

PDC ENERGY, INC.
Form 10-K
February 19, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2014

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 000-07246

PDC ENERGY, INC.

(Exact name of registrant as specified in its charter)

Nevada

(State of incorporation)

1775 Sherman Street, Suite 3000

Denver, Colorado 80203

(Address of principal executive offices) (Zip code)

95-2636730

(I.R.S. Employer Identification No.)

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

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

Title of each class

Common Stock, par value \$0.01 per share

Name of each exchange on which registered

NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes T No £

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes £ No T

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 T No £

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

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

The aggregate market value of our common stock held by non-affiliates on June 30, 2014 was \$2.2 billion (based on the closing price of \$63.15 per share as of the last business day of the fiscal quarter ending June 30, 2014).

As of February 2, 2015, there were 35,991,142 shares of our common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

We hereby incorporate by reference into this document the information required by Part III of this Form, which will appear in our definitive proxy statement to be filed pursuant to Regulation 14A for our 2015 Annual Meeting of Stockholders.

PDC ENERGY, INC.

2014 ANNUAL REPORT ON FORM 10-K

TABLE OF CONTENTS

	PART I	Page
<u>Items 1. and 2.</u>	<u>Business and Properties</u>	<u>2</u>
<u>Item 1A.</u>	<u>Risk Factors</u>	<u>18</u>
<u>Item 1B.</u>	<u>Unresolved Staff Comments</u>	<u>32</u>
<u>Item 3.</u>	<u>Legal Proceedings</u>	<u>32</u>
<u>Item 4.</u>	<u>Mine Safety Disclosures</u>	<u>32</u>
	PART II	
<u>Item 5.</u>	<u>Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	<u>33</u>
<u>Item 6.</u>	<u>Selected Financial Data</u>	<u>35</u>
<u>Item 7.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>36</u>
<u>Item 7A.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>54</u>
<u>Item 8.</u>	<u>Financial Statements and Supplementary Data</u>	<u>56</u>
<u>Item 9.</u>	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	<u>96</u>

<u>Item 9A.</u>	<u>Controls and Procedures</u>	<u>96</u>
<u>Item 9B.</u>	<u>Other Information</u>	<u>96</u>
PART III		
<u>Item 10.</u>	<u>Directors, Executive Officers and Corporate Governance</u>	<u>97</u>
<u>Item 11.</u>	<u>Executive Compensation</u>	<u>97</u>
<u>Item 12.</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	<u>97</u>
<u>Item 13.</u>	<u>Certain Relationships and Related Transactions, and Director Independence</u>	<u>97</u>
<u>Item 14.</u>	<u>Principal Accounting Fees and Services</u>	<u>97</u>
PART IV		
<u>Item 15.</u>	<u>Exhibits, Financial Statement Schedule</u>	<u>97</u>
	<u>Signatures</u>	<u>99</u>
	<u>Glossary of Units of Measurements and Industry Terms</u>	<u>100</u>

PART I

REFERENCES TO THE REGISTRANT

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, including our proportionate share of the financial position, results of operations, cash flows and operating activities of our affiliated partnerships and PDC Mountaineer, LLC ("PDCM"), a joint venture owned until its sale in October 2014 50% each by PDC and Lime Rock Partners, LP. Unless the context otherwise requires, references in this report to "Appalachian Basin" refers to our operations in the Utica Shale in Ohio and Marcellus Shale in West Virginia and Pennsylvania, including PDC's proportionate share of our affiliated partnerships' and PDCM's assets, results of operations, cash flows and operating activities. See Note 1, Nature of Operations and Basis of Presentation, to our consolidated financial statements included elsewhere in this report for a description of our consolidated subsidiaries and Note 14, Assets Held for Sale, Divestitures and Discontinued Operations, for a discussion of the sale of our interest in PDCM.

GLOSSARY OF UNITS OF MEASUREMENTS AND INDUSTRY TERMS

Units of measurements and industry terms are defined in the Glossary of Units of Measurements and Industry Terms, included at the end of this report.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 ("Securities Act") and Section 21E of the Securities Exchange Act of 1934 ("Exchange Act") regarding our business, financial condition, results of operations and prospects. All statements other than statements of historical facts included in and incorporated by reference into this report are "forward-looking statements" within the meaning of the safe harbor provisions of the United States ("U.S.") Private Securities Litigation Reform Act of 1995. Words such as expects, anticipates, intends, plans, believes, seeks, estimates and similar expressions or variations of such words are intended to identify forward-looking statements herein. These statements relate to, among other things: estimated future production (including the components of such production), sales, expenses, cash flows and liquidity; estimated crude oil, natural gas and natural gas liquids ("NGLs") reserves; the impact of prolonged depressed commodity prices; anticipated 2015 capital projects, expenditures and opportunities; expected timing of additional drilling rigs; availability of sufficient funding for our 2015 capital program and sources of that funding; expected 2015 capital budget allocations; future exploration, drilling and development activities, including the number of drilling rigs we expect to run during 2015 and number of locations; capital efficiencies and per well reserves expected to be realized through drilling of extended length laterals, tighter frac spacing and cost reductions; our evaluation method of our customers' and derivative counterparties' credit risk; effectiveness of our derivative program in providing a degree of price stability; future horizontal drilling projects that are economically producible at certain commodity prices and costs; anticipated reductions in our 2015 cost structure; potential for future impairments; potential acquisitions of additional acreage and other future transactions; electronic, cyber or physical security breaches; the impact of high line pressures and the timing, availability, cost and effect of additional midstream facilities and services going forward; the expected NYMEX differential at our two primary sales hubs; compliance with debt covenants; expected funding sources for conversion of our 3.25% convertible senior notes due 2016; compliance with government regulations; impact of the Colorado task force on oil and gas regulation and potential future ballot initiatives and legislation; the borrowing base under our credit facility; impact of litigation on our results of operations and financial position; the adequacy of existing insurance to cover operating hazards and the availability of such insurance on a cost effective basis in the future; that we hold good and defensible title to our leasehold; that we do not expect to pay dividends in the foreseeable future; anticipated timing of filing of a new shelf registration statement; and our future

strategies, plans and objectives.

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. Consequently, forward-looking statements are inherently subject to risks and uncertainties, including known and unknown risks and uncertainties incidental to the exploration for, and the acquisition, development, production and marketing of, crude oil, natural gas and NGLs, and actual outcomes may differ materially from the results and outcomes discussed in the forward-looking statements.

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

- changes in worldwide production volumes and demand, including economic conditions that might impact demand;
- volatility of commodity prices for crude oil, natural gas and NGLs and the risk of an extended period of depressed prices;
- impact of governmental policies and/or regulations, including changes in environmental and other laws, the interpretation and enforcement related to those laws and regulations, liabilities arising thereunder and the costs to comply with those laws and regulations;
- potential 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;
- our ability to secure leases, drilling rigs, supplies and services at reasonable prices;
- availability 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;

- timing and receipt of necessary regulatory permits;
- risks incidental to the drilling and operation of crude oil and natural gas wells;
- our future cash flows, liquidity and financial condition;
- competition within the oil and gas industry;
- availability and cost of capital;
- reductions in the borrowing base under our revolving credit facility;
- our success in marketing crude oil, natural gas and NGLs;
- effect of crude oil and natural gas derivatives activities;
- 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 expenditures;
- 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 Item 1A, Risk Factors, made in this report and our other filings with the U.S. Securities and Exchange Commission ("SEC") for further information on risks and uncertainties that could affect our business, financial condition, results of operations and cash flows. We caution you not to place undue reliance on 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.

ITEMS 1. AND 2. BUSINESS AND PROPERTIES

The Company

We are a domestic independent exploration and production company that produces, develops, acquires and explores for crude oil, natural gas and NGLs with primary operations in the Wattenberg Field in Colorado, the Utica Shale in southeastern Ohio and, until the fourth quarter of 2014, the Marcellus Shale in northern West Virginia. Our 2015 operations in the Wattenberg Field are focused in the inner and middle core areas of the Niobrara and Codell plays. We own an interest in approximately 2,900 gross producing wells, of which approximately 350 are horizontal. Production of 9.3 MMboe from continuing operations for the year ended December 31, 2014 represents an increase of 42% compared to the year ended December 31, 2013. For the month ended December 31, 2014, we maintained an average production rate of 30 MBoe per day. As of December 31, 2014, we had approximately 250 MMBoe of proved reserves (30% of which are proved developed) with a pre-tax present value of future net revenues ("PV-10") of \$3.5 billion, representing increases of 24 MMBoe and \$0.8 billion, respectively, relative to December 31, 2013, after adjusting for the divestiture of our Marcellus Shale dry-gas assets. Proved reserves at December 31, 2014 were comprised of approximately 64% liquids and 36% natural gas. Our proved reserve additions included further downspacing in the Wattenberg Field and an increase in per well reserves in our inner core horizontal wells targeting the Niobrara formation. PV-10 is not a financial measure under accounting principles generally accepted in the United States of America ("U.S. GAAP"). See Part I, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Reconciliation of Non-U.S. GAAP Financial Measures, for a definition of PV-10 and a reconciliation of our PV-10 value to our standardized measure.

The increases in our production and estimated proved reserves are primarily attributable to our successful horizontal Niobrara and Codell drilling programs in the Wattenberg Field. Future development of the Wattenberg Field provides the opportunity to add further proved, probable and possible reserves to our portfolio through continued delineation

and downspacing of the horizontal Niobrara and Codell formations. Similarly, we believe the Utica Shale provides the opportunity for additional proved, probable and possible reserves in a more favorable crude oil and natural gas pricing environment. In 2014, we spudded 116 horizontal wells in the Wattenberg Field, turned-in-line 86 horizontal wells and participated in 84 gross, 18.7 net, horizontal non-operated drilling projects. We spudded 11 horizontal Utica Shale wells in 2014 and turned-in-line eight horizontal wells.

The following table presents our proved reserve estimates as of December 31, 2014 based on a reserve report prepared by Ryder Scott Company, L.P. (“Ryder Scott”), our independent petroleum engineering consulting firm, and related information:

	Proved Reserves at December 31, 2014				Proved Reserves to Production Ratio (in years)	2014 Production (MMBoe)
	Proved Reserves (MMBoe)	% of Total Proved Reserves	% Proved Developed	% Liquids		
Wattenberg Field	245	98	% 29	% 64	% 28.9	8,484
Utica Shale	5	2	% 77	% 53	% 6.5	805
Total proved reserves	250	100	% 30	% 64	% 26.9	9,289

Our Strengths

Excellent drilling opportunities with a strong liquidity position.

Multi-year project inventory in premier crude oil, natural gas and NGLs plays. We have a significant operational presence in two key U.S. onshore basins and have identified a substantial inventory of approximately 2,650 gross proved undeveloped and probable horizontal drilling projects. We believe that this inventory will allow us to continue to grow our reserves and production, and that, with respect to the Wattenberg Field in particular, the majority of our projects will generate attractive rates of return at current commodity prices and our expected cost structure.

Access to liquidity. As of December 31, 2014, we had a total liquidity position of \$398.4 million, comprised of \$16.1 million of cash and cash equivalents and \$382.3 million available for borrowing under revolving credit facility. We have no near-term debt maturities and had \$56.0 million outstanding on our revolving credit facility as of December 31, 2014. In September 2014, the semi-annual redetermination of our revolving credit facility's borrowing base was completed, resulting in an increase in the borrowing base from \$450 million to \$700 million. We elected to maintain the aggregate commitment at \$450 million. Considering the additional \$250 million borrowing base available under our revolving credit facility, subject to certain terms and conditions of the agreement, our liquidity position as of December 31, 2014 would have been \$648.3 million.

Derivative program. We actively hedge our future exposure to commodity price fluctuations by entering into crude oil and natural gas collars, fixed-price swaps and basis protection swaps. As of December 31, 2014, we have hedged approximately 5,200 MBbls, or approximately 79% to 85%, of our expected crude oil production in 2015 at a weighted-average minimum price of \$88.61 per Bbl and a weighted-average maximum price of \$90.07 per Bbl. As of the same date, we have hedged approximately 22.5 Bcf, or approximately 74% to 79%, of our expected natural gas production in 2015 at a weighted-average minimum price of \$3.90 per Mcf and a weighted-average maximum price of \$4.02 per Mcf. While our derivative program limits the upside benefits we may otherwise receive during periods of higher commodity prices, the program helps protect our cash flows, borrowing base and liquidity during periods of depressed commodity prices.

Track record of reserve and production growth. Our proved reserves have grown from 38 MMBoe at December 31, 2009, after adjusting for subsequent divestitures, to approximately 250 MMBoe at December 31, 2014, representing a compound annual growth rate (“CAGR”) of 46%. During the same time period, our proved crude oil and NGL reserves grew at a CAGR of 55%. Our annual production from continuing operations grew from 2.7 MMBoe in 2009 to 9.3

MMBoe in 2014, representing a CAGR of 28%.

Horizontal drilling and completion experience. We have a proven track record of applying technical expertise toward developing unconventional resources through horizontal drilling and completion operations. We have transitioned to multi-well pad drilling, extended laterals, increased frac density and enhanced frac design to further optimize costs and enhance horizontal drilling efficiencies. These changes enable us to improve economics and increase well density in our horizontal plays.

Significant control in our core areas. As a result of successfully executing our strategy of acquiring largely concentrated acreage positions with a high working interest, we operate and manage approximately 89% of the wells in which we have an interest. Our high percentage of operated properties enables us to exercise a significant level of control with respect to drilling, production, operating and administrative costs, in addition to leveraging our base of technical expertise in our core operating areas. Additionally, this strategy provides us flexibility in selecting drilling locations based upon differing criteria. Our operational control is also enhanced by the fact that a majority of our Wattenberg Field leasehold is held by production.

- Reputation for strong environmental health and safety compliance program. We believe that we have established a positive reputation for our environmental health and safety program. We believe that this is an important advantage for us in competing in today's intensive regulatory climate and in working with local communities in which we operate.

Community participation and outreach. We are dedicated to being an active and contributing member in the communities in which we operate. We share our success with these communities in various ways, including charitable giving and community event sponsorships. We also encourage our employees to take an active role through our charitable matching contribution fund and by participating in our “Energizing Our Community” day, during which our employees volunteer in the communities in which they work and live.

Management experience and operational expertise. We have a management team with a proven track record of drilling performance and a technical and operational staff with expertise in the basins in which we operate, particularly in horizontal drilling, completion and production activities in the Wattenberg Field.

Business Strategy

Our long-term business strategy focuses on generating shareholder value through the development, acquisition and exploration of crude oil and natural gas properties. We are currently focused on the organic growth of our reserves, production and cash flows in our horizontal drilling programs after having completed multiple transactions over the last several years to restructure and simplify our property portfolio. We pursue various midstream, marketing and cost reduction initiatives designed to increase our per unit operating margins while maintaining a conservative and disciplined financial strategy focused on providing sufficient liquidity and balance sheet strength to execute our business strategy.

We focus on horizontal development drilling programs in resource plays that offer repeatable results capable of driving growth in reserves, production and cash flows. We periodically review acquisition opportunities in our core areas of operation as we believe we can extract additional value from such assets through production optimization, refracturing, recompletions and development drilling. In addition, core acquisitions can potentially provide synergies that result in economies of scale from a combined position. While we believe development drilling will remain the foundation of our capital program, we expect to continue our disciplined approach to acquisitions and exploratory drilling.

Development drilling

Our leasehold interests consist of developed and undeveloped crude oil, natural gas and NGLs resources. Based upon our current acreage holdings, we have identified an inventory of approximately 2,650 gross proved undeveloped and probable capital projects for horizontal development. Our 2015 capital program forecast is \$473 million, including \$435 million of development capital and \$38 million for lease acquisition and other capital expenditures. The capital program forecast is a revision to our original 2015 capital budget that was announced in December 2014 and has been adjusted for anticipated service cost reductions and lower non-operated spending, partially offset by increased working interests on certain planned 2015 wells. As a result of our operational flexibility, we have allocated a significantly higher percentage of our 2015 capital program forecast to our higher-return projects in the Wattenberg Field inner and middle core areas.

Wattenberg Field. Our primary focus in the Wattenberg Field is drilling in the horizontal Niobrara and Codell plays. Based on our current drilling program, and considering our inventory of approximately 2,600 gross proved undeveloped and probable horizontal projects, we have nearly 20 years of drilling activity. These projects are primarily located in the core Wattenberg Field, which is further delineated between the inner, middle and outer core. In 2015, we expect to continue to realize additional capital efficiencies through drilling extended length laterals, tighter frac spacing and shifting more of our drilling program to the inner and middle core areas of the field. We plan to enhance our completion design by decreasing the spacing between frac stages from 250 feet to 200 feet. With the modified completion design of more frac stages and anticipated cost structure savings, our gross drilling and

completion costs per well for a 4,000 foot length lateral are expected to be approximately \$3.6 million and are expected to be approximately \$4.6 million for our extended 6,500 to 7,000 foot laterals. We expect increased per well reserves from tighter frac spacing and extended laterals. Additionally, we are drilling the majority of our wells in the inner and middle core areas, which have higher per well reserves than the outer core.

Approximately \$414 million of our 2015 capital program forecast is expected to be spent on development activities in the Wattenberg Field, consisting of \$358 million for our operated drilling program, of which 91% is directed towards the inner and middle core, and \$56 million for non-operated projects. We expect to spud approximately 119 and turn in line 109 horizontal Niobrara or Codell wells of which 40% are expected to be extended length laterals.

