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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

- - ANNUAL REPORT PURSUANT TO SECTION 13 or 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 1995

Commission File Number 0-7246

- - Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transaction period from to

PETROLEUM DEVELOPMENT CORPORATION
(Exact name of registrant as specified in its charter)

Nevada	95-2636730
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

103 East Main Street, Bridgeport, West Virginia 26330
(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code (304) 842-3597

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

Petroleum Development Corporation Common Stock, $.01 par value
(Title of class)

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 and (2) has been subject to such filing requirements for the past 90 days. Yes X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will be contained, to the best of registrant's knowledge,in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

As of March 15, 1996, 7,394,522 shares of the Registrant's Common Stock were issued and outstanding, and the aggregate market value of such shares held by non-affiliates of the Registrant on such date was $14,789,044 (based on the last traded price of $2.00).

DOCUMENTS INCORPORATED BY REFERENCE

Document	Form 10-K Part III
Proxy	Items 11 and 12

PART I

Item 1. Business

General

Petroleum Development Corporation is a Nevada corporation which was formed in 1955 and commenced gas and oil operations in 1969. The Company and its subsidiaries are engaged in the leasing of natural gas and oil mineral rights, the development of these rights by drilling exploratory and development gas and oil wells, the production and sale of gas and oil from these wells, the operation of gas and oil wells for a fee, the marketing of natural gas for itself and other producers, and the distribution of natural gas to residential, commercial and industrial customers.

The Company typically develops its oil and gas properties in conjunction with outside investors through partnerships, joint ventures, or similar arrangements. These arrangements allow the Company to reduce the risk of its development investments through increased diversification. In addition the Company is compensated for its management of the development process through payments for services rendered to the investor partners and through an increased share in the revenues produced by the developed properties.

Prior to 1984, virtually all of the outside investment capital was contributed by unaffiliated partnerships and joint ventures. Beginning in 1984 the Company began sponsoring as the managing general partner drilling partnerships which have invested their proceeds in Company development projects. Currently a majority of the investment in Company development programs originates from this source, however, a majority of the wells operated by the Company continue to be associated with non-affiliated investors.

In order to facilitate the marketing of natural gas from the wells operated by PDC, the Company constructs and operates gas gathering systems which interconnect to industrial customers, interstate pipeline company facilities, and/or local distribution utilities. The Company receives gathering fees for the use of these systems.

Gas and oil produced by wells are primarily marketed by the Company, although gas brokers are occasionally used to assist with the sales.

The Company has an Ohio subsidiary, Paramount Natural Gas Company (PNG), which commenced operations in October of 1992 as a regulated Ohio distribution utility. The company acquired the pipeline assets of Paramount Transmission Corporation (PTC), another Ohio subsidiary of the Company. PTC focused its efforts on the acquisition and marketing of Ohio gas production.

Exploration and Development Activities

Prospect Generation and Leasing

PDC's staff of professional geologists is responsible for identifying areas with potential for economic production of natural gas and oil. To further this end the Company has collected and continues to collect logs, core data, production information and other raw data available from state and private agencies, other companies and individuals actively drilling in the region. From this information the geologists develop models of the subsurface structures and stratigraphy which are used to predict areas with above average prospects for economic development.

On the basis of these models the geologists instruct the land department to obtain available gas and oil leaseholds in these prospective areas. These leases are then obtained, if possible, by the Company's land department or contract landmen under the direction of the Company's land manager. In most cases, these leases are obtained for a lease bonus and annual rental payments changing to a 12.5% royalty on gross production revenue. In some instances additional overriding royalty payments may be made to third parties or royalty owners with particularly attractive prospects. As of December 31, 1995, the Company had a total leasehold inventory of approximately 89,300 gross acres and 87,400 net acres. See "Properties - Oil and Gas Leases".

Drilling Activities

When prospects have been identified and leased, the Company develops these properties by drilling exploratory or development wells. Typically the Company will act as driller-operator for these prospects, entering into contracts with partnerships, including Company sponsored partnerships, and other entities that are interested in exploration or development of the prospects. The Company generally retains an interest in each well it drills. This arrangement is beneficial to all parties, which benefit from the diversification of risk. See "Financing of Exploration and Development Activities".

The Company enters into a development agreement with each of its investor partners, wherein the Company agrees to assign rights in the property to be drilled to the partnership or other entity which thereby becomes owner of a working interest in the property. The Company also agrees to supervise and manage all drilling activities on the property and to supply, either directly or through subcontractors, all necessary drilling and related services and equipment. All work associated with drilling, completing and connecting wells is performed under the direct supervision of the Company. However, much of the work, including drilling, fracturing, logging and pipeline construction is performed by subcontractors specializing in those operations, as is common in the industry. Because the prices paid to the Company by its investor partners are frequently fixed before the wells are drilled, the Company is subject to risk that prices of goods or services used in the development process could increase, rendering its contracts with its investor partners less profitable or unprofitable. In addition, problems encountered in the process can substantially increase development costs, sometimes without recourse for the Company to recover its costs from its partners. To minimize these risks, the Company seeks to lock in its costs in advance of drilling and when possible at the same time it is committing to its investor partners. A large part of the materials and services used by the Company in the development process is acquired through competitive bidding by approved vendors. The company also negotiates rates and costs for services and supplies when conditions indicate that such an approach is warranted.

The Company's development contracts with its investor partners are negotiated with each partner and have historically taken many different forms. Generally the agreements can be classified as "turnkey", in which a specified amount is paid for drilling and another amount for completion; "cost-plus", in which the Company is reimbursed for its actual cost of drilling plus some additional amount for overhead and profit, or a "footage based" rate whereby the Company receives drilling and completion payments based on the depth of the well. As part of its compensation for its services, the Company also generally receives some interest in the production from the well in the form of an overriding royalty interest, working interest or other proportionate share of revenue or profits.

Development Agreements with Partnerships sponsored by the Company provide for a combination of several of the aforementioned payment options. Basic drilling and completion operations are performed on a footage-based rate, with leases and gathering pipelines being contributed at Company cost. The Company also purchases a working interest in the properties.

The majority of the activity currently being pursued by the Company is focused on the development of natural gas production in West Virginia, eastern Ohio, and western Pennsylvania. During 1995 the Company was one of the most active drilling companies in the state of West Virginia. Despite the level of activity, the Company was able to maintain a high level of environmental sensitivity and was selected for the fourth year in a row by the West Virginia Department of Environmental Protection for the state's top award for the quality of the environmental and reclamation work in its drilling activities. As a matter of corporate policy and commitment, the Company attempts to minimize the adverse environmental impact of all its operations.

The sale of natural gas requires that wells be connected by pipeline to gas markets. Over the years the Company has developed extensive gathering systems in its areas of operations. The Company also continues to construct new trunklines as necessary to provide for the marketing of gas being developed from new areas, and to enhance or maintain its existing systems. The Company is paid a transportation fee for gas which is moved through these pipeline systems. In many cases the Company has been able to receive higher gas prices as a result of its ability to move gas to more attractive markets through this pipeline system, to the benefit of both the Company and its investor partners.

Acquisitions of Producing Properties

In addition to drilling new wells, the Company continues to pursue opportunities to purchase existing producing wells from other producers and interests in the wells it operates. Generally, outside interests purchased include a majority interest in the wells and well operations.

In 1994 the Company purchased the Pond Fork Field with 57 operating gas wells in Boone County, West Virginia. The wells added 1.9 Bcf of proved producing reserves to the Company's 1994 total. In addition, the Company purchased various royalty, overriding royalty or working interests from investor partners and outside parties.

Production Operations

The Company currently operates approximately 850 wells in the Appalachian Basin. On average, the Company has an approximate 25% ownership interest in the wells it operates, with the balance belonging to investor partners. The Company employs engineers, supervisors and welltenders who are responsible for the day to day operation of the wells and pipeline systems. Currently these wells produce an aggregate of about 15.8 million cubic feet of gas per day, including the Company's share of about 3.7 million cubic feet per day. The Company's share of oil production is about 11,000 barrels per year. See "Properties - Production"

The Company is paid a monthly operating charge for each well it operates. The rate is competitive with rates charged by other operators in the area. The charge covers monthly operating and accounting costs, insurance and other recurring costs. The Company may also receive additional compensation for special non-recurring activities like reworks and recompletions.

Oil and Gas Marketing

In West Virginia, the Company markets the gas from its own and its investor partner interests as a part of the services provided under the basic monthly operating charge. This gas is marketed to gas utilities, pipelines and industrial and commercial customers, either directly through the Company's gathering system, or utilizing transportation services provided by regulated interstate pipeline companies. Generally the Company negotiates its own contacts with customers. However, occasionally the services of outside gas brokers or marketers are used.

In Ohio, the Company's subsidiary, Paramount Transmission Company (PTC), purchases gas from local producers and gas brokers and sells gas to industrial and commercial customers utilizing open access transportation services provided by interstate pipelines and the Company's subsidiary, Paramount Natural Gas Company (PNG), which is a regulated Ohio distribution utility. PNG, which was formed in 1992, acquired the pipeline system previously operated by PTC. The majority of PNG's throughput is attributable to gas transported for PTC and industrial customers, for a transportation tariff, with the balance being sales to residential, commercial and industrial customers.

