



Corporate Office
1775 Sherman Street, #3000
Denver, Colorado 80203
303.860.5800
www.petd.com

February 1, 2012

Blue Chip Oil
155 E. Boardwalk Dr.
Suite 400
Fort Collins, CO 80525

Sent via USPS Certified Mail
Tracking: 7011 2970 0003 3875 1017

Re: Notice of 318A(e) Well Proposal
Gaddis 36M-243
T4N, R68W, Section 36
Weld County, Colorado

To Whom It May Concern,

Petroleum Development Corporation doing business as PDC Energy ("PDC") intends to propose, drill and operate the referenced well pursuant to paragraph 6, rule 318A(e), order 1R-100 of the Colorado Oil and Gas Conservation Commission ("COGCC").

Additional information for this well:

1. Wellbore Spacing Unit
The wellbore spacing unit will be comprised of the W2E2 and E2W2 of Sec. 36, T4N-R68W, for the Niobrara formation, as depicted on the enclosed plat. The working interests attributable to the Niobrara formation in the contributing 40-acre quarter-quarter sections will be utilized to determine the interests of the parties in the proposed 320-acre spacing unit for the well.
2. Target Formations
This well will be drilled to a total depth to sufficiently test the Niobrara formation.
3. Surface and Productive Zone Location
SHL: 250' FNL, 1370' FWL Section 36, T4N, R68W
Top of Productive Zone: 500' FNL, 2445' FWL Section 36, T4N, R68W
Bottom of Productive Zone: 500' FSL, 2445' FWL Section 36, T4N, R68W
4. Anticipated Spud Date
Fourth Quarter 2012

Pursuant to the aforementioned rule, you have thirty (30) days from your receipt of this notice to object to this proposal. In the event you do not respond to this notice or enter an objection within the established time period, the proposed spacing unit set forth herein will be established. **However, should you have no objection to this proposal, your cooperation of a written reply, either faxed or mailed to that effect as soon as possible would be greatly appreciated so that PDC may timely continue with the permitting process for this well. Also, if you have no objections, would you please forward any title opinions, revenue decks with social security numbers and addresses concerning the lands owned by Blue Chip Oil in the spacing unit to the undersigned for further processing, so that we may expedite the well proposal process.**

A formal well proposal, including PDC's proposed Authority for Expenditure and Joint Operating Agreement will be forthcoming under separate cover.

Thank you in advance for your timely consideration and response to this proposal. Please feel free to contact the undersigned at (303) 831-3974 or llindow@petd.com should you have any questions.

Sincerely,
PDC Energy



Liz Lindow
Permit Representative

The undersigned hereby waives the minimum thirty (30) day written notice requirement as specified in paragraph 6, Rule 318A(e), Order 1R-100 of the Colorado Oil and Gas Conservation Commission and does not object to such well location and proposed spacing unit as set out herein.

