

Setting the Record Straight on PDC's Underperformance

May 14, 2019

Setting the Record Straight on PDC's Underperformance



Since Bart Brookman's Appointment to CEO in January of 2015:

- **Cumulative net income (loss):** (\$560) million
- **Cumulative impairments:** \$924 million
- **Cumulative net cash flow:** negative \$1.63 billion
- **Board metrics achieved:** 10 of 21
- **Cumulative executive compensation²:** \$55.7 million
- **Average bonus pay vs. target:** 150%
- **Cumulative SG&A:** \$533 million
- **Changes to internally set peer group:** 30
- **Absolute share price performance³:** negative 11%
- **Average ROACE:** < 0%
- **Cash returned to shareholders:** \$0

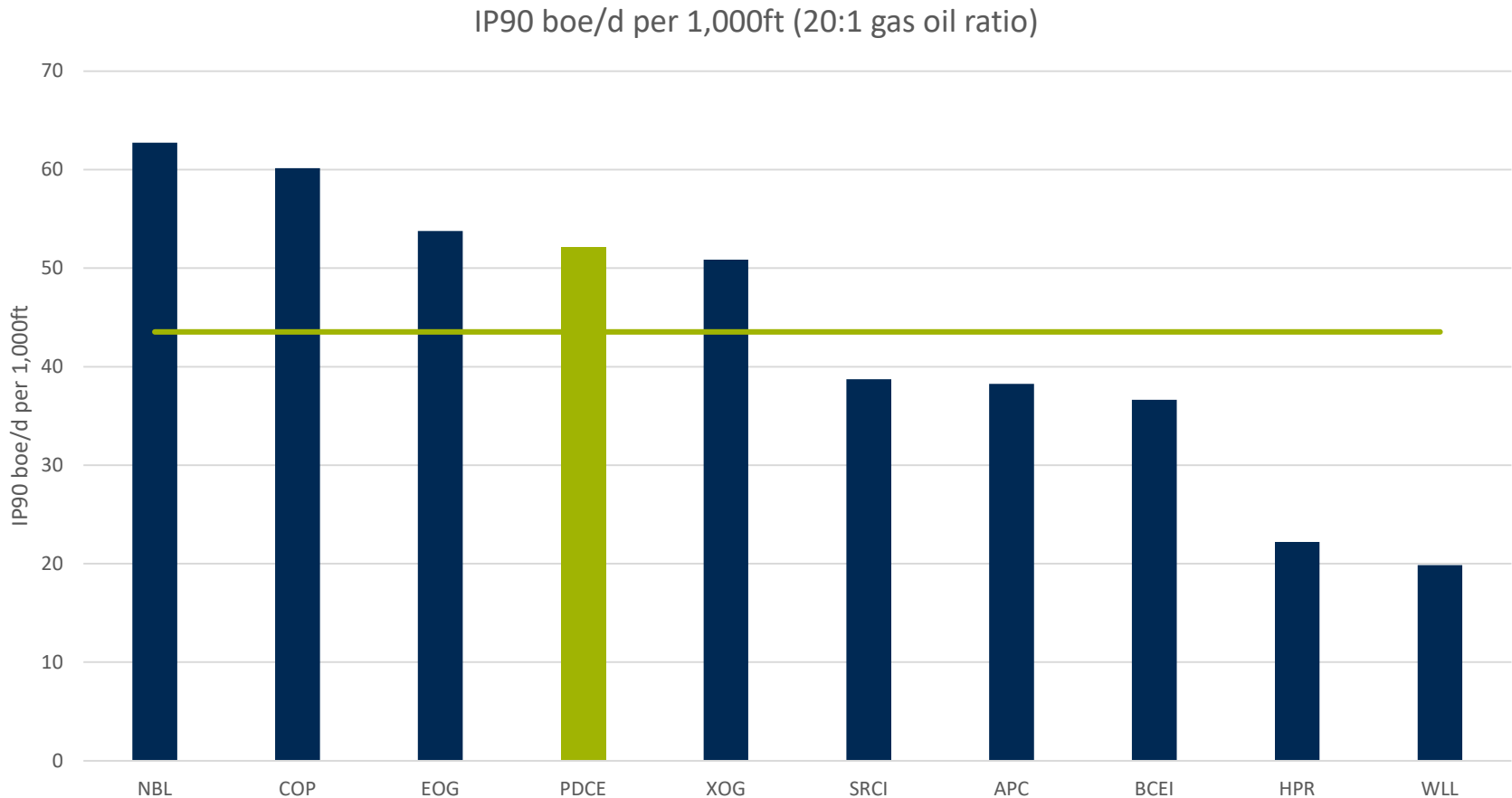
WTI 01/01/2015: \$53/bbl
WTI Today \$62/bbl

1) Source: PDC's public filing data (financial and proxy statements) for fiscal years ended December 31, 2015, 2016, 2017 and 2018 (the Period). 2) Total compensation awarded in each year during the Period to the top 5 highest paid PDC executives. 3) Share price data from January 2, 2015 through May 13, 2019.

Wattenberg: PDC is a Peer Performer in a Mature Basin



PDC's well performance has been above average in a maturing basin, driven largely by quality of acreage.