The Company produces oil from wells in Tennessee, Ohio and West Virginia. All of the oil produced is sold on a spot basis to local refinery customers. See "Market for Oil and Gas".

Financing of Exploration and Development Activities

The Company conducts drilling activities for its own account and for other investors. Prior to 1984, most of the Company's drilling funds came from unaffiliated partnerships, companies and individuals. In 1984 the Company began sponsoring private limited partnerships, and in 1989 the Company began to register public drilling programs with the Securities and Exchange Commission. Because of the Company's success with its own partnerships, and declining sales nationwide of unaffiliated partnerships, most drilling and development funds now come from partnerships in which the Company serves as Managing General Partner. However, because wells produce for a number of years, the Company continues to serve as operator for a large number of unaffiliated parties.

The level of the Company's drilling and development activity is dependent upon the amount of subscriptions in its public drilling partnerships and investment from other partnerships or other joint venture partners. Funds received pursuant to drilling contracts were $13,619,000 in 1995, $14,858,000 in 1994 and $15,872,400 in 1993. While funds were received by the Company pursuant to drilling contracts in the years indicated, the Company recognizes revenues from drilling operations on the percentage of completion method as the wells are drilled, rather than when funds are received.

The Company believes that investments in drilling activities, whether through Company-sponsored partnerships or other sources, are influenced by the favorable treatment which such investments enjoy under the Federal income tax laws.

As a result of rules associated with the registration and sale of public drilling programs, the operating margin on drilling activities associated with the Company's current partnerships is less than it has typically realized in activities with non-affiliated entities. Such constraints are expected to continue in the future, and the Company expects to realize less revenue and profit than it might realize from an equivalent amount of activity for non-affiliated partnerships or other investors.

The Company invests in drilling activities through a 20% investment in the partnerships it sponsors, and through direct working interest investments. Certain conflict of interest provisions in joint venture and partnership agreements limit the Company's ability to benefit disproportionately from discoveries made through partnership activities. Company investments in drilling activities are funded from internally generated funds.

Market for Oil and Gas

The market for the Company's oil and gas depends upon a number of factors including the availability of other domestic production, crude oil and natural gas imports, the proximity of oil and gas pipelines and general fluctuations in the supply and demand for oil and gas.

For nearly a decade the United States has experienced an oversupply of natural gas. This oversupply was caused primarily by a decrease in market demand and unusually warm weather conditions. Seasonal variations exist to the extent that the demand for natural gas is somewhat lower during the summer months than during the winter season.

Generally, the Company has been and expects to continue to be able to produce and market gas from its wells without curtailment by providing gas to purchasers at competitive prices. Open access transportation on the country's interstate pipeline system has greatly increased the range of potential markets. Whenever feasible the Company allows for multiple market possibilities from each of its gathering systems, while seeking the best available market for its gas at any point in time.

Natural gas is sold by the Company under contracts ranging from month to month spot to a 3 year term. Virtually all of the Company's contracts have pricing tied to a market index, so the price of the gas moves to remain competitive with other available gas supplies. As a result the revenue from the sale of gas will suffer if market prices decline or benefit if they increase. The provisions of the Company's gas contracts are believed by the Company to be customary in the industry.

The Company's sales of natural gas are to various customers, of which Hope Gas, Inc. accounted for 39.7% of the Company's revenues from oil and gas sales (7.4% of total revenues) in 1995. Hope Gas, Inc. is a regulated gas distribution company. In general, the prices it pays for gas, and the producers from which it purchases gas, are influenced by the state and federal agencies that regulate them. Natural gas sales to one industrial customer accounted for 23.8% of oil and gas sales (4.4% of total revenues) in 1995. No other single purchaser of the Company's natural gas accounted for 10% or more of the Company's revenues from oil and gas sales in 1995.

Gas produced by the Company sold at December 31, 1995 at prices per Mcf ranging from $1.71 to $4.16, depending upon the location, the date of the sales contract and whether the gas was sold in interstate or intrastate commerce. The weighted net average price of gas sold by the Company in 1995 was $1.75 per Mcf at the wellhead.

The Company is presently able to sell all the oil which it can produce under existing sales contracts with petroleum refiners and marketers. The Company's crude oil production is sold to purchasers at or near the Company's wells under short-term purchase contracts at prices and in accordance with arrangements which are customary in the oil industry. None of the Company's oil production is sold under long-term contracts. The Company does not refine any of its oil production.

No single purchaser of the Company's crude oil accounted for 10% or more of the Company's revenues from oil and gas sales in 1995.

Oil produced by the Company sold at December 31, 1995 at prices ranging from $14.75 to $17.50 per barrel, depending upon the location, quality of oil and governmental price controls. In 1995, the weighted net average price per barrel of oil sold by the Company was $15.80.

Governmental Regulation

The Company's business and the oil and gas industry in general are highly regulated. The Company's services to investor partnerships include taking the steps necessary to comply with applicable regulations.

Local Regulation. All of the Company's oil and gas production is from properties in states in which drilling activities and well operations are regulated by state authorities. These regulations, among other things, require the Company to obtain permits to build roads and drill wells and impose land restoration and minimum spacing requirements. See also "Environmental Matters".

Paramount Natural Gas Company, which is an Ohio public utility, is subject to regulation by the Public Utilities Commission of Ohio in virtually all of its activities, including pricing and supply of services, addition of and abandonment of service to customers, design and construction of facilities, and safety issues.

Federal Regulations. Pricing of gas sold by the Company is now fully deregulated from Federal Price controls, and no proposals currently exist to reimpose controls.

All of the interstate pipelines which the Company uses to transport gas from wells to markets are regulated by the Federal Energy Regulatory Commission (FERC). Over the past few years FERC has changed regulations on these interstate pipeline systems, forcing them, among other things, to offer open access transportation service, to unbundle the various services they provide to allow customers to pay only for those services which they use, and to change the structure of the rates which they charge. These policy changes have not yet been fully determined or implemented, and it is impossible at this time to predict the impact on the Company's business.

Also, the Company cannot determine to what extent future operations and earnings of the Company may be affected by new legislation, new regulations or changes in existing regulations.

Environmental Matters

The petroleum industry is subject to numerous federal and state environmental statutes, regulations and other pollution controls. In general, the Company is and will continue to be subject to present and future environmental statutes and regulations, and in the future the cost of its drilling and exploration and other activities may materially increase as a result.

The Company's expenses relating to preserving the environment during 1995 were not significant in relation to operating costs and the Company expects no material change in 1996. Environmental regulations have had no materially adverse effect on the Company's petroleum operations to date, but no assurance can be given that environmental regulations will not, in the future, result in a curtailment of production or otherwise have a materially adverse effect on the Company's operations or financial condition.

Competition

The Company competes with many other companies in the search for and acquisition of oil and gas properties and leases for exploration and development, and also competes with other companies in its activities as drilling contractor. Many of these companies have substantially greater financial, technical and other resources than the Company. Competition among petroleum companies for favorable oil and gas prospects can be expected to continue. It is anticipated that the cost of acquiring oil and gas properties will increase appreciably. The Company is not a significant factor in the oil and gas industry.

Likewise, the Company competes with a number of other companies which offer interests in drilling partnerships with a wide range of investment objectives and program structures. Competition for investment capital for both public and private drilling programs is intense.

Other Industry Factors

Oil and gas drilling operations are subject to hazards such as fire, explosion, blowouts, cratering and oil spills, each of which could result in substantial damage to oil and gas wells, producing facilities, other property and the environment or in personal injury. Although the Company maintains liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities could exceed policy limits in which event the Company could incur significant costs that could have a materially adverse effect upon its financial condition.

Employees

As of December 31, 1995, the Company had 65 employees. The Company's employees are not covered by a collective bargaining agreement. The Company considers relations with its employees to be excellent.

Item 2. Properties

Drilling Activity

The following table summarizes the Company's drilling activity for the past five years. There is no correlation between the number of productive wells completed during any period and the aggregate reserves attributable to those wells.

Exploratory Wells Drilled

	Total		Productive Gas		Dry	
	Drilled	Net	Drilled	Net	Drilled	Net
1991	-	-	-	-	-	-
1992	-	-	-	-	-	-
1993	3	.75	-	-	3	.75
1994	-	-	-	-	-	-
1995	-	-	-	-	-	-
Total	3	.75	-	-	3	.75

Development Wells Drilled

	Total		Productive Gas		Dry	
	Drilled	Net	Drilled	Net	Drilled	Net
1991	53	10.64	49	9.85	4	.79
1992	80	15.86	73	14.47	7	1.39
1993	56	10.00	49	8.75	7	1.25
1994	75	13.76	71	13.00	4	.76
1995	72	13.40	64	11.80	8	1.60
Total	336	63.66	306	57.87	30	5.79

The term "exploratory well" means a well drilled with the hope of greatly extending the limits of an already developed pool or in search of an undiscovered pool of oil or gas. A "development well" is one drilled to extend the limits of an already developed pool, or within a proved area of an oil or gas reservoir to the depth of a stratigraphic horizon known to be productive. A "dry well (hole)" is an exploratory or a development well found to be incapable of producing either oil or gas in sufficient quantities to justify completion as an oil or gas well.