Approximately 60% of those wells are expected to target the Niobrara formation with the remainder targeting the Codell formation. We expect to participate in approximately 85 gross, 14.2 net, non-operated horizontal opportunities in 2015. We plan to invest approximately \$21 million on other capital expenditures in the Wattenberg Field. The 2015 capital program forecast maintains our five-rig drilling program in the Wattenberg Field and is based upon the commodity price environment experienced in the first quarter of 2015. A further deterioration of commodity prices could negatively impact our financial condition and results of operations. We may further revise our capital program forecast during the year as a result of, among other things, commodity prices, acquisitions or dispositions of assets, drilling results, changes in our borrowing capacity and/or significant changes in cash flows.

Utica Shale. During 2014, we continued to delineate and develop our leasehold position in the Utica Shale. However, based on current low commodity prices and large natural gas price differentials in Appalachia, we elected to temporarily cease drilling in the Utica Shale at the end of 2014. We recognized an impairment charge of \$158.3 million to write-down our Utica Shale producing and non-producing crude oil and natural gas properties to their estimated fair value. The impairment of undeveloped acreage is primarily on acreage located outside the condensate and wet natural gas windows of the Utica Shale. For 2015, we plan to invest a total of \$35 million in the Utica Shale play to complete and turn-in-line a four-well pad that was in process as of December 31, 2014 and for lease acquisition and other capital

expenditures. We expect to resume our Utica Shale drilling program when commodity prices and net-back realizations rebound. We remain committed to the strong Utica Shale resource we are developing in the condensate and wet natural gas windows of the play. In 2015, we will develop production, reservoir and completion analyses from our recently drilled wells and will incorporate the data into our future drilling programs. We currently estimate that we have approximately 50 gross probable projects for horizontal drilling in the condensate and wet natural gas windows of the Utica Shale and have spudded 24 horizontal wells through December 31, 2014.

Operational and financial risk management

We proactively employ strategies to help reduce the financial risks associated with our industry. One such strategy is to maintain a balanced production mix of liquids and natural gas. During 2014, we produced crude oil, natural gas and NGLs with a production mix of approximately 65% liquids and 35% natural gas. This strategy of a diversified commodity mix helps mitigate the financial impact from a decline in the market price of any one of our commodities. In addition, we utilize commodity-based derivative instruments to manage a substantial portion of our exposure to price volatility with regard to our crude oil and natural gas sales and natural gas marketing segments. As of December 31, 2014, we had natural gas and crude oil derivative positions in place for 2015 covering approximately 5,200 MBbls of our crude oil production and approximately 22.5 Bcf of our natural gas production. Currently, we do not hedge our NGL production.

Strategic acquisitions

We typically pursue the acquisition of assets that may have value from producing wells and behind-pipe reserves, but most important, from high quality undeveloped drilling locations. We seek properties with large undeveloped drilling upside where we believe we can utilize our operational abilities to add shareholder value. We have an experienced team of management, engineering, geosciences and commercial professionals who identify and evaluate acquisition opportunities.

Wattenberg Field. In June 2012, we acquired certain assets from affiliates of Merit Energy (the "Merit Acquisition") for an aggregate purchase price of \$304.6 million. The acquired assets comprise approximately 30,000 net acres located almost entirely in the core Wattenberg Field and in close proximity to our then-existing acreage position. Our total position in the core Wattenberg Field is now approximately 96,000 net acres.

Utica Shale. Over the past three years, we have acquired approximately 67,000 net acres of Utica leaseholds, targeting the condensate and wet natural gas windows of the Utica Shale play in southeastern Ohio. As an early entrant into the development of the Utica Shale, we believe we have gained valuable experience in drilling and developing the condensate and wet natural gas windows of the play.

Strategic divestitures

We continue to seek ways to optimize our asset portfolio as part of our business strategy. This may include divesting lower return assets and reinvesting in our stronger economic inventory. As a result, we have divested several assets over the past few years.

Appalachian Marcellus Shale Assets. In October 2014, we completed the sale of our entire 50% ownership interest in PDCM to an unrelated third-party for aggregate consideration, after our share of PDCM's debt repayment and other working capital adjustments, of approximately \$192 million, comprised of approximately \$153 million in net cash proceeds and a promissory note due in 2020 of approximately \$39 million. The transaction included the buyer's assumption of our share of the firm transportation commitment related to the assets owned by PDCM, as well as our share of PDCM's natural gas hedging positions for the years 2014 through 2017. The divestiture resulted in a pre-tax

gain of \$76.3 million. Proceeds from the divestiture were used to reduce outstanding borrowings on our revolving credit facility and to fund a portion of our 2014 capital budget. Our proportionate share of PDCM's Marcellus Shale results of operations has been separately reported as discontinued operations in the consolidated statements of operations for all periods presented. See Note 14, Assets Held for Sale, Divestitures and Discontinued Operations, to our consolidated financial statements included elsewhere in this report for additional information regarding this divestiture.

Appalachian Shallow Upper Devonian Gas Assets. In December 2013, we divested our shallow Upper Devonian (non-Marcellus Shale) Appalachian Basin crude oil and natural gas properties previously owned directly by us, as well as through our proportionate share of PDCM, for aggregate consideration of approximately \$20.6 million, of which our share of the proceeds was approximately \$5.1 million. We received our proportionate share of cash proceeds and a note receivable. Concurrent with the closing of the transaction, our \$6.7 million irrevocable standby letter of credit and an agreement for firm transportation services was released and novated to the buyer.

Colorado Dry Gas Assets. In June 2013, we completed the sale of our non-core Colorado dry gas assets, primarily natural gas producing properties located in the Piceance Basin, northeastern Colorado and other non-core areas, to certain affiliates of Caerus Oil and Gas LLC ("Caerus") for consideration of \$177.6 million, with an additional \$17 million paid to our non-affiliated investor partners in our affiliated partnerships. The sale resulted in a pre-tax loss of \$2.3 million. The proceeds from the asset disposition were used to pay down our revolving credit facility and to fund a portion of our 2013 capital budget.

Selective exploration

With the current commodity pricing environment, we do not expect our exploration activity to be significant in 2015. Historically, we have pursued a disciplined exploration program intended to replenish our portfolio and to position us for production and reserve growth in future years. We have attempted to identify potential plays in their early stages in order to accumulate significant leasehold positions

prior to competitive forces driving up the cost of entry and to invest in leasehold positions that are in the proximity of existing or emerging midstream infrastructure.

Business Segments

We divide our operating activities into two segments: (1) Oil and Gas Exploration and Production and (2) Gas Marketing.

Oil and Gas Exploration and Production

Our Oil and Gas Exploration and Production segment primarily reflects revenues and expenses from the production and sale of crude oil, natural gas and NGLs, commodity price risk management, net, and well operations and pipeline income. The exploration and production of crude oil, natural gas and NGLs involves the acquisition or leasing of mineral rights to proved reserves and related surface rights. Prior to development of these properties, we assess the economic viability of potential well development opportunities. We then develop the reserves through the drilling of oil and gas wells, which are drilled, completed and put into production. Subsequent to completion, we operate and maintain the wells while controlling associated production costs. Upon extraction of the estimated recoverable reserves from a well, it is plugged and surface disturbance surrounding the well and producing facilities is remediated. In some cases, we may also own a working interest in wells operated by unrelated third-parties. The Oil and Gas Exploration and Production segment's most significant customers are currently Suncor Energy Marketing, Inc., Concord Energy, LLC, DCP Midstream, LP and Teppco Crude Oil, LLC. Sales to each of these parties constitute more than 10% of our revenues.

Our crude oil, natural gas and NGLs production is gathered, marketed and sold as follows:

Crude oil. We do not refine any of our crude oil production. In the Wattenberg Field, crude oil is sold at each individual well site and transported by the purchasers via truck, pipeline or rail to markets under various purchase contracts with monthly pricing provisions based on NYMEX pricing, adjusted for differentials. We have entered into a five-year agreement, beginning in the second quarter of 2015, which will allow crude oil sold to these purchasers to be transported via pipeline to Cushing, Oklahoma. In addition, we have signed a long term agreement for gathering of crude oil at the wellhead by pipeline from several of our wells and transportation to at least one central point in the Wattenberg Field, with a view toward reducing costs and minimizing truck traffic. In the Utica Shale, crude oil and condensate is sold to local purchasers at each individual well site based on NYMEX pricing, adjusted for differentials, and is typically transported by the purchasers via truck to local refineries, rail facilities or barge loading terminals on the Ohio River.

Natural gas. We primarily sell our natural gas to midstream service providers, marketers and utilities. Our natural gas is transported through third-party gathering systems and pipelines and we incur gathering, processing and transportation expenses to move our natural gas from the wellhead to a purchaser-specified delivery point. We generally sell the natural gas that we produce under contracts with indexed, NYMEX or CIG monthly pricing provisions, with the remaining production sold under contracts with daily pricing provisions. Virtually all of our contracts include provisions whereby prices change monthly with changes in the market, with certain adjustments that may be made based on whether a well delivers to a gathering or transmission line and the quality of the natural gas. Therefore, the price of the natural gas fluctuates to remain competitive with other available natural gas supplies. In certain instances, we enter into firm transportation, processing and sales agreements to provide for pipeline capacity to flow and sell a portion of our natural gas volumes. In the Wattenberg Field, the majority of our leasehold is dedicated to our primary midstream provider, DCP Midstream, LP, which gathers and processes wet natural gas produced in the basin and sells our residue gas to various markets. In the fourth quarter of 2014, we entered into an agreement with AKA Energy Group ("AKA") whereby we have committed production from a specified number of new horizontal

wells to be drilled and completed prior to mid-2016. Pursuant to the agreement, AKA is required to install and operate, or contract for use of, facilities necessary to receive and purchase production volume committed under the agreement. In the Utica Shale, wet natural gas produced in our northern acreage is gathered and processed pursuant to a firm transportation agreement with MarkWest Utica EMG ("MarkWest") while wet natural gas produced in our southern acreage is gathered and processed by Blue Racer Midstream LLC ("Blue Racer"). We market our Utica residue gas to various purchasers based on a pipeline basis or NYMEX pricing. We are currently selling all of our residue gas from the MarkWest plant at a daily price based on the Chicago Citygate market, and plan to do so through October 2015.

NGLs. In the Wattenberg Field, all of our NGLs are sold at the tailgate of the third-party midstream service provider processing plants based on a combination of prices from the Conway hub in Kansas and Mt. Belvieu in Texas where this production is marketed. In the Utica Shale, our NGLs are fractionated and marketed by MarkWest and Blue Racer and sold based on month-to-month pricing in various markets. Our NGL production is sold under both short- and long-term contracts.

Gas Marketing

Our Gas Marketing segment is comprised solely of the operating activities of our wholly-owned subsidiary Riley Natural Gas ("RNG"). RNG specializes in the purchase, aggregation and sale of natural gas production in the Appalachian Basin. Financial results from our gas marketing segment were not material to our consolidated financial statements for any of the periods presented in this report and we do not expect them to be material in the future. RNG purchases for resale natural gas produced by third-party producers, as well as natural gas produced by us in the Utica Shale. The natural gas is marketed to third-party marketers, natural gas utilities and industrial and commercial

customers through transportation services provided by regulated interstate/intrastate pipeline companies. RNG is party to long-term firm transportation, sales and processing agreements for pipeline capacity through August 2022. Following the sale of our 50% ownership interest in PDCM in October 2014, RNG's marketing activities were scaled down and are limited to purchasing, aggregating and selling natural gas production to attempt to meet such volume commitments. After the long-term firm transportation agreements expire, we expect to discontinue this segment.

For additional information regarding our business segments, see Note 17, Business Segments, to our consolidated financial statements included elsewhere in this report.

Areas of Operations

The following map presents the general locations of our development and production activities as of December 31, 2014:

Wattenberg Field, DJ Basin, Colorado. Currently, horizontal wells drilled in this area target the reservoirs in the Niobrara and Codell formations. These horizontal wells have a vertical depth ranging from approximately 6,500 to 7,500 feet, with lateral lengths of approximately 4,000 to 7,000 feet. Using pad drilling, we have increased well density in the horizontal Niobrara and Codell plays, which results in reduced per-well costs. We currently estimate that we have 2,600 gross proved undeveloped and probable horizontal projects in the Wattenberg Field drilling inventory. In addition to our horizontal drilling program, we currently operate approximately 2,450 vertical wells in the Wattenberg Field.

Utica Shale, southeastern Ohio. Wells drilled in this area primarily target the Point Pleasant member of the Utica Shale formation. Our acreage targets the condensate and wet natural gas windows of the Utica Shale play throughout southeastern Ohio. The horizontal wells have a vertical depth ranging from approximately 7,000 to 8,000 feet, with lateral lengths of approximately 4,000 to 7,500 feet. We currently estimate that we have approximately 50 gross probable projects for horizontal drilling in the condensate and wet natural gas windows of the Utica Shale.

Properties

Productive Wells

The following table presents our productive wells:

Operating Region/Area	Productive Wells					
	As of December 31, 2014					
	Crude Oil		Natural Gas		Total	
	Gross	Net	Gross	Net	Gross	Net
Wattenberg Field	403	246.9	2,445	2,200.1	2,848	2,447.0
Utica Shale	16	12.7	3	3.0	19	15.7
Total productive wells	419	259.6	2,448	2,203.1	2,867	2,462.7

Proved Reserves

Our proved reserves are sensitive to future crude oil, natural gas and NGLs sales prices and the related effect on the economic productive life of producing properties. Increases in commodity prices may result in a longer economic productive life of a property or result in recognition of more economically viable proved undeveloped reserves. Decreases in commodity prices may result in negative impacts of this nature.

All of our proved reserves are located onshore in the U.S. Our proved reserve estimates are prepared using the definitions for proved reserves set forth in SEC Regulation S-X, Rule 4-10(a) and other applicable SEC rules. As of December 31, 2014, all of our proved reserves, including our proportionate share of our affiliated partnerships' reserves, have been estimated by Ryder Scott.

We have a comprehensive process that governs the determination and reporting of our proved reserves. As part of our internal control process, our reserves are reviewed annually by an internal team composed of reservoir engineers, geologists and accounting personnel for adherence to SEC guidelines through a detailed review of land records, available geological and reservoir data, and production performance data. The process includes a review of applicable working and net revenue interests and cost and performance data. The internal team compiles the reviewed data and forwards the data to Ryder Scott.

When preparing our reserve estimates, Ryder Scott did not independently verify the accuracy and completeness of information and data furnished by us with respect to ownership interests, production volumes, well test data, historical costs of operations and development, product prices or any agreements relating to current and future operations of properties and sales of production. Ryder Scott prepares an estimate of our reserves in conjunction with an ongoing review by our engineers. A final comparison of data is performed to ensure that the reserve estimates are complete, determined pursuant to acceptable industry methods and with a level of detail we deem appropriate. The final estimated reserve report is reviewed by our engineering staff and management prior to issuance by Ryder Scott.

The professional qualifications of the internal lead engineer primarily responsible for overseeing the preparation of our reserve estimates qualify the engineer as a Reserves Estimator, as defined in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves Information as promulgated by the Society of Petroleum Engineers. This person holds a Bachelor of Science degree in Petroleum and Chemical Refining Engineering with a minor in Petroleum Engineering, has over 37 years of experience in reservoir engineering, is a member of the Society of Petroleum Engineers and the Society of Petroleum Evaluation Engineers and is a registered Professional Engineer in the State of Colorado.

The SEC's reserve rules allow the use of techniques that have been proved effective by actual production from projects in the same reservoir or an analogous reservoir or by other evidence using reliable technology that establishes reasonable certainty. Reliable technology is a grouping of one or more technologies (including computational methods) that has been field tested and has been demonstrated to provide reasonably certain results with consistency and repeatability in the formation being evaluated or in an analogous formation. We used a combination of production and pressure performance, wireline wellbore measurements, offset analogies, seismic data and interpretation, wireline formation tests, geophysical logs and core data to calculate our reserve estimates, including the material additions to the 2014 reserve estimates. All of our proved undeveloped reserves conform to the SEC five-year rule requirement as all proved undeveloped locations are scheduled, according to an adopted development plan, to be drilled within five years of each location's initial booking date.

Reserve estimates involve judgments and cannot be measured exactly. The estimates must be reviewed periodically and adjusted to reflect additional information gained from reservoir performance, new geological and geophysical data and economic changes. Neither the estimated future net cash flows nor the standardized measure of discounted future net cash flows ("standardized measure") is intended to represent the current market value of our proved reserves. For additional information regarding both of these measures, as well as other information regarding our proved reserves, see the unaudited Supplemental Information - Crude Oil and Natural Gas Information provided with our consolidated financial statements included elsewhere in this report. The following tables provide information regarding our estimated proved reserves:

	As of December 31,		
	2014	2013 (3)	2012 (3)(4)(5)
Proved reserves			
Crude oil and condensate (MMBbls)	101	94	59
Natural gas (Bcf)	537	740	604
NGLs (MMBbls)	60	49	33
Total proved reserves (MMBoe)	250	266	193
Proved developed reserves (MMBoe)	75	76	82
Estimated future net cash flows (in millions) (1)	\$4,938	\$4,323	\$2,756
PV-10 (in millions) (2)	\$3,450	\$2,704	\$1,709
Standardized measure (in millions)	\$2,306	\$1,782	\$1,168

(1) Amount represents undiscounted pre-tax future net cash flows estimated by Ryder Scott of approximately \$7.3 billion, \$6.4 billion and \$4.0 billion as of December 31, 2014, 2013 and 2012, respectively, less an internally-estimated future income tax expense of approximately \$2.3 billion, \$2.1 billion and \$1.2 billion, respectively.