Blue Chip Oil

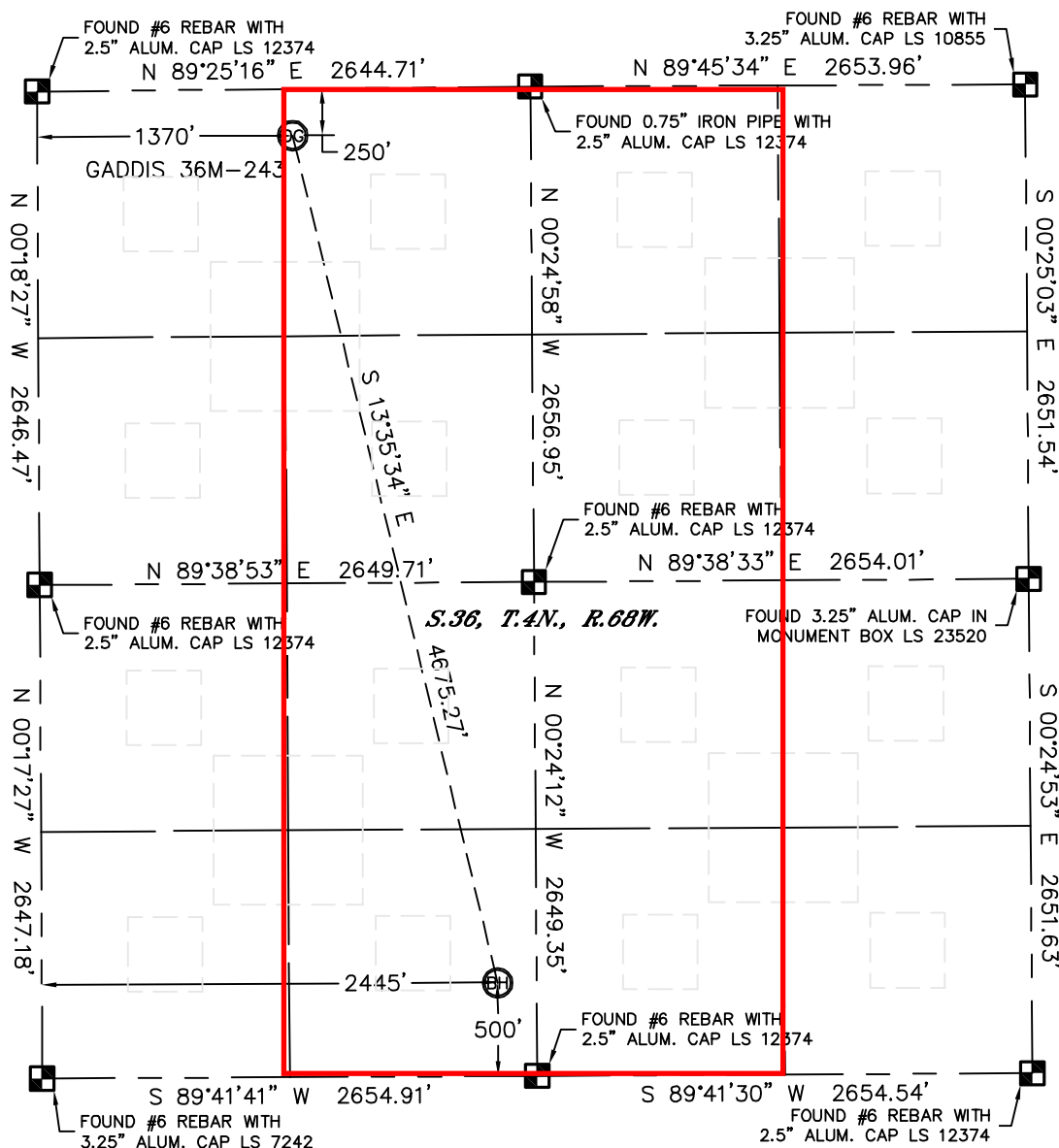
By:

Date:

WELL LOCATION CERTIFICATE

THIS MAP DOES NOT REPRESENT A BOUNDARY SURVEY

SECTION: 36
TOWNSHIP: 4N
RANGE: 68W



In accordance with a request from Mac Neumann with PDC ENERGY Lat40', Inc. has determined the surface location of the GADDIS 36M-243 to be 250' from the NORTH line and 1370' from the WEST line and the bottom hole to be 500' from the SOUTH line and 2445' from the WEST line as measured at right angles from the section lines of Section 36, Township 4 North, Range 68 West of the Sixth Principal Meridian, County of Weld, State of Colorado.

I hereby state that this Well Location Certificate was prepared by me, or under my direct supervision, that the fieldwork was completed on 12/16/11, for and on behalf of PDC ENERGY. That this is not a Land Survey Plat or an Improvement Survey Plat, and that it is not to be relied upon for establishment of fence, building, or other future improvement lines.

NOTE:

- 1) Bearings shown are Grid Bearings of the Colorado State Plane Coordinate System, North Zone, North American Datum 1983/2007. The lineal dimensions as contained herein are based upon the "U.S. Survey Foot."
- 2) Ground elevations are based on an observed GPS elevation (NAVD 1988 DATUM).
- 3) IMPROVEMENTS: See LOCATION DRAWING for all visible improvements within 400' of disturbed area.
- 4) SURFACE USE: CROP LAND
- 5) INSTRUMENT OPERATOR: ADAM KELLY

SURFACE LOCATION

LATITUDE: 40.27671°N LATITUDE: 40.27671°N
LONGITUDE: 104.95581°W LONGITUDE: 104.95581°W
PDOP: 1.3 PDOP: 1.3
ELEV: 5057' ELEV: 5057'
1/4,1/4: NE1/4NW1/4 1/4,1/4: NE1/4NW1/4
NEAREST PROPERTY LINE: 250' N NEAREST PROPERTY LINE: 250' N



BOTTOM HOLE

LATITUDE: 40.26422°N
LONGITUDE: 104.95197°W

NOTE

According to Colorado law, you must commence any legal action based upon any defect in this W.L.C. within three years after you discover such defect. In no event, may any action based upon any defect in this survey be commenced more than ten years after the date of the certificate shown hereon. (13-80-105 C.R.S.)

LEGEND

-  = ALIQUOT MONUMENT AS DESCRIBED
 = CALCULATED POSITION

Brian T. Brinkman—On behalf of Landmark, Inc.
Colorado Licensed Professional Land Surveyor No. 38175
DATE: 12/22/2011
PROJECT#: 20110000000000000000

DATE: 12/22/11
PROJECT#: 2011351