A "drilled" well is a well for which the Company supervised drilling activity or in which it has a working interest. A "net" well is deemed to be held when the sum of the fractional working interests owned by the Company in wells equals one.

Production

The following table shows the Company's net production in barrels ("Bbls") of crude oil and in thousands of cubic feet ("Mcf") of natural gas and the costs and weighted average selling prices thereof, for the periods indicated.

	Year Ended December 31,				
	1995	1994	1993	1992	1991
Production (1):					
Oil (Bbls)	11,000	11,000	10,000	16,000	12,205
Natural Gas (Mcf)	1,336,000	1,195,000	965,000	948,000	867,208
Equivalent Barrels (2)	233,667	210,167	170,833	174,000	156,740
Average sales price per equivalent barrel (3)	$10.86	$12.40	$12.88	$13.20	$12.55
Average production cost (lifting cost) per equivalent barrel(4)	$ 3.16	$ 3.50	$ 3.40	$ 2.87	$ 3.26

(1) Production as shown in the table, which is net after the royalty interests of others, is determined by multiplying the gross production volume of properties in which the Company has an interest by the percentage of the leasehold or other property interest owned by the Company.

(2) The ratio of energy content of oil and gas (six Mcf of gas equals one barrel of oil) was used to obtain a conversion factor to convert natural gas production into equivalent barrels of oil.

(3) The average sales price per barrel of oil sold by the Company was $15.80 in 1995, $14.41 in 1994, $16.62 in 1993, $18.21 in 1992, and $17.52 in 1991, and the average sales price per Mcf of gas was $1.75 in 1995, $2.01 in 1994, $2.24 in 1993, $2.41 in 1992, and $2.16 in 1991.

(4) The average production cost per Mcf of gas based on the relative energy content of six Mcf of gas equals one barrel of oil was $.53 in 1995, $.58 in 1994, $.57 in 1993, $.48 in 1992, and $.54 in 1991. Production costs represent oil and gas operating expenses as reflected in the financial statements of the Company plus depreciation of support equipment and facilities.

Summary of Productive Wells. The table below gives the number of the Company's productive gross and net wells at December 31, 1995.

	WELLS			
	Gas		Oil	
Location	Gross	Net	Gross	Net
Ohio	16	5.50	9	2.02
Tennessee	1	.57	60	21.80
Pennsylvania	26	3.51	-	-
West Virginia	726	234.53	51	41.42
Total	769	244.11	120	65.24

Reserves

All of the Company's oil and gas reserves are located in the United States.

"Proved reserves" are those quantities of crude oil and natural gas which, upon analysis of geologic and engineering data, appear with reasonable certainty to be recoverable in the future from known oil and gas reservoirs on leases held by the Company under existing economic and operating conditions. The Company's approximate net proved reserves were estimated by the Company to be 91,000 barrels of oil and 24,660,000 Mcf of gas at December 31, 1993 and 79,000 barrels of oil and 32,225,000 Mcf of gas at December 31, 1994 and 140,000 barrels of oil and 33,829,000 Mcf of gas at December 31, 1995.

"Proved developed reserves" are proved reserves which are expected to be recovered through existing wells with existing equipment and operating methods. The Company's approximate net proved developed reserves were estimated by the Company to be 91,000 barrels of oil and 20,181,000 Mcf of gas at December 31, 1993 and 79,000 barrels of oil and 27,746,000 Mcf of gas at December 31, 1994 and 140,000 barrels of oil and 29,326,000 Mcf of gas at December 31, 1995.

No major discovery or other favorable or adverse event which would cause a significant change in estimated reserves is believed by the Company to have occurred since December 31, 1995. Reserves cannot be measured exactly as reserve estimates involve subjective judgment. The estimates must be reviewed periodically and adjusted to reflect additional information gained from reservoir performance, new geological and geophysical data and economic changes.

The standardized measure of discounted future net cash flows attributable to the Company's proved oil and gas reserves giving effect to future estimated income tax expenses, was estimated by the Company to be

$14,018,000 as of December 31, 1993, $14,445,000 as of December 31, 1994 and $21,060,000 as of December 31, 1995. The values expressed are estimates only, and may not reflect realizable values or fair market values of the oil and gas ultimately extracted and recovered. The standardized measure of discounted future net cash flows may not accurately reflect proceeds of production to be received in the future from the sale of oil and gas currently owned and does not necessarily reflect the actual costs that would be incurred to acquire equivalent oil and gas reserves.

Substantially all of the Company's oil and gas reserves have been mortgaged or pledged as security for bank loans to the Company. See Note 3 of Notes to Consolidated Financial Statements.

For additional information concerning oil and gas reserves and activities, see Notes 15, 16 and 17 of Notes to Consolidated Financial Statements.

The Company has not filed any estimates (on a consolidated basis) of its oil and gas reserves with, nor were such estimates included in any reports to, any Federal or foreign governmental agency other than the Securities and Exchange Commission within the 12 months prior to the date of this filing.

Oil and Gas Leases

The following table sets forth, as of December 31, 1995, the acres of developed and undeveloped oil and gas properties in which the Company had an interest, listed alphabetically by state.

	Developed Acreage		Undeveloped Acreage	
	Gross	Net	Gross	Net
Ohio	1,200	800	1,400	1,400
Pennsylvania	100	100	4,500	4,500
Tennessee	5,400	5,400	-	-
West Virginia	50,700	49,300	26,000	25,900
	57,400	55,600	31,900	31,800

"Undeveloped acreage" is that leasehold acreage on which wells have not been drilled or completed to a point that would permit the production of commercial quantities of oil and gas regardless of whether or not such acreage contains proved reserves.

A "gross" acre is an acre in which the Company owns a working interest. A "net" acre is deemed to exist when the sum of the fractional working interests owned by the Company in gross acres equals one.

As is customary in the oil and gas industry, only a perfunctory title examination is conducted at the time the properties believed to be suitable for drilling operations are acquired by the Company. Prior to the commencement of drilling operations, a title examination is conducted and curative work is performed with respect to defects which the Company deems to be significant. A title examination has been performed with respect to substantially all of the Company's producing properties. The Company believes that the title to such properties is good and indefeasible in accordance with standards generally accepted in the oil and gas industry, subject to such exceptions stated in the opinion of counsel employed in the various areas in which the Company conducts its exploration activities which, in the Company's judgment, are not so material as to detract substantially from the use of such property. Also, no single property represents a material portion of the Company's holdings.

The properties owned by the Company are subject to royalty, overriding royalty and other outstanding interests customary in the industry. The properties are also subject to burdens such as liens incident to operating agreements, current taxes, development obligations under oil and gas leases, farmout arrangements and other encumbrances, easements and restrictions. The Company does not believe that any of these burdens will materially interfere with the use of the properties.

Item 3. Legal Proceedings

Legal Proceedings

The Company is party to various legal actions in the normal course of business which would not materially affect the Company's operations.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

PART II

Item 5. Market for the Company's Common Stock and Related Security Holder Matters

The common stock of the Company is traded in the over-the-counter market under the symbol PETD. The following table sets forth, for the periods indicated, the high and low bid quotations per share of the Company's common stock in the over-the-counter market, as reported by the National Quotation Bureau Incorporated. These quotations represent inter-dealer prices without retail markups, markdowns, commissions or other adjustments and may not represent actual transactions.

	High	Low
1994		
First Quarter	2 9/16	1 9/16
Second Quarter	2 1/4	1 3/4
Third Quarter	2 1/16	1 5/8
Fourth Quarter	1 13/16	1 1/16
1995		
First Quarter	1 3/8	7/8
Second Quarter	1 9/16	1 1/16
Third Quarter	1 3/8	1
Fourth Quarter	1 5/8	31/32

As of December 31, 1995, there were approximately 2,341 record holders of the Company's common stock.

The Company has not paid any dividends on its common stock and currently intends to retain earnings for use in its business. Therefore, it does not expect to declare cash dividends in the foreseeable future. Further, the Company's Credit Agreement restricts the payment of dividends.

