

EXHIBIT 2

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

Civil Action No. 18-33513, Chapter 11

RULE 30(b)(6) DEPOSITION OF:
DARWIN STUMP
May 15, 2019
PDC Energy, Inc.

IN RE:

ROCKIES REGION 2006
LIMITED PARTNERSHIP and
ROCKIES REGION 2007
LIMITED PARTNERSHIP,
Debtors.

PURSUANT TO NOTICE, the Rule 30(b)(6) deposition of DARWIN STUMP was taken on behalf of The Dufresne Family Trust, The Schulein Family Trust, The Michael A. Gaffey And Joanne M. Gaffey Living Trust, March 2000, And The Glickman Family Trust Dated August 29, 1994, The William J. And Judith A. McDonald Living Trust Dated April 16, 1991, at 1900 Grant Street, Suite 1025, Denver, Colorado 80203, on May 15, 2019, at 9:40 a.m., before Teresa Lynne Cardenas, Registered Professional Reporter, Certified Realtime Reporter, and Notary Public within Colorado.

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3 Trust, The Michael A. Gaffey And Joanne M. Gaffey
4 Living Trust, March 2000, And The Glickman Family
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1 Q. All right. And so this Consent Decree --
2 I'm looking back, again, at page 4645 of your email.
3 I want to count up how many wells there are. Would
4 you count to yourself how many of the '06 wells were
5 subject to this Consent Decree, and then I'll tell you
6 my count, and you tell me yours. I came up with 29 of
7 the 2006 partnership wells.

8 A. I came up with 29 also.

9 Q. Subject to that Consent Decree?

10 A. That would be correct.

11 Q. And would you look at page 4646 and count
12 up how many of the 2007 partnership's wells are the
13 subject of the Consent Decree. I come up with 25.
14 What do you come up with?

15 A. 25.

16 Q. Okay. Now, generally, again, not as a
17 lawyer, but just as an officer of PDC, what was your
18 understanding of the -- what this dispute between PDC
19 and the EPA and the State of Colorado was all about
20 that affected 29 of the 2006 partnership's wells and
21 25 of the 2007 partnership's wells?

22 MR. MORFEY: Objection, legal conclusion.
23 And I'm also going to object at this point that this
24 is outside the scope of the matters that are related
25 to the hearing. I'll let you answer this one.

1 (The last question was read back as
2 follows: "So you're saying it's your belief that
3 despite the fact PDC, as the managing partner, failed
4 to comply with federal and state law and air quality,
5 the partnerships had to pay anything to fix up their
6 equipment that PDC didn't comply with the federal
7 law?")

8 MR. MORFEY: Same objections.

9 THE DEPONENT: Okay. So I cannot answer
10 or --

11 MR. MORFEY: You can answer.

12 A. This -- my brief -- and this is from
13 talking with Ms. Bartlett. I believe that it was new
14 equipment that was put on the wells to comply with the
15 standards.

16 Q. (BY MR. FOLEY) All right. Now, you also
17 said, I think, that it was the partnerships'
18 responsibility to pay any plugging and abandonment
19 costs of their wells.

20 A. Yes.

21 Q. Was that your understanding?

22 A. Yes.

23 Q. And where did you get that understanding?

24 A. From the partnership agreement.

25 Q. All right. Let's take a moment and go

1 MR. FOLEY: And again not as a lawyer,
2 but as an accountant.

3 (The last question was read back as
4 follows: "So if more money was needed for tangible or
5 intangible drilling costs, then PDC, as managing
6 general partner, had to advance those costs, correct?
7 Or contribute them.")

8 MR. MORFEY: Same objections. You can
9 answer.

10 A. That's what the agreement says here in
11 201 part (b).

12 Q. (BY MR. FOLEY) And as you said earlier,
13 the partnership agreement governs how you run the
14 partnership, correct?

15 A. That is correct.

16 Q. Now, could you look, sir, at
17 Section 1.08(n), as in Nancy, of the partnership
18 agreement. It would be page A4.

19 A. Which section? I'm sorry.

20 Q. Small (n) as in Nancy. And if you would
21 read that to yourself quietly. I'm going to read it
22 into the record, "'Drilling and Completion Costs'
23 shall mean all costs, excluding Operating Costs, of
24 drilling, completing, testing, equipping and bringing
25 a well into production or plugging and abandoning it,

1 it in production or you plug and abandon it right
2 then.

3 Q. (BY MR. FOLEY) And those costs, both,
4 are intangible drilling costs, correct?

5 MR. MORFEY: Same objection.

6 A. No.

7 Q. (BY MR. FOLEY) Is plugging -- well,
8 under Section -- if you read together Section 1.08(n),
9 as in Nancy, and Section 2.01(b), which says PDC has
10 to pay all tangible costs as well as intangible
11 drilling costs, whose responsibility, under those two
12 sections, was it to pay plugging and abandonment
13 expenses for the partnership wells?