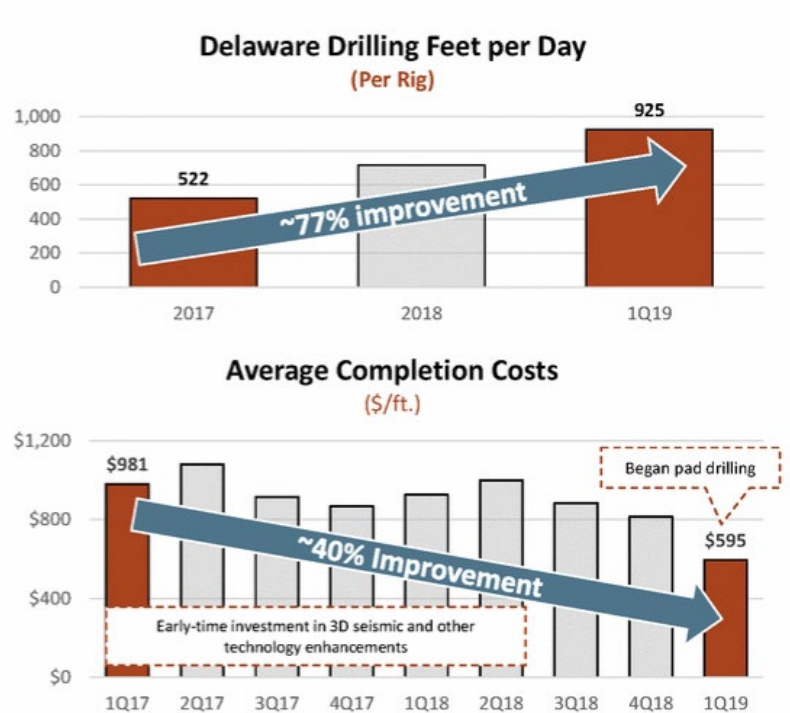
Source: RS Energy data based on publicly listed Niobrara operators and wells that began production after 6/1/2017.

Delaware: Well Costs Don't Correlate to PDC Claims

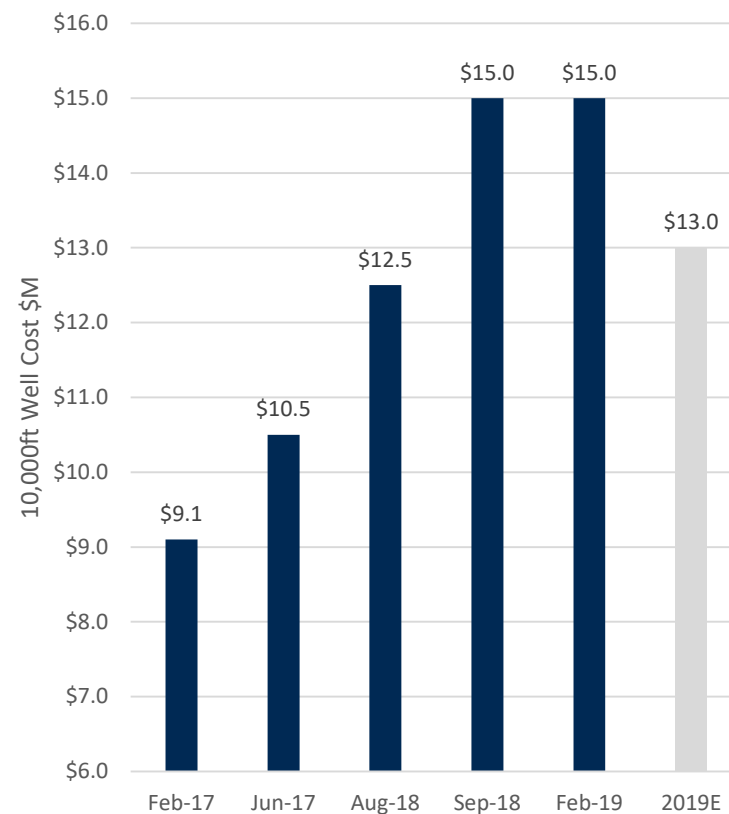


PDC claims it has driven material efficiencies in its Delaware Basin operations. However, well costs have escalated and remain materially above peers.

PDC Presentation¹



Actual Well Costs²



1) From PDC's presentation filed on 5/14/19. 2) Based on PDC's public presentations.

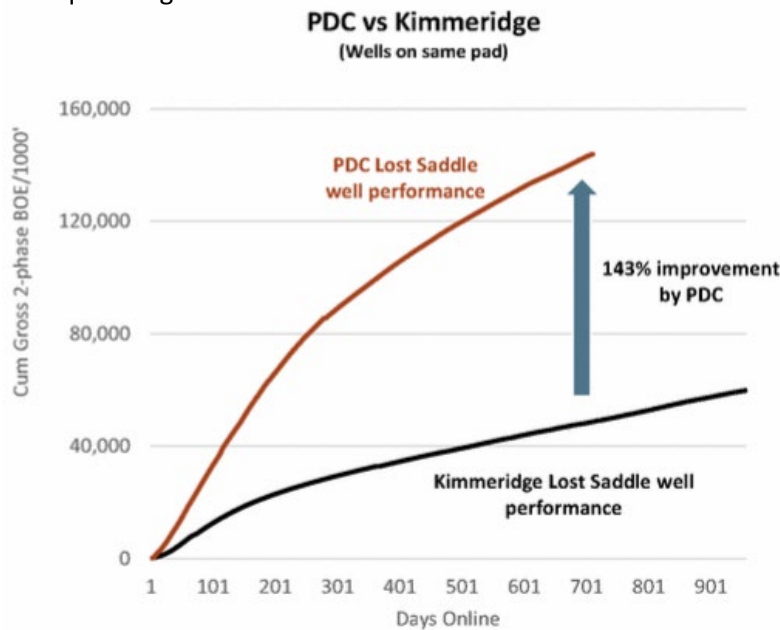
Delaware: PDC Well Underperformance v Kimmeridge Well Performance



