

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

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 and Exchange Act of 1934  
For the period ended March 31, 1995

or

Transition Report Pursuant to Section 13 or 15(d) of  
the Securities and Exchange Act of 1934  
For the transition period from to

Commission file number 0-7246

I.R.S. Employer Identification Number 95-2636730

PETROLEUM DEVELOPMENT CORPORATION

(A Nevada Corporation)  
103 East Main Street  
Bridgeport, WV 26330  
Telephone: (304) 842-6256

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  No

Indicate the number of shares outstanding of each of the issuers classes of common stock, as of the latest practicable date: 11,040,627 shares of the Company's Common Stock (\$.01 par value) were outstanding as of March 31, 1995.

PETROLEUM DEVELOPMENT CORPORATION AND SUBSIDIARIES

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PART I - FINANCIAL INFORMATION

Independent Auditors' Review Report

The Board of Directors  
Petroleum Development Corporation

We have reviewed the accompanying condensed consolidated balance sheet of Petroleum Development Corporation and subsidiaries as of March 31, 1995, and the related condensed consolidated statements of operations and cash flows for the three-month periods ended March 31, 1995 and 1994. These financial statements are the responsibility of the company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical review procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Petroleum Development Corporation and subsidiaries as of December 31, 1994 and the related consolidated statements of operations, retained earnings, and cash flows for the year then ended (not presented herein); and in our report dated March 15, 1995, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 1994, is fairly presented, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG PEAT MARWICK LLP

Pittsburgh, Pennsylvania  
May 9, 1995

PETROLEUM DEVELOPMENT CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets  
 March 31, 1995 and December 31, 1994

ASSETS

	1995 (Unaudited)	1994
Current assets:		
Cash and cash equivalents	\$ 4,033,900	\$ 8,906,800
Accounts and notes receivable	1,893,600	1,975,400
Inventories	344,400	390,200
Prepaid expenses	731,400	850,600
Total current assets	7,003,300	12,123,000
Properties and equipment	44,890,200	44,959,900
Less accumulated depreciation, depletion, and amortization	19,738,300	19,204,400
	25,151,900	25,755,500
Other assets	384,500	446,800
	\$32,539,700	\$38,325,300

(Continued)

PETROLEUM DEVELOPMENT CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets, Continued  
 March 31, 1995 and December 31, 1994

LIABILITIES AND  
 STOCKHOLDERS' EQUITY

	1995 (Unaudited)	1994
Current liabilities:		
Current maturities of long-term debt	\$ 24,900	\$ 36,300
Accounts payable and accrued expenses	5,004,400	4,133,800
Advances for future drilling contracts	1,954,400	9,199,900
Funds held for future distribution	441,900	366,700
Total current liabilities	7,425,600	13,736,700
Long-term debt, excluding current maturities		
	2,800,000	3,100,000
Other liabilities	353,500	328,600
Deferred income taxes	2,851,600	2,779,500
Stockholders' equity:		
Common stock	110,400	110,400
Additional paid-in capital	6,873,600	6,873,600
Retained earnings	12,125,000	11,396,500
Total stockholders' equity	19,109,000	18,380,500
	\$32,539,700	\$38,325,300

See accompanying notes to condensed consolidated financial statements.

PETROLEUM DEVELOPMENT CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Operations  
 Three Months ended March 31, 1995 and 1994  
 (Unaudited)

	1995	1994
Revenues:		
Oil and gas well drilling operations	\$7,293,700	\$6,527,300
Oil and gas sales	1,162,000	1,302,400
Well operations and pipeline income	1,002,600	958,000
Other income	78,700	46,200
	9,537,000	8,833,900
Costs and expenses:		
Cost of oil and gas well drilling operations	6,135,800	6,061,300
Oil and gas purchases and production costs	1,310,300	1,034,600
General and administrative expenses	450,300	498,100
Depreciation, depletion, and amortization	588,400	457,100
Interest	83,400	68,600
	8,568,200	8,119,700
Income before income taxes	968,800	714,200
Income taxes	240,300	160,700
Net income	\$ 728,500	\$ 553,500
Earnings per common and common equivalent share		
	\$ .06	\$ .05

See accompanying notes to condensed consolidated financial statements

PETROLEUM DEVELOPMENT CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Three Months Ended March 31, 1995 and 1994

(Unaudited)

