



September 13, 2022

State of Colorado, Oil & Gas Conservation Commission
Attn: Director
1120 Lincoln Street, Suite 801
Denver, CO 80203

Re: Rio Wells Rule 401.c Exception Location Request – Order No. 407-1902

Director Murphy:

PDC Energy, Inc (Operator No. 69175) ("PDC") plans to drill and develop the following "Rio" horizontal Wells from the existing Rio LC Pad (Location ID 465146), located in the NW¼NW¼ of Section 6, Township 1 South, Range 67 West, 6th P.M.:

1. Rio 13NA (Doc Number 403162638)
2. Rio 14N (Doc Number 403164064)
3. Rio 15NA (Doc Number 403164068)
4. Rio 16N (Doc Number 403164088)
5. Rio 17N (Doc Number 403164272, API 05-001-10460)

On March 20, 2017, the COGCC entered Order No. 407-1902 which, among other things, established an approximate 640-acre drilling and spacing unit for the E½ of Sections 2 and 11, Township 1 South, Range 68 West, 6th P.M., and approved up to 12 horizontal wells within the unit, for the production of oil, gas, and associated hydrocarbons from the Codell and Niobrara Formations (the "Ivey North DSU"). Order No. 407-1902 provides that: "All wells permitted under this Order shall be drilled from no more than one multi-well pad within the Application Lands, subject to Rule 318A, unless the Director grants an exception" (emphasis added). There are currently two horizontal Wells producing in the Ivey North DSU, the Ivey LC 02-33HC Well (API 05-001-09900) and the Ivey LC 02-36HC Well (API 05-001-09908) from the existing Ivey LC Pad (Location ID 442411) located within the Ivey North DSU Application Lands. Pursuant to Order 407-1902, up to 10 more wells may be drilled within the Ivey North DSU.

The Rio LC Pad (Location ID 465146) is approved for up to 26 Wells. Of the 26 approved Wells on the Rio LC Pad, 12 Wells are producing in an approximate 1,280-acre drilling and spacing unit established by Order No. 407-2483 for Sections 1 and 12, Township 1 South, Range 68 West, 6th P.M. (the "Rio DSU") and surface has been set on 10 additional Wells in the Rio DSU. Of those 10 Wells, one Form 2 APD for the Rio 17N (formerly known as Rio LC 12-370HC Well API No. 05-001-10460) will be amended via a new Form 2 to develop and produce in the Ivey North DSU. In addition, PDC plans to drill and operate an additional four Rio Wells in the Ivey North DSU from the Rio LC Pad, for a total of 5 Rio Wells in the Ivey North DSU to be drilled from the Rio LC Pad.

Because Order No. 407-1902 requires that the Wells be drilled from one multi-well pad within the Application Lands, PDC is seeking Exception Locations from Order No. 407-1902 to allow the Rio Form 2 APDs described above to be drilled from the off-unit Rio LC Pad and produce in the Ivey North DSU.

Rule 401.c governs Exception Locations, and provides:

(1) Operators may request in writing from the Director an exception to the Well completion location requirements of this Rule, or any order, because of geologic, environmental, topographic, or archaeological conditions, irregular sections, a Surface Owner request, or for other good cause shown. The Operator will submit the written exception location request and waivers pursuant to Rule 401.c.(2).B, as attachments to the Form 2, Application for Permit to Drill.

(2) The Director will not approve an exception request unless the Operator:

A. Demonstrates in sufficient detail that correlative rights are protected; and

B. Submits with its request one of the following waivers authorizing the encroachment:

i. If the proposed Well completion encroaches upon an unspaced lease, a waiver will be signed by the Owner unless Rule 401.c.(2).B.iii applies.

ii. If the proposed Well completion encroaches upon a unit, a waiver will be signed by all Owners within the unit, unless Rule 401.c.(2).B.iii applies.

iii. If the Operator of the proposed Well is the Owner of an encroached-upon unspaced lease, or of a lease within an encroached-upon unit, a waiver will be signed by the leased mineral interest Owners.

Rule 401.c.(2).B. applies only to the encroachment area of the completed portion of a Well. Since the Exception Location requests are for the portion of Order No. 407-1902 which impacts the well surface location, the waiver provisions of Rule 401.c.(2).B. do not apply.

For the foregoing reasons, PDC respectfully requests Rule 401.c Exception Locations for the five Rio Wells described herein such that the Rio Wells can be drilled from the Rio LC Pad to produce within the Ivey North Unit due to Order No. 407-1902's location restriction.

If you should have any questions or concerns regarding this permit, please contact the undersigned at (303) 831-3931.

Sincerely,

A handwritten signature in black ink, appearing to read "Ally Ota".

Ally Ota
Regulatory Analyst
PDC Energy, Inc.