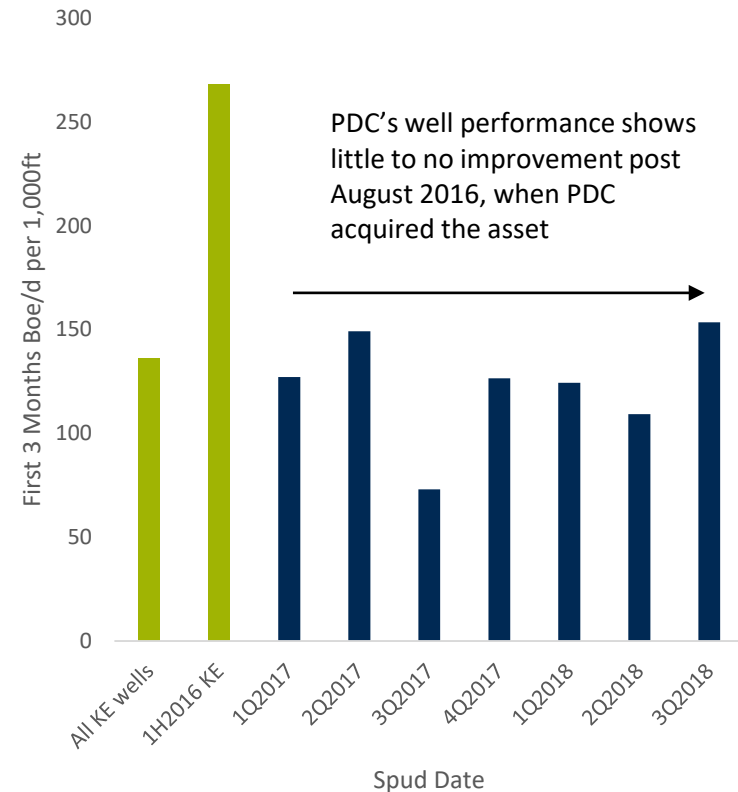
PDC claims it “has significantly improved upon Kimmeridge's Delaware operations.” These claims are ‘substantiated’ by one well. A comparison using the full dataset tells a completely different story.

PDC Analysis: Cherry Picked Well¹

Lost Saddle 45-1H was spud in 12/31/2015 and was a science test of a SLB completion, with fiber diversion, 260ft spacing and rate per perf of 1.11bbl/min. All other Kimmeridge wells were completed with HAL, 100-200ft stage spacing and higher rates. PDC have access to this data and are aware of the unique design.



Kimmeridge Analysis: All Wells²

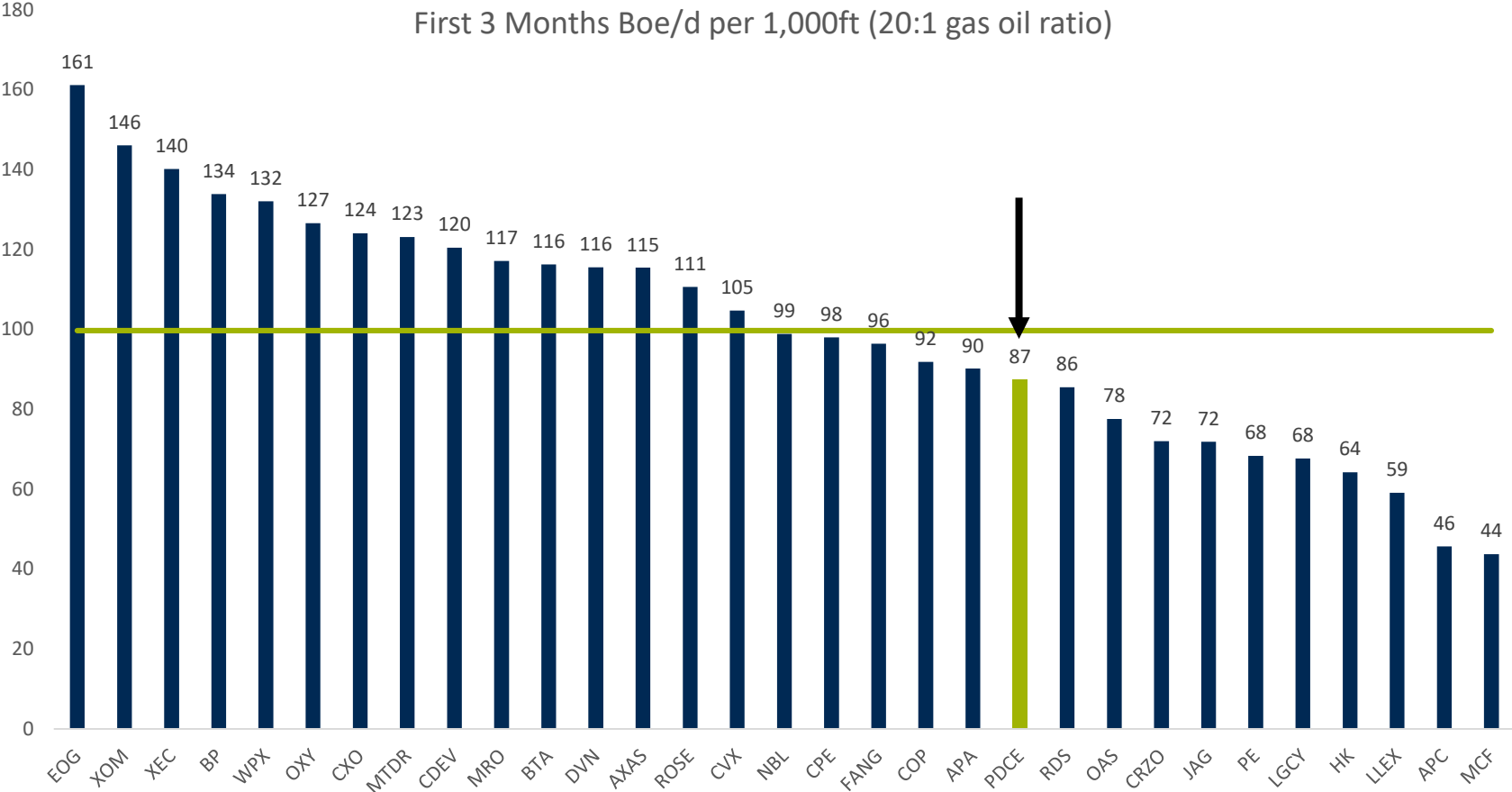


1) From PDC's presentation published on May 14, 2019. 2) RS Energy data.

