

Directional Drilling Waiver Greater Wattenberg Area

Petroleum Development Corporation (PDC) is making application to the Colorado Oil & Gas Conservation Commission (COGCC) to drill the Wells Ranch 36F, 36H, 36J, 36K, 36L, 36N, 36O, 36P, 36R, 36S, 36T and 36V wells at the following locations:

*1375' FNL & 155' FWL, 36F, Section 36-T6N-R63W, Weld County, CO
1223' FSL & 155' FWL, 36H, Section 36-T6N-R63W, Weld County, CO
155' FNL & 1419' FWL, 36J, Section 36-T6N-R63W, Weld County, CO
2619' FNL & 1342' FWL, 36K, Section 36-T6N-R63W, Weld County, CO
155' FSL & 1215' FWL, 36L, Section 36-T6N-R63W, Weld County, CO
1373' FNL & 2589' FWL, 36N, Section 36-T6N-R63W, Weld County, CO
2572' FSL & 2564' FWL, 36O, Section 36-T6N-R63W, Weld County, CO
1284' FSL & 2460' FEL, 36P, Section 36-T6N-R63W, Weld County, CO
155' FNL & 1169' FWL, 36R, Section 36-T6N-R63W, Weld County, CO
2640' FSL & 1320' FEL, 36S, Section 36-T6N-R63W, Weld County, CO
155' FSL & 1216' FEL, 36T, Section 36-T6N-R63W, Weld County, CO
1319' FNL & 193' FEL, 36V, Section 36-T6N-R63W, Weld County, CO*

This well is subject to COGCC Rule 318A, a special well location regulation for the Greater Wattenberg Area (GWA) which includes the lands from and including Townships 2 South to 7 North, and Ranges 61 West to 69 West, 6th PM. In general, wells in the GWA may be located in any of five "drilling windows" per quarter section of land – 400'X400' boxes in the center of each quarter/quarter section; and an 800'X800' box in the center of the quarter section. These wells may reach to the base of the Dakota Formation, and be completed in, and commingle production from, any or all of the Cretaceous Age formations, including, but not limited to, the "J" Sand and the Codell/Niobrara. In general, these wells are drilled in a vertical configuration to a "bottomhole" location below the drilling window where the well is located.

As provided for in Rule 318Ae of the COGCC rules, in a portion of the GWA, additional wells – designated as "infill wells" – may be also drilled from the five drilling windows, with a bottomhole location that is not directly below its surface location. Rule 318Ac requires that any additional "infill well" be drilled within fifty (50) feet from an existing surface location, thus "twinning" an existing well. That means that these additional wells must be drilled using directional drilling technology. As a surface owner you may decide that a vertical drilling location better fits with your existing or planned use of the property. For this reason you have the option, but not the obligation to waive Rule 318Ac allowing PDC to drill "infill wells" vertically from a surface outside the designated drilling windows as stipulated in Rule 318Ae. ***The location of the proposed well shown above falls within this portion of the GWA and is subject to this directional drilling requirement, unless you grant an exception.***

A copy of COGCC Rule 318A is attached to this waiver for your convenience.

By executing this waiver, you acknowledge that you understand your rights under COGCC Rule 318Ac to have this well drilled directionally, from one of the five drilling windows described above, and agree that, instead, you are granting permission for PDC to drill the well vertically at an exception location, as indicated on its Application for Permit to Drill.

This Agreement shall extend to and bind you, as surface owner, your tenant(s), personal representatives, heirs, successors and assigns, and PDC, its successors and assigns.

IN WITNESS WHEREOF, the parties have executed this Agreement on this 14th day of January, 2010.

SURFACE OWNER

By:


Timothy Kelly Minerals Leasing Manager
State Board of Land Commissioners
1313 Sherman Street, Suite 621
Denver, CO 80203

PETROLEUM DEVELOPMENT CORPORATION


Al Bragg, Agent