(2) PV-10 is a non-U.S. GAAP financial measure. It is not intended to represent the current market value of our estimated reserves. PV-10 should not be considered in isolation or as a substitute for the standardized measure reported in accordance with U.S. GAAP, but rather should be considered in addition to the standardized measure. See Part I, Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Reconciliation of Non-U.S. GAAP Financial Measures, for a definition of PV-10 and a reconciliation of our PV-10 value to the standardized measure.

(3) Includes estimated reserve data related to our Marcellus Shale crude oil and natural gas properties, which were divested in October 2014. See Note 14, Assets Held for Sale, Divestitures and Discontinued Operations, to our consolidated financial statements included elsewhere in this report for additional details related to the divestiture of these assets.

The following table sets forth information regarding estimated proved reserves for our Marcellus Shale crude oil and natural gas properties:

	As of December 31,	
	2013	2012
Proved reserves		
Natural gas (Bcf)	237	179
Total proved reserves (MMBoe)	40	30
Proved developed reserves (MMBoe)	9	7
Estimated future net cash flows (in millions)	\$394	\$135

(4) Includes estimated reserve data related to our Piceance and northeast Colorado ("NECO") crude oil and natural gas properties which were divested in June 2013. See Note 14, Assets Held for Sale, Divestitures and Discontinued Operations, to our consolidated financial statements included elsewhere in this report for additional details related to the divestiture of our Piceance and NECO assets.

The following table sets forth information regarding estimated proved reserves for our Piceance and NECO assets:
December 31, 2012

Proved reserves	
Crude oil and condensate (MMBbls)	0.1
Natural gas (Bcf)	84
Total proved reserves (MMBoe)	14
Proved developed reserves (MMBoe)	14
Estimated future net cash flows (in millions)	\$56

(5) Includes estimated reserve data related to our shallow Upper Devonian (non-Marcellus Shale) Appalachian Basin crude oil and natural gas properties, which were divested in December 2013. See Note 14, Assets Held for Sale, Divestitures and Discontinued Operations, to our consolidated financial statements included elsewhere in this report for additional details related to these assets.

The following table sets forth information regarding estimated proved reserves for our shallow Upper Devonian (non-Marcellus Shale) Appalachian Basin crude oil and natural gas properties:

	December 31, 2012
Proved reserves	
Natural gas (Bcf)	11
Total proved reserves (MMBoe)	2
Proved developed reserves (MMBoe)	2
Estimated future net cash flows (in millions)	\$3

The following table presents our estimated proved developed and undeveloped reserves by category and area:

Operating Region/Area	As of December 31, 2014					
	Crude Oil and Condensate (MBbls)	Natural Gas (MMcf)	NGLs (MBbls)	Crude Oil Equivalent (MBoe)	Percent	
Proved developed						
Wattenberg Field	25,339	174,680	16,397	70,849	95	%
Utica Shale	1,459	11,953	605	4,056	5	%
Total proved developed	26,798	186,633	17,002	74,905	100	%
Proved undeveloped						
Wattenberg Field	73,185	347,525	42,913	174,019	99	%
Utica Shale	532	2,814	204	1,205	1	%
Total proved undeveloped	73,717	350,339	43,117	175,224	100	%
Proved reserves						
Wattenberg Field	98,524	522,205	59,310	244,868	98	%
Utica Shale	1,991	14,767	809	5,261	2	%
Total proved reserves	100,515	536,972	60,119	250,129	100	%

We have stress-tested our proved reserve estimates as of December 31, 2014 to determine the impact of low commodity prices. Replacing the 2014 NYMEX commodity prices used in estimating our reported proved reserves (see Supplemental Information - Crude Oil and Natural Gas Information, provided with our consolidated financial statements included elsewhere in this report) with those shown on the table below, and leaving all other parameters unchanged, results in a decrease in our estimated proved reserves of 9% or less.

	Pricing Scenario - NYMEX			% Change from December 31, 2014 Estimated Reserves
	Crude Oil (per Bbl)*	Natural Gas (per MMBtu)*	Proved Reserves (MMBoe)	
2014 Reserve Report	\$94.99	\$4.35	250.1	—
Scenario A	70.00	4.00	238.0	(5)%
Scenario B	60.00	3.50	234.0	(7)%
Scenario C	50.00	3.25	227.0	(9)%

These prices are indices and do not include basin differentials for crude oil and natural gas. The above reserve *stress-test scenarios were calculated using the indicated index prices, less the year-end 2014 differentials we experienced for the respective commodity by basin.

Developed and Undeveloped Acreage

The following table presents our developed and undeveloped lease acreage:

Operating Region/Area	As of December 31, 2014					
	Developed		Undeveloped (1)		Total	
	Gross	Net	Gross	Net	Gross	Net
Wattenberg Field	97,900	88,500	8,100	7,000	106,000	95,500
Utica Shale	3,600	3,000	68,200	63,800	71,800	66,800
Total acreage	101,500	91,500	76,300	70,800	177,800	162,300

Approximately 2%, 8% and 20% of our undeveloped leaseholds expire during 2015, 2016 and 2017, respectively, (1) primarily in the Utica Shale. Substantially all of our undeveloped acreage in the Wattenberg Field is related to leaseholds that are held by production.

In 2014, we recognized an impairment charge of \$158.3 million to write-down our Utica Shale producing and non-producing crude oil and natural gas properties to their estimated fair value, \$45.7 million of which related to capitalized leasehold costs on approximately 27,500 gross, 22,800 net, undeveloped acres primarily located outside the condensate and wet natural gas windows of the Utica Shale. See Note 6, Properties and Equipment, to our consolidated financial statements included elsewhere in this report for additional information.

Drilling Activity

The following table presents information regarding the number of wells drilled or participated in for the period presented:

Operating Region	Year Ended December 31,					
	2014		2013		2012	
	Gross	Net	Gross	Net	Gross	Net
Wattenberg Field	158	85.9	97	61.2	66	43.0
Utica Shale	9	8.0	11	8.7	1	1.0
Other (1)	4	2.0	10	5.0	16	12.5
Total wells drilled	171	95.9	118	74.9	83	56.5

(1) Includes drilling activity in the Marcellus Shale crude oil and natural gas properties, which were divested in October 2014.

The following tables set forth our developmental and exploratory well drilling activity for the periods presented. There is no necessary correlation between the number of productive wells completed during any period and the aggregate reserves attributable to those wells. Productive wells consist of wells spudded, turned-in-line and producing during the period. 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 as of the date shown.

Operating Region/Area	Net Development Well Drilling Activity								
	Year Ended December 31, 2014			2013			2012		
	Productive	In-Process	Dry	Productive	In-Process	Dry	Productive	In-Process	Dry
Wattenberg Field	90.7	42.8	1.7	(1) 53.5	15.6	0.1	31.3	7.7	—

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Utica Shale	7.0	3.0	1.0	(1) 3.0	2.0	—	—	—	—
Other (2)	2.0	—	—	3.5	2.0	—	1.5	—	—
Total net development wells	99.7	45.8	2.7	60.0	19.6	0.1	32.8	7.7	—

(1) Represents two mechanical failures in the Wattenberg Field and one mechanical failure in the Utica Shale that resulted in the plugging and abandonment of the respective wells.

(2) Includes activity in the Marcellus Shale crude oil and natural gas properties, which were divested in October 2014.

Operating Region/Area	Net Exploratory Well Drilling Activity								
	Year Ended December 31,								
	2014		2013			2012			
	Productive	In-Process	Dry	Productive	In-Process	Dry	Productive	In-Process	Dry
Utica Shale	—	—	—	4.2	—	—	—	1.5	1.7
Other (1)	—	—	—	1.5	—	—	—	—	—
Total net exploratory wells	—	—	—	5.7	—	—	—	1.5	1.7

(1) Includes activity in the Marcellus Shale crude oil and natural gas properties, which were divested in October 2014.

Title to Properties

We believe that we hold good and defensible leasehold title to substantially all of our crude oil and natural gas properties in accordance with standards generally accepted in the industry. A preliminary title examination is typically conducted at the time the undeveloped properties are acquired. Prior to the commencement of drilling operations, a title examination is conducted and remedial curative work is performed with respect to discovered defects which we deem to be significant. Title examinations have been performed with respect to substantially all of our producing properties.

The properties we own are subject to royalty, overriding royalty and other outstanding interests. The properties may also be subject to additional burdens, liens or encumbrances customary in the industry, including items such as operating agreements, current taxes, development obligations under crude oil and natural gas leases, farm-out agreements and other restrictions. We do not believe that any of these burdens will materially interfere with our use of the properties.

Substantially all of our crude oil and natural gas properties, excluding our share of properties held by the limited partnerships that we sponsor, have been mortgaged or pledged as security for our revolving credit facility. See Note 8, Long-Term Debt, to our consolidated financial statements included elsewhere in this report.

Facilities

We lease 56,163 square feet of office space in Denver, Colorado, which serves as our corporate office, through February 2021. We own a 32,000 square foot administrative office building located in Bridgeport, West Virginia, where we also lease approximately 18,600 square feet of office space in a second building through April 2015. This lease is not expected to be renewed.

We own or lease field operating facilities in Evans, Colorado and Marietta, Ohio.

Governmental Regulation

While the prices of crude oil and natural gas are market driven, other aspects of our business and the industry in general are heavily regulated. The availability of a ready market for crude oil and natural gas production depends on several factors that are beyond our control. These factors include, but are not limited to, regulation of production, federal and state regulations governing environmental quality and pollution control, the amount of crude oil and natural gas available for sale, the availability of adequate pipeline and other transportation and processing facilities and the marketing of competitive fuels. In general, state and federal regulations are intended to protect consumers from unfair treatment and undue control, reduce environmental and health risks from the development and transportation of crude oil and natural gas, prevent misuse of crude oil and natural gas and protect rights among

owners in a common reservoir. Pipelines are subject to the jurisdiction of various federal, state and local agencies. We believe that we are in compliance with such statutes, rules, regulations and governmental orders in all material respects, although there can be no assurance that this is or will remain the case. The following summary discussion on the regulation of the U.S. oil and gas industry is not intended to constitute a complete discussion of the various statutes, rules, regulations and environmental directives to which our operations may be subject.

Regulation of Crude Oil and Natural Gas Exploration and Production. Our exploration and production business is subject to various federal, state and local laws and regulations relating to the taxation of crude oil and natural gas, the development, production and marketing of crude oil and natural gas and environmental and safety matters. State and local laws and regulations require drilling permits and govern the spacing and density of wells, rates of production, water discharge, prevention of waste and other matters. Prior to commencing drilling activities for a well, we must procure permits and/or approvals for the various stages of the drilling process from the applicable state and local agencies where the well being drilled is located. Additionally, other regulated matters include:

- bond requirements in order to drill or operate wells;
- well locations;
- drilling and casing methods;
- surface use and restoration of well properties;
- well plugging and abandoning;

fluid disposal; and
air emissions.

Colorado Governor Hickenlooper has created a task force charged with crafting recommendations to help minimize land use conflicts relating to the location of oil and gas facilities. The task force was created pursuant to a compromise under which certain potential ballot initiatives that would have impacted the oil and natural gas industry in Colorado were withdrawn from the November 2014 ballot. The task force, which is called the Task Force on State and Local Regulation of Oil and Gas Operations, is comprised of 21 members representing various interests. Recommendations of the task force regarding new or amended legislation, appropriations or other action must be approved by a two-thirds vote of the members and will be submitted to the Governor by no later than February 27, 2015. We cannot predict the outcome of this process or the proposals that are approved by the task force. In addition, depending on the outcome of the task force process and any related legislative or administrative activity, ballot initiatives affecting our operations may be proposed and adopted by the voters in future elections.

In addition, our drilling activities involve hydraulic fracturing, which may be subject to additional federal and state disclosure and regulatory requirements discussed in "Environmental Matters" below and in Item 1A, Risk Factors.

Our operations are also subject to various conservation laws and regulations. These include the regulation of the size of drilling and spacing units or proration units, the density of wells which may be drilled and the unitization or pooling of lands and leases. In this regard, some states allow the forced pooling or integration of tracts to facilitate exploration while other states rely primarily or exclusively on voluntary pooling of lands and leases. In areas where pooling is primarily or exclusively voluntary, it may be more difficult to form units, and therefore, more difficult to drill and develop our leases where we own less than 100% of the leases located within the proposed unit. State laws may establish maximum rates of production from crude oil and natural gas wells, prohibit the venting or flaring of natural gas and impose certain requirements regarding the ratability of production. Leases covering state or federal lands often include additional regulations and conditions. The effect of these conservation laws and regulations may limit the amount of crude oil and natural gas we can produce from our wells and may limit the number of wells or the locations at which we can drill. Such laws and regulations may increase the costs of planning, designing, drilling, installing, operating and abandoning our crude oil and natural gas wells and other facilities. These laws and regulations, and any others that are passed by the jurisdictions where we have production, can limit the total number of wells drilled or the allowable production from successful wells, which can limit our reserves. As a result, we are unable to predict the future cost or effect of complying with such regulations.

Regulation of Transportation of Natural Gas. We move natural gas through pipelines owned by other companies and sell natural gas to other companies that also utilize common carrier pipeline facilities. Natural gas pipeline interstate transmission and storage activities are subject to regulation by the Federal Energy Regulatory Commission ("FERC") under the Natural Gas Act of 1938 ("NGA") and under the Natural Gas Policy Act of 1978, and, as such, rates and charges for the transportation of natural gas in interstate commerce, accounting, and the extension, enlargement or abandonment of jurisdictional facilities, among other things, are subject to regulation. Each natural gas pipeline company holds certificates of public convenience and necessity issued by FERC authorizing ownership and operation of all pipelines, facilities and properties for which certificates are required under the NGA. Each natural gas pipeline company is also subject to the Natural Gas Pipeline Safety Act of 1968, as amended, which regulates safety requirements in the design, construction, operation and maintenance of interstate natural gas transmission facilities. FERC regulations govern how interstate pipelines communicate and do business with their affiliates. Interstate pipelines may not operate their pipeline systems to preferentially benefit their marketing affiliates.

Each interstate natural gas pipeline company establishes its rates primarily through FERC's rate-making process. Key determinants in the ratemaking process are:

- costs of providing service, including depreciation expense;
- allowed rate of return, including the equity component of the capital structure and related income taxes; and
- volume throughput assumptions.

The availability, terms and cost of transportation affect our natural gas sales. Competition among suppliers has greatly increased. Furthermore, gathering is exempt from regulation under the Natural Gas Act, thus allowing gatherers to charge unregulated rates. Historically, producers were able to flow supplies into interstate pipelines on an interruptible basis; however, recently we have seen the increased need to acquire firm transportation on pipelines in order to avoid curtailments or shut-in gas, which could adversely affect cash flows from the affected area.

Additional proposals and proceedings that might affect the industry occur frequently in Congress, FERC, state commissions, state legislatures and the courts. The industry historically has been very heavily regulated and there is no assurance that the current regulatory approach recently taken by FERC and Congress will continue. We cannot determine to what extent our future operations and earnings will be affected by new legislation, new regulations, or changes in existing regulation, at federal, state or local levels.

Environmental Matters

Our operations are subject to numerous laws and regulations governing the discharge of materials into the environment or otherwise relating to environmental protection. Public demand for the protection of the environment has increased dramatically in recent years. The trend of more expansive environmental legislation and regulations is expected to continue. To the extent laws are enacted or other governmental actions are taken which restrict drilling or impose environmental protection requirements resulting in increased costs, our business and prospects may be adversely affected.

We generate wastes that may be subject to the Federal Resource Conservation and Recovery Act ("RCRA") and comparable state statutes. The U.S. Environmental Protection Agency ("EPA") and various state agencies have adopted requirements that limit the approved disposal methods for certain hazardous and non-hazardous wastes. Furthermore, certain wastes generated by our operations that are currently exempt from treatment as "hazardous wastes" may in the future be designated as "hazardous wastes," and therefore may subject us to more rigorous and costly operating and disposal requirements.

Hydraulic fracturing is commonly used to stimulate production of crude oil and/or natural gas from dense subsurface rock formations. We routinely apply fracturing in our crude oil and natural gas production programs. The process involves the injection of water, sand and additives under pressure into a targeted subsurface formation. The water and pressure create fractures in the rock formations, which are held open by the grains of sand, enabling the crude oil or natural gas to more easily flow to the wellbore. The process is generally subject to regulation by state oil and gas commissions. However, the EPA has asserted federal regulatory authority over certain fracturing activities involving diesel fuel under the federal Safe Drinking Water Act ("SDWA") and issued draft guidance related to this asserted regulatory authority in February 2014. The guidance explains the EPA's interpretation of the term "diesel fuel" for permitting purposes, describes existing Underground Injection Control Class II program requirements for permitting underground injection of diesel fuels in hydraulic fracturing and also provides recommendations for EPA permit writers in implementing these requirements. From time to time, Congress has considered legislation that would provide for broader federal regulation of hydraulic fracturing and disclosure of the chemicals used in the hydraulic fracturing process.