Delaware: PDC Well Performance v Peers



PDC claims that its “wells perform favorably relative to other Delaware Basin operators”. PDC’s data reflects a 6:1 gas oil ratio. Adjusting this ratio to 20:1 properly reflects the relative economics between oil and gas production and shows that PDC’s wells have been performing below the basin average.

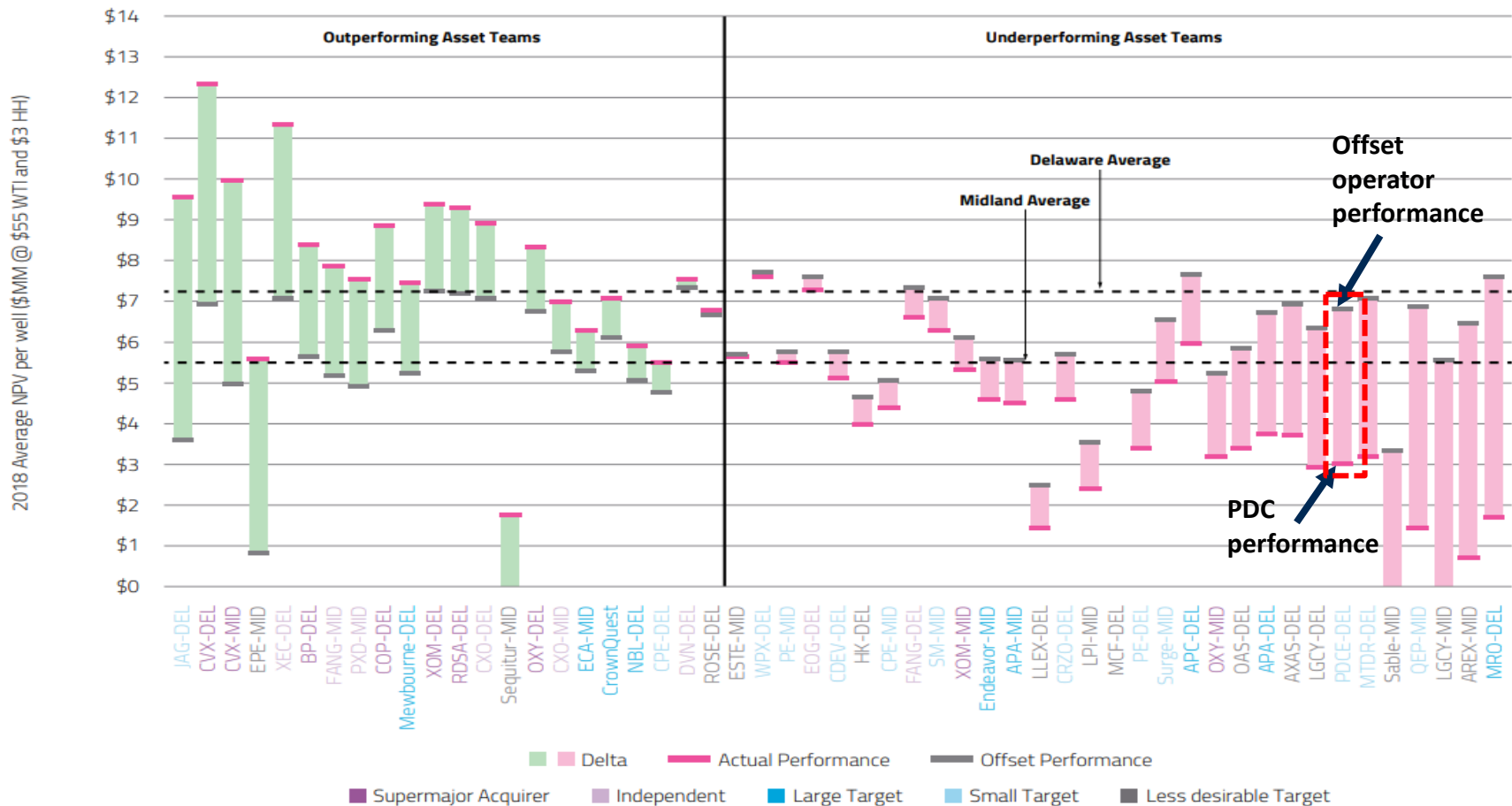


Source: RS Energy data based on all wells that started production after 6/1/2017.

Delaware: Third Party Data Confirms PDC has an Underperforming Asset Team



A recent RS Energy report suggests that PDC's average (Delaware-only) NPV/well in 2018 was \$3M, materially less than offset wells which averaged nearly \$7M. This equates to \$124M of lost value in 2018 based on the 31 wells PDC drilled during the year. It also represents 5% of PDC's current market cap.