14 MR. MORFEY: Hold on a second. I'm going
15 to object that it calls for a legal conclusion and the
16 document speaks for itself. I'm further going to
17 object that this is totally outside the topics that
18 you've asked for a corp rep. Your topic is the
19 ability of PDC to pay for asset retirement costs. All
20 right? That's very narrow. This is outside of that
21 scope.

22 MR. FOLEY: Counsel, again, without
23 getting into a long colloquy, we are also saying it's
24 a bad faith bankruptcy filing, and these plugging and
25 abandonment costs are used as an excuse to justify the

1 bankruptcy filing so PDC could get the advantage of
2 purchasing the assets of the bankruptcy fire sale. So
3 it is well within the scope.

4 MR. MORFEY: Then you can ask him did you
5 file the bankruptcy to avoid plugging and abandonment
6 liability? You can ask him that question. That's not
7 what we're doing. We're going through here, and we're
8 doing merits discovery with respect to provisions of
9 the contract that are nowhere in your corporate
10 notice. This -- these provisions that we're talking
11 about aren't anywhere in here.

12 MR. FOLEY: Counsel, he's here as a
13 percipient witness today. You said I only get him
14 once --

15 MR. MORFEY: That's right.

16 MR. FOLEY: -- individually and as a
17 30(b)(6). So this is him individually as somebody who
18 has testified he was involved in the preparation of
19 the partnership agreements. He is the person at PDC
20 who does partnership accounting, not as a lawyer, just
21 as an accountant I'm asking the question.

22 MR. MORFEY: You can ask him what the
23 basis of the bankruptcy filing was in his mind as he
24 understands it, all right? But we're not going to go
25 down the rabbit trail of full-blown merits discovery

1 so they could come up with a schedule of how much
2 would be withheld from distributions from the limited
3 partners to pay those costs?

4 A. Repeat the first part of the question,
5 please.

6 (The last question was read back as
7 follows: "And whose job was it, the general partner
8 or the limited partners, to come up with a schedule of
9 when wells would be plugged and abandoned so they
10 could come up with a schedule of how much would be
11 withheld from distributions from the limited partners
12 to pay those costs?")

13 A. The managing general partner's job.

14 Q. (BY MR. FOLEY) And you yourself prepared
15 such a notice, did you not, to the limited partners of
16 the partnerships that PDC would be withholding a
17 portion of their distributions to pay anticipated
18 costs of plugging and abandoning?

19 MR. MORFEY: I'm just going to lodge an
20 objection that we're continuing to wallow in the
21 specifics about plugging and abandonment, and it's
22 outside the scope of what the hearing is about. So
23 you can answer that question, Mr. Stump; but I don't
24 know how many more of these we're going to answer,
25 Tom.

1 (The last question was read back as
2 follows: "And that was PDC's responsibility to do
3 that as the managing general partner of both
4 partnerships, correct?")

5 MR. MORFEY: Same objection.

6 A. Correct.

7 Q. (BY MR. FOLEY) So in connection with
8 these bankruptcy petitions -- have you read the
9 rationale of Karen Nicolaou as to why she filed the
10 bankruptcy petitions for the '06 and '07 partnerships?

11 A. I'm not sure where that document would
12 be.

13 Q. (BY MR. FOLEY) Have you ever talked with
14 Karen Nicolaou about why she thought it was in the
15 best interest of the partnerships to file bankruptcy
16 petitions?

17 A. I -- I don't recall.

18 Q. Okay. Do you recall that one of the
19 reasons Karen Nicolaou has said that it was necessary
20 in her judgment or in the best interest of the
21 partnership -- the partnerships to file bankruptcy
22 petitions was because there was an inability to pay
23 their plugging and abandonment costs?

24 A. That's correct.

25 Q. Now, why is it, then, that PDC did not

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1 reserve enough money out of partnership operations to
2 pay plugging and abandonment costs as the managing
3 general partner such that there became a deficit that
4 Karen Nicolaou then used as her rationale for filing
5 bankruptcy petitions?

6 MR. MORFEY: Objection, outside the scope
7 and calls for speculation. You can answer.

8 A. That's what we did with this letter here.

9 Q. (BY MR. FOLEY) You're talking about
10 Exhibits 19 and 20?

11 A. Yes. "As previously announced and
12 outlined in the enclosed Partnership activity data for
13 the quarter ended . . . the Managing General Partner
14 has suspended cash distributions."