Item 6. Selected Financial Data (1)

	Year Ended December 31,				
	1995	1994	1993	1992	1991
Revenues					
Oil and gas well drilling operations	$13,941,000	$15,190,200	$12,073,500	$14,930,700	$11,070,200
Oil and gas sales	4,150,600	4,361,300	4,471,200	4,867,300	3,567,200
Well operations income	3,750,900	3,730,300	3,843,100	2,935,900	2,694,500
Other income	504,000	524,400	97,600	432,600	507,000
Total	$22,346,500	$23,806,200	$20,485,400	$23,166,500	$17,838,900
Costs and Expenses (excluding interest and depreciation, depletion and amortization)	$18,042,300	$20,559,500	$17,116,700	$18,826,000	$14,931,000
Interest Expense	$ 319,700	$ 300,200	$ 55,500	$ 54,000	$ 56,400
Depreciation, Depletion and Amortization	$ 2,152,100	$ 1,848,200	$ 1,717,400	$ 1,671,600	$1,505,500
Income before extraordinary item	$ 1,481,500	$ 921,600	$ 1,320,800	$ 1,748,100	$ 869,700
Extraordinary item net of income taxes	-	-	269,000	-	-
Net Income	$ 1,481,500	$ 921,600	$ 1,589,800	$ 1,748,100	$ 869,700
Primary earnings per common and common equivalent share					
Income before extraordinary item	$ .13	$ .08	$ .11	$.16	$.08
Net income	$ .13	$ .08	$ .14	$.16	$.08
Fully diluted earnings per common and common equivalent share					
Income before extraordinary item	$ .12	$ .08	$ .11	$.14	$.07
Net income	$ .12	$ .08	$ .14	$.14	$.07
Average Common and Common Equivalent Shares Outstanding During the Year	11,606,690	11,990,497	11,563,648	11,190,709	11,059,031

	December 31,				
	1995	1994	1993	1992	1991
Total Assets	$40,620,100	$38,325,300	$36,412,900	$34,631,500	$32,040,300
Working Capital	$(1,519,700)	$(1,613,700)	$ 289,000	$ (590,100)	$ (997,100)
Long-Term Debt, excluding current maturities	$ 2,500,000	$ 3,100,000	$ 3,167,300	$ 3,968,900	$5,354,000
Stockholders' Equity	$19,920,900	$18,380,500	$17,235,700	$15,347,100	$13,264,000

(1) See Consolidated Financial Statements elsewhere herein.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

1995 Compared with 1994

Total revenue decreased 6.1% from $23,806,200 to $22,346,500 in 1995. Revenues relating to the Company's drilling activities decreased $1,249,200 due to a slight decrease in drilling and completion activities in 1995 compared to 1994. Overall oil and gas sales decreased 4.8% in 1995 compared to 1994 as a result of lower average gas sales prices offset by increased volumes of natural gas sold.

Costs and expenses decreased 9.7% from $22,707,900 to $20,514,100 principally as a result of decreased drilling activity. Cost of oil and gas well drilling operations decreased $2,345,700 as a result of the decrease in drilling and completion activities referred to above. General and administrative expenses decreased 11.0% as a result of a general company wide cost cutting program. Depreciation, depletion, and amortization increased 16.4% in 1995 compared to 1994 as a result of an increase in the Company's investment in natural gas wells and increased production levels.

The foregoing resulted in income before income taxes of $1,832,400 compared to $1,098,300 in 1994. Net income for 1995 was $1,481,500 compared to net income of $921,600 in 1994.

1994 Compared with 1993

Total revenue increased 16.2% from $20,485,400 to $23,806,200 in 1994. Revenues relating to the Company's drilling activities increased $3,116,700 due to an increase in drilling and completion activities in 1994 compared to 1993. Overall oil and gas sales decreased slightly in 1994 compared to 1993 as a result of lower average gas sales prices offset for the most part by increased volumes of gas sold. Other income increased by $426,800 in 1994 compared to 1993 as a result of management fee income from the Company's 1994 public drilling program.

Costs and expenses increased 20.2% from $18,889,600 to $22,707,900 principally as a result of increased drilling activity. Cost of oil and gas well drilling operations increased $3,188,700 as a result of the increase in drilling and completion activities referred to above. General and administrative expenses increased 16.2% as a result of corporate public relations costs incurred by the Company in 1994 along with generally higher personnel costs. Depreciation, depletion, and amortization increased 7.6% in 1994 compared to 1993 as a result of an increase in the Company's investment in natural gas wells and increased production levels. Interest expense increased to $300,200 in 1994 from $55,000 in 1993 principally due to a loan agreement executed in November, 1993. Under a prior debt restructuring arrangement all interest paid was treated as retirement of principal.

The foregoing resulted in income before income taxes and extraordinary item of $1,098,300 compared to $1,595,800 in 1993. Net income for 1994 was $921,600 compared to net income of $1,589,800 in 1993.

Liquidity and Capital Resources

Sales volumes of natural gas continued to increase while the natural gas prices fluctuated monthly and resulted in a lower average price than the prior year. The Company's gas sales prices are subject to increase and decrease based on various market sensitive indices. A major factor in the variability of these indices is the seasonal variation of demand for natural gas, which typically peaks during the winter months. The volumes of gas sales are expected to continue to increase as a result of continued drilling activities. There has been a dramatic increase in the price of natural gas since December 31 which will have a positive effect on the Company's 1996 liquidity. While prices cannot be predicted for the entire year it is generally believed that the sales price of natural gas will be higher in 1996 than in 1995.

The Company closed its fourth drilling partnership of 1995 on December 30th and will drill approximately 45 wells during the first quarter of 1996. Typically, the Company's drilling activity peaks during the winter months. The Company has registered a 1996-1997 public drilling program consisting of eight partnerships and has commenced sales of units in the first partnership which is scheduled to close in May, 1996. The Company's public drilling programs continue to receive wide market acceptance.

The Company continues to pursue capital investment opportunities in producing gas properties along with its commitment to participate in its sponsored gas drilling partnerships. Management believes that the Company has adequate capital to meet its investing and operating requirements and continues to pursue opportunities for operating improvements and cost efficiencies.

Recently Issued Accounting Standards

In November, 1995, the FASB issued SFAS 123, Accounting for Stock-Based Compensation. SFAS 123 establishes a fair value based approach for accounting for stock-based compensation arrangements under which employees receive shares of stock or other equity instruments of the employer, or the employer otherwise incurs liabilities to its employees in amounts based on the price of its stock. The Statement provides a choice of accounting methods for transactions within the scope of APB Opinion No. 25 Accounting for Stock Issued to Employees ("Opinion 25"). Companies may continue to apply Opinion 25 in accounting for its stock-based employee compensation arrangements. However, an entity that does so shall disclose pro forma net income and earnings per share determined as if the fair value based method had been applied in measuring compensation cost. SFAS 123 is effective for financial statements for fiscal years beginning after December 15, 1995. The Company currently plans to continue to value its stock options using the guidance of Opinion 25 and to implement SFAS No. 123 by including the pro forma disclosures in the notes to its consolidated financial statements for the year ended December 31, 1996.

The Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", effective Janaury 1, 1995. This statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the entity should estimate the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less that the carrying amount of the asset, an impairment loss is recognized. Measurement of an impairment loss for long-lived assets and identifiable tangibles is based on the fair value of the asset. The impact from the adoption of this accounting standard was not significant.

PART III

Item 8. Financial Statements and Supplementary Data:

The response to this Item is set forth herein in a separate section of this Report, beginning on Page F-1.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 10. Directors and Executive Officers of the Company

The executive officers and directors of the Company, their principal occupations for the past five years and additional information are set forth below:

Name	Age	Positions and Offices Held	Held Current Position Since
James N. Ryan	64	Chairman, Chief Executive Officer and Director	March, 1983
Steven R. Williams	45	President and Director	March, 1983
Roger J. Morgan	68	Secretary and Director	November, 1969
Vincent F. D'Annunzio	43	Director	February, 1989
Dale G. Rettinger	51	Executive Vice President, Treasurer and Director	July, 1980
Jeffrey C. Swoveland	41	Director	March, 1991

The term of directors is three years expiring in alternating years. Executive officers have a term of one year and until a successor is elected. Such elections are expected to occur at the Company's next annual meeting presently scheduled for June, 1996. There is no family relationship between any director or executive officer and any other director or executive officer of the Company. There are no arrangements or understandings between any director or officer and any other person pursuant to which such person was selected as an officer.

The following is a brief account of the business experience during the past five years of each director and executive officer:

James N. Ryan has served as President and Director of the Company from 1969 to 1983 and was elected Chairman and Chief Executive Officer in March, 1983.

Steven R. Williams has served as President and Director of the Company since March 1983. Prior to joining the Company, Mr. Williams was employed by Exxon until 1979 and attended Stanford Graduate School of Business, graduating in 1981. He then worked with Texas Oil and Gas until July, 1982, when he joined Exco Enterprises as Manager of Operations.

Roger J. Morgan has been a member of the law firm of Young, Morgan & Cann, Clarksburg, West Virginia, for more than the past five years. Mr. Morgan is not active in the day-to-day business of the Company, but his law firm provides legal services to the Company.

Vincent F. D'Annunzio has for the past five years served as President of Beverage Distributors, Inc. located in Clarksburg, West Virginia. Mr. D'Annunzio is a director of CB&T Bank of Clarksburg, West Virginia.

Dale G. Rettinger has served as Vice President and Treasurer of the Company since July, 1980. Mr. Rettinger was elected Director in 1985. Previously, Mr. Rettinger was a partner with KMG Main Hurdman, Certified Public Accountants, having served in that capacity since 1976.

Jeffrey C. Swoveland Director of Finance with Equitable Resources since the fall of 1994. Mr. Swoveland previously served as Vice President and a lending officer, with Mellon Bank, N.A. from July, 1989 to late 1994.