The White House Council on Environmental Quality continues to coordinate an administration-wide review of hydraulic fracturing. The EPA continues its study of the potential environmental effects of hydraulic fracturing on drinking water and groundwater, with a draft report expected in 2015, and a final, peer-reviewed report expected in 2016. In addition, the U.S. Department of Energy is conducting an investigation into practices the agency could recommend to better protect the environment from drilling using hydraulic fracturing completion methods. These ongoing studies, depending on their degree of development and nature of results obtained, could spur initiatives to further regulate hydraulic fracturing under the SDWA or other regulatory mechanisms. The U.S. Department of the Interior, through the Bureau of Land Management (the "BLM"), is also conducting a rulemaking to require disclosure of chemicals used, mandate well integrity measures, and impose other requirements relating to hydraulic fracturing on federal lands. A final rule is expected in 2015.

The states in which we operate, Colorado and Ohio, have adopted regulations regarding permitting, transparency and well construction requirements with respect to hydraulic fracturing operations and may in the future adopt additional regulations or otherwise seek to ban fracturing activities altogether. Colorado requires that all chemicals used in the hydraulic fracturing of a well be reported in a publicly searchable registry website developed and maintained by the Ground Water Protection Council and Interstate Oil and Gas Compact Commission ("Frac Focus"). The Colorado rules also require operators seeking new location approvals to provide certain information to surface owners and adjacent property owners within 500 feet of a new well. Similarly, Colorado has implemented a baseline groundwater sampling rule and a rule governing setback distances of oil and gas wells located near population centers. In

December 2013, the Colorado Oil and Gas Conservation Commission (the "COGCC") issued new, more restrictive rules regarding spill reporting and remediation. See further discussion in Item 1A, Risk Factors.

In addition, during 2014, the Colorado Oil and Gas Conservation Act was amended to increase the potential sanctions for violating the Act or its implementing regulations, orders, or permits. These amendments increase the maximum penalty per violation per day from \$1,000 to \$15,000; eliminate a \$10,000 maximum penalty for violations that do not result in significant waste of oil and gas resources, damage to correlative rights, or adverse impact to public health, safety, or welfare; require the COGCC to assess a penalty for each day there is evidence of a violation; and authorize the COGCC to prohibit the issuance of new permits and suspend certificates of clearance for egregious violations resulting from gross negligence or knowing and willful misconduct. In December 2014, the COGCC convened a hearing to consider proposed amendments to its regulations to implement this new legislation and address certain other issues. Among other things, the proposed amendments would create a new process for calculating penalties, new standards for determining days of violation and penalty amounts, and new restrictions on the use of informal enforcement procedures and penalty reductions for voluntary disclosures. A number of state and local government agencies, oil and gas companies, and non-governmental organizations are actively participating in this rulemaking process. We cannot predict the outcome of this rulemaking process, except that any regulatory amendments must be consistent with the 2014 legislation and, according to the COGCC, will have prospective effect. Nor can we predict how such regulatory amendments would affect the penalties assessed by the COGCC in future enforcement cases involving us. Although the proposed amendments could significantly increase future penalty amounts, the COGCC staff has stated that they will seek to ensure that penalties are fair and appropriate. In addition, any penalty must be approved by COGCC order, and any penalty order will be subject to judicial review.

In November 2013, the Ohio Department of Natural Resources ("ODNR") proposed draft regulations pertaining to well pad construction requirements and increased bonding for construction, and these regulations were finalized in 2014.

In Colorado, local governing bodies have begun to issue drilling moratoriums, develop jurisdictional siting, permitting and operating requirements and conduct air quality studies to identify potential public health impacts. For instance, in 2013, the City of Fort Collins, Colorado, adopted a ban on drilling and fracturing of new wells within city limits. In the November 2013 election, voters in the cities of Boulder, Lafayette, Fort Collins and Brighton passed hydraulic fracturing bans. Although we do not currently have operations in any of these areas, see Item 1A, Risk Factors, for a more detailed discussion of these bans. If new laws or regulations that significantly restrict hydraulic fracturing or well locations continue to be adopted at local levels or are adopted at the state level, such laws could make it more difficult or costly for us to perform fracturing to stimulate production from dense subsurface rock formations and, in the event of local prohibitions against commercial production of hydrocarbons, may preclude our ability to drill wells. If hydraulic fracturing becomes more heavily regulated as a result of federal legislation or regulatory initiatives by the EPA or other federal agencies, our fracturing activities could become subject to additional permitting requirements and permitting delays, as well as potential increases in costs. Restrictions on hydraulic fracturing could also reduce the amount of crude oil and natural gas that we are ultimately able to produce from our reserves. We continue to be active in stakeholder and interest groups and to engage with regulatory agencies in an open, proactive dialogue regarding these matters.

We currently own or lease numerous properties that for many years have been used for the exploration and production of crude oil and natural gas. Although we believe that we have utilized good operating and waste disposal practices, and when necessary, appropriate remediation techniques, prior owners and operators of these properties may not have utilized similar practices and techniques and hydrocarbons or other wastes may have been disposed of or released on or under the properties that we own or lease or on or under locations where such wastes have been taken for disposal. These properties and the wastes disposed thereon may be subject to the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), RCRA and analogous state laws, as well as state laws governing the management of crude oil and natural gas wastes. Under such laws, we may be required to remove or remediate previously disposed wastes (including wastes disposed of or released by prior owners or operators) or remediate property contamination (including surface and groundwater contamination) or to perform remedial plugging operations to prevent future contamination.

CERCLA and similar state laws impose liability, without regard to fault or the legality of the original conduct, on certain classes of persons that are considered to have contributed to the release of a "hazardous substance" into the environment. These persons include the owner or operator of the disposal site or sites where the release occurred and companies that disposed of or arranged for the disposal of the hazardous substances found at the site. Persons who are or were responsible for release of hazardous substances under CERCLA may be subject to full liability for the costs of cleaning up the hazardous substances that have been released into the environment and for damages to natural resources. Under state laws, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the hazardous substances released into the environment. As an owner and operator of crude oil and natural gas wells, we may be liable pursuant to CERCLA and state laws.

Our operations are subject to the federal Clean Air Act ("CAA") and comparable state and local requirements. The CAA contains provisions that may result in the gradual imposition of certain pollution control requirements with respect to air emissions from our operations. The EPA and states continue the development of regulations to implement these requirements. We may be required to incur certain capital expenditures in the next several years for air pollution control equipment in connection with maintaining or obtaining operating permits and approvals addressing other air emission-related issues. Greenhouse gas record keeping and reporting requirements of the CAA became effective in 2011 and will continue into the future with increased costs for administration and implementation of controls. Federal New Source Performance Standards regarding oil and gas operations ("NSPS OOOO") became effective in 2012, with more amendments effective in 2013 and 2014, all of which have added administrative and operational costs. In addition, EPA has announced a comprehensive strategy to further reduce methane emissions from the oil and gas sector. EPA plans a hybrid approach using both voluntary and regulatory reduction measures. A

proposed rule mandating additional reduction measures is expected in 2015 with a final rule expected in 2016. Colorado adopted new regulations to meet the requirements of NSPS OOOO and promulgated significant new rules in February 2014 relating specifically to crude oil and natural gas operations that are more stringent than NSPS OOOO and directly regulate methane emissions from affected facilities. In April 2014, the Ohio Environmental Protection Agency Division of Air Pollution Control adopted new General Permit requirements for High Volume Horizontal Hydraulic Fracturing, Oil and Gas Well Site Production Operations.

EPA has proposed to revise and lower the existing 75 part per billion ("ppb") national ambient air quality standard ("NAAQS") for ozone under the CAA to a range within 65-70 ppb. The EPA is also taking public comment on whether the ozone NAAQS should be revised to as low as 60 ppb. A lower ozone NAAQS in a range of 60-70 ppb could result in a significant expansion of ozone nonattainment areas across the United States, including areas in which we operate. Oil and natural gas operations in ozone nonattainment areas would likely be subject to increased regulatory burdens in the form of more stringent emission controls, emission offset requirement and increased permitting delays and costs.

The federal Clean Water Act ("CWA") and analogous state laws impose strict controls against the discharge of pollutants and fill material, including spills and leaks of crude oil and other substances. The CWA also requires approval and/or permits prior to construction, where construction will disturb wetlands or other waters of the U.S. The CWA also regulates storm water run-off from crude oil and natural gas facilities and requires storm water discharge permits for certain activities. Spill Prevention, Control, and Countermeasure ("SPCC") requirements of the CWA require appropriate secondary containment loadout controls, piping controls, berms and other measures to help prevent the contamination of navigable waters in the event of a petroleum hydrocarbon spill, rupture or leak. The EPA and U.S. Army Corps of Engineers released a Connectivity Report in September 2013 which determined that virtually all tributary streams, wetlands, open water in floodplains and riparian areas are connected. This report supported the drafting of proposed rules providing updated standards for what will be considered jurisdictional waters of the U.S. The proposed rules have been submitted for public comment and are expected to be finalized in 2015.

The Endangered Species Act (“ESA”) restricts activities that may affect endangered or threatened species or their habitats. Some of our operations may be located in areas that are or may be designated as habitats for endangered or threatened species. The U.S. Fish and Wildlife Service in May 2014 proposed a rule to alter how it identifies critical habitat for endangered and threatened species. It is unclear when this rule will be finalized.

Crude oil production is subject to many of the same operating hazards and environmental concerns as natural gas production, but is also subject to the risk of crude oil spills. Federal regulations require certain owners or operators of facilities that store or otherwise handle crude oil, including us, to procure and implement additional SPCC measures relating to the possible discharge of crude oil into surface waters. The Oil Pollution Act of 1990 (“OPA”) subjects owners of facilities to strict joint and several liability for all containment and cleanup costs and certain other damages arising from crude oil spills. Noncompliance with OPA may result in varying civil and criminal penalties and liabilities. Historically, we have not experienced any significant crude oil discharge or crude oil spill problems. Our shift in production since mid-2010 to a greater percentage of crude oil increases our risks related to soil and water contamination from any future oil spills.

Our costs relating to protecting the environment have risen over the past few years and are expected to continue to rise in 2015 and beyond. Environmental regulations have increased our costs and planning time, but have had no materially adverse effect on our ability to operate to date. However, no assurance can be given that environmental regulations or interpretations of such regulations will not, in the future, result in a curtailment of production or otherwise have a materially adverse effect on our business, financial condition or results of operations. See Note 11, Commitments and Contingencies, to our consolidated financial statements included elsewhere in this report.

Operating Hazards and Insurance

Our exploration and production operations include a variety of operating risks, including, but not limited to, the risk of fire, explosions, blowouts, cratering, pipe failure, casing collapse, abnormally pressured formations and environmental hazards such as gas leaks, ruptures and discharges of crude oil and natural gas. The occurrence of any of these events could result in substantial losses to us due to injury and loss of life, severe damage to and destruction of property, natural resources and equipment, pollution and other environmental damage, clean-up responsibilities, regulatory investigation and penalties and suspension of operations. Our pipeline, gathering and distribution operations are subject to the many hazards inherent in the industry. These hazards include damage to wells, pipelines and other related equipment, damage to property caused by hurricanes, floods, fires and other acts of God, inadvertent damage from construction equipment, leakage of natural gas and other hydrocarbons, fires and explosions and other hazards that could also result in personal injury and loss of life, pollution and suspension of operations. In 2013, we experienced widespread flooding in our Wattenberg Field operations in Weld County, Colorado, which resulted in a shut-in of approximately 200 vertical wells. We incurred significant costs to replace damaged well equipment and to bring vertical wells back on-line. In 2014, we experienced three mechanical failures during drilling that resulted in the discharge of oil and related material. The mechanical failures did not have a material adverse effect on our financial condition or results of operations.

Among the regulatory developments involving operating hazards that could impact us going forward are recent investigations by the U.S. Occupational Health and Safety Administration (“OSHA”) and other governmental authorities regarding potential worker exposure to hydrocarbon vapors from certain petroleum transfer and related tasks. Several recent worker fatalities at oil and gas facilities nationwide are being reviewed by OSHA and other governmental authorities for a potential link to hydrocarbon vapor exposure. Regulatory requirements generally relating to worker exposure to hydrocarbon vapors could be increased or receive heightened scrutiny going forward.

Any significant problems related to our facilities could adversely affect our ability to conduct our operations. In accordance with customary industry practice, we maintain insurance against some, but not all, potential risks; however, there can be no assurance that such insurance will be adequate to cover any losses or exposure for liability. The occurrence of a significant event not fully insured against could materially adversely affect our operations and financial condition. We cannot predict whether insurance will continue to be available at premium levels that justify our purchase or will be available at all. Furthermore, we are not insured against our economic losses resulting from damage or destruction to third-party property, such as transportation pipelines, crude oil refineries or natural gas processing facilities. Such an event could result in significantly lower regional prices or our inability to deliver our production.

Competition and Technological Changes

We believe that our production, exploration and drilling capabilities and the experience of our management and professional staff enable us to compete effectively in our industry. We encounter competition from numerous other crude oil and natural gas companies, drilling and income programs and partnerships in all areas of operations, including drilling and marketing crude oil and natural gas, obtaining desirable crude oil and natural gas leases on producing properties, obtaining drilling, pumping and other services, attracting and retaining qualified employees and obtaining capital. International developments may influence other companies to increase their domestic crude oil and natural gas exploration. Competition among companies for favorable prospects can be expected to continue and it is anticipated that the cost of acquiring properties will increase in the future. Many of our competitors possess larger staffs and greater financial resources than we do, which may enable them to identify and acquire desirable producing properties and drilling prospects more economically. Our ability to acquire additional properties and to explore for crude oil and natural gas prospects in the future depends upon our ability to conduct our operations, evaluate and select suitable properties and consummate transactions in this highly competitive environment. We also face intense competition in other aspects of our business, including the marketing of natural gas from competitors including other producers and marketing companies.

The oil and gas industry is characterized by rapid and significant technological advancements and introduction of new products and services using new technologies. If one or more of the technologies we use now or in the future become obsolete or if we are unable to use the most advanced commercially available technology, our business, financial condition, results of operations and cash flows could be materially adversely affected.

Employees

As of December 31, 2014, we had 343 employees. Our employees are not covered by collective bargaining agreements. We consider relations with our employees to be good.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We file annual, quarterly and current reports, proxy statements and other information with the SEC. Our SEC filings are available free of charge from the SEC's website at www.sec.gov or from our website at www.pdce.com. You may also read or copy any document we file at the SEC's public reference room in Washington, D.C., located at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. Please call the SEC at (800) SEC-0330 for further information on the public reference room. We also make available free of charge any of our SEC filings by mail. For a mailed copy of a report, please contact PDC Energy Inc., Investor Relations, 1775 Sherman Street, Suite 3000, Denver, CO 80203, or call (800) 624-3821.

We recommend that you view our website for additional information, as we routinely post information that we believe is important for investors. Our website can be used to access such information as our recent news releases, committee charters, code of business conduct and ethics, shareholder communication policy, director nomination procedures and our whistle blower hotline. While we recommend that you view our website, the information available on our website is not part of this report and is not incorporated by reference.

ITEM 1A. RISK FACTORS

You should carefully consider the following risk factors in addition to the other information included in this report. Each of these risk factors could adversely affect our business, operating results and financial condition, as well as adversely affect the value of an investment in our common stock or other securities.

Crude oil, natural gas and NGL prices fluctuate and a decline in these prices can significantly affect the value of our assets and our financial results and impede our growth.

Our revenue, profitability, cash flows and liquidity depend in large part upon the prices we receive for our crude oil, natural gas and NGLs. Changes in prices affect many aspects of our business, including:

- our revenue, profitability and cash flows;
- our liquidity;
- the quantity and present value of our reserves;
- the borrowing base under our revolving credit facility and access to other sources of capital; and
- the nature and scale of our operations.

The markets for crude oil, natural gas and NGLs are often volatile, and prices may fluctuate in response to, among other things:

- relatively minor changes in regional, national or global supply and demand;
- regional, national or global economic conditions, and perceived trends in those conditions;
- 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, or OPEC; and
- regulatory changes.

The price of oil fell significantly in the second half of 2014, from a high of \$107.26 per barrel in June to a low of \$53.27 per barrel in December, in each case based on WTI prices, due to a combination of factors including increased U.S. supply, global economic concerns and a decision by OPEC not to reduce supply. This decline has adversely affected, among other things, our revenue and reserves, and has caused us to reduce our budgeted 2015 capital program relative to 2014 and contributed to the recognition of an impairment charge of \$158.3 million to write-down our Utica Shale producing and non-producing crude oil and natural gas properties to their estimated fair value. An extended period of continued lower oil prices, or additional price declines, will have further adverse effects on us.

In addition to factors affecting the price of crude oil, natural gas and NGLs generally, the prices we receive for our production are affected by factors specific to us and to the local markets where the production occurs. The prices that we receive for our production are generally lower than the relevant benchmark prices that are used for calculating commodity derivative positions. These differences, or differentials, are difficult to predict and may widen or narrow in the future based on market forces. Differentials can be influenced by, among other things, local or regional supply and demand factors and the terms of our sales contracts. Over the longer term, differentials will be significantly affected by factors such as investment decisions made by providers of midstream facilities and services, refineries and other industry participants, and the overall regulatory and economic climate. For example, increases in U.S. domestic oil production generally may result in widening differentials, particularly for production from some basins. We may be materially and adversely impacted by widening differentials on our production.