	1995	1994
Cash flows from operating activities:		
Net income	\$ 728,500	\$ 553,500
Adjustments to net income to reconcile to cash provided by operating activities:		
Deferred federal income taxes	72,100	18,700
Depreciation, depletion & amortization	588,400	457,100
Leasehold acreage expired or surrendered	143,500	30,400
(Gain) loss on disposal of assets	(8,300)	27,700
Decrease (Increase) in current assets	246,800	(730,700)
Decrease in other assets	54,600	55,900
Decrease in current liabilities	(6,299,700)	(5,699,000)
Increase in other liabilities	24,900	18,000
Total adjustments	(5,177,700)	(5,821,900)
Net cash used in operating activities	(4,449,200)	(5,268,400)
Cash flows from investing activities:		
Capital expenditures	(231,600)	(367,100)
Proceeds from sale of leases	111,000	94,500
Proceeds from sale of assets	8,300	20,800
Net cash used in investing activities	(112,300)	(251,800)
Cash flows from financing activities:		
Retirement of debt	(311,400)	(276,300)
Net cash used in financing activities	(311,400)	(276,300)
Net changes in cash and cash equivalents	(4,872,900)	(5,796,500)
Cash and cash equivalents, beginning of period	8,906,800	10,578,800
Cash and cash equivalents, end of period	\$ 4,033,900	\$ 4,782,300

See accompanying notes to condensed consolidated financial statements.

PETROLEUM DEVELOPMENT CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

March 31, 1995

(Unaudited)

1. Accounting Policies

Reference is hereby made to the Company's Annual Report on Form 10-K for 1994, which contains a summary of major accounting policies followed by the Company in the preparation of its consolidated financial statements. These policies were also followed in preparing the quarterly report included herein.

2. Basis of Presentation

The Management of the Company believes that all adjustments (consisting of only normal recurring accruals) necessary to a fair statement of the results of such periods have been made. The results of operations for the three months ended March 31, 1995 are not necessarily indicative of the results to be expected for the full year.

3. Oil and Gas Properties

Oil and Gas Properties are reported on the successful efforts method.

4. Earnings Per Share

Computation of earnings per common and common equivalent share are as follows for the three months ended March 31,

	1995	1994
Weighted average common shares outstanding	11,717,352	12,216,817
Net income	\$ 728,500	\$ 553,500
Earnings per common and common equivalent share	\$ .06	\$ .05

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Results of Operations

#### Three Months Ended March 31, 1995 Compared With March 31, 1994

Total revenues increased \$703,100 in the first quarter of 1995 compared to the same period in 1994 primarily as a result of increased drilling activity. Drilling revenues increased 11.7% as a result of higher volumes of drilling and completion activities in connection with the drilling of the wells of the PDC 1994-D Partnership closed on December 31, 1994, in the first quarter of 1995 compared to the same period in 1994. Oil and gas sales decreased 10.8% as a result of lower average sales prices offset in part by increased sales volumes.

Costs and expenses increased \$448,500 primarily as a result of higher oil and gas purchases and production costs and depreciation, depletion, and amortization. Oil and gas purchase and production costs increased 26.4% as a result of gas purchased for resale. Depreciation, depletion, and amortization increased 28.7% as a result of an increase in the Company's investment in natural gas wells and increased production levels.

The foregoing resulted in net income of \$728,500 as compared to a net income of \$533,500 for the first quarter of 1994. The provision for income taxes in 1995 consists of \$168,200 of current taxes payable and \$72,100 of deferred income taxes. The provision for income taxes in 1994 consisted of \$142,000 of current taxes payable and \$18,700 of deferred income taxes.

### Liquidity and Capital Resources

Sales volumes of natural gas continue to increase while the natural gas prices fluctuated monthly over the past year. The Company's gas sales prices are subject to increase and decrease based on various market sensitive indices. Price levels of natural gas are currently depressed and are not predictable in the coming year. The volumes of gas sales are expected to continue to increase as a result of continued drilling activities.

The Company has registered a 1994-1995 public drilling program consisting of eight partnerships and has commenced sales of units in the fifth partnership which is scheduled to close in May, 1995, with the wells scheduled to be drilled in the second and third quarters of 1995. The Company's public drilling programs continue to receive wide market acceptance.

The Company is party to a credit agreement providing up to \$7.5 million in borrowing capacity. At March 31, 1995 the Company has activated \$5 million of that facility and has \$2.8 million outstanding.

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 operating requirements and continues to pursue opportunities for operating improvements and cost efficiencies.

PETROLEUM DEVELOPMENT CORPORATION AND SUBSIDIARIES  
STATEMENT BY MANAGEMENT CONCERNING  
REVIEW OF INTERIM FINANCIAL INFORMATION  
BY INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

The March 31, 1995 and 1994 condensed consolidated financial statements included in this filing on Form 10-Q have been reviewed by KPMG Peat Marwick LLP, independent certified public accountants, in accordance with established professional standards and procedures for such reviews. The report of KPMG Peat Marwick LLP commenting upon their review accompanies the condensed consolidated financial statements included in Item 1 of Part I.

PART II - OTHER INFORMATION

Item 1. 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 6. Exhibits and Reports on Form 8-K

(a) None.

(b) No reports on Form 8-K have been filed during the quarter ended March 31, 1995.

SIGNATURES

Pursuant to the requirements 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  
(Registrant)

Date: May 10, 1995

/s/ Steven R. Williams  
Steven R. Williams  
President

Date: May 10, 1995

/s/ Dale G. Rettinger  
Dale G. Rettinger  
Executive Vice President  
and Treasurer