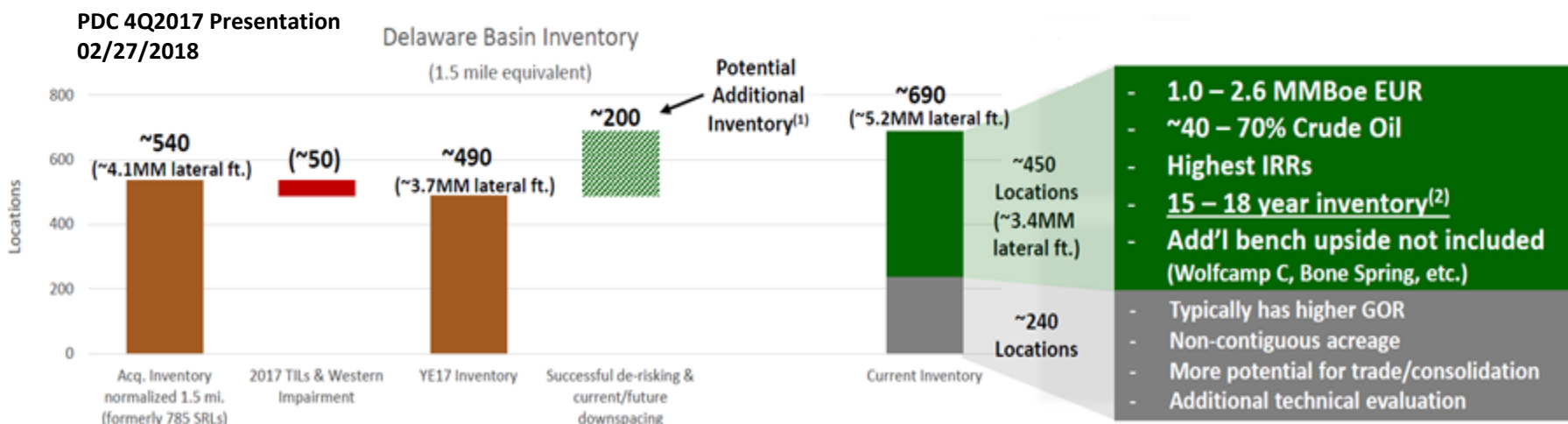


Source: RS Energy report "Supermajor Consolidation: The Permian Circle of Life" published 4/30/2019.

Disappearing Delaware Locations: Net -334 on a MRL Basis

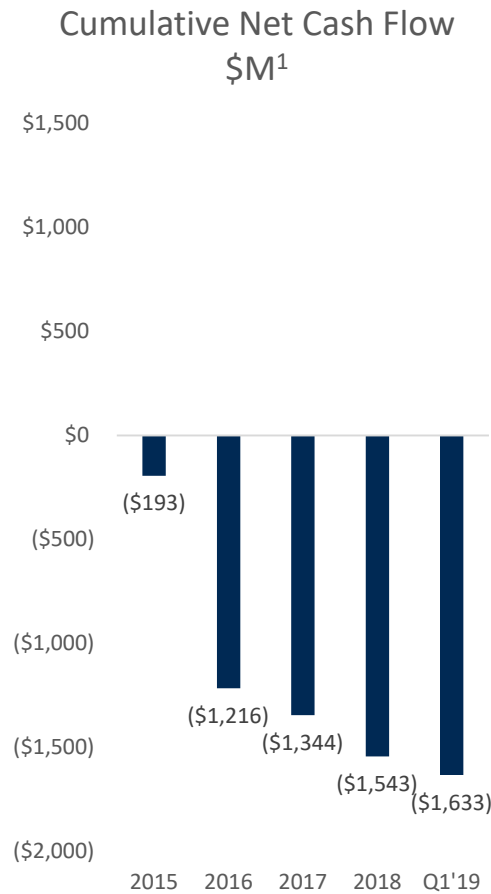
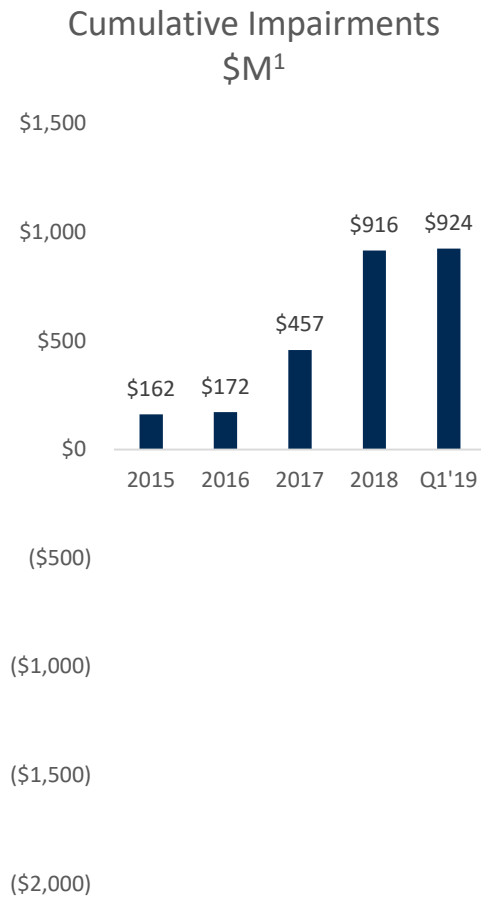


- As of 2017 PDC claimed to have 540 locations on a MRL lateral basis.
- Taking into account 2017 TILs and the write down of 40 Culberson locations, this was revised to 490 (YE 2017 inventory), or 690 including the “additional inventory” which was subject “to a higher degree of uncertainty as they are based on downspacing tests”.
- As of the current presentation, PDC had written off all additional inventory (200 locations).
- Accounting for 31 wells drilled in 2018, current YE inventory should be 459 (490-31) on a MRL basis. Today they indicate it is 430 including drilled wells of 65, or 365 net. This represents a net reduction of 40 (Culberson), 200 (Additional Inventory) and 94 other (representing 459 less 365) or a 334 Net location reduction on a MRL equivalent basis.



Impairments Do Represent Value Destruction

PDC claims that “impairments do not reflect value destruction”. Kimmeridge believes impairments reflect real cash losses to investors as is reflected in equity performance.




1) Data based on PDC's public filings. 2) Share price data from 1/2/15 to 5/13/19.

Recycle Ratio: Flattering Numbers with Inflated PUDs



PDC's interpretation of recycle ratio includes proven undeveloped ("PUD") reserves. Kimmeridge excludes PUD reserves because the capital to develop these reserves has not yet been deployed.