The marketability of our production is dependent upon transportation and processing facilities the capacity and operation of which we do not control. Market conditions or operational impediments, including high line pressures, particularly in the Wattenberg Field, and other impediments affecting midstream facilities and services, could hinder our access to crude oil, natural gas and NGL markets, increase our costs or delay production and thereby adversely affect our profitability.

Our ability to market our production depends in substantial part on the availability, proximity and capacity of gathering systems, pipelines and processing facilities owned and operated by third parties. If adequate midstream facilities and services are not available to us on a timely basis and at acceptable costs, our production and results of operations will be adversely affected. These risks are greater for us than for some of our competitors because our operations are focused on areas where there is currently a substantial amount of development activity, which increases the likelihood that there will be periods of time in which there is insufficient midstream capacity to accommodate the resulting increases in production. For example, due to ongoing drilling activities by us and third parties, and hot temperatures during the summer months, the principal third-party provider we use in the Wattenberg area for midstream facilities and services experiences increased gathering system pressures during those warmer months. The resulting capacity constraints typically reduce the productivity of some of our older vertical wells and may on occasion limit incremental production from some of our newer horizontal wells. This constrains our production and reduces our revenue from the affected wells. Capacity constraints affecting natural gas production also impact the associated NGLs. We are also dependent on the availability and capacity of crude oil purchasers for our production. For example, reductions in purchases by a local crude oil refinery beginning in late 2013 increased the amount of oil that we had to transport out of the Wattenberg area for sale. This increased our transportation costs and reduced the price we received for the affected production for much of 2014. We expect this situation could occur again in the future. In addition, the use of alternative forms of transportation such as trucks or rail involve risks. For example, well-publicized accidents involving trains delivering crude oil could result in increased levels of regulation and transportation costs, and possibly shortages of railcars that meet new safety standards. We face similar risks in other areas, including our Utica operating area, as gathering/processing infrastructure is currently in the development phase and development activity has increased in recent years. In addition to causing p

roduction curtailments, capacity constraints can also reduce the price we receive for the crude oil, natural gas and NGLs we produce.

A substantial part of our crude oil, natural gas and NGLs production is located in the Wattenberg Field, making us vulnerable to risks associated with operating primarily in a single geographic area. In addition, we have a large amount of proved reserves attributable to a small number of producing formations.

Our operations are focused primarily on the Wattenberg Field, which means our current producing properties and new drilling opportunities are geographically concentrated in that area. Approximately \$435 million, or 92%, of our 2015 capital program forecast is expected to be spent on development activities in the Wattenberg Field. Because our operations are not as diversified geographically as many of our competitors, the success of our operations and our profitability may be disproportionately exposed to the effect of any regional events, including:

- fluctuations in prices of crude oil, natural gas and NGLs produced from the wells in the area;
- natural disasters such as the flooding that occurred in the area in September 2013;
- restrictive governmental regulations; and
- curtailment of production or interruption in the availability of gathering, processing or transportation infrastructure and services, and any resulting delays or interruptions of production from existing or planned new wells.

For example, recent increases in activity in the Wattenberg Field have contributed to bottlenecks in processing and transportation that have negatively affected our results of operations, and these adverse effects may be disproportionately severe to us compared to our more geographically diverse competitors. Similarly, the concentration of our assets within a small number of producing formations exposes us to risks, such as changes in field-wide rules, that could adversely affect development activities or production relating to those formations. Such an event could have a material adverse effect on our results of operations and financial condition. In addition, in areas where exploration and production activities are increasing, as has been the case in recent years in the Wattenberg Field, the demand for, and cost of, drilling rigs, equipment, supplies, personnel and oilfield services increase. Shortages or the high cost of drilling rigs, equipment, supplies, personnel or oilfield services could delay or adversely affect our development and exploration operations or cause us to incur significant expenditures that are not provided for in our capital budget, which could have a material adverse effect on our business, financial condition or results of operations. Federal, state and local legislation and regulations relating to hydraulic fracturing could result in increased costs, additional drilling and operating restrictions or delays in the production of crude oil, natural gas and NGLs, and could prohibit hydraulic fracturing activities.

Most of our drilling uses hydraulic fracturing. Hydraulic fracturing is an important and commonly used process in the completion of unconventional wells in shale, coalbed, and tight sand formations. Proposals have been introduced in the U.S. Congress to regulate hydraulic fracturing operations and related injection of fracturing fluids and propping agents used by the crude oil and natural gas industry in fracturing fluids under the Safe Drinking Water Act (“SDWA”), and to require the disclosure of chemicals used in the hydraulic fracturing process under the SDWA, the Emergency Planning and Community Right-to-Know Act (“EPCRA”), or other laws. Sponsors of these bills, which have been subject to various proceedings in the legislative process, including in the House Energy and Commerce Committee and the Senate Environmental and Public Works Committee, have asserted that chemicals used in the fracturing process could adversely affect drinking water supplies and otherwise cause adverse environmental impacts. In March 2011, the EPA announced its intention to conduct a comprehensive research study on the potential adverse impacts that hydraulic fracturing may have on water quality and public health. EPA issued an initial report about the study in December 2012. The initial report described the focus of the continuing study but did not include any data concerning EPA’s efforts to date, nor did it draw any conclusions about the safety of hydraulic fracturing. A draft of the report is expected in 2015 and a final, peer reviewed report is expected in 2016.

EPA has begun a Toxic Substances Control Act rulemaking which will collect expansive information on the chemicals used in hydraulic fracturing fluid, as well as other health-related data, from chemical manufacturers and processors. EPA has not indicated when it intends to issue a proposed rule, but it issued an Advanced Notice of Proposed Rulemaking in May 2014, seeking public comment on a variety of issues related to the rulemaking. Concurrently, the White House Council on Environmental Quality is coordinating an administration-wide review of hydraulic fracturing practices.

EPA also finalized major new CAA standards (New Source Performance Standards and National Emission Standards for Hazardous Air Pollutants) applicable to hydraulically fractured natural gas wells and certain storage vessels in August 2012. The standards require, among other things, use of reduced emission completions, or green completions, to reduce volatile organic compound emissions during well completions as well as new controls applicable to a wide variety of storage tanks and other equipment, including compressors, controllers, and dehydrators. Following administrative reconsideration of a portion of the 2012 rules, EPA issued one set of final amendments to the rule in September 2013 related to storage tanks, and a second set of final amendments largely related to reduced emissions completion requirements in December 2014. Most key provisions in the new CAA standards become effective in 2015. The rules and associated amendments are substantial and will increase future costs of our operations and will require us to make modifications to our operations and install new equipment. In January 2015, EPA announced a comprehensive strategy to further reduce methane emissions from the oil and gas sector. EPA's hybrid approach will rely partly on voluntary measures and partly on regulatory requirements. A proposed rule is expected in 2015, with a final rule to be issued in 2016. Potential new requirements under such rules could include, but are not limited to, new leak detection and repair standards, control requirements at oil well completions, replacement of certain pneumatic pumps, and additional control requirements for gathering,

boosting, and compressor stations. These additional methane reduction requirements could increase future costs of our operations and require us to make modifications to our operations and install new equipment.

EPA has also issued permitting guidance under the SDWA for the underground injection of liquids from hydraulically fractured (and other) wells where diesel is used. Depending upon how it is implemented, this guidance may create duplicative requirements in certain areas, further slow down the permitting process in certain areas, increase the costs of operations, and result in expanded regulation of hydraulic fracturing activities by EPA and may therefore adversely affect even companies, such as PDC, that do not use diesel fuel in hydraulic fracturing activities. Certain other federal agencies are analyzing, or have been requested to review, environmental issues associated with hydraulic fracturing. Most notably, the U.S. Department of the Interior, through the BLM, is currently conducting a rulemaking that will require, among other things, disclosure of chemicals and more stringent well integrity measures associated with hydraulic fracturing operations on public land. The rule is in its final stages and BLM is expected to issue the rule in 2015.

In addition, the governments of certain states, including Colorado and Ohio, have adopted or are considering adopting laws and regulations that impose or could impose, among other requirements, stringent permitting or air emission control requirements, disclosure, wastewater disposal, baseline sampling, seismic monitoring, well construction and well location requirements on hydraulic fracturing operations or otherwise seek to ban underground injection of fracturing wastewater or fracturing activities altogether. For example, in January 2012, the ODNR issued a temporary moratorium on the development of hydraulic fracturing disposal wells in northeast Ohio in order to study the relationship between these wells and minor earthquakes reported in the area. As a result, ODNR promulgated new and more stringent regulations for certain underground injection wells, including requirements for a complete suite of geophysical logs, analytical interpretation of the logs, and enhanced monitoring and recording. More recently, in April 2014, ODNR shut down a number of well sites after a series of small earthquakes in northeast Ohio. After investigating the earthquakes and determining that the connection to hydraulic fracturing was “probable,” ODNR implemented new permit conditions, requiring that operators of well sites within three miles of a known fault must install sensitive seismic-monitoring equipment. Operators must also halt drilling if a seismic event exceeds 1.0 magnitude. New York has also placed a permanent moratorium on all hydraulic fracturing activities within the state. Similar initiatives could spread to states in which we operate.

At the local level, some municipalities and local governments have adopted or are considering bans on hydraulic fracturing. Voters in the cities of Fort Collins, Boulder, and Lafayette, Colorado recently approved bans of varying length on hydraulic fracturing within their respective city limits. The bans in Longmont, Lafayette, and Fort Collins were overturned by local district courts; the Boulder and Broomfield moratoria remain in place, and the Boulder County moratorium was recently extended to 2018. The Longmont City Council has appealed the district court’s decision to overturn the ban, and Fort Collins is appealing that court decision as well. Municipal bans on oil and gas development in New York were upheld in 2014 by the New York Court of Appeals. Voters in Youngstown and Bowling Green, Ohio considered bans on hydraulic fracturing, though the votes in late 2013 and early 2014 were rejected. The town of Oberlin, Ohio passed a ban on hydraulic fracturing, and other voter initiatives may seek to ban hydraulic fracturing as well. Such bans, if successful, could increase the costs of our operations, impact our profitability, and even prevent us from drilling in certain locations.

In addition, lawsuits have been filed against unrelated third parties in several states, including Colorado and Ohio, and several other states alleging contamination of drinking water by hydraulic fracturing. Increased regulation and attention given to the hydraulic fracturing process could lead to greater opposition to crude oil, natural gas and NGL production activities using hydraulic fracturing techniques. Additional legislation, regulation, litigation, or moratoria could also lead to operational delays or lead us to incur increased operating costs in the production of crude oil, natural gas and NGLs, including from the development of shale plays, or could make it more difficult to perform hydraulic fracturing or other drilling activities. If these legislative, regulatory, litigation, and other initiatives cause a

material decrease in the drilling of new wells or an increase in drilling costs, our profitability could be materially impacted.

Ballot initiatives have been proposed in Colorado that could vastly expand the right of local governments to limit or prohibit oil and natural gas production and development in their jurisdictions and could impose additional regulations on production and development activities. If any initiative or legislation of this nature is implemented and survives legal challenge, additional limitations or prohibitions could be placed on crude oil and natural gas production and development within certain areas of Colorado or the state as a whole. This could adversely affect the cost, manner, and feasibility of development activities in Colorado, particularly those involving hydraulic fracturing, and significantly affect the value of our assets and our financial results and impede our growth.

Certain interest groups in Colorado opposed to oil and natural gas development generally, and hydraulic fracturing in particular, have advanced various options for ballot initiatives aimed at significantly limiting or preventing oil and natural gas development. Signatures for two such proposals were submitted for a vote at the November 2014 election. One proposed to amend the Colorado constitution to establish an “environmental bill of rights” that would have allowed local governments in Colorado the right, without limitation, to prohibit crude oil and natural gas development within their respective jurisdictions. The second proposal would have imposed a statewide mandatory minimum spacing, or setback, between oil and gas wells and occupied structures of 2,000 feet. As part of a compromise negotiated by Governor John Hickenlooper, both initiatives were withdrawn prior to the election and were not voted upon. However, these or similar proposals may be made in the future. Should any such proposal be successful and survive legal challenge, it could have a materially adverse impact on our ability to drill and/or produce crude oil and natural gas in certain areas in Colorado, or the state generally, and could materially impact our results of operations, production and reserves.

Moreover, pursuant to the compromise that resulted in the withdrawal of the 2014 proposals, Governor Hickenlooper has created a task force charged with crafting recommendations to help minimize land use and other conflicts relating to the location of oil and gas facilities. The task force has 21 members representing various interests.

Recommendations of the task force regarding new or amended legislation must be approved by a two-thirds vote of the members and will be submitted to the Governor by no later than February 27, 2015. We cannot predict the outcome of this process, the proposals to be formulated by the task force or the result of any related legislative process.

Our business could be negatively impacted by security threats, including cybersecurity threats, and other disruptions.

We face various security threats, including attempts by third parties to gain unauthorized access to sensitive information or to render data or systems unusable; threats to the safety of our employees; threats to the security of our infrastructure or third party facilities and infrastructure, such as processing plants and pipelines; and threats from terrorist acts. There can be no assurance that the procedures and controls we use to monitor these threats and mitigate our exposure to them will be sufficient in preventing them from materializing. If any of these events were to materialize, they could lead to losses of sensitive information, critical infrastructure, personnel or capabilities essential to our operations and could have a material adverse effect on our reputation, financial condition, results of operations, or cash flows.

In particular, the oil and gas industry has become increasingly dependent on digital technologies to conduct day-to-day operations including certain exploration, development and production activities. For example, software programs are used to interpret seismic data, manage drilling activities, conduct reservoir modeling and reserves estimation, and to process and record financial and operating data.

We depend on digital technology, including information systems and related infrastructure as well as cloud application and services, to store, transmit, process and record sensitive information (including trade secrets, employee information and financial and operating data), communicate with our employees and business partners, analyze seismic and drilling information, estimate quantities of oil and gas reserves and for many other activities related to our business. The complexity of the technologies needed to explore for and develop oil, natural gas and NGLs make certain information more attractive to thieves.

Our business partners, including vendors, service providers, operating partners, purchasers of our production, and financial institutions, are also dependent on digital technology. Some of these business partners may be provided limited access to our sensitive information or our information systems and related infrastructure in the ordinary course of business.

As dependence on digital technologies has increased, cyber incidents, including deliberate attacks and unintentional events, have also increased. A cyber-attack could include an attempt to gain unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Certain countries are believed to possess cyber warfare capabilities and are credited with attacks on American companies and government agencies. Well publicized recent cyber-attacks include those directed at Anthem, Inc. and Sony Pictures, but lower profile attacks are also common.

Our technologies, systems and networks, and those of our business partners, may become the target of cyber-attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of proprietary and other information, theft of property or other disruption of our business operations. In addition, certain cyber incidents, such as surveillance, may remain undetected for an extended period. Given the politically sensitive nature of hydraulic fracturing and the controversy generated by its opponents, our technologies, systems and networks may be of particular interest to certain groups with political agendas, which may seek to launch cyber-attacks as a method of promoting their message. A cyber incident involving our information systems and related infrastructure, or that of our business partners, could disrupt our business plans and negatively impact our operations. Although to date we have not experienced any significant cyber-attacks, there can be no assurance that we will not be the target of such attacks in the future. As cyber threats continue to evolve, we may be required to expend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any security vulnerabilities.

Environmental and overall public scrutiny focused on the oil and gas industry is increasing. The current trend is to increase regulation of our operations and the industry. We are subject to complex federal, state, local and other laws and regulations that could adversely affect the cost, manner or feasibility of doing business.

Our exploration, development, production, and marketing operations are regulated extensively at the federal, state, and local levels. Environmental and other governmental laws and regulations have increased the costs of planning, designing, drilling, installing, operating, and abandoning crude oil and natural gas wells and associated facilities. Under these laws and regulations, we could also be liable for personal injuries, property damage, and natural resource or other damages. Similar to our competitors, we incur substantial operating and capital costs to comply with such laws and regulations. These compliance costs may put us at a competitive disadvantage compared to larger companies in the industry which can more easily capture economies of scale with respect to compliance. Failure to comply with these laws and regulations may result in the suspension or termination of our operations or other operational impediments and subject us to administrative, civil, and criminal penalties. Moreover, public interest in environmental protection has increased in recent years-particularly with respect to hydraulic fracturing-and environmental organizations have opposed, with some success, certain drilling projects.

In addition, our activities are subject to regulations governing conservation practices, protection of wildlife and habitat, and protection of correlative rights by state governments. For example, the federal Endangered Species Act (“ESA”) and analogous state laws restrict activities that may adversely affect endangered and threatened species or their habitat. The designation of previously unidentified endangered or threatened species or their habitat in areas where we operate could cause us to incur additional costs or become subject to operating delays, restrictions or bans. For example, the U.S. Fish and Wildlife Service in May 2014 proposed a rule to alter how that agency designates critical habitat. It is unclear when that rule may be finalized, but it could expand the reach of the ESA. These regulations affect our operations, increase our costs of exploration and production, and limit the quantity of crude oil, natural gas and NGLs that we can produce and market. A major risk inherent in our drilling plans is the possibility that we will be unable to obtain needed drilling permits from relevant governmental authorities in a timely manner. Delays in obtaining regulatory approvals or drilling permits, the failure to obtain a drilling permit

for a well, or the receipt of a permit with unreasonable conditions or costs could have a material adverse effect on our ability to explore or develop our properties.

