutual release by Sellers in favor of Buyer and by Buyer in favor of Sellers on terms mutually acceptable to the Parties. Additionally, Sellers shall include a provision in the plan pursuant to which all limited partners in the Debtors will release any and all claims against Buyer for their pro rata share of (i) $2,360,000 for limited partners in RR06;

	and (ii) $2,920,000 for limited partners in RR07 Limited Partnership (collectively, the "Settlement Payment").[1] Each limited partner will have the ability to opt out of the release. Opting out of the release will result in a limited partner's *pro rata* share of the Settlement Amount being redistributed to limited partners who have not opted out of the releases. Purchaser will waive its right to any recovery under the Plan on account of the Settlement Amount.
Total Value of the Offer	The total value of the above offer, accounting for the Cash Consideration, the Assumed Liabilities, the Settlement Payment and the Forgiven Debt, and not including the additional value being provided through the Administrative Reserve (discussed below) is no less than $4,920,000 for RR06 and $5,257,000 for RR07.
Administrative Costs of Chapter 11 Cases	In addition to the other consideration, terms and conditions set forth herein, Purchaser shall fund the administrative costs of the Debtors' chapter 11 cases, in accordance with the attached **Schedule A** (the "Administrative Reserve"); *provided, however*, none of such funds may be used to pay or reimburse fees, costs, expenses incurred in connection with actions that (i) oppose the transactions set forth herein, or (ii) are adverse to or otherwise challenge Purchaser's legal or equitable rights or interests. Notwithstanding funding of the Administrative Reserve, Purchaser shall retain the right to contest any motion or application for approval of an administrative expense.
Termination Provisions	The Parties will have the right to terminate any agreement ultimately reached as follows: • *Mutual Consent*. Buyer and Sellers may terminate this Agreement as to all Parties by mutual written consent. • *By Buyer*. If the Milestones set forth herein are not met. • *By Sellers*. In the exercise of their fiduciary duties as debtors in possession if, *inter alia*, a higher and/or better offer for the Purchased Assets is received.

[1] The Settlement Payment equates to $2,000 per acre.

Schedule A to Term Sheet

RR 06 and 07 – Projected Administrative Reserve

PDC will fund an administrative reserve of up to $3 million (exclusive of U.S. Trustee fees) (the "Administrative Reserve") for the payment of administrative expenses of the Debtors' chapter 11 cases, which includes the fees of any estate retained professionals. The Responsible Party's incentive fee will be deducted from the net proceeds of the Purchase Price and Settlement Payment, as applicable. PDC shall also agree to fund U.S. Trustee fees pursuant to 28 U.S.C. § 1930 to the extent the Administrative Reserve, after paying all other administrative expenses, is not sufficient to satisfy the same. Notwithstanding the funding of the Administrative Reserve, PDC's rights to object to fee applications submitted by court-retained professionals, and any other request for payment of an administrative expense, are expressly reserved and preserved.