PDC Recycle Ratio- includes PUD reserves¹

| 2016-2018 Recycle Ratio ² | | |
|--------------------------------------|--|---------------|
| # | Company | Recycle ratio |
| 1 | SRCI | 409% |
| 2 | CPE | 370% |
| 3 | PE | 356% |
| 4 | CDEV | 296% |
| 5 | CRZO | 292% |
| 6 |  PDC ENERGY | 282% |
| 7 | MTDR | 274% |
| 8 | JAG | 241% |
| 9 | WPX | 232% |
| 10 | LPI | 204% |
| 11 | QEP | 198% |
| 12 | OAS | 197% |
| 13 | XOG | 176% |
| 14 | XEC | 168% |
| 15 | SM | 153% |

Kimmeridge Recycle Ratio – PD reserves only²

| 2016-2018 Recycle Ratio | | |
|-------------------------|---------|---------------|
| # | Company | Recycle Ratio |
| 1 | PE | 247% |
| 2 | LPI | 225% |
| 3 | CDEV | 222% |
| 4 | SRCI | 222% |
| 5 | CPE | 207% |
| 6 | XOG | 192% |
| 7 | JAG | 181% |
| 8 | XEC | 176% |
| 9 | MTDR | 159% |
| 10 | CRZO | 135% |
| 11 | WPX | 122% |
| 12 | PDCE | 117% |
| 13 | OAS | 110% |
| 14 | SM | 88% |
| 15 | QEP | 24% |

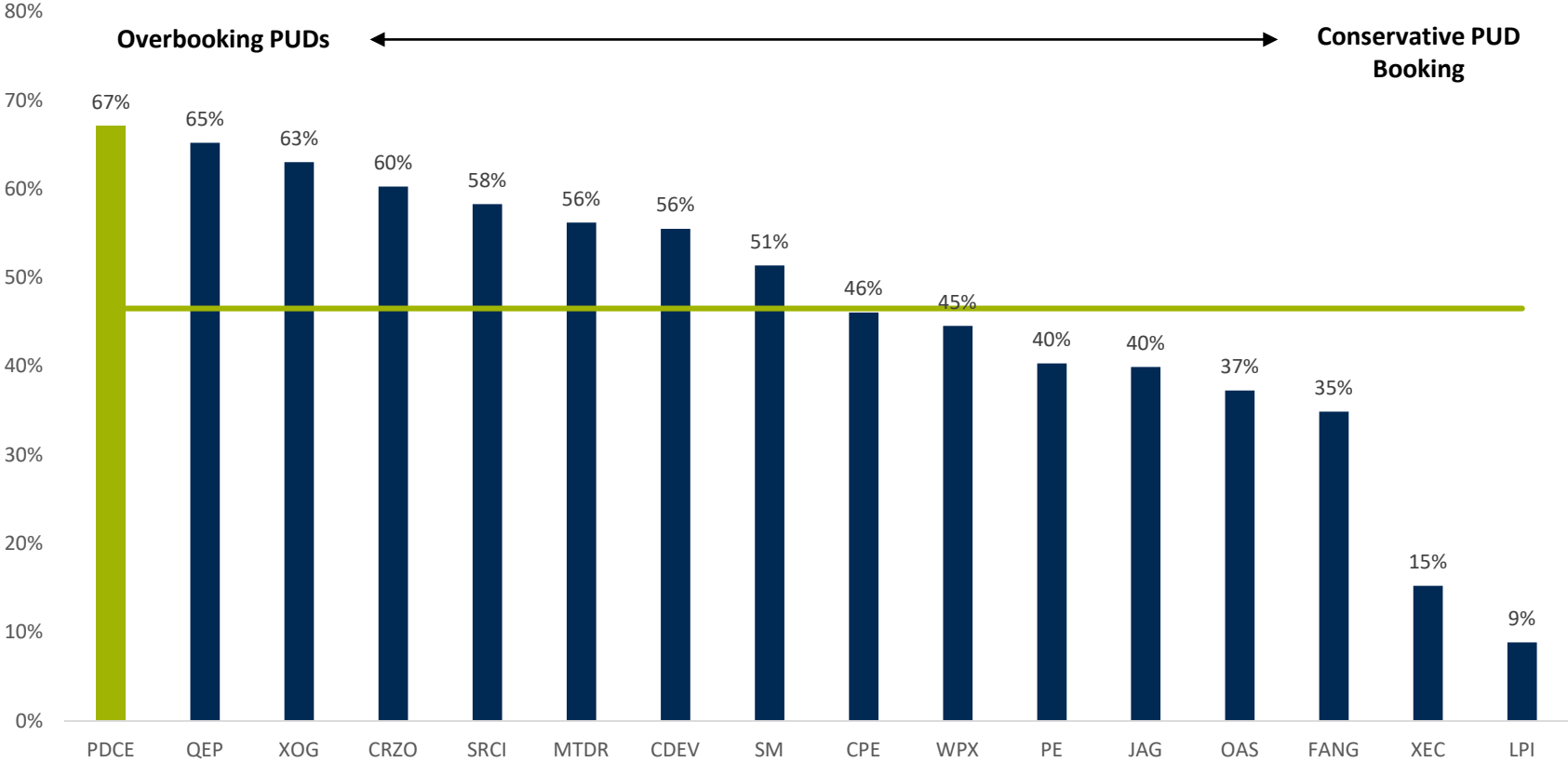
1) Based on PDC's presentation filed on 5/14/19. 2) Source: public company filings and Kimmeridge analysis.

Overstating PUD Reserves v Peers to Flatter Metrics



PDC books PUD reserves aggressively compared to its internally defined peer group. This has the effect of increasing PDC’s recycle ratio projection. Kimmeridge’s recycle ratio utilizing PD reserves serves as a better apples-to-apples comparison, and a reflection of the real cost of reserve additions.

Proved Undeveloped Reserves as a % of Total Proved Reserves (YE18)



Source: Public Company Filings.

PDC's Ever Changing Peer Group – 30 in 5 Years



PDC has a history of adjusting its peer group and comparing itself to companies that end up filing for bankruptcy.