15 Q. (BY MR. FOLEY) But my question is why
16 didn't you start suspending cash distributions or
17 start reserving money earlier in point of time for
18 both partnerships so that the well -- the partnerships
19 would have had enough money for paying plugging and
20 abandonment costs rather than allow them to accumulate
21 without withholding from distributions which caused
22 Karen Nicolaou to say, This is the reason I think we
23 should file bankruptcy?

24 A. I don't know.

25 Q. But weren't you one of the people at PDC

1 reserves of oil and gas in the ground the partnerships
2 have, correct?

3 A. That is correct.

4 Q. So if PDC, as the managing general
5 partner, knows how much oil and gas these two
6 partnerships '06 and '07 have in the ground, it knows
7 how much it's operating those wells on a monthly
8 basis, right?

9 A. That is correct.

10 Q. It's selling the product, correct? Or
11 the partnership, it's selling the product?

12 A. Yes.

13 Q. So with all of that information about
14 what the reserves are, what the costs are to operate,
15 how was it that PDC that's managed more than 75
16 partnerships didn't reserve sufficiently for the '06
17 and '07 partnerships to cover plugging and abandonment
18 costs?

19 MR. MORFEY: I'm objecting. This is --
20 this is clearly outside of the scope, Tom, because
21 you're now attacking the witness, not based on the
22 existence of the fact that there wasn't sufficient
23 cash to plug and abandon, but the motivation or
24 explanation for that. That doesn't have anything to
25 do with the motion to dismiss. And I'm instructing

1 him not to answer. That's a merits question.

2 MR. FOLEY: Well, I will say -- and I'll
3 pull it out for you over the lunch hour, if you would
4 like -- your esteemed colleague, Jason Brookner, in a
5 pleading filed in opposition to the limited
6 partners -- the five limited partners' motion to
7 dismiss said that in looking at what are the grounds
8 for a bad faith bankruptcy filing, you look at -- one
9 of the factors is motive. And if you look at those
10 cases, it says you look at the actions of the general
11 partner of a partnership.

12 MR. MORFEY: The motive for filing the
13 bankruptcy, not the rationale for some fact, right?
14 It's the motive for filing the bankruptcy. You're
15 asking about the rationale or motive for supposedly
16 not reserving enough funds. Totally different thing,
17 and that's why I'm instructing him not to answer.

18 MR. FOLEY: For the record -- so it's a
19 complete record for the judge to rule on -- what I'm
20 saying is PDC did exactly what it did with the eastern
21 partnerships earlier with Karen Nicolaou. It decided
22 the way to get these assets when its partnership
23 buy-back plan was impeded by the Schulein litigation
24 was to say, Okay, let's create a scenario where the
25 partnerships don't have a reserve of enough money to

1 pay plugging and abandonment costs. And even though
2 we, PDC, are supposed to pay the plugging and
3 abandonment costs, if the partnerships don't have the
4 money, we'll just not reserve enough money, which
5 would create a very large debt to PDC, the only
6 creditor of the partnerships, and that's the rationale
7 for Karen Nicolaou to file bankruptcy. That's why
8 it's relevant. It goes to the motive of both PDC and
9 Karen Nicolaou for entering into the agreement and
10 transactions she did for the '06 and '07
11 Partnerships.

12 MR. MORFEY: Way off in the weeds.

13 MR. FOLEY: So you're instructing him not
14 to answer?

15 MR. MORFEY: Yes, sir.

16 MR. FOLEY: Would you mark that question
17 as well, please.

18 (Deposition Exhibit 21 was marked.)

19 Q. (BY MR. FOLEY) Do you recognize
20 Exhibit 21, sir?

21 A. Yes, I do.

22 Q. Okay. Did you have any -- in fact, you
23 were the name at the bottom as the person sending this
24 document out to the limited partners, right?

25 A. That is correct.

1 Q. And you're notifying them, as of March 31
2 of 2017, that PDC, as the managing general partner,
3 has determined that due to current production rate at
4 the partnership wells, substantially low commodity
5 prices, and current EPA and COGCC air regulation
6 requirements, the partnership needs to plug and
7 abandon between 20 to 25 of its 73 wells in the next 9
8 to 12 months.

9 Did I accurately quote that, your letter?

10 A. Yes, sir.

11 Q. So -- and this is with respect to the
12 2007 partnership, correct? It says right here at the
13 top --

14 A. Yeah. '06 is behind.

15 Q. And there is an identical letter to the
16 members of the '06 partnership, second page of
17 Exhibit 21, correct?

18 A. Yeah.

19 Q. So you're telling the limited partners of
20 the partnerships that one of the reasons PDC, the
21 managing general partner, has determined to suspend
22 their distributions is current EPA and COGCC
23 regulation requirements. Aren't you saying that?