Additionally, the crude oil and natural gas regulatory environment could change in ways that substantially increase our financial and managerial compliance costs, increase our exposure to potential damages or limit our activities. At the state level, for instance, the Colorado Oil and Gas Conservation Commission (“COGCC”) issued a rule in 2013 governing mandatory minimum setbacks between oil and gas wells and occupied buildings and other areas. Also in 2013, the COGCC issued rules that require baseline sampling of certain ground and surface water in most areas of Colorado and impose stringent spill reporting and remediation requirements. These new sampling requirements could increase the costs of developing wells in certain locations. Other regulatory amendments and policies recently adopted by the COGCC address wellbore integrity, hydraulic fracturing, well control, waste management, and spill reporting. In addition to increasing costs of operation, some of these rules and policies could prevent us from drilling wells on certain locations we plan to develop, thereby reducing our reserves as well as our future revenues. In 2014, the Colorado Oil and Gas Conservation Act was amended to increase the potential sanctions for violating the Act or its implementing regulations, orders, or permits. In January 2015, the COGCC amended its regulations to implement this new legislation. These legislative and regulatory amendments expand the COGCC’s enforcement authority and tools by, for example, mandating monetary penalties for certain types of violations, requiring a penalty to be assessed for each day of violation, and significantly increasing the maximum daily penalty amount. These changes could significantly increase both the frequency and the amount of future administrative penalties assessed by the COGCC.

In addition, in February 2014, the Colorado Department of Public Health and Environment’s Air Quality Control Commission (“AQCC”) finalized regulations imposing stringent new requirements relating to air emissions from oil and gas facilities in Colorado. The new rules impose significantly more stringent control, monitoring, recordkeeping, and reporting requirements than those required under comparable new federal rules, promulgated at 40 C.F.R. Part 60, Subpart OOOO. In addition, as part of the rule, the AQCC approved the direct regulation of hydrocarbon (i.e., methane) emissions from the Colorado oil and gas sector. Such state-only, direct regulation of methane (a greenhouse gas) from a single industry sector in the absence of comparable federal regulation is a significant new authority being asserted at the state level and has the potential to adversely affect operations in Colorado as well as in other parts of the country. Along the same lines, local governments are undertaking air quality studies to assess potential public health impacts from oil and gas operations. These studies, in combination with other air quality-related studies that are national in scope, may result in the imposition of additional regulatory requirements on oil and gas operations.

The Comprehensive Environmental Response, Compensation, and Liability Act (“CERCLA” or the “Superfund law”) and some comparable state laws impose liability, without regard to fault or the legality of the original conduct, on certain classes of persons that contributed to the release of a hazardous substance into the environment. This includes potential liability for activities on properties we may currently own or operate upon, but where previous owner/operators caused the release of a hazardous substance. In addition, we may handle hazardous substances within the meaning of CERCLA, or similar state statutes, in the course of our ordinary operations and, as a result, may be jointly and severally liable under CERCLA for all or part of the costs required to clean up sites at which these hazardous substances have been released into the environment. Regulatory focus on worker safety and health regulations involving operating hazards in oil and natural gas exploration and production activities is also increasing. One example is a recent investigation by OSHA and other governmental authorities regarding potential worker exposure to hydrocarbon vapors from certain fuel transfer and related tasks. Several recent worker fatalities at oil and gas facilities nationwide are being reviewed by OSHA and other governmental authorities for a potential link to hydrocarbon vapor exposure. Regulatory requirements generally relating to worker exposure to hydrocarbon vapors could be increased or receive heightened scrutiny going forward.

Other potential laws and regulations affecting us include new or increased severance taxes proposed in several states, including Ohio. This could adversely affect our existing operations in the state and the economic viability of future

drilling. Additional laws, regulations, or other changes could significantly reduce our future growth, increase our costs of operations, and reduce our cash flows, in addition to undermining the demand for the crude oil, natural gas and NGLs we produce.

Our ability to produce crude oil, natural gas and NGLs could be impaired if we are unable to acquire adequate supplies of water for our drilling and completion operations or are unable to dispose of the water we use at a reasonable cost and within applicable environmental rules.

Our operations could be adversely impacted if we are unable to locate sufficient amounts of water, or dispose of or recycle water used in our exploration and production operations. Currently, the quantity of water required in certain completion operations, such as hydraulic fracturing, and changing regulations governing usage may lead to water constraints and supply concerns (particularly in some parts of the country). In addition, Colorado has a relatively arid climate and experiences drought conditions from time to time. As a result, future availability of water from certain sources used in the past may become limited.

The imposition of new environmental initiatives relating to wastewater could restrict our ability to conduct certain operations such as hydraulic fracturing. This includes potential restrictions on waste disposal, including, but not limited to, produced water, drilling fluids, and other wastes associated with the exploration, development, or production of hydrocarbons. For example, in 2010 a petition was filed by the Natural Resources Defense Council with EPA requesting that the agency reassess its prior and long-standing determination that certain oil and natural gas exploration and production wastes would not be regulated as hazardous waste under Subtitle C of the RCRA. EPA has not yet acted on the petition and it remains pending. Were EPA to begin treating some or all of these wastes as “hazardous” under Subtitle C in response to the petition, the consequences for our operations would be serious, and would include a significant increase in costs associated with waste treatment and disposal and a potential inability to conduct operations in some instances.

The CWA and analogous state laws impose restrictions and strict controls regarding the discharge of pollutants, including produced waters and other oil and natural gas waste, into navigable waters or other regulated federal and state waters. Permits or other approvals must be obtained to discharge fill and pollutants into regulated waters and to conduct construction activities in such waters and wetlands. Uncertainty regarding regulatory jurisdiction over wetlands and other regulated waters of the United States has complicated, and will continue to complicate and increase the cost of, obtaining such permits or other approvals. Most recently, EPA and the U.S. Army Corps of Engineers have issued a proposed rule on defining jurisdictional waters of the United States. An expansive definition of such jurisdictional waters could affect our ability to operate in certain areas, increase costs of operations, and cause significant scrutiny and delays in permitting. While generally exempt under federal programs, many state agencies have also adopted regulations requiring certain oil and natural gas exploration and production facilities to obtain permits for storm water discharges. These permits, in turn, impose far-ranging monitoring, flow control, and other obligations that have generated, and will continue to generate, increased costs for our operations.

In October 2011, EPA announced its intention to develop federal pretreatment standards for wastewater discharges associated with hydraulic fracturing activities. If adopted, the pretreatment rules will require shale gas operations to pretreat wastewater before transfer to treatment facilities. Proposed rules are expected in early 2015. Some states, including Pennsylvania, have banned the treatment of fracturing wastewater at publicly owned treatment facilities. There has been recent nationwide concern, particularly in Ohio, over earthquakes associated with Class II underground injection control wells, a predominant storage method for crude oil and gas wastewater. As seen in Ohio, it is likely that new rules and regulations will be developed to address these concerns, possibly eliminating access to Class II wells in certain locations, and increasing the cost of disposal in others.

Finally, the EPA study noted above has focused and will continue to focus on various stages of water use in hydraulic fracturing operations. It is possible that, following the conclusion of EPA's study, the agency will move to more strictly regulate the use of water in hydraulic fracturing operations. While we cannot predict the impact that these changes may have on our business at this time, they may be material to our business, financial condition, and operations. In addition, an inability to meet our water supply needs to conduct our completion operations may adversely impact our business. These water-related concerns are heightened by the potential for flooding events in Colorado such as those that occurred in 2013. For example, during that flood we experienced damage to some of our facilities as well as other operational impediments.

Reduced commodity prices could result in significant impairment charges and significant downward revisions of proved reserves.

Crude oil prices fell dramatically in the second half of 2014 and the domestic natural gas market remains weak. Low commodity prices could result in, among other adverse effects, significant impairment charges. The cash flow model we use to assess properties for impairment includes numerous assumptions, such as management's estimates of future oil and gas production and commodity prices, market outlook on forward commodity prices and operating and development costs. All inputs to the cash flow model must be evaluated at each date that the estimate of future cash flows for each producing basin is calculated. However, a significant decrease in long-term forward prices alone could result in a significant impairment for our properties that are sensitive to declines in prices. In December 2012, we recognized an impairment charge of \$161.2 million associated with our Piceance Basin proved crude oil and natural gas properties. In 2013, we recognized additional charges of \$48.8 million associated with our shallow Upper Devonian (non-Marcellus Shale) Appalachian Basin producing properties. In December 2014, we recognized a charge of \$158.3 million associated with our Utica Shale properties. Similar charges could occur in the future. In addition, low commodity prices could result in significant downward revisions to our proved reserves.

Our development and exploration operations require substantial capital, and we may be unable to obtain needed capital or financing on satisfactory terms, which could lead to a loss of properties and a decline in our production and

reserves, and ultimately our profitability.

Our industry is capital intensive. We expect to continue to make substantial capital expenditures in our business and operations for the exploration, development, production and acquisition of crude oil, natural gas and NGL reserves.

To date, we have financed capital expenditures primarily with bank borrowings under our revolving credit facility, cash generated by operations and proceeds from capital markets transactions and the sale of properties. We intend to finance our future capital expenditures utilizing similar financing sources. Our cash flows from operations and access to capital are subject to a number of variables, including:

- our proved reserves;
- the amount of crude oil, natural gas and NGLs we are able to produce from existing wells;
- the prices at which crude oil, natural gas and NGLs are sold;
- the costs to produce crude oil, natural gas and NGLs; and
- our ability to acquire, locate and produce new reserves.

If our revenues or the borrowing base under our revolving credit facility decrease as a result of lower commodity prices, operating difficulties or for any other reason, our need for capital from other sources could increase, and there can be no assurance that such other sources of capital would be available at that time on reasonable terms or at all. If we raise funds by issuing additional equity securities, this would have a dilutive effect on existing shareholders. If we raise funds through the incurrence of debt, the risks we face with respect to our indebtedness would increase and we would incur additional interest expense. Our inability to obtain sufficient financing on acceptable terms would adversely affect our financial condition and profitability.

Our estimated crude oil and natural gas reserves are based on many assumptions that may turn out to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions may materially affect the quantities and present value of our reserves.

Calculating reserves for crude oil, natural gas and NGLs requires subjective estimates of remaining volumes of underground accumulations of hydrocarbons. Assumptions are also made concerning commodity prices, production levels, and operating and development costs over the economic life of the properties. As a result, estimated quantities of proved reserves and projections of future production rates and the timing of development expenditures may be inaccurate. Independent petroleum engineers prepare our estimates of crude oil, natural gas and NGLs reserves using pricing, production, cost, tax and other information that we provide. The reserve estimates are based on certain assumptions regarding commodity prices, production levels, and operating and development costs that may prove incorrect. Any significant variance from these assumptions to actual results could greatly affect:

- the economically recoverable quantities of crude oil, natural gas and NGLs attributable to any particular group of properties;
- future depreciation, depletion and amortization (“DD&A”) rates and amounts;
- impairments in the value of our assets;
- the classifications of reserves based on risk of recovery;
- estimates of future net cash flows;
- timing of our capital expenditures; and
- the amount of funds available for us to utilize under our revolving credit facility.

Some of our reserve estimates must be made with limited production histories, which renders these reserve estimates less reliable than estimates based on longer production histories. Horizontal drilling in the Wattenberg Field is a relatively recent development, whereas vertical drilling has been used by producers in this field for over 40 years. As a result, the amount of production data from horizontal wells available to reserve engineers is relatively small, and future reserve estimates will be affected by additional production data as it becomes available. Horizontal drilling in the Utica Shale has an even more limited history, particularly in the southern part of the play where most of our acreage is located. Further, reserve estimates are based on the volumes of crude oil, natural gas and NGLs that are anticipated to be economically recoverable from a given date forward based on economic conditions that exist at that date. The actual quantities of crude oil, natural gas and NGLs recovered will be different than the reserve estimates since they will not be produced under the same economic conditions as used for the reserve calculations. In addition, quantities of probable and possible reserves by definition are inherently more risky than proved reserves and are less likely to be recovered.

At December 31, 2014, approximately 70% of our estimated proved reserves (by volume) were undeveloped. These reserve estimates reflected our plans to make significant capital expenditures to convert our PUDs into proved developed reserves, including approximately \$2.3 billion during the five years ending December 31, 2019. The estimated development costs may not be accurate, development may not occur as scheduled and results may not be as estimated. If we choose not to develop PUDs, or if we are not otherwise able to successfully develop them, we will be required to remove the associated volumes from our reported proved reserves. In addition, under the SEC’s reserve reporting rules, PUDs generally may be booked only if they relate to wells scheduled to be drilled within five years of the date of booking, and we may therefore be required to downgrade to probable or possible any PUDs that are not developed within this five-year time frame.

The present value of the estimated future net cash flows from our proved reserves is not necessarily the same as the current market value of those reserves. Pursuant to SEC rules, the estimated discounted future net cash flows from our proved reserves, and the estimated quantity of those reserves, were based on the prior 12-month average crude oil and natural gas index prices. However, factors such as actual prices we receive for crude oil and natural gas and hedging instruments, the amount and timing of actual production, the amount and timing of future development costs, the supply of and demand for crude oil, natural gas and NGLs and changes in governmental regulations or taxation, also affect our actual future net cash flows from our properties. Because market prices for crude oil at the end of 2014 were significantly lower than the average price for the year determined under SEC rules, the estimated quantity and present

values of our reserves presented in this report are higher than they would be if we had used year-end oil prices instead. Moreover, the lower year-end prices may be more reflective of future economic conditions.

The timing of both our production and incurrence of expenses in connection with the development and production of crude oil and natural gas properties will affect the timing of actual future net cash flows from proved reserves, and thus their actual present value. In addition, the 10% discount factor (the rate required by the SEC) we use when calculating discounted future net cash flows may not be the most appropriate discount factor based on interest rates currently in effect and risks associated with our properties or the industry in general.

Unless reserves are replaced as they are produced, our reserves and production will decline, which would adversely affect our future business, financial condition and results of operations. We may not be able to develop our identified drilling locations as planned.

Producing crude oil, natural gas and NGL reservoirs are generally characterized by declining production rates that vary depending upon reservoir characteristics and other factors. The rate of decline may change over time and may exceed our estimates. Our future reserves and production and, therefore, our cash flows and income, are highly dependent on our ability to efficiently develop and exploit our current reserves and to economically find or acquire additional recoverable reserves. We may not be able to develop, discover or acquire additional reserves to replace our current and future production at acceptable costs. Our failure to do so would adversely affect our future operations, financial condition and results of operations.

We have identified a number of well locations as an estimation of our future multi-year drilling activities on our existing acreage. These well locations represent a significant part of our growth strategy. Our ability to drill and develop these locations depends on a number of uncertainties, including:

- crude oil, natural gas and NGL prices;
- the availability and cost of capital;
- drilling and production costs;
- availability of drilling services and equipment;
- drilling results;
- lease expirations;
- midstream constraints;
- access to and availability of water sourcing and distribution systems;
- regulatory approvals; and
- other factors.

Because of these factors, we do not know if the numerous potential well locations we have identified will ever be drilled or if we will be able to produce crude oil, natural gas or NGLs from these or any other potential well locations. We reduced our budgeted capital expenditures in 2015 relative to 2014 in response to significant declines in the market price of crude oil, and we expect to drill fewer wells during the year - and none targeting the Utica Shale - as a result. In addition, the number of drilling locations available to us will depend in part on the spacing of wells in our operating areas. An increase in well density in an area could result in additional locations in that area, but a reduced production performance from the area on a per-well basis. Further, certain of the horizontal wells we intend to drill in the future may require pooling of our lease interests with the interests of third parties. If these third parties are unwilling to pool their interests with ours, and we are unable to require such pooling on a timely basis or at all, this may limit the total locations we can drill. As such, our actual drilling activities may materially differ from those presently identified. Further, our inventory of drilling projects includes locations in addition to those that we currently classify as proved, probable and possible. The development of and results from these additional projects are more uncertain than those relating to probable and possible locations, and significantly more uncertain than those relating to proved locations.

The wells we drill may not yield crude oil, natural gas or NGLs in commercially viable quantities, and productive wells may be less successful than we expect.

A prospect is a property on which our geologists have identified what they believe, based on available information, to be indications of hydrocarbon-bearing rocks. However, our geologists cannot know conclusively prior to drilling and testing whether crude oil, natural gas or NGLs will be present in sufficient quantities to repay drilling or completion costs and generate a profit given the available data and technology. Furthermore, even when properly used and interpreted, 2-D and 3-D seismic data and visualization techniques do not enable our geologists to be certain as to whether hydrocarbons are, in fact, present in those structures or the quantity of the hydrocarbons. In addition, the use of 3-D seismic and other advanced technologies requires greater pre-drilling expenditures than traditional drilling strategies, and we could incur greater drilling and testing expenses as a result of such expenditures, which may result in a reduction in our returns or losses. As a result, our drilling activities may not be successful or economical, and our overall drilling success rate or our drilling success rate for activities in a particular area could decline. If a well is determined to be dry or uneconomic, which can occur even though it contains some crude oil, natural gas or NGLs, it is classified as a dry hole and must be plugged and abandoned in accordance with applicable regulations. This generally results in the loss of the entire cost of drilling and completion to that point, the cost of plugging, and lease costs associated with the prospect. Even wells that are completed and placed into production may not produce sufficient crude oil, natural gas and NGLs to be profitable, or they may be less productive and/or profitable than we expected. If we drill a dry hole or unprofitable well on a current or future prospect, the profitability of our operations will decline and the value of our properties will likely be reduced. These risks are greater in developing areas such as the Utica Shale. Exploratory drilling is typically subject to substantially greater risk than development drilling. In addition, initial results from a well are not necessarily indicative of its performance over a longer period.