 = delisted and/or entered Chapter 11 bankruptcy
 = new peer
 = removed for no stated reason

| All Peers | 2015 Peers | 2016 Peers | 2017 Peers | 2018 Peers | 2019 Peers |
|-----------|------------|------------|------------|------------|------------|
| BBG | BBG | | | | |
| BCEI | BCEI | BCEI | | | |
| CDEV | | | | | CDEV |
| CPE | | CPE | CPE | CPE | CPE |
| CRK | CRK | | | | |
| CRZO | CRZO | CRZO | CRZO | CRZO | CRZO |
| EGN | | EGN | EGN | EGN | |
| EXCO | EXCO | | | | |
| FANG | | | FANG | FANG | |
| GPOR | GPOR | GPOR | GPOR | | |
| HPR | | HPR | | | |
| JAG | | | | | JAG |
| LPI | LPI | LPI | LPI | LPI | LPI |
| MHR | MHR | | | | |
| MTDR | | MTDR | MTDR | MTDR | MTDR |
| NFX | | | NFX | NFX | NFX |
| OAS | | OAS | OAS | OAS | OAS |
| PE | | PE | PE | PE | PE |
| PVAC | PVAC | | | | |
| QEP | | | QEP | QEP | QEP |
| REXX | REXX | | | | |
| ROSE | ROSE | | | | |
| RSP | | | RSP | RSP | |
| SGY | SGY | | | | |
| SM | | SM | SM | SM | SM |
| SRCI | SRCI | SRCI | | SRCI | SRCI |
| UPL | UPL | | | | |
| WPX | | WPX | WPX | WPX | WPX |
| XEC | | | | | XEC |
| XOG | | | | | XOG |

FANG removal due to outperformance?

SRCI removal due to outperformance?

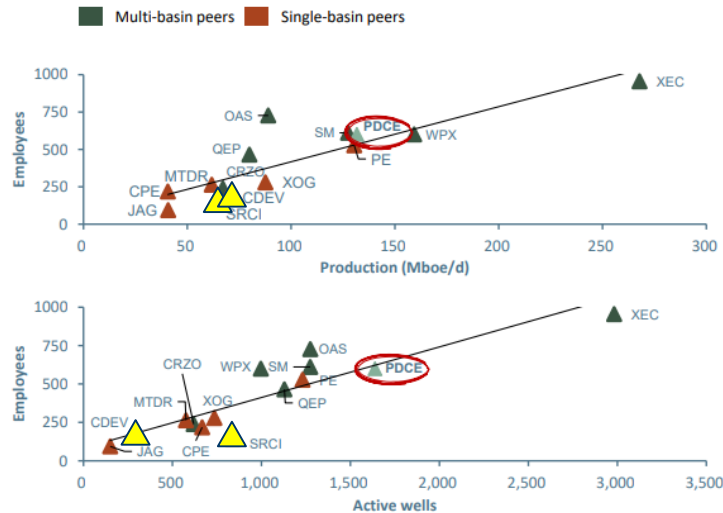
Source: PDC's proxy statements filed during the Period.

SG&A: Kimmeridge Proposed Reductions are in line With Peers

CDEV and SRCI, the most direct peers to PDC, are both materially below trend on employees and costs. Benchmarking to these peers in 2018 implied an \$80M reduction in SG&A.

PDC Chart¹

Employee count is appropriately sized for scale and multi-basin operations



Kimmeridge Proposed G&A Based on Peers²

| | <u>PDC</u> | <u>Key assumptions</u> |
|--------------------------|---------------|-------------------------------------|
| 2018 DJ Production | 84.0 | |
| 2018 Implied DJ G&A | \$64.2 | Using SRCI's 2018 G&A/boe of \$2.09 |
| 2018 Permian Production | 25.6 | |
| 2018 Implied Permian G&A | \$26.6 | Using CDEV's 2018 G&A/boe of \$2.84 |
| Total Implied G&A | \$90.7 | |
| Actual G&A | \$170.5 | |
| Savings | \$79.8 | |

1) Based on PDC's presentation filed on 5/14/19. 2) Source: public company filings and Kimmeridge analysis.

PDC's Constantly Changing Metrics to Justify Performance



PDC's ever-changing metrics, inability to meet targets and lack of accountability, have been factors in the company's underperformance.

PDC Metrics: Board and Presentations¹

- Production growth
- Cost structure vs budget
- Drilling feet per day
- Average completion costs
- FCF as a percentage of capex
- Debt adjusted cash flow per share growth
- Production per share growth
- Cash return on capital employed
- G&A/boe

No Accountability¹

| <u>Did PDC Exceed Target?</u> | | | |
|---|-------------|-----------------|-------------|
| <u>Metric:</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
| Production | ● | ✘ | ✘ |
| Production, Exploration and G&A Expense per Boe | ✘ | ✘ | ✘ |
| Adjusted Cash Flow from Operations per Share | ● | ● | ✘ |
| Debt to Adjusted EBITDAX | ✘ | ✘ | ● |
| Capital Efficiency | NA | ✘ | ✘ |
| Liquidity | ● | NA | NA |
| Bonus as a % of Target | 165% | 120-130% | 115% |

1) Based on PDC's public filings and proxy statements.

PDC's Self Serving Claim is Misguided



Kimmeridge is more aligned with current shareholders than PDC's management team and board of directors.

PDC Alignment

- Management and the Board own approximately 1% of PDC's equity
- Management continues to benefit irrespective of share price performance and operational underperformance, with tens of millions of annual compensation
- Job preservation appears to be more important than share price performance

Kimmeridge Alignment

- Kimmeridge owns a 5.1% stake in PDC, or ~\$125M worth of PDC equity
- Kimmeridge does not own shares in any other public energy company
- Kimmeridge stands to benefit **only** from PDC's share price appreciation and/or return of capital, and is directly aligned with shareholders

A New Board for a New Business Model



- Kimmeridge is nominating three directors for PDC's eight-person board at the Company's 2019 annual shareholder meeting.
- Kimmeridge's candidates have extensive experience as investors and asset owners.
- Kimmeridge currently owns 5.1% of PDC. Kimmeridge's position is unhedged and does not use options.
- According to the Company's 2019 proxy statement, the entire management team and board combined own just 1% of the outstanding shares.
- By refreshing the Board with directors focused on creating value for all shareholders and aligning management compensation with absolute performance, Kimmeridge believes it can work with PDC to deliver a path to profitability.