24 A. Yes, among other reasons also.

25 Q. Okay. So the fact that PDC had to bring

1 older wells into compliance with state and federal
2 regulations and spend money to do that or plug and
3 abandon the wells and not have to do that, you're
4 letting the limited partners know, because of those
5 air quality regulations, that's one of the reasons
6 their distributions have been suspended, correct?

7 A. That would be one of the reasons,
8 correct.

9 Q. All right. Now, going on, who's in a
10 better position to decide withholding money based on
11 commodity prices and low commodity prices and what's
12 happening? Is it the PDC or the limited partners that
13 have more information on that?

14 A. It would be PDC as managing GP.

15 Q. And at some point -- well, for many
16 years, PDC hedged partnership's production, did it
17 not?

18 A. That is true.

19 Q. And for the record, can you tell us what
20 hedging for the partnership's production means to you?

21 A. Basically at certain points in time, we
22 would enter into fixed swaps and/or collars for price
23 protection of the partnerships.

24 Q. So that if commodity prices fell, the
25 partnerships wouldn't experience as much loss because

1 of hedging; there was some protection for them,
2 correct?

3 A. That is correct.

4 Q. And PDC hedged all of its own
5 production -- not just the partnerships', but it
6 hedged its own production, did it not?

7 MR. MORFEY: Objection, it's outside of
8 the scope of the matters that are pending. Instruct
9 you not to answer. What does hedging have to do with
10 anything, Tom?

11 Q. (BY MR. FOLEY) Sir, isn't it a fact that
12 PDC made a decision, as managing general partner, to
13 stop hedging the partnership's production?

14 MR. MORFEY: Same objection. Hedging is
15 not before the court.

16 MR. FOLEY: Well, since the judge is
17 going to see this question, please mark it.

18 PDC unilaterally made the decision to
19 stop hedging the partnerships while it continued to
20 hedge its own production so that when prices fell,
21 partnerships had less protection. Again, this was
22 their discretion. Again, it goes to creating now
23 we've got to plug and abandon wells, there's not
24 enough money because of low commodity prices. That's
25 where it's going, and it's directly relevant to motive

1 of Karen Nicolaou's appointment, this goes to whether
2 Karen Nicolaou undertook any due diligence as to why
3 there were large plugging and abandonment liabilities
4 that were not properly reserved for and looking at
5 potential claims against PDC on behalf of the
6 partnership derivative claims, which she then
7 purports, without doing that due diligence in the term
8 sheet and her proposed Chapter 11 plan, to release.
9 So, again, that's why it's relevant.

10 MR. ORMISTON: Object to the speech.

11 MR. MORFEY: Tom, you're more than
12 welcome to ask the witness what he's aware of that
13 Ms. Nicolaou did due diligence on, the data that she
14 asked for. All of those are on the table.

15 Q. (BY MR. FOLEY) Sir, would you pull up
16 your copy of the 2006 partnership agreement again for
17 me.

18 A. Okay. Exhibit 16.

19 Q. And look at Section 502. And I'm going
20 to ask you to look particularly at 502(k), as in
21 kangaroo. It's on page A20. Do you see that it says,
22 "The Partnership may borrow funds in furtherance of
23 its operations for the Managing General Partner and/or
24 its affiliates," or third persons.

25 Did I read that correctly?

1 Q. (BY MR. FOLEY) Now, I know it's a big
2 field, the Wattenberg Field, and the PDC has many
3 different horizontal wells there. But has PDC, as the
4 operator, drilled any horizontal wells in the
5 Wattenberg Field within 1500 feet of any of the 2006
6 or 2007 partnerships' vertical wells?

7 A. Yes, we have.

8 Q. And do you know approximately how many?

9 A. I do not know. I can --

10 Q. More than five?

11 A. I would be speculating, but I would --

12 MR. MORFEY: Don't speculate.

13 A. I do not want to speculate.

14 Q. (BY MR. FOLEY) Well, without
15 speculating, based on what you've actually been told
16 by people, what is your understanding of approximately
17 how many wells -- horizontal wells PDC has drilled
18 within the Wattenberg Field within 1500 feet of the
19 partnerships' vertical wells?

20 MR. MORFEY: Hold on a second. Tom, I'm
21 going to object. We are outside and have been outside
22 the scope of what discovery is supposed to be about
23 pursuant to our agreement. And these issues don't
24 relate to the motions pending for hearing.

25 MR. FOLEY: I respectfully disagree, sir.

1 Again, we believe that PDC, as the managing general
2 partner, took advantage of horizontal drilling
3 opportunities. And the result of that, when they
4 drilled within 1500 feet of partnership wells, was the
5 partnership wells had to be plugged, abandoned or had
6 to be shut in. And when they were plugged and
7 abandoned, that was charged to the partnerships. If
8 they were shut in, if they were ever to be re-opened,
9 they would not have the same production. And it's the
10 reason that PDC said we want to get rid of these
11 partnerships and just focus on our horizontal
12 drilling. And that's why they did this whole
13 bankruptcy plan with Karen Nicolaou because they knew
14 they could trust her to do what they wanted because
15 she did exactly that for the eastern partnerships. So
16 it is within showing the motive of PDC and its
17 accomplice Ms. Nicolaou.