Item 11. Management Remuneration and Transactions

There is incorporated by reference herein in response to this Item the material under the heading "Election of Directors - Remuneration of Directors and Officers", "Election of Directors - Stock Options" and "Election of Directors - Interest of Management in Certain Transactions" in the Company's definitive proxy statement for its 1996 annual meeting of stockholders filed or to be filed with the Commission on or before April 30, 1996.

Item 12. Security Ownership of Certain Beneficial Owners and Management

There is incorporated by reference herein in response to this Item, the material under the heading "Election of Directors", in the Company's definitive proxy statement for its 1996 annual meeting of stockholders filed or to be filed with the Commission on or before April 30, 1996.

Item 13. Certain Relationships and Related Transactions

The response to this item is set forth herein in Note 9 in the Notes to Consolidated Financial Statements.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) (1) Financial Statements:

See Index to Financial Statements and Schedules on page F-1.

(2) Financial Statement Schedules:

See Index to Financial Statements and Schedules on page F-1.

Schedules and Financial Statements Omitted

All other financial statement schedules are omitted because they are not required, inapplicable, or the information is included in the Financial Statements or Notes thereto.

(3) Exhibits:

See Exhibits Index on page E-1.

(b) During the fourth quarter of 1995, the Company filed no report on Form 8-K.

CONFORMED COPY

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PETROLEUM DEVELOPMENT CORPORATION

By /s/ James N. Ryan
James N. Ryan, Chairman

March 25, 1996

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ James N. Ryan James N. Ryan	Chairman, Chief Executive Officer and Director	March 25, 1996
/s/ Steven R. Williams Steven R. Williams	President and Director	March 25, 1996
/s/ Dale G. Rettinger Dale G. Rettinger	Executive Vice President, Treasurer and Director (principal financial and accounting officer)	March 25, 1996
/s/ Roger J. Morgan Roger J. Morgan	Secretary and Director	March 25, 1996

PETROLEUM DEVELOPMENT CORPORATION AND SUBSIDIARIES

Index to Financial Statements and Financial Statement Schedules

Independent Auditors' Report

The Stockholders and Board of Directors
Petroleum Development Corporation:

We have audited the consolidated financial statements of Petroleum Development Corporation and subsidiaries as listed in the accompanying index. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in the accompanying index. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Petroleum Development Corporation and subsidiaries as of December 31, 1995 and 1994, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1995, in conformity with generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/KPMG PEAT MARWICK LLP
KPMG PEAT MARWICK LLP

Pittsburgh, Pennsylvania
March 15, 1996

PETROLEUM DEVELOPMENT CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 1995 and 1994

	1995	1994
Assets		
Current assets:		
Cash and cash equivalents	$10,053,600	8,906,800
Notes and accounts receivable (note 2)	2,016,600	1,975,400
Inventories	217,900	390,200
Prepaid expenses	868,800	850,600
Total current assets	13,156,900	12,123,000
Properties and equipment (notes 1 and 3):		
Oil and gas properties (successful efforts accounting method)	37,992,000	35,051,300
Pipelines	6,851,900	6,525,200
Transportation and other equipment	2,546,900	2,540,100
Land and buildings	849,200	843,300
	48,240,000	44,959,900
Less accumulated depreciation, depletion and amortization	21,127,100	19,204,400
	27,112,900	25,755,500
Other assets (note 2)	350,300	446,800
	$40,620,100	38,325,300

(Continued)

PETROLEUM DEVELOPMENT CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 1995 and 1994

	1995	1994
Liabilities and Stockholders' Equity		
Current liabilities:		
Current maturities of long-term debt (note 3)	$ -	36,300
Accounts payable	2,119,100	2,484,700
Accrued taxes	155,100	44,900
Other accrued expenses	1,628,800	1,604,200
Advances for future drilling contracts	10,069,600	9,199,900
Funds held for future distribution	704,000	366,700
Total current liabilities	14,676,600	13,736,700
Long-term debt, excluding current maturities (note 3)	2,500,000	3,100,000
Other liabilities	601,700	328,600
Deferred income taxes (note 4)	2,920,900	2,779,500
Commitments and contingencies (note 10)		
Stockholders' equity (note 5):		
Common stock, par value $.01 per share; authorized 22,250,000 shares; issued and outstanding 11,208,627 and 11,040,627	112,100	110,400
Common stock, Class A, par value $.01 per share; authorized 2,750,000 shares; issued and outstanding - none	-	-
Additional paid-in capital	7,019,800	6,873,600
Retained earnings	12,878,000	11,396,500
Unamortized stock award	(89,000)	-
Total stockholders' equity	19,920,900	18,380,500
	$40,620,100	38,325,300

See accompanying notes to consolidated financial statements.

PETROLEUM DEVELOPMENT CORPORATION AND SUBSIDIARIES

Consolidated Statements of Income

Years Ended December 31, 1995, 1994 and 1993

	1995	1994	1993
Revenues:			
Oil and gas well drilling operations	$13,941,000	15,190,200	12,073,500
Oil and gas sales	4,150,600	4,361,300	4,471,200
Well operations and pipeline income	3,750,900	3,730,300	3,843,100
Other income	504,000	524,400	97,600
	22,346,500	23,806,200	20,485,400
Costs and expenses:			
Cost of oil and gas well drilling operations	11,943,000	14,288,700	11,100,000
Oil and gas purchases and production cost	4,138,700	4,067,000	4,119,700
General and administrative expenses	1,960,600	2,203,800	1,897,000
Depreciation, depletion and amortization	2,152,100	1,848,200	1,717,400
Interest	319,700	300,200	55,500
	20,514,100	22,707,900	18,889,600
Income before income taxes and extraordinary item	1,832,400	1,098,300	1,595,800
Income taxes (note 4)	350,900	176,700	275,000
Income before extraordinary item	1,481,500	921,600	1,320,800
Extraordinary item (less applicable income taxes of $89,600) (note 7)	-	-	269,000
Net income	$ 1,481,500	921,600	1,589,800
Primary earnings per common and common equivalent share (note 8):			
Income before extraordinary item	$.13	.08	.11
Net income	$.13	.08	.14
Fully diluted earnings per common and common equivalent share (note 8):			
Income before extraordinary item	$.12	.08	.11
Net income	$.12	.08	.14

See accompanying notes to consolidated financial statements.

PETROLEUM DEVELOPMENT CORPORATION AND SUBSIDIARIES

Consolidated Statements of Stockholders' Equity

Years Ended December 31, 1995, 1994 and 1993

	Common stock issued					
	Number of shares	Amount	Additional paid-in capital	Retained earnings	Unamortized Stock Award	Total
Balance December 31, 1992	10,027,903	$100,200	6,361,800	8,885,100	-	15,347,100
Issuance of common stock:						
Exercise of employee stock options	142,960	1,500	39,200	-	-	40,700
Exercise of warrants	1,993,073	19,900	1,980,100	-	-	2,000,000
Purchase of treasury stock for cancellation or reissuance	(1,424,323)	(14,200)	(1,877,700)	-	-	(1,891,900)
Reissuance of Treasury stock to profit sharing plan (note 6)	92,308	900	149,100	-	-	150,000
Net income	-	-	-	1,589,800	-	1,589,800
Balance, December 31, 1993	10,831,921	108,300	6,652,500	10,474,900	-	17,235,700
Issuance of common stock:						
Purchase of properties	55,000	500	109,500	-	-	110,000
Exercise of employee stock options	153,706	1,600	111,600	-	-	113,200
Net income				921,600	-	921,600
Balance, December 31, 1994	11,040,627	$110,400	6,873,600	11,396,500	-	18,380,500
Issuance of common stock:						
Exercise of employee stock options	78,000	800	45,800	-		46,600
Stock award	90,000	900	100,400	-	(101,300)	-
Amortization of stock award	-	-	-	-	12,300	12,300
Net income	-	-	-	1,481,500	-	1,481,500
Balance, December 31, 1995	11,208,627	$112,100	7,019,800	12,878,000	(89,000)	19,920,900

See accompanying notes to consolidated financial statements.