Drilling for and producing crude oil, natural gas and NGLs are high risk activities with many uncertainties that could adversely affect our business, financial condition and results of operations.

Drilling activities are subject to many risks, including the risk that we will not discover commercially productive reservoirs. Drilling can be unprofitable, not only due to dry holes, but also due to curtailments, delays or cancellations as a result of other factors, including:

- unusual or unexpected geological formations;
- pressures;
- fires;
- floods;
- loss of well control;
- loss of drilling fluid circulation;
- title problems;
- facility or equipment malfunctions;
- unexpected operational events;
- shortages or delays in the delivery of equipment and services;
- unanticipated environmental liabilities;
- compliance with environmental and other governmental requirements; and
- adverse weather conditions.

Any of these risks can cause substantial losses, including personal injury or loss of life, damage to or destruction of property, natural resources and equipment, pollution, environmental contamination or loss of wells and regulatory penalties. For example, a loss of containment of hydrocarbons during drilling activities could potentially subject us to civil and/or criminal liability and the possibility of substantial costs, including for environmental remediation, depending upon the circumstances of the loss of containment, the nature and scope of the loss and the applicable laws and regulations. We maintain insurance against various losses and liabilities arising from operations; however, insurance against certain operational risks may not be available or may be prohibitively expensive relative to the perceived risks presented. For example, we may not have coverage with respect to a pollution event if we are unaware of the event while it is occurring and are therefore unable to report the occurrence of the event to our insurance company within the time frame required under our insurance policy. Thus, losses could occur for uninsurable or uninsured risks or for amounts in excess of existing insurance coverage. The occurrence of an event that is not fully covered by insurance and/or governmental or third party responses to an event could have a material adverse effect on our business activities, financial condition and results of operations. We are currently involved in various remedial and investigatory activities at some of our wells and related sites.

Our business strategy focuses on production in our liquid-rich and high impact shale plays. In this regard, we plan to allocate our capital to an active horizontal drilling program. Historically, most of the wells we drilled were vertical wells. Since 2012, however, we have devoted the majority of our capital budget to drilling horizontal wells. Drilling horizontal wells is technologically more difficult than drilling vertical wells - including as a result of risks relating to our ability to fracture stimulate the planned number of stages and to successfully run casing the length of the well bore - and the risk of failure is therefore greater than the risk involved in drilling vertical wells. Additionally, drilling a horizontal well is typically far costlier than drilling a vertical well. This means that the risks of our drilling program will be spread over a smaller number of wells, and that, in order to be economic, each horizontal well will need to produce at a higher level in order to cover the higher drilling costs. In addition, we have transitioned to the use of multi-well pads instead of single-well sites. The use of multi-well pad drilling increases some operational risks because problems affecting the pad or a single well could adversely affect production from all of the wells on the pad. Pad drilling can also make our overall production, and therefore our revenue and cash flows, more volatile, because production from multiple wells on a pad will typically commence simultaneously. While we believe that we will be better served by drilling horizontal wells using multi-well pads, the risk component involved in such drilling will be increased in some respects, with the result that we might find it more difficult to achieve economic success in our drilling program.

Under the “successful efforts” accounting method that we use, unsuccessful exploratory wells must be expensed in the period when they are determined to be non-productive, which reduces our net income in such periods and could have a negative effect on our profitability.

We conduct exploratory drilling in order to identify additional opportunities for future development. Under the “successful efforts” method of accounting that we use, the cost of unsuccessful exploratory wells must be charged to expense in the period in which the wells are determined to be unsuccessful. In addition, lease costs for acreage condemned by the unsuccessful well must also be expensed. In contrast, unsuccessful development wells are capitalized as a part of the investment in the field where they are located. Because exploratory wells generally are more likely to be unsuccessful than development wells, we anticipate that some or all of our exploratory wells may not be productive. The costs of such unsuccessful exploratory wells could result in a significant reduction in our profitability in periods when the costs are required to be expensed.

Increasing finding and development costs may impair our profitability.

In order to continue to grow and maintain our profitability, we must add new reserves that exceed our production over time at a finding and development cost that yields an acceptable operating margin and DD&A rate. Without cost

effective exploration, development or acquisition activities, our production, reserves and profitability will decline over time. Given the relative maturity of most crude oil and natural gas basins in North America and the level of activity in the industry, the cost of finding new reserves through exploration and development operations is high in some basins. The acquisition market for properties has become extremely competitive among producers for additional production and expanded drilling opportunities in North America. Acquisition values for crude oil properties have climbed in recent years and may increase in the future. This increase in finding and development costs results in higher DD&A rates. If the upward trend in crude oil finding and development costs continues, we will be exposed to an increased likelihood of a write-down in the carrying value of our crude oil properties in response to decreases in commodity prices and/or reduction in the profitability of our operations.

We have a substantial amount of debt and the cost of servicing, and risks related to refinancing, that debt could adversely affect our business. Those risks could increase if we incur more debt.

We have a substantial amount of indebtedness. As a result, a significant portion of our cash flows will be required to pay interest and principal on our indebtedness, and we may not generate sufficient cash flows from operations, or have future borrowing capacity available, to enable us to repay our indebtedness or to fund other liquidity needs.

Servicing our indebtedness and satisfying our other obligations will require a significant amount of cash. Our cash flows from operating activities and other sources may not be sufficient to fund our liquidity needs. Our ability to pay interest and principal on our indebtedness and to satisfy our other obligations will depend on our future operating performance and financial condition and the availability of refinancing indebtedness, which will be affected by prevailing economic conditions, including depressed commodity pricing, and financial, business and other factors, many of which are beyond our control.

A substantial decrease in our operating cash flows or an increase in our expenses could make it difficult for us to meet our debt service requirements and could require us to modify our operations, including by curtailing our exploration and drilling programs, selling

assets, refinancing all or a portion of our existing debt or obtaining additional financing. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. In addition, the terms of future debt agreements may, and our existing debt agreements do, restrict us from implementing some of these alternatives. In the absence of adequate cash from operations and other available capital resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate these dispositions for fair market value, in a timely manner or at all. Furthermore, any proceeds that we could realize from any dispositions may not be adequate to meet our debt service or other obligations then due. Because the cash required to service our indebtedness is not available to finance our operations and other business activities, our indebtedness limits our flexibility in planning for or reacting to changes in our business and the industry in which we operate and increases our vulnerability to economic downturns and sustained declines in commodity prices.

Covenants in our debt agreements currently impose, and future financing agreements may impose, significant operating and financial restrictions.

The indenture governing our senior notes and our revolving credit facility contain restrictions, and future financing agreements may contain additional restrictions, on our activities, including covenants that restrict our and certain of our subsidiaries' ability to:

- incur additional debt;
- pay dividends on, redeem or repurchase stock;
- create liens;
- make specified types of investments;
- apply net proceeds from certain asset sales;
- engage in transactions with our affiliates;
- engage in sale and leaseback transactions;
- merge or consolidate;
- restrict dividends or other payments from restricted subsidiaries;
- sell equity interests of restricted subsidiaries; and
- sell, assign, transfer, lease, convey or dispose of assets.

Our revolving credit facility is secured by all of our crude oil and natural gas properties as well as a pledge of all ownership interests in our operating subsidiaries. The restrictions contained in our debt agreements may prevent us from taking actions that we believe would be in the best interest of our business, and may make it difficult for us to successfully execute our business strategy or effectively compete with companies that are not similarly restricted. We may also incur future debt obligations that might subject us to additional restrictive covenants that could affect our financial and operational flexibility.

Our revolving credit facility has substantial restrictions and financial covenants and our ability to comply with those restrictions and covenants is uncertain. Our lenders can unilaterally reduce our borrowing availability based on anticipated commodity prices.

We depend in large part on our revolving credit facility for future capital needs. The terms of the credit agreement require us to comply with certain financial covenants and ratios. Our ability to comply with these restrictions and covenants in the future is uncertain and will be affected by the levels of cash flows from operations and events or circumstances beyond our control. Our failure to comply with any of the restrictions and covenants under the revolving credit facility or other debt agreements could result in a default under those agreements, which could cause

all of our existing indebtedness to be immediately due and payable.

The revolving credit facility limits the amounts we can borrow to a borrowing base amount, determined by the lenders in their sole discretion based upon projected revenues from the properties securing their loan. The significant recent decrease in the price of crude oil is likely to have an adverse effect on the borrowing base. The lenders can unilaterally adjust the borrowing base and the borrowings permitted to be outstanding under the revolving credit facility.

Outstanding borrowings in excess of the borrowing base must be repaid immediately, or we must pledge other crude oil and natural gas properties as additional collateral. We do not currently have any substantial unpledged properties, and we may not have the financial resources in the future to make any mandatory principal prepayments required under the revolving credit facility. Our inability to borrow additional funds under our revolving credit facility could adversely affect our operations and our financial results.

If we are unable to comply with the restrictions and covenants in the agreements governing our indebtedness, there would be a default under the terms of these agreements, which could result in an acceleration of payment of funds that we have borrowed and would impact our ability to make principal and interest payments on our indebtedness and satisfy our other obligations.

Any default under the agreements governing our indebtedness, including a default under our revolving credit facility that is not waived by the required lenders, and the remedies sought by the holders of any such indebtedness, could make us unable to pay principal and interest on our indebtedness and satisfy our other obligations. If we are unable to generate sufficient cash flows and are otherwise unable to obtain the funds necessary to meet required payments of principal and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness, we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under our revolving credit

facility could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to seek to obtain waivers from the required lenders under our revolving credit facility to avoid being in default and we may not be able to obtain such a waiver. If this occurs, we would be in default under our revolving credit facility, the lenders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation. We cannot assure you that we will be granted waivers or amendments to our debt agreements if for any reason we are unable to comply with these agreements, or that we will be able to refinance our debt on terms acceptable to us, or at all.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under our revolving credit facility bear interest at variable rates and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase although the amount borrowed remained the same, and our net income and cash available for servicing our indebtedness and for other purposes would decrease.

Notwithstanding our current indebtedness levels and restrictive covenants, we may still be able to incur substantial additional debt, which could exacerbate the risks described above.

We may be able to incur additional debt in the future. Although our debt agreements contain restrictions on our ability to incur indebtedness, those restrictions are subject to a number of exceptions. In particular, we may borrow under the revolving credit facility, and expect to do so in 2015. We may also consider investments in joint ventures or acquisitions that may increase our indebtedness. Adding new debt to current debt levels could intensify the related risks that we and our subsidiaries now face.

Seasonal weather conditions and lease stipulations can adversely affect our operations.

Seasonal weather conditions and lease stipulations designed to protect wildlife affect operations in some areas. In certain areas drilling and other activities may be restricted or prohibited by lease stipulations, or prevented by weather conditions, for significant periods of time. This limits our operations in those areas and can intensify competition during the active months for drilling rigs, oil field equipment, services, supplies and qualified personnel, which may lead to additional or increased costs or periodic shortages. These constraints and the resulting high costs or shortages could delay our operations and materially increase operating and capital costs and therefore adversely affect our profitability. Similarly, hot weather during some recent periods adversely impacted the operation of certain midstream facilities, and therefore our production. Similar events could occur in the future and could negatively impact our results of operations and cash flows.

We have limited control over activities on properties in which we own an interest but we do not operate, which could reduce our production and revenues.

We operate approximately 89% of the wells in which we own an interest. If we do not operate the properties in which we own an interest, we do not have control over normal operating procedures, expenditures or future development of the underlying properties. The success and timing of drilling and development activities on properties operated by others therefore depends upon a number of factors outside of our control, including the operator's timing and amount of capital expenditures, expertise (including safety and environmental compliance) and financial resources, inclusion of other participants in drilling wells, and use of technology. The failure by an operator to adequately perform operations, or an operator's breach of the applicable agreements, could reduce production and revenues and adversely affect our profitability. These risks have been increasing for us in recent years as our capital expenditures for

non-operated projects have risen significantly. Our lack of control over non-operated properties also makes it more difficult for us to forecast capital expenditures, production and related matters.

Our derivative activities could result in financial losses or reduced income from failure to perform by our counterparties or could limit our potential gains from increases in prices.

We use derivatives for a portion of the production from our own wells and for natural gas purchases and sales by our marketing subsidiary to achieve more predictable cash flows, to reduce exposure to adverse fluctuations in commodity prices, and to allow our natural gas marketing company to offer pricing options to natural gas sellers and purchasers. These arrangements expose us to the risk of financial loss in some circumstances, including when purchases or sales are different than expected or the counterparty to the derivative contract defaults on its contractual obligations. Based on current commodity prices and our current hedging position, we may receive significant revenues from our hedging positions in 2015, increasing the adverse consequences to us if a derivative counterparty fails to perform. In addition, many of our derivative contracts are based on WTI or another oil or natural gas index price. The risk that the differential between the index price and the price we receive for the relevant production may change unexpectedly makes it more difficult to hedge effectively and increases the risk of a hedging-related loss.

Also, derivative arrangements may limit the benefit we would otherwise receive from increases in the prices for the relevant commodity, and they may require the use of our resources to meet cash margin requirements. Since we do not designate our derivatives as hedges, we do not currently qualify for use of hedge accounting; therefore, changes in the fair value of derivatives are recorded in our income statements, and our net income is subject to greater volatility than it would be if our derivative instruments qualified for hedge accounting. For instance, if commodity prices rise significantly, this could result in significant non-cash charges during the relevant period, which could have a material negative effect on our net income.

The inability of one or more of our customers or other counterparties to meet their obligations may adversely affect our financial results.

Substantially all of our accounts receivable result from our crude oil, natural gas and NGLs sales or joint interest billings to a small number of third parties in the energy industry. This concentration of customers and joint interest owners may affect our overall credit risk in that these entities may be similarly affected by changes in economic and other conditions. In addition, our derivatives as well as the derivatives used by our marketing subsidiary expose us to credit risk in the event of nonperformance by counterparties. Nonperformance by our customers or derivative counterparties may adversely affect our financial condition and profitability. We face similar risks with respect to our other counterparties, including the lenders under our revolving credit facility and the providers of our insurance coverage.

Our insurance coverage may not be sufficient to cover some liabilities or losses that we may incur.

The occurrence of a significant accident or other event not fully covered by insurance or in excess of our insurance coverage could have a material adverse effect on our operations and financial condition. Insurance does not protect us against all operational risks. We do not carry business interruption insurance at levels that would provide enough funds for us to continue operating without access to other funds. We also do not carry contingent business interruption insurance related to the purchasers of our production. In addition, pollution and environmental risks are generally not fully insurable.

We may not be able to keep pace with technological developments in our industry.

Our industry is characterized by rapid and significant technological advancements. As our competitors use or develop new technologies, we may be placed at a competitive disadvantage, and competitive pressures may force us to implement those or other new technologies at substantial cost. In addition, our competitors may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before we can. We may not be able to respond to these competitive pressures and implement new technologies on a timely basis or at an acceptable cost. If one or more of the technologies we use now or in the future were to become obsolete or if we were unable to use the most advanced commercially available technology, our business, financial condition and results of operations could be materially adversely affected.

Competition in our industry is intense, which may adversely affect our ability to succeed.

Our industry is intensely competitive, and we compete with other companies that have greater resources. Many of these companies not only explore for and produce crude oil, natural gas and NGLs, but also carry on refining operations and market petroleum and other products on a regional, national or worldwide basis. These companies may be able to pay more for productive properties and exploratory prospects or define, evaluate, bid for and purchase a greater number of properties and prospects than we can. Our ability to acquire additional properties and to discover reserves in the future will be dependent upon our ability to evaluate and select suitable properties and to consummate transactions in a highly competitive environment. In addition, larger companies may have a greater ability to continue exploration activities during periods of low commodity prices. Larger competitors may also be able to absorb the burden of present and future federal, state, local and other laws and regulations more easily than we can, which could adversely affect our competitive position. These factors could adversely affect the success of our operations and our profitability.

Our success depends on key members of our management and our ability to attract and retain experienced technical and other professional personnel.

Our future success depends to a large extent on the services of our key employees. The loss of one or more of these individuals could have a material adverse effect on our business. Furthermore, competition for experienced technical and other professional personnel remains strong. If we cannot retain our current personnel or attract additional experienced personnel, our ability to compete could be adversely affected. Also, the loss of experienced personnel could lead to a loss of technical expertise.

Acquisitions of properties are subject to the uncertainties of evaluating recoverable reserves and potential liabilities, including environmental uncertainties.

Acquisitions of producing properties and undeveloped properties have been an important part of our historical and recent growth. We expect acquisitions will also contribute to our future growth. Successful acquisitions require an assessment of a number of factors, many of which are beyond our control. These factors include recoverable reserves, development potential, future commodity prices, operating costs, title issues and potential environmental and other liabilities. Such assessments are inexact and their accuracy is inherently uncertain. In connection with our assessments, we perform engineering, environmental, geological and geophysical reviews of the acquired properties, which we believe are generally consistent with industry practices. However, such reviews are not likely to permit us to become sufficiently familiar with the properties to fully assess their deficiencies and capabilities. We do not inspect every well prior to an acquisition and our ability to evaluate undeveloped acreage is inherently imprecise. Even when we inspect a well, we may not always discover structural, subsurface and environmental problems that may exist or arise. In some cases, our review prior to signing a definitive purchase agreement may be even more limited. In addition, we often acquire acreage without any warranty of title except as to claims made by, through or under the transferor.