18 MR. MORFEY: I appreciate that conspiracy
19 theory, and you're welcome to ask him if that was the
20 motivation for filing the bankruptcy case or hiring
21 the responsible party; but we're not going to get off
22 into the weeds of your merits case.

23 MR. FOLEY: Are you instructing him not
24 to answer the question?

25 MR. MORFEY: I don't think there's a

1 question on the table. I'm giving you a preview of
2 coming attractions.

3 MR. FOLEY: I believe there is a question
4 on the table. I'll ask the reporter to read it back,
5 please.

6 (The last question was read back as
7 follows: "Well, without speculating, based on what
8 you've actually been told by people, what is your
9 understanding of approximately how many wells --
10 horizontal wells PDC has drilled within the Wattenberg
11 Field within 1500 feet of the partnerships' vertical
12 wells?")

13 MR. MORFEY: I'm going to instruct him
14 not to answer. We've answered too many questions
15 already that are out of bounds on that topic.

16 (Deposition Exhibit 38 was marked.)

17 MR. FOLEY: Would you cite that question
18 for me, please, mark that question to take it to the
19 court.

20 Q. (BY MR. FOLEY) For the record,
21 Exhibit 38 is an email from Darwin Stump to Karen
22 Nicolaou, John Graves, and Joseph Rovira dated
23 October 1, 2018. It bears Bates No. 1599. And the
24 second page does not appear to have a Bates number on
25 it. Do you recognize this email?

1 A. Yes, sir.

2 Q. Did you prepare this email?

3 A. Yes.

4 Q. And do you know what -- the second page
5 of this attached to the email, what is that?

6 A. It's a -- I'm just looking at the -- it
7 is a map of the Wattenberg Field with partnership
8 wells marked and horizontal wells within 460 feet, as
9 it says, within an '06 or '07 well.

10 Q. That's a PDC horizontal well drilled
11 within 460 feet?

12 A. PDC or Noble Energy.

13 Q. Okay.

14 A. There's two different on there.

15 Q. And focusing just on PDC, you continue in
16 your email, and you say, "If you pick a horizontal
17 well drilled on acreage where the partnerships have a
18 vertical well, we can do an analysis of what working
19 interest the partnership would have had in the
20 horizontal well if the partnership owned the acreage
21 if the partnership could have drilled a new well."

22 So what was your purpose in conveying
23 that information to Ms. Nicolaou?

24 A. I believe Mr. Graves asked a question,
25 and I was answering it with this map. It was prepared

1 by my land department.

2 Q. And what -- to the best of your
3 recollection -- and you can paraphrase it -- was
4 Mr. Graves' question?

5 A. He was asking if the horizontal wells
6 drilled within 460 feet of a horizontal -- if a
7 horizontal well was drilled within 460 feet of a
8 partnership vertical well, whether it was Noble or
9 PDC, how much would the partnership have participated
10 in the horizontal well if the partnership had owned
11 the acreage and the partnership could have drilled a
12 new well.

13 Q. All right. And so you provided him that
14 information, correct?

15 A. That is correct.

16 Q. And at some point -- and you're going to
17 have to refresh me on the date -- there was an acreage
18 swap between Noble and PDC in the Wattenberg Field,
19 was there not?

20 A. Yes, there was.

21 Q. Do you recall approximately when that
22 was?

23 A. I believe 2013 or '16.

24 Q. I think you're right at 2016.

25 A. Okay.

1 Q. (BY MR. FOLEY) Okay. So I take it,
2 then, sir, it was possible for PDC to run an analysis
3 based on this map you gave to determine whether if the
4 2006 and 2007 partnerships had an interest in the
5 spacing unit in a prospect surrounding the vertical
6 well what the partnerships' ownership would have been
7 in the resulting horizontal well?

8 MR. MORFEY: Objection, vague. The
9 question is could you run the analysis.

10 A. I personally couldn't have, but the land
11 department could have.

12 Q. (BY MR. FOLEY) Did Karen Nicolaou follow
13 up or did John Graves follow up and say, Do that
14 because we want that information to negotiate with
15 PDC, to your knowledge?

16 A. I'm not sure.

17 Q. Okay. So you have no information that
18 either Karen Nicolaou or her counsel or Mr. Graves
19 followed up and asked PDC to conduct that analysis to
20 determine what, if any, interest the 2006 and 2007
21 partnerships would have had in horizontal wells
22 drilled by PDC in areas surrounding partnership
23 vertical wells?