PETROLEUM DEVELOPMENT CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years Ended December 31, 1995, 1994 and 1993

	1995	1994	1993
Cash flows from operating activities:			
Net income	$1,481,500	921,600	1,589,800
Adjustment to net income to reconcile to cash provided by operating activities:			
Extraordinary gain on debt restructuring	-	-	(358,600)
Deferred income taxes	112,600	97,400	166,700
Depreciation, depletion and amortization	2,152,100	1,848,200	1,717,400
Disposition of leasehold acreage	201,300	173,600	97,400
Employee compensation paid in stock	12,300	108,200	-
Profit sharing plan contribution	-	-	150,000
(Increase) decrease in notes and accounts receivable	(41,200)	39,400	128,700
Decrease (increase) in inventories	172,300	(38,100)	(90,400)
Decrease (increase) in prepaid expenses	10,600	(211,000)	(100,700)
Decrease in other assets	65,800	65,100	15,000
Increase (decrease) in accounts payable and accrued expenses	42,300	92,200	(1,397,700)
Increase in advances for future drilling contracts	869,700	1,071,900	3,019,300
Increase (decrease) in funds held for future distribution	337,300	(474,300)	1,700
Other	(95,800)	18,300	8,600
Total adjustments	3,839,300	2,790,900	3,357,400
Net cash provided by operating activities	5,320,800	3,712,500	4,947,200
Cash flows from investing activities:			
Capital expenditures	(3,910,400)	(5,606,500)	(2,630,200)
Proceeds from sale of leases	289,400	282,100	359,600
Proceeds from sale of fixed assets	36,700	34,200	64,400
Net cash used in investing activities	(3,584,300)	(5,290,200)	(2,206,200)
Cash flows from financing activities:			
Proceeds from debt	-	800,000	3,399,000
Proceeds from issuance of stock	46,600	5,000	40,700
Purchase of treasury stock	-	-	(1,892,000)
Retirement of debt	(636,300)	(899,300)	(2,952,700)
Net cash used in financing activities	(589,700)	(94,300)	(1,405,000)
Net increase (decrease) in cash and cash equivalents	1,146,800	(1,672,000)	1,336,000
Cash and cash equivalents, beginning of year	8,906,800	10,578,800	9,242,800
Cash and cash equivalents, end of year	$10,053,600	8,906,800	10,578,800

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Petroleum Development Corporation and its wholly owned subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation. The Company accounts for its investment in limited partnerships under the proportionate consolidation method. Under this method, the Company's balance sheets and operating statements include its prorata share of assets and liabilities and revenues and expenses, respectively, of the limited partnerships in which it participates.

The Company is principally involved in oil and gas exploration, production and development and related property management which is considered one business segment for financial reporting purposes.

The Company grants credit to purchasers of oil and gas and the owners of managed properties, substantially all of whom are located in the Appalachian Basin area of West Virginia, Tennessee, Pennsylvania and Ohio.

Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents.

Inventories

Inventories of well equipment, parts and supplies are valued at the lower of average cost or market.

Oil and Gas Properties

Exploration and development costs are accounted for by the successful efforts method.

The Company assesses impairment of capitalized costs of proved oil and gas properties by comparing net capitalized costs to undiscounted future net cash flows on a field-by-field basis using expected prices. Prices utilized for measurement purposes and expected costs are held constant. If net capitalized costs exceed undiscounted future net cash flow, the measurement of impairment is based on estimated fair value.

Property acquisition costs are capitalized when incurred. Geological and geophysical costs and delay rentals are expensed as incurred. The costs of drilling exploratory wells are capitalized pending determination of whether the wells have discovered economically producible reserves. If reserves are not discovered, such costs are expensed as dry holes. Development costs, including equipment and intangible drilling costs related to both producing wells and developmental dry holes, are capitalized.

Unproved properties are assessed on a property-by-property basis and properties considered to be impaired are charged to expense when such impairment is deemed to have occurred.

(Continued)

Costs of proved properties, including leasehold acquisition, exploration and development costs and equipment, are depreciated or depleted by the unit-of-production method based on estimated proved developed oil and gas reserves.

Upon sale or retirement of complete units of depreciable or depletable property, the net cost thereof, less proceeds or salvage value, is credited or charged to income. Upon retirement of a partial unit of property, the cost thereof is charged to accumulated depreciation and depletion.

Based on the Company's experience, management believes site restoration, dismantlement and abandonment costs to be immaterial in relation to operating costs. These costs are being expensed when incurred.

Transportation Equipment, Pipelines and Other Equipment

Transportation equipment, pipelines and other equipment are carried at cost. Depreciation is provided principally on the straight-line method over useful lives of 3 to 17 years.

Maintenance and repairs are charged to expense as incurred. Major renewals and betterments are capitalized. Upon the sale or other disposition of assets, the cost and related accumulated depreciation, depletion and amortization are removed from the accounts, the proceeds applied thereto and any resulting gain or loss is reflected in income.

Buildings

Buildings are carried at cost and depreciated on the straight-line method over estimated useful lives of 30 years.

Retirement Plans

The Company has a 401-K contributory retirement plan (401-K Plan) covering full-time employees. The Company provides a discretionary matching of employee contributions to the plan.

The Company also has a profit sharing plan covering full-time employees. The Company's contributions to this plan are discretionary.

During 1994, the Company established a deferred compensation arrangement covering executive officers of the Company as a supplemental retirement benefit.

During 1995, the Company established split-dollar life insurance arrangements with certain executive officers. Under these arrangements, advances are made to these officers equal to the premiums due. The advances are collateralized by the cash surrender value of the policies. The Company records as other assets its share of the cash surrender value of the policies.

Revenue Recognition

Oil and gas wells are drilled primarily on a contract basis. The Company follows the percentage-of-completion method of income recognition for drilling operations in progress.

Well operations income consists of operation charges for well upkeep, maintenance and operating lease income on tangible well equipment.

(Continued)

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Use of Estimates

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and revenues and expenses and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates. Estimates which are particularly significant to the consolidated financial statements include estimates of oil and gas reserves and future undiscounted cash flows from oil and gas properties.

New Pronouncement

The Company adopted Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of", effective Janaury 1, 1995. This statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the entity should estimate the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less that the carrying amount of the asset, an impairment loss is recognized. Measurement of an impairment loss for long-lived assets and identifiable tangibles is based on the fair value of the asset. The impact from the adoption of this accounting standard was not significant.

(2) Notes and Accounts Receivable

The Company holds notes receivable from officers, directors and employees with interest from 8% to 12% as of December 31, 1995 and 1994, in the amounts of $33,300 and $41,900, respectively, of which $200 and $8,700 are current.

Included in other assets are noncurrent notes and accounts receivable as of December 31, 1995 and 1994, in the amounts of $168,400 and $368,000, net of the allowance for doubtful accounts of $368,800 and $254,000, respectively.

The allowance for doubtful current accounts receivable as of December 31, 1995 and 1994 was $20,200 and $175,400, respectively.

(3) Long-Term Debt

Long-term debt at December 31, 1995 and 1994, consisted of the following:

(Continued)

	1995	1994
Note payable to bank, under a credit agreement, due in November 1998 with interest payable monthly at prime (8.5% at December 31, 1995) plus 1/2%	$2,500,000	3,100,000
Mortgage note payable to bank with interest at prime (8.5% at December 31, 1994) plus 1-1/2%, due in monthly installments of $2,700, secured by real property	-	28,200
Installment notes payable with various interest rates ranging to 8.5%, payable in monthly installments of approximately $1,300 plus interest through 1995, secured by equipment	-	8,100
	2,500,000	3,136,300
Current maturities	-	36,300
Long-term debt, excluding current maturities	$2,500,000	3,100,000

On November 17, 1993, the Company entered into a Credit Agreement providing a borrowing base of $7,500,000 subject to adequate natural gas reserve levels. During 1995 an amendment to the Credit Agreement was executed which reduced the interest rate and extended the Agreement until 1998.

The Credit Agreement requires no principal payments until it matures in November, 1998. The Company has activated $5,000,000 of the credit line and is required to pay an annual commitment fee of 1/2% on the unused portion of the activated credit facility. The loan is secured by substantially all properties and equipment of the Company. The Credit Agreement requires the existence of satisfactory levels of natural gas reserves, and additionally provides, among other things, for the maintenance of certain working capital and tangible net worth ratios along with limitations on dividend payments.

(4) Income Taxes

The Company's provision for income taxes consisted of the following:

	1995	1994	1993
Current:			
Federal	$ 128,400	66,600	111,800
State	109,900	12,700	86,100
Total current income taxes	238,300	79,300	197,900
Deferred:			
Federal	87,300	75,500	129,200
State	25,300	21,900	37,500
Total deferred income taxes	112,600	97,400	166,700
Total taxes	$ 350,900	176,700	364,600

Income tax expense is included in the financial statements as follows:

Operations	$ 350,900	176,700	275,000
Extraordinary item	-	-	89,600
	$ 350,900	176,700	364,600

(Continued)

Income tax expense attributable to income from continuing operations was $350,900, $176,700 and $275,000 for the years ended December 31, 1995, 1994 and 1993, respectively, and differed from the amounts computed by applying the U.S. federal income tax rate of 34 percent to pretax income from continuing operations as a result of the following:

	1995 Amount	1994 Amount	1993 Amount
Computed "expected" tax	$ 623,000	373,400	542,600
State income tax	108,800	71,200	95,000
Percentage depletion	(155,900)	(136,000)	(240,200)
Nonconventional source fuel credit	(127,300)	(18,000)	(147,000)
Adjustment to oil and gas properties	-	(132,700)	-
Adjustments to valuation allowance	(100,700)		
Other	3,000	18,800	24,600
	$ 350,900	176,700	275,000

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 1995, and 1994 are presented below:

	1995	1994
Deferred tax assets:		
Drilling notes, principally due to allowance for doubtful accounts	$ 671,300	839,700
Investment tax credit carryforwards	233,300	342,100
Alternative minimum tax credit carryforwards (Section 29)	909,400	698,600
Other	440,600	340,200
Total gross deferred tax assets	2,254,600	2,220,600
Less valuation allowance	(941,300)	(842,700)
Deferred tax assets	1,313,300	1,377,900
Less current deferred tax assets (included in prepaid expenses)	(386,200)	(275,000)
Net non-current deferred tax assets	927,100	1,102,900
Deferred tax liabilities:		
Plant and equipment, principally due to differences in depreciation and amortization	(3,848,000)	(3,882,400)
Total gross deferred tax liabilities	(3,848,000)	(3,882,400)
Net deferred tax liability	$(2,920,900)	(2,779,500)

The Company has evaluated each deferred tax asset and has provided a valuation allowance where it is believed more likely than not that some portion of the asset will not be realized.