When we acquire properties, we will generally have potential exposure to liabilities and costs for environmental and other problems existing on the acquired properties, and these liabilities may exceed our estimates. Often we are not entitled to contractual indemnification associated with acquired properties. We often acquire interests in properties on an “as is” basis with no or limited remedies for breaches of representations and warranties. Therefore, we could incur significant unknown liabilities, including environmental liabilities, or losses due to

title defects, in connection with acquisitions for which we have limited or no contractual remedies or insurance coverage. In addition, the acquisition of undeveloped acreage is subject to many inherent risks and we may not be able to realize efficiently, or at all, the assumed or expected economic benefits of acreage that we acquire.

Additionally, significant acquisitions can change the nature of our operations depending upon the character of the acquired properties, which may have substantially different operating and geological characteristics or may be in different geographic locations than our existing properties. These factors can increase the risks associated with an acquisition. Acquisitions also present risks associated with the additional indebtedness that may be required to finance the purchase price, and any related increase in interest expense or other related charges.

Certain federal income tax deductions currently available with respect to crude oil and natural gas and exploration and development may be eliminated as a result of future legislation.

The administration of U.S. President Barack Obama has proposed to eliminate certain key U.S. federal income tax preferences currently available with respect to crude oil and natural gas exploration and production. The proposals include, but are not limited to (i) the repeal of the percentage depletion allowance for crude oil and natural gas properties; (ii) the elimination of current deductions for intangible drilling and development costs; (iii) the elimination of the deduction for certain U.S. production activities; and (iv) an extension of the amortization period for certain geological and geophysical expenditures. It is not possible at this time to predict how legislation or new regulations that may be adopted to address these proposals would impact our business, but any such future laws and regulations could result in higher federal income taxes, which could negatively affect our financial condition and results of operations. In addition, proposals are made from time to time in states where we operate to implement or increase severance or other taxes at the state level, and any such additional taxes would have similarly adverse effects on us.

Derivatives legislation and regulation could adversely affect our ability to hedge crude oil and natural gas prices and increase our costs and adversely affect our profitability.

In July 2010, President Obama signed into law the Dodd-Frank Wall Street Reform and Consumer Protection Act (the “Dodd-Frank Act”). The Dodd-Frank Act regulates derivative transactions, including our commodity hedging swaps, and could have a number of adverse effects on us, including the following:

The Dodd-Frank Act may limit our ability to enter into hedging transactions, thus exposing us to additional risks related to commodity price volatility; commodity price decreases would then have an increased adverse effect on our profitability and revenues. Reduced hedging may also impair our ability to have certainty with respect to a portion of our cash flows, which could lead to decreases in capital spending and, therefore, decreases in future production and reserves.

If, as a result of the Dodd-Frank Act or its implementing regulations, we are required to post cash collateral in connection with our derivative positions, this would likely make it impracticable to implement our current hedging strategy.

Our derivatives counterparties will be subject to significant new capital, margin and business conduct requirements imposed as a result of the Dodd-Frank Act. We expect that these requirements will increase the cost to hedge because there will be fewer counterparties in the market and increased counterparty costs will be passed on to us.

The above factors could also affect the pricing of derivatives and make it more difficult for us to enter into hedging transactions on favorable terms.

Climate change legislation or regulations restricting emissions of “greenhouse gases” could result in increased operating costs and reduced demand for the crude oil, natural gas and NGLs that we produce while physical effects of climate change could disrupt our production and cause us to incur significant costs in preparing for or responding to those

effects.

In December 2009, EPA published its findings that emissions of carbon dioxide, methane, and other greenhouse gases present an endangerment to public health and the environment because emissions of such gases are, according to EPA, contributing to warming of the earth's atmosphere and other climatic changes. These findings provide the basis for EPA to adopt and implement regulations that would restrict emissions of greenhouse gases under existing provisions of the CAA. In June 2010, EPA published its final rule to address the permitting of greenhouse gas emissions from stationary sources under the CAA's Prevention of Significant Deterioration ("PSD") and Title V permitting programs. This rule "tailors" these permitting programs to apply to certain stationary sources of greenhouse gas emissions in a multi-step process, with the largest sources first subject to permitting. It was widely expected that facilities required to obtain PSD permits for their greenhouse gas emissions would be required to also reduce those emissions according to "best available control technology" ("BACT") standards. In its permitting guidance for greenhouse gases, issued in November 2010, EPA recommended options for BACT from the largest sources, which include improved energy efficiency, among others. EPA also issued a final rule in July 2013 retaining the "tailored" permitting thresholds, opting not to extend greenhouse gas permitting requirements to smaller stationary sources at that time.

In June 2012, the United States Court of Appeals for the District of Columbia Circuit issued an opinion and order in *Coalition for Responsible Regulation v. Environmental Protection Agency*, upholding EPA's greenhouse gas-related rules, including the "tailoring rule," against challenges from various state and industry group petitioners. In October 2013, the United States Supreme Court in *Utility Air Regulatory Group v. EPA*, accepted a petition for certiorari to decide whether EPA correctly determined that its regulation of greenhouse gases from mobile sources triggered permitting requirements under the CAA for stationary sources that emit greenhouse gases. In June 2014, the Supreme Court upheld a portion of EPA's GHG stationary source program, but invalidated a portion of it. The Court held that stationary sources already subject to the PSD or Title V program for non-GHG criteria pollutants remained subject to GHG BACT requirements, but ruled that sources

subject to the PSD or Title V program only for GHGs could not be forced to comply with GHG BACT requirements. Upon remand, EPA is considering how to implement the Court's decision. Depending on what EPA does, it is possible that any regulatory or permitting obligation that limits emissions of greenhouse gases could extend to smaller stationary sources and require us to incur costs to reduce and monitor emissions of greenhouse gases associated with our operations and also adversely affect demand for the crude oil and natural gas that we produce.

In the past, Congress has considered various pieces of legislation to reduce emissions of greenhouse gases. Congress has not adopted any significant legislation in this respect to date, but could do so in the future. For example, if Congress undertakes comprehensive tax reform in the coming year, it is possible that such measures could include a carbon tax, which could result in additional direct costs to our operations. In the absence of such national legislation, many states and regions have taken legal measures to reduce emissions of greenhouse gases, primarily through the planned development of greenhouse gas emission inventories and/or regional greenhouse gas cap and trade programs. For example, in February 2014, Colorado adopted rules directly regulating methane emissions from the oil and gas sector.

President Obama has indicated that climate change and greenhouse gas regulation is a significant priority for his second term. The President issued a Climate Action Plan in June 2013 that, among other things, calls for a reduction in methane emissions from the oil and gas sector. In November 2013, the President released an Executive Order charging various federal agencies, including EPA, with devising and pursuing strategies to improve the country's preparedness and resilience to climate change. In part through these executive actions, the direct regulation of methane emissions from the oil and gas sector continues to be a focus of regulation. Most notably, in March 2014, EPA published a series of Methane White Papers addressing suspected methane emissions from the oil and gas sector. The agency announced in early 2015 that it will be proposing new rules aimed at further reducing methane emissions from the oil and gas sector in 2015, with final rules expected in 2016. These rules will build on the Methane White Papers and will likely include new regulatory requirements affecting our operations. In addition to the proposed Colorado rules discussed above and in "Business and Properties-Governmental Regulation-Environmental Matters," a lawsuit has been filed by several northeastern states that would require EPA to more stringently regulate methane emissions from the oil and gas sector. The passage of legislation, or executive and other initiatives that limit emissions of greenhouse gases from our equipment and operations, could require us to incur costs to reduce the greenhouse gas emissions, and it could also adversely affect demand for the crude oil and natural gas that we produce.

Some have suggested that one consequence of climate change could be increased severity of extreme weather, such as increased hurricanes and floods. Flooding that occurred in Colorado in 2013 is an example of an extreme weather event that negatively impacted our operations. If such events were to continue to occur, or become more frequent, our operations could be adversely affected in various ways, including through damage to our facilities from increased costs for insurance.

Another possible consequence of climate change is increased volatility in seasonal temperatures. The market for natural gas is generally improved by periods of colder weather and impaired by periods of warmer weather, so any changes in climate could affect the market for the fuels that we produce. Despite the use of the term "global warming" as a shorthand for climate change, some studies indicate that climate change could cause some areas to experience temperatures substantially colder than their historical averages. As a result, it is difficult to predict how the market for our fuels could be affected by increased temperature volatility, although if there is an overall trend of warmer temperatures, it would be expected to have an adverse effect on our business.

The cost of defending any suits brought against us, and any judgments or settlements resulting from such suits, could have an adverse effect on our results of operations and financial condition.

Like many oil and gas companies, we are from time to time involved in various legal and other proceedings, such as title, royalty or contractual disputes, regulatory compliance matters and personal injury or property damage matters, in the ordinary course of our business. For example, in recent years, we have been subject to lawsuits regarding royalty practices and payments and matters relating to certain of our affiliated partnerships. The outcome of pending legal proceedings is inherently uncertain. Regardless of the outcome, such proceedings could have an adverse impact on us because of legal costs, diversion of management and other personnel and other factors. In addition, the resolution of such a proceeding could result in penalties or sanctions, settlement costs and/or judgments, consent decrees or orders requiring a change in our business practices, any of which could materially and adversely affect our business, operating results and financial condition. Accruals for such liability, penalties, sanctions or costs may be insufficient. Judgments and estimates to determine accruals or the anticipated range of potential losses related to legal and other proceedings could change from one period to the next, and such changes could be material.

Our articles of incorporation, bylaws, stockholders rights plan and Nevada law contain provisions that may have an anti-takeover effect and may delay, defer or prevent a tender offer or takeover attempt, which may adversely affect the market price of our common stock.

Our articles of incorporation authorize our board of directors to issue preferred stock without stockholder approval. If our board of directors elects to issue preferred stock, it could be more difficult for a third party to acquire us. We have adopted a stockholders rights plan that will dilute the stock ownership of certain acquirers of our common stock upon the occurrence of certain events. In addition, some provisions of our articles of incorporation, bylaws and Nevada law could make it more difficult for a third party to acquire control of us, including:

- the organization of our board of directors as a classified board, which allows no more than one-third of our directors to be elected each year;
- limitations on the ability of our shareholders to call special meetings; and
- certain Nevada anti-takeover statutes.

Because we have no plans to pay dividends on our common stock, investors must look solely to stock appreciation for a return on their investment in us.

We have never declared or paid cash dividends on our common stock. We currently intend to retain all future earnings and other cash resources, if any, for the operation and development of our business and do not anticipate paying cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of our board of directors after taking into account many factors, including our financial condition, operating results, current and anticipated cash needs and plans for expansion. In addition, our revolving credit facility and the indenture governing our senior notes limit our ability to pay cash dividends on our common stock. Any future dividends may also be restricted by any debt agreements which we may enter into from time to time.

A failure to complete successful acquisitions would limit our growth.

Because our crude oil and natural gas properties are depleting assets, our future reserves, production volumes and cash flows depend on our success in developing and exploiting our current reserves efficiently and finding or acquiring additional recoverable reserves economically. Acquiring additional crude oil and natural gas properties, or businesses that own or operate such properties, when attractive opportunities arise is a significant component of our strategy. We may not be able to identify attractive acquisition opportunities. If we do identify an appropriate acquisition candidate, we may be unable to negotiate mutually acceptable terms with the seller, finance the acquisition or obtain the necessary regulatory approvals. If we are unable to complete suitable acquisitions, it will be more difficult to replace our reserves, and an inability to replace our reserves would have a material adverse effect on our financial condition and results of operations.

Our undeveloped acreage must be drilled before lease expiration to hold the acreage by production. In highly competitive markets for acreage, failure to drill sufficient wells to hold acreage could result in a substantial lease renewal cost or, if renewal is not feasible, loss of our lease and prospective drilling opportunities.

Unless production is established within the spacing units covering the undeveloped acres on which some of our drilling locations are identified, our leases for such acreage will expire. The cost to renew such leases may increase significantly, and we may not be able to renew such leases on commercially reasonable terms or at all. As such, our actual drilling activities may differ materially from our current expectations, which could adversely affect our business. These risks are greater at times and in areas where the pace of our exploration and development activity slows, such as currently in the Utica Shale, where we have suspended drilling activity due to lower commodity prices. In addition, we do not operate a substantial portion of our Utica Shale acreage. Our relative lack of control over this non-operated acreage increases the risk that some of our leases will expire.

We may incur losses as a result of title defects in the properties in which we invest.

It is our practice in acquiring oil and gas leases or interests not to incur the expense of retaining lawyers to examine the title to the mineral interest at the time of acquisition. Rather, we rely upon the judgment of oil and gas lease brokers or landmen who perform the fieldwork in examining records in the appropriate governmental office before attempting to acquire a lease in a specific mineral interest. Leases in the Utica area are particularly vulnerable to title deficiencies due the long history of land ownership in the area and correspondingly extensive and complex chains of title. The existence of a material title deficiency can render a lease worthless and can adversely affect our results of operations and financial condition. While we typically obtain title opinions prior to commencing drilling operations on a lease or in a unit, the failure of title may not be discovered until after a well is drilled, in which case we may lose the lease and the right to produce all or a portion of the minerals under the property.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 3. LEGAL PROCEEDINGS

Information regarding our legal proceedings can be found in Note 11, Commitments and Contingencies – Litigation, to our consolidated financial statements included elsewhere in this report.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

32

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDERS MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock, par value \$0.01 per share, is traded on the NASDAQ Global Select Market under the symbol PDCE. The following table sets forth the range of high and low sales prices for our common stock for each of the periods presented:

	High	Low
January 1 - March 31, 2013	\$53.80	\$33.39
April 1 - June 30, 2013	55.56	38.02
July 1 - September 30, 2013	66.03	51.46
October 1 - December 31, 2013	73.93	51.32
January 1 - March 31, 2014	64.27	44.72
April 1 - June 30, 2014	70.44	56.88
July 1 - September 30, 2014	63.73	49.82
October 1 - December 31, 2014	50.95	27.91

As of February 2, 2015, we had approximately 696 shareholders of record. Since inception, no cash dividends have been declared on our common stock. Cash dividends are restricted under the terms of our revolving credit facility and the indenture governing our 7.75% senior notes due 2022 and we presently intend to continue a policy of using retained earnings for expansion of our business. See Note 8, Long-term Debt, to our consolidated financial statements included elsewhere in this report.

The following table presents information about our purchases of our common stock during the three months ended December 31, 2014:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share
October 1 - 31, 2014	5,632	\$45.94
November 1 - 30, 2014	2,083	34.33
December 1 - 31, 2014	15,304	41.27
Total fourth quarter purchases	23,019	41.79

(1) Purchases primarily represent shares purchased from employees for the payment of their tax liabilities related to the vesting of securities issued pursuant to our stock-based compensation plans.

SHAREHOLDER PERFORMANCE GRAPH

The performance graph below compares the cumulative total return of our common stock over the five-year period ended December 31, 2014, with the cumulative total returns for the same period for the Standard and Poor's ("S&P") 500 Index and the Standard Industrial Code ("SIC") Index. The SIC Index is a weighted composite of 253 crude petroleum and natural gas companies. The cumulative total shareholder return assumes that \$100 was invested, including reinvestment of dividends, if any, in our common stock on December 31, 2009 and in the S&P 500 Index and the SIC Index on the same date. The results shown in the graph below are not necessarily indicative of future performance.

ITEM 6. SELECTED FINANCIAL DATA

	Year Ended/As of December 31,				
	2014	2013	2012	2011	2010
	(in millions, except per share data and as noted)				
Statement of Operations (From Continuing Operations):					
Crude oil, natural gas and NGLs sales	\$471.4	\$340.8	\$228.0	\$216.1	\$144.8
Commodity price risk management gain (loss), net	310.3	\$(23.9)	29.3	39.4	59.4
Total revenues	856.2	392.7	307.1	323.3	274.8
Income (loss) from continuing operations	107.3	(21.1)	(19.4)	23.2	23.8
Earnings per share from continuing operations:					
Basic	\$3.00	\$(0.65)	\$(0.70)	\$0.98	\$1.23
Diluted	2.93	(0.65)	(0.70)	0.97	1.21
Statement of Cash Flows:					
Net cash from:					
Operating activities	\$236.7	\$159.2	\$174.7	\$151.8	\$143.9
Investing activities	(474.1)	(217.1)	(451.9)	(300.9)	(142.3)
Financing activities	60.3	248.7	271.4	171.5	(20.6)
Capital expenditures	628.6	394.9	347.7	162.7	143.0
Acquisitions of crude oil and natural gas properties	—	9.7	312.2	158.1	—
Balance Sheet:					
Total assets	\$2,340.6	\$2,025.2	\$1,698.0	\$1,389.0	\$1,250.3
Working capital	30.3	112.4	(22.0)	16.2	32.9
Long-term debt	664.9	605.0	532.2	295.7	280.7
Total equity	1,137.4	967.6	664.1	642.2	538.6