24 A. Could you read it back to me?

25 (The last question was read back as

1 follows: "So you have no information that either
2 Karen Nicolaou or her counsel or Mr. Graves followed
3 up and asked PDC to conduct that analysis to determine
4 what, if any, interest the 2006 and 2007 partnerships
5 would have had in horizontal wells drilled by PDC in
6 areas surrounding partnership vertical wells?")

7 A. Okay. I do not recall them getting a
8 list of and doing an analysis or having my land
9 department do the analysis.

10 Q. (BY MR. FOLEY) Or Ms. Nicolaou or her
11 attorneys asking for that analysis?

12 A. I don't believe they did.

13 Q. Thank you. So going back to Exhibit 14,
14 if PDC, when it was drilling these horizontal wells --
15 which you've said that they did drill within sometimes
16 460 feet of a partnership vertical -- following the
17 wellbore integrity test requirement set forth in your
18 Exhibit 14 email with November the 27th, 2018, PDC
19 would have had to either do a wellbore integrity test
20 or shut down the well temporarily or plug and abandon
21 the well?

22 MR. MORFEY: I'm sorry. I missed the
23 first part of that question. Could you please read it
24 back?

25 (The last question was read back as

1 2018). The below well has been shut in for 20-plus
2 months and requires a Mechanical Integrity Test, (MIT)
3 to continue to operate. The well fails to meet
4 economic criteria for continued production making an
5 MIT uneconomic. The same methodology is as applied to
6 PDC wells has been used to evaluate this partnership
7 well; based on the information this well is
8 recommended for P&A." Then it references a lease.
9 And then it says, "The facilities associated with the
10 four wells require upgrades pursuant to PDC's Clean
11 Air Act Consent Decree in order to continue to
12 operate. These wells are low producers and facility
13 upgrades are uneconomic; therefore the wells have been
14 shut in and not allowed to produce without additional
15 retrofits. The same methodology as applied to PDC
16 wells has been used to evaluate these partnership
17 wells; based on evaluation these wells are recommended
18 for P&A." And then there's four wells.
19 Does this look like an official business record of
20 PDC?

21 A. Yes.

22 Q. Now, PDC stopped fracing its vertical
23 wells in 2013, correct?

24 A. I don't believe we drilled any vertical
25 wells in 2013.

1 Q. I said fraced. PDC stopped fracing its
2 vertical wells in the Wattenberg Field in 2013,
3 correct?

4 A. I don't believe that's true.

5 Q. PDC, in 2013, adopted a policy of not
6 refracing its own vertical wells in the Wattenberg
7 Field, correct?

8 A. Clar -- please narrow your question.

9 Q. (BY MR. FOLEY) Okay. In the year 2013,
10 PDC stopped refracing PDC's own vertical wells in the
11 Wattenberg Field?

12 A. We did a few refracs in 2013.

13 Q. Did you do any more in 2014 on PDC's own
14 wells?

15 A. We did not.

16 Q. In 2015?

17 A. We did not.

18 Q. In 2016?

19 A. Not to my knowledge.

20 Q. In 2017?

21 A. Not to my knowledge.

22 Q. 2018?

23 A. Not to my knowledge.

24 Q. Now, isn't it a fact, sir, that PDC
25 stopped that program because it got a better return on

1 investments by drilling horizontal wells rather than
2 refracing on its own vertical wells because the
3 vertical wells had the problems with high line
4 pressure and the problems with the consent decree with
5 the EPA?

6 MR. MORFEY: Objection, outside the
7 scope. Instruct you not to answer.

8 MR. FOLEY: Would you mark that question,
9 please.

10 Q. (BY MR. FOLEY) Why did PDC stop
11 refracing its vertical wells in the Wattenberg Field
12 sometime in 2013?

13 MR. MORFEY: Same objection and
14 instruction.

15 MR. FOLEY: You're instructing him not to
16 answer?

17 MR. MORFEY: Yes, sir.

18 Q. (BY MR. FOLEY) Isn't the reason PDC did
19 that, sir, is because it got a better return on
20 investment on a horizontal well and decided to put its
21 money there instead of fracing its vertical wells?

22 MR. MORFEY: Same objection, same
23 instruction. Outside the scope of the agreed bounds
24 of discovery.

25 Q. (BY MR. FOLEY) And isn't that the same

1 reason that PDC decided to stop refracing partnership
2 wells in 2013 was if it was going to refrac a
3 partnership well, it was kind of counterproductive
4 because you had to take into account if you wanted to
5 put a horizontal well in proximity to it, you might
6 have to plug and abandon that well or replace the
7 wellhead?