Ben Dell

Ben Dell is the founder of Kimmeridge where he leads the firm's investment activities, including overseeing the screening and diligence of new geological opportunities as well as the negotiation and execution of investment strategies. In 2016, Mr. Dell led the sale of Kimmeridge's Delaware Basin assets to PDC. Prior to founding Kimmeridge, Mr. Dell served as Co-Head of Energy Investments at AllianceBernstein and prior to that he was a Senior Equity Research Analyst for Oil and Gas E&P at Sanford Bernstein. Mr. Dell was also a member of British Petroleum's M&A and finance group. He has an undergraduate degree in Earth Sciences from St. Peter's College, Oxford.

Alice Gould

Alice Gould is a member of the Board of Directors of CorePoint Lodging, Inc. (NYSE: CPLG), serving on its Compensation and Nominating and Corporate Governance Committees. Alice previously led the Private Investments team at DUMAC, Inc., an investment office that manages over \$18 billion for Duke University's endowment and other assets. Her responsibilities included the evaluation, selection, and monitoring of venture capital, leveraged buyout, credit, real estate, energy, and natural resources investments. She has also served on the advisory boards of over 20 private equity and real assets partnerships in the U.S. and abroad. Prior to joining DUMAC, Alice was a management consultant and worked for ten years at IBM in various management roles. Alice received a B.S. in Engineering from Duke University (magna cum laude) and an MBA from The Fuqua School of Business at Duke University (Fuqua Scholar).

James Adelson

James Adelson serves as the President and CEO of Nadel and Gussman, LLC, a fourth-generation family oil and gas business. He also serves as manager or managing partner of Nadel and Gussman's various energy affiliates, as well as Ellbar Partners, LLC, the family office entity that focuses on non-energy related opportunities. Jim is an experienced industry executive with over 30 years in oil and gas, including management, operational strategy, exploration and development, together with significant financial expertise in corporate finance, strategic planning and risk management. Jim received his B.A. in Economics from Cornell University.

The views expressed in this presentation represent the opinions of Kimmeridge Energy Management Company, LLC and its principals and affiliates (Kimmeridge) including certain privately offered investment funds sponsored or advised by Kimmeridge that own shares of common stock of PDC Energy, Inc. (PDC). All of the information and data included in this presentation is based on publicly available information such as financial statements, proxy statements, presentations and other publicly available information, and reports and data prepared by third parties. Kimmeridge principals and employees have performed the analysis and reviews of the PDC data and information independently. However, it is possible that others, including PDC, could disagree and conduct analysis that leads to different results. We reserve the right to change any of the opinions and views set out in this presentation as we deem appropriate and without any obligation to make market updates or notifications either through public filings or on its website. Certain data and analysis presented here is based on or derived from filings made by PDC with the US Securities and Exchange Commission (SEC) or other regulatory agencies or from third party reports or analysis and Kimmeridge is not responsible or liable for any information obtained from SEC filings or third parties. The information set out in this presentation has not been prepared or calculated in accordance with US generally accepted accounting principles (GAAP) and has not been audited by an independent registered public accounting firm. There can be no assurance that any of the recommendations proposed by Kimmeridge will actually yield the planned results if implemented either in whole or in part. This presentation and the information set out herein is not intended to predict any particular financial result, trading price or market value of the equity securities of any company including PDC. The ideas and analysis in this presentation are for informational purposes only and are designed to be suggestions in how PDC can improve results and increase shareholder value. They are in no way a guarantee that any particular financial result or performance will be obtained and this information should not be relied upon to indicate as such. This presentation contains ideas, analysis and proposals that are the result of reasonable assumptions used by Kimmeridge as of the date of this presentation. PDC's performance, including financial results and share price performance, may differ materially from the estimates and analysis set out in this presentation.

The information contained herein reflects projections, market outlooks, assumptions, opinions and estimates made by Kimmeridge as of the date hereof and therefore such information may be deemed to constitute forward-looking statements which are subject to change without notice at any time. Such forward-looking statements may be based on certain assumptions and may involve certain risks and uncertainties, including risks and changes affecting industries generally and PDC specifically. Given the inherent uncertainty of projections and forward-looking statements, investors should be aware that actual results may differ materially from the projections and other forward-looking statements contained herein due to reasons that may or may not be foreseeable. While the information presented herein is believed to be reliable, no representation or warranty is made concerning the accuracy of any data presented, the information or views contained herein, nor concerning any forward-looking statements.

Legend

Kimmeridge Energy Management Company, LLC ("Kimmeridge"), Kimmeridge Active Investments, LLC, Kimmeridge Chelsea, LLC, Benjamin Dell, Alice E. Gould, James F. Adelson, Alexander Inkster, Noam Lockshin, Henry Makansi and Neil McMahon (collectively, the "Participants") have filed a definitive proxy statement with the Securities and Exchange Commission (the "SEC"), along with an accompanying GOLD proxy card to be used in connection with the Participants' solicitation of proxies from the stockholders of PDC Energy, Inc. (the "Company") for use at the Company's 2019 annual meeting of stockholders. All stockholders of the Company are advised to read the foregoing proxy materials because they contain important information, including additional information related to the Participants. The definitive proxy statement and an accompanying proxy card will be furnished to some or all of the Company's stockholders and are, along with other relevant documents, available at no charge on the SEC's website at <http://www.sec.gov/>. Information about the Participants and a description of their direct or indirect interests by security holdings are contained in the definitive proxy statement on Schedule 14A filed by Kimmeridge with the SEC on April 18, 2019. This document can be obtained free of charge from the source indicated above.