

PETROLEUM DEVELOPMENT CORP
Form 10-Q
May 10, 2011

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

FORM 10-Q

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

For the quarterly period ended March 31, 2011

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
PETROLEUM DEVELOPMENT CORPORATION
(Exact name of registrant as specified in its charter)
(Doing Business as PDC Energy)
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

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 £

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, 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 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 x
Non-accelerated filer £ Smaller reporting company o
(Do not check if a smaller reporting company)

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 23,496,892 shares of the Company's Common Stock (\$0.01 par value) were outstanding as of April 22, 2011.

PETROLEUM DEVELOPMENT CORPORATION
(dba PDC Energy)

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This periodic 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 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, which include statements of estimated natural gas, NGL and crude oil production and reserves, drilling plans, future cash flows, anticipated liquidity, anticipated capital expenditures, including our ability to fund our 2011 capital plan, our compliance with our debt covenants and the indenture restrictions governing our senior notes, sufficient liquidity to meet our partnership repurchase obligation, the adequacy of our casualty insurance coverage, the impact of decreased commodity prices on future borrowing base redeterminations, the effectiveness of our derivative policies in achieving our risk management objectives, the decrease during the next twelve months of our liability for uncertain tax benefits, funding sources for our acquisitions, the acceleration of our capital spending program due to a rise in crude oil prices, the potential operational benefits and cost synergies due to the acquisition of certain partnerships and our management's strategies, plans and objectives. However, these 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 natural gas, NGLs and crude oil, 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 production volumes and worldwide demand;
- volatility of commodity prices for natural gas and crude oil;
- changes in estimates of proved reserves;
- inaccuracy of reserve estimates and expected production rates;
- declines in the values of our natural gas and crude oil properties resulting in impairments;
- the future cash flow, liquidity and financial position of the Company;
- the timing and extent of our success in discovering, acquiring, developing and producing reserves;
- our ability to acquire leases, drilling rigs, supplies and services at reasonable prices;
- reductions in the borrowing base under our credit facility;
- risks incidental to the drilling and operation of natural gas and crude oil wells;
- the availability of sufficient pipeline and other transportation facilities to carry our production and the impact of these facilities on price;
- the effect of existing and future laws, governmental regulations and the political and economic climate of the U.S. as well as other oil producing countries throughout the world;
- changes in environmental laws, the regulation and enforcement of those laws and the costs to comply with those laws;
- the impact of environmental events, governmental responses to the events and our ability to insure adequately against such events;
- competition in the oil and gas industry;
- the success of the Company in marketing oil and gas;
- the effect of natural gas and crude oil derivatives activities;
- the availability and cost of capital to us;
- our ability to consummate the prospective mergers of the 2005 partnerships and the timing of consummating these mergers, if at all;
- losses possible from pending or future litigation; and
- the success of strategic plans, expectations and objectives for future operations of the Company.

Further, we urge you to carefully review and consider the cautionary statements and disclosures, specifically those under the heading "Risk Factors," made in this report, our annual report on Form 10-K for the year ended December 31, 2010, filed with the Securities and Exchange Commission ("SEC") on February 24, 2011, as amended April 21, 2011 ("2010 Form 10-K"), and our other filings with the SEC for further information on risks and uncertainties that could affect the Company's business, financial condition and results of operations, which are incorporated by this reference as though fully set forth herein. 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.

REFERENCES

Unless the context otherwise requires, references to "PDC," "PDC Energy," "the Company," "we," "us," "our," "ours" or "ourselves" in this report refer to the registrant, Petroleum Development Corporation and its consolidated entities. See Note 1, Nature of Operations and Basis of Presentation, to our condensed consolidated financial statements included in this report for a description of our consolidated entities.

References to "the three months ended 2011" refer to the three months ended March 31, 2011, as applicable. References to "the three months ended 2010" refer to the three months ended March 31, 2010, as applicable.

PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
PETROLEUM DEVELOPMENT CORPORATION

(dba PDC Energy)

Condensed Consolidated Balance Sheets

(unaudited; in thousands, except share and per share data)

	March 31, 2011	December 31, 2010 (1)
Assets		
Current assets:		
Cash and cash equivalents	\$ 14,699	\$ 54,372
Accounts receivable, net	62,512	53,978
Accounts receivable affiliates	14,989	11,448
Fair value of derivatives	40,190	42,953
Prepaid expenses and other current assets	20,415	14,072
Total current assets	152,805	176,823
Properties and equipment, net	1,152,957	1,120,038
Assets held for sale	—	5,191
Fair value of derivatives	37,234	44,464
Accounts receivable affiliates	7,518	8,478
Other assets	37,833	34,041
Total Assets	\$ 1,388,347	\$ 1,389,035
Liabilities and Equity		
Liabilities		
Current liabilities:		
Accounts payable	\$ 52,262	\$ 47,271
Accounts payable affiliates	9,507	9,605
Production tax liability	16,099	16,226
Fair value of derivatives	42,266	29,998
Funds held for distribution	31,395	29,755
Accrued interest payable	5,069	10,051
Other accrued expenses	16,406	17,723
Total current liabilities	173,004	160,629
Long-term debt	296,709	295,695
Deferred income taxes	181,407	187,999
Asset retirement obligations	27,937	27,797
Fair value of derivatives	43,937	36,644
Accounts payable affiliates	10,297	12,111
Other liabilities	30,455	25,919
Total liabilities	763,746	746,794