8 MR. MORFEY: Same objection and same
9 instruction.

10 MR. FOLEY: Would you mark that question
11 for me, please.

12 Q. (BY MR. FOLEY) The next document we'll
13 look at, sir, is Exhibit 26. For the record,
14 Exhibit 26 is entitled Declaration Of Karen Nicolaou
15 In Support Of Chapter 11 Petitions And First Day
16 Motions. Have you ever seen this document before,
17 sir?

18 A. Yes, I have.

19 Q. All right. Now, if you could look at
20 Exhibit A to this document, it says Term Sheet. Do
21 you see that? What, if any, involvement did you have
22 on behalf of PDC in the negotiation of this term sheet
23 with Ms. Nicolaou?

24 A. I was involved in gathering numbers that
25 we put in here. This -- this was written by our

1 be out of the liability for the wells we plugged by
2 the end of '17 to this time.

3 Q. So is this -- what you're showing here in
4 your memo of October 29, 2018, done on a cash or an
5 accrual basis?

6 A. This is on a -- the cash is on a -- cash
7 and accrual is the same. The valuation of what the
8 wells were worth was an estimate of what we were going
9 to pay for -- in the settlement agreement offer for
10 the wells. Shall we call -- that's the set 458 number
11 that we had on the settlement offer. I just added it
12 as the value. This is due from RR06 LP, that would be
13 an accrual and a cash number. That's what the '06
14 partnership owed this '07 partnership. And this is
15 the remaining plugging liabilities of the partnership
16 at that time.

17 Q. And how much a well is that?

18 A. Approximately 50 to 55,000 per well.

19 Q. And how many wells had been plugged as of
20 October 29, 2018?

21 A. How many wells had been plugged?

22 Q. How many of the Rocky Regions 2007
23 partnerships wells had been plugged as of that date?

24 A. I don't recall offhand.

25 Q. And under the terms of the partnership

1 agreement, PDC itself was liable, as the general
2 partner, to pay the plugging liabilities of the 2007
3 partnership agreement?

4 MR. MORFEY: Objection, legal conclusion.
5 The partnership agreement speaks for itself.

6 A. I believe the partnership was responsible
7 for its own plugging liabilities.

8 Q. (BY MR. FOLEY) And where in the
9 partnership agreement can you point to me for the
10 '06/'07 partnerships that the partnerships themselves
11 were responsible themselves for their plugging
12 liabilities?

13 A. I believe it's under Character of
14 Business, 1.03, page A1.

15 Q. All right. And where in Section 1.03
16 Character of Business does it say that the partnership
17 is liable for plugging and abandoning expenses?

18 A. Well, this says what the principal
19 business of the partnership is, and it's to drill for
20 oil, gas, hydrocarbons and other minerals such
21 properties to produce, sell, hydrocarbons and other
22 minerals from such properties and to invest and
23 generally engage in all phases of the oil and gas
24 business. Such business purpose shall include without
25 limitation the purchase, sale, acquisition and/or

1 have a topic with respect to this provision of the
2 partnership agreement. So he's not being put up as a
3 corporate representative, much less the person most
4 knowledgeable about that. So I'd ask that you
5 rephrase your question.

6 Q. (BY MR. FOLEY) Isn't it a fact, sir,
7 that if they are plugging and abandoning liabilities
8 for which PDC, acting as the managing general partner,
9 has failed to reserve enough monies for out of
10 distributions to the limited partners and
11 distributions to itself, PDC is jointly and severally
12 liable for the debts and obligations of the
13 partnership?

14 MR. MORFEY: I'm going to object that it
15 calls for a legal conclusion, and it's also outside of
16 the scope of what we have agreed that's appropriate
17 for today. And I'm instructing him not to answer.

18 MR. FOLEY: Would you mark that question,
19 Madam Reporter.

20 Q. (BY MR. FOLEY) I just have a few
21 clean-up questions, and we're almost done. One
22 clean-up question is -- let's look at Exhibit 25.
23 Exhibit 25, for the record, is produced by the debtors
24 with Bates stamps 1342 through 1350. And it's a bank
25 account statement for the Rockies Region 2006

1 of what we agreed is appropriate. And I instruct you
2 not to answer.

3 Q. (BY MR. FOLEY) As of October 30, 2018,
4 had PDC come up with a timeline to plug all of the
5 remaining operational wells of the 2007 partnership?

6 MR. MORFEY: Same objection and
7 instruction.

8 Q. (BY MR. FOLEY) So in determining this
9 liability for future liabilities to charge the
10 partnerships with forecasted or projected plugging and
11 abandoning expenses, there was no timeline prepared by
12 PDC to plug those wells?