The valuation allowance for deferred tax assets as of January 1, 1993 was $698,000. The net changes in the total valuation allowance for the years ended December 31, 1995, 1994, and 1993 were increases of $98,600, $45,000 and $99,700, respectively.

At December 31, 1995, the Company has investment tax credit carryforwards for federal income tax purposes of approximately $233,300 which are

(Continued)

available to reduce future federal income taxes, if any, through 2000. In addition, the Company has alternative minimum tax credit carryforwards (Section 29) of approximately $909,400 which are available to reduce future federal regular income taxes, if any, over an indefinite period.

(5) Common Stock

Options

Options amounting to 210,000 and 128,500 shares were granted during 1995 and 1993, respectively to certain employees and directors under the Company's Stock Option Plans. These options were granted at market value as of the date of grant and the outstanding options expire from 1995 to 2002.

	Number of Shares	Average	Range
Outstanding December 31, 1992	2,398,750	$0.64	.38 - 1.00
Granted	128,500	$1.63	1.63 - 1.63
Exercised	(156,000)	$0.42	.38 - .65
Expired	(189,000)	$0.64	.55 - .72
Outstanding December 31, 1993	2,182,250	$0.71	.38 - 1.63
Granted	-	$ -	-
Exercised	(226,250)	$0.50	.44 - .69
Expired	-	$ -	-
Outstanding December 31, 1994	1,956,000	$0.77	.38 - 1.63
Granted	210,000	$1.13	.94 - .94
Exercised	(78,000)	$0.60	.56 - .72
Expired	(235,350)	$0.68	.38 - 1.63
Outstanding December 31, 1995	1,852,650	$0.91	.50 - 1.63

Stock Redemption Agreement

The Company has stock redemption agreements with three officers of the Company. The agreements require the Company to maintain life insurance on each executive in the amount of $1,000,000. The agreements provide that the Company shall utilize the proceeds from such insurance to purchase from such executives' estates or heirs, at their option, shares of the Company's stock. The purchase price for the outstanding common stock is to be based upon the average closing asked price for the Company's stock as quoted by NASDAQ during a specified period. The Company is not required to purchase any shares in excess of the amount provided for by such insurance.

(6) Employee Benefit Plans

The Company made 401-K Plan contributions of $71,800, $68,700 and $63,200 for 1995, 1994 and 1993, respectively.

The Company has a profit sharing plan (the Plan) covering full-time employees. The Company contributed $28,500 to the plan in cash during 1995 and 92,308 shares of the Company's stock (treasury shares) with a market value of $150,000 plus $5,000 in cash in 1993. The Company did not make a contribution to the Plan during 1994.

During 1995 and 1994, the Company expensed and established a liability for $90,000 each year under a deferred compensation arrangement with the executive officers of the Company.

(Continued)

In 1995, a total of 90,000 restricted shares of the Company's common stock were granted to certain employees and available to them upon retirement. The market value of shares awarded was $101,300. This amount was recorded as unamortized stock award and is shown as a separate component of stockholders' equity. The unamortized stock award is being amortized to expense over the employees' expected years to retirement and amounted to $12,300 in 1995.

At December 31, 1995, the Company has recorded as other assets $60,000 as its share of the cash surrender value of the life insurance pledged as collateral for the payment of premiums on split-dollar life insurance policies owned by certain executive officers.

(7) Extraordinary Item

As discussed in Note 3, the Company executed a new credit agreement on November 17, 1993. As a result of the early retirement of the outstanding obligation under the previously existing credit arrangement, the Company wrote off the remaining liability for future interest amounting to $358,600 established in connection with a debt restructuring in 1990. Consistent with the accounting for the 1990 restructuring, the write-off of $358,600 before applicable income taxes of $89,600 has been accounted for as an extraordinary item.

(8) Earnings Per Share

Earnings per share is based on the weighted average number of common and common equivalent shares outstanding of 11,606,690 for 1995, 11,990,497 for 1994 and 11,563,648 for 1993.

Fully diluted earnings per share is based upon the weighted average number of common and common equivalent shares outstanding of 11,937,130, 11,990,497 and 11,563,648, for 1995, 1994 and 1993, respectively. Stock warrants and options are considered to be common stock equivalents and, to the extent appropriate, have been added to the weighted average common shares outstanding.

(9) Transactions with Affiliates

As part of its duties as well operator, the Company received $11,397,000 in 1995, $12,834,300 in 1994 and $11,894,200 in 1993 representing proceeds from the sale of oil and gas and made distributions to investor groups according to their working interests in the related oil and gas properties.

(10) Commitments and Contingencies

The nature of the independent oil and gas industry involves a dependence on outside investor drilling capital and involves a concentration of gas sales to a few customers. The Company sells natural gas to various public utilities and industrial customers, none of which accounted for more than 10% of total revenues.

The Company is not party to any legal action that would materially affect the Company's operations or financial statements.

(11) Supplemental Disclosure of Cash Flows

The Company paid $319,700, $300,200 and $55,000 for interest in 1995, 1994 and 1993, respectively. The Company paid income taxes in 1994 and 1993 in the amounts of $312,500 and $261,000, respectively.

(Continued)

(12) Noncash Financing and Investing Activities

In 1994 the Company issued 55,000 shares of common stock for the purchase of producing properties. Also in 1994, employees exercised stock options for 143,706 shares of common stock and surrendered options for 72,544 common shares in lieu of cash payments in connection with the options exercised. This resulted in compensation expense of $108,200.

In 1993 warrant holders exercised warrants for 1,993,073 shares of common stock and surrendered warrants for 756,927 common shares, in lieu of cash payments in connection with the warrants exercised.

(13) Costs Incurred in Oil and Gas Property Acquisition, Exploration and Development Activities

Costs incurred by the Company in oil and gas property acquisition, exploration and development are presented below:

	Years Ended December 31,		
	1995	1994	1993
Property acquisition cost:			
Proved undeveloped properties	$ 167,800	426,200	267,500
Producing properties	218,500	1,332,100	59,700
Exploration costs	-	-	97,800
Development costs	2,977,700	2,260,800	1,412,000
	$3,364,000	4,019,100	1,837,000

Property acquisition costs include costs incurred to purchase, lease or otherwise acquire a property. Exploration costs include the cost of geological and geophysical activity, dry holes and drilling and equipping exploratory wells. Development costs include costs incurred to gain access to and prepare development well locations for drilling, to drill and equip development wells and to provide facilities to extract, treat, gather and store oil and gas.

(14) Oil and Gas Capitalized Costs

Aggregate capitalized costs for the Company related to oil and gas exploration and production activities with applicable accumulated depreciation, depletion and amortization are presented below:

	December 31,	
	1995	1994
Proved properties:		
Intangible drilling costs	$16,582,000	16,363,400
Tangible well equipment	16,831,800	13,854,200
Well equipment leased to others	4,063,600	4,063,600
Undeveloped properties	514,600	770,100
	37,992,000	35,051,300
Less accumulated depreciation, depletion and amortization	14,529,900	13,021,600
	$23,462,100	22,029,700

(Continued)

(15) Results of Operations for Oil and Gas Producing Activities

The results of operations for oil and gas producing activities (excluding marketing) are presented below:

	Years Ended December 31, 1995	1994	1993
Revenue:			
Oil and gas sales	$2,534,000	2,610,100	2,201,800
Expenses:			
Production costs	596,000	734,700	580,700
Depreciation, depletion and amortization	1,000,700	922,300	981,900
	1,596,700	1,657,000	1,562,600
Results of operations for oil and gas producing activities before provision for income taxes	937,300	953,100	639,200
Provision for income taxes	137,800	146,600	75,100
Results of operations for oil and gas producing activities (excluding corporate overhead and interest costs)	$ 799,500	806,500	564,100

Production costs include those costs incurred to operate and maintain productive wells and related equipment, including such costs as labor, repairs, maintenance, materials, supplies, fuel consumed, insurance and other production taxes. In addition, production costs include administrative expenses and depreciation applicable to support equipment associated with these activities.

Depreciation, depletion and amortization expense includes those costs associated with capitalized acquisition, exploration and development costs, but does not include the depreciation applicable to support equipment.

The provision for income taxes is computed at the statutory federal income tax rate and is reduced to the extent of permanent differences, such as investment tax credits and statutory depletion allowed for income tax purposes.