13 MR. MORFEY: Same obstruction -- same
14 instruction and objection.

15 MR. FOLEY: Would you mark that last
16 series of questions, please.

17 Q. (BY MR. FOLEY) Sir, what criteria was
18 used by PDC from 2013 to date for determining when to
19 shut in a partnership vertical well?

20 MR. MORFEY: Same instruction and
21 objection. It's outside the scope of what we've
22 agreed is appropriate in terms of the breadth of these
23 topics.

24 MR. FOLEY: Well, I don't agree, sir,
25 because if there's no criteria, and PDC can just plug

1 a well whenever it wants, it can run up the costs to
2 plugging wells when they are still productive because
3 it doesn't want to interfere with the production of
4 its horizontal wells. It goes, again, to the motive
5 of PDC in entering into this bankruptcy arrangement
6 with Ms. Nicolaou.

7 MR. MORFEY: I disagree, but I understand
8 your position.

9 Q. (BY MR. FOLEY) What criteria is used by
10 PDC to determine when it's going to plug one of the
11 '06 or '07 partnership wells?

12 MR. MORFEY: Same instruction and
13 objection.

14 MR. FOLEY: Would you mark that question,
15 please.

16 Q. (BY MR. FOLEY) Now -- and I have
17 Ms. Nicolaou's deposition here in a rough version, but
18 she testified at her deposition recently that she has
19 exclusive authority to make all material decisions on
20 behalf of the '06 and '07 partnerships.

21 Do you, as a representative and officer
22 of PDC, agree with that, that you have delegated to
23 Karen Nicolaou exclusive authority to make all
24 material decisions on behalf of the '06 and '07
25 partnerships?

1 questions, and then get back to Mr. Graves or his
2 staff.

3 Q. Did you and Mr. Graves have any
4 discussion about what interests the '06 and '07
5 partnerships had in terms of either a wellbore or an
6 interest in a lease or spacing unit?

7 A. We provided him information showing him
8 what each partnership -- what the well -- each
9 partnership's wellbore interest was in the
10 partnership.

11 Q. I understand, but perhaps you didn't
12 understand my question.

13 A. Okay.

14 Q. Did you have a discussion with Mr. Graves
15 where he said words to the effect of, Let's talk about
16 what do these partnerships own? Is it a wellbore or
17 is it a -- something more? Did you have any
18 conversations like that with him?

19 MR. MORFEY: I'm going to object. This
20 is outside the scope of the deposition, and I instruct
21 him not to answer.

22 MR. FOLEY: Counsel, this goes to whether
23 Ms. Nicolaou did an adequate job of investigating the
24 claims of the partnership. And this is clear that you
25 are just trying to obstruct the inquiry into that.

1 but as I said, the federal rules provide for that.

2 Okay. Thank you for your patience,
3 Mr. Stump.

4 WHEREUPON, the within proceedings were
5 concluded at the approximate hour of 5:45 p.m. on the
6 15th day of May, 2019.

7 * * * * *

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1 I, DARWIN STUMP, do hereby certify that I
2 have read the above and foregoing deposition and that
3 the same is a true and accurate transcription of my
4 testimony, except for attached amendments, if any.

5 Amendments attached () Yes () No

6

7

8

DARWIN STUMP

9

10

11

12 The signature above of DARWIN STUMP was
13 subscribed and sworn to or affirmed before me in the
14 county of _____, state of
15 _____, this _____ day of
16 _____, 2019.

17

18

19

Notary Public
My commission expires

20

21

22

23

24

25 Rockies Region 2006, 5/15/19 (tc)

1 REPORTER'S CERTIFICATE

2 STATE OF COLORADO)
) ss.
3 CITY AND COUNTY OF DENVER)

4 I, TERESA LYNNE CARDENAS, Registered
Professional Reporter, Certified Realtime Reporter,
5 and Notary Public ID 19994013288, State of Colorado,
do hereby certify that previous to the commencement of
6 the examination, the said DARWIN STUMP was duly sworn
or affirmed by me to testify to the truth in relation
7 to the matters in controversy between the parties
hereto; that the said deposition was taken in machine
8 shorthand by me at the time and place aforesaid and
was thereafter reduced to typewritten form; that the
9 foregoing is a true transcript of the questions asked,
testimony given, and proceedings had.

10

I further certify that I am not employed by,
11 related to, nor counsel for any of the parties herein,
nor otherwise interested in the outcome of this
12 litigation.

13 IN WITNESS WHEREOF, I have affixed my
signature this 24th day of May,
14 2019.

15 My commission expires May 24, 2019.

16

17

18 Reading and Signing was requested.

19 Reading and Signing was waived.

20 Reading and Signing was not required.

21

22

23

24 _____
TERESA LYNNE CARDENAS
Registered Professional Reporter
Certified Realtime Reporter

25