(16) Net Proved Oil and Gas Reserves (Unaudited)

The proved reserves of oil and gas of the Company as estimated by the Company, all of which are located within the United States, are as follows:

	Oil (BBLS) 1995	1994	1993
Proved developed and undeveloped reserves:			
Beginning of year	79,000	91,000	78,000
Revisions of previous estimates	72,000	(1,000)	23,000
Beginning of year as revised	151,000	90,000	101,000
Production	(11,000)	(11,000)	(10,000)
End of year	140,000	79,000	91,000
Proved developed reserves:			
Beginning of year	79,000	91,000	78,000
End of year	140,000	79,000	91,000

(Continued)

	Gas (MCF)		
	1995	1994	1993
Proved developed and undeveloped reserves:			
Beginning of year	32,225,000	24,660,000	24,980,000
Revisions of previous estimates	686,000	4,472,000	(889,000)
Beginning of year as revised	32,911,000	29,132,000	24,091,000
New discoveries and extensions	2,119,000	2,345,000	1,534,000
Acquisitions	135,000	1,943,000	-
Production	(1,336,000)	(1,195,000)	(965,000)
End of year	33,829,000	32,225,000	24,660,000
Proved developed reserves:			
Beginning of year	27,746,000	20,181,000	20,477,000
End of year	29,326,000	27,746,000	20,181,000

(17) Standardized Measure of Discounted Future Net Cash Flows and Changes Therein Relating to Proved Oil and Gas Reserves (Unaudited)

Summarized in the following table is information for the Company with respect to the standardized measure of discounted future net cash flows relating to proved oil and gas reserves. Future cash inflows are derived by applying current oil and gas prices to estimated future production. Future production, development, site restoration and abandonment costs are derived based on current costs assuming continuation of existing economic conditions. Future income tax expenses are computed by applying the statutory rate in effect at the end of each year to the future pretax net cash flows, less the tax basis of the properties and gives effect to permanent differences, tax credits and allowances related to the properties.

	Years Ended December 31,		
	1995	1994	1993
Future estimated cash flows	$99,478,000	73,316,000	64,588,000
Future estimated production and development costs	(29,288,000)	(24,370,000)	(18,736,000)
Future estimated income tax expense	(20,004,000)	(13,950,000)	(13,068,000)
Future net cash flows	50,186,000	34,996,000	32,784,000
10% annual discount for estimated timing of cash flows	(29,126,000)	(20,551,000)	(18,766,000)
Standardized measure of discounted future estimated net cash flows	$21,060,000	14,445,000	14,018,000

(Continued)

The following table summarizes the principal sources of change in the standardized measure of discounted future estimated net cash flows:

	Years Ended December 31, 1995	1994	1993
Sales of oil and gas production, net of production costs	$(1,938,000)	(1,875,000)	(1,621,000)
Net changes in prices and production costs	17,024,000	(9,560,000)	(6,046,000)
Extensions, discoveries and improved recovery, less related cost	4,609,000	3,875,000	2,818,000
Acquisitions	294,000	2,745,000	-
Development costs incurred during the period	2,978,000	2,261,000	1,412,000
Revisions of previous quantity estimates	1,700,000	8,222,000	(1,607,000)
Changes in estimated income taxes	(6,054,000)	(882,000)	3,803,000
Accretion of discount	(8,575,000)	(1,785,000)	1,572,000
Other	(3,423,000)	(2,574,000)	(1,828,000)
	$ 6,615,000	427,000	(1,497,000)

It is necessary to emphasize that the data presented should not be viewed as representing the expected cash flow from, or current value of, existing proved reserves since the computations are based on a large number of estimates and arbitrary assumptions. Reserve quantities cannot be measured with precision and their estimation requires many judgmental determinations and frequent revisions. The required projection of production and related expenditures over time requires further estimates with respect to pipeline availability, rates of demand and governmental control. Actual future prices and costs are likely to be substantially different from the current prices and costs utilized in the computation of reported amounts. Any analysis or evaluation of the reported amounts should give specific recognition to the computational methods utilized and the limitations inherent therein.

(Continued)

(18) Quarterly Financial Data (Unaudited)

Summarized quarterly financial data for the years ended December 31, 1995 and 1994, are as follows:

1995	Quarter First	Quarter Second	Quarter Third	Quarter Fourth	Year
Revenues	$9,537,000	$4,432,800	$3,582,500	$4,794,200	$22,346,500
Cost of operations	8,034,500	3,621,700	2,764,500	3,813,100	18,233,800
Gross profit	1,502,500	811,100	818,000	981,100	4,112,700
General and administrative expenses	450,300	520,900	600,700	388,700	1,960,600
Interest expense	83,400	76,300	71,000	89,000	319,700
	533,700	597,200	671,700	477,700	2,280,300
Income before income taxes	968,800	213,900	146,300	503,400	1,832,400
Income taxes	240,300	53,000	36,300	21,300	350,900
Net income	$ 728,500	$ 160,900	$ 110,000	$ 482,100	$ 1,481,500
Primary earnings per share	$ .06	$ .02	$ .01	$ .04	$ .13

1994	Quarter First	Quarter Second	Quarter Third	Quarter Fourth	Year
Revenues	$8,833,900	$4,844,700	$3,715,700	$6,411,900	$23,806,200
Cost of operations	7,553,000	4,330,400	3,139,400	5,181,100	20,203,900
Gross profit	1,280,900	514,300	576,300	1,230,800	3,602,300
General and administrative expenses	498,100	532,300	635,200	538,200	2,203,800
Interest expense	68,600	69,600	81,200	80,800	300,200
	566,700	601,900	716,400	619,000	2,504,000
Income (loss) before income taxes	714,200	(87,600)	(140,100)	611,800	1,098,300
Income taxes	160,700	(19,700)	(39,800)	75,500	176,700
Net income (loss)	$ 553,500	$ (67,900)	$ (100,300)	$ 536,300	$ 921,600
Primary earnings (loss) per share	$.05	$(.01)	$(.01)	$ .05	$ .08

Cost of operations include cost of oil and gas well drilling operations, oil and gas purchases and production costs and depreciation, depletion and amortization.

(19) Subsequent Event

On January 31, 1996, the Company purchased 1,200,000 shares of its common stock pursuant to an option agreement. The option was obtained in connection with a debt restructuring in 1990. The company utilized its' revolving credit line to acquire the shares for $1,000,000 or $0.83 a share. The shares representing approximately 11% of the currently outstanding stock were retired by the Company.

PETROLEUM DEVELOPMENT CORPORATION AND SUBSIDIARIES

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS
AND RESERVES

Years Ended December 31, 1995, 1994 and 1993

Column A	Column B	Column C	Column D	Column E
Description	Balance at Beginning of Period	Additions, Charged to Costs and Expenses	Deductions	Balance at End of Period
Allowance for doubtful accounts deducted from accounts and notes receivable in the balance sheet				
1995	$429,400	$210,000	$250,400	$389,000
1994	$362,300	$ 75,100	$ 8,000	$429,400
1993	$ 58,400	$410,000	$106,100	$362,300

Petroleum Development Corporation

Index to Exhibits

PETROLEUM DEVELOPMENT CORPORATION AND SUBSIDIARIES
EXHIBIT 11
SCHEDULE OF COMPUTATION OF NET INCOME PER SHARE

	Years Ended December 31,		
PRIMARY	1995	1994	1993
Net income for primary income per common share before extraordinary item	$1,481,500	$ 921,600	$ 1,320,800
Net income for primary income per common share	$1,481,500	$ 921,600	$ 1,589,800
Weighted average number of common shares outstanding during the year	10,056,441	10,878,601	10,312,501
Add - common equivalent shares (determined using the "treasury stock" method) representing shares issuable upon exercise of employee stock options	1,550,249	1,111,896	1,251,147
Weighted average number of shares used in calculation of primary income per share	11,606,690	11,990,497	11,563,648
Primary income per share before extraordinary item	$ .13	$ .08	$ .11
Primary income per share	$ .13	$ .08	$ .14
FULLY DILUTED			
Net income for primary income per common share before extraordinary item	$ 1,481,500	$ 921,600	$ 1,320,800
Net income for primary income per common share	$ 1,481,500	$ 921,600	$ 1,589,800
Add:			
Interest reduction on payment of debt from issuance of stock proceeds, net of applicable income taxes	-	-	-
Net income for fully diluted net income per share before extraordinary item	$ 1,481,500	$ 921,600	$ 1,320,800
Net income for fully diluted net income per share	$ 1,481,500	$ 921,600	$ 1,589,800
Weighted average number of shares used in calculating primary income per common share	11,606,690	11,990,497	11,563,648
Shares issuable upon exercise of stock options used in primary calculation above	(1,550,249)	(1,111,896)	(1,251,147)
Shares issuable for fully diluted calculation	1,880,689	1,111,896	1,251,147
Weighted average number of shares used in calculation of fully diluted income per share	11,937,130	11,990,497	11,563,648
Fully diluted earnings per share before extraordinary item	$ .12	$ .08	$ .11
Fully diluted earnings per share	$ .12	$ .08	$ .14

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2,016,600
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217,900
13,156,900
48,240,000
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1,481,500
.13
.12