CONFORMED COPY

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

[X] Quarterly Report Pursuant to Section 13 or 15(d) of
the Securities and Exchange Act of 1934
For the period ended June 30, 2001

OR

[ ] Transition Report Pursuant to Section 13 of 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

Indicate the number of shares outstanding of each of the issuers classes of common stock, as of the latest practicable date: 16,244,844 shares of the Company's Common Stock ($.01 par value) were outstanding as of June 30, 2001.

PETROLEUM DEVELOPMENT CORPORATION AND SUBSIDIARIES

INDEX

<?TABLE>

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 June 30, 2001, and the related condensed consolidated statements of income and cash flows for the three-month and six-month periods ended June 30, 2001 and 2000. 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 accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the consolidated balance sheet of Petroleum Development Corporation and subsidiaries as of December 31, 2000 and the related consolidated statements of income, stockholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 8, 2001, 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, 2000 is fairly presented, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG LLP

Pittsburgh, Pennsylvania
August 8, 2001

PETROLEUM DEVELOPMENT CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets
June 30, 2001 and December 31, 2000

ASSETS

	2001 (Unaudited)	2000
Current assets:		
Cash and cash equivalents	$ 26,349,900	$ 46,872,000
Accounts and notes receivable	16,958,300	23,648,000
Inventories	1,630,600	1,097,900
Prepaid expenses	4,372,400	7,134,800
Total current assets	49,311,200	78,752,700
Properties and equipment	153,258,600	141,298,600
Less accumulated depreciation, depletion, and amortization	39,311,700	35,344,700
	113,946,900	105,953,900
Other assets	3,164,400	2,977,900

$166,422,500 $187,684,500

(Continued)

PETROLEUM DEVELOPMENT CORPORATION AND SUBSIDIARIES

Condensed Consolidated Balance Sheets, Continued
June 30, 2001 and December 31, 2000

LIABILITIES AND STOCKHOLDERS' EQUITY	2001 (Unaudited)	2000
Current liabilities:		
Accounts payable and accrued expenses	$ 29,225,000	$ 31,722,500
Advances for future drilling contracts	11,398,900	43,809,400
Funds held for future distribution	6,655,900	2,440,100
Total current liabilities	47,279,800	77,972,000
Long-term debt	15,000,000	17,350,000
Other liabilities	4,430,400	4,396,800
Deferred income taxes	7,540,400	5,708,800
Stockholders' equity:		
Common stock	162,400	162,400
Additional paid-in capital	32,919,700	32,917,000
Retained earnings	58,618,400	49,177,500
Accumulated other comprehensive income	471,400	-
Total stockholders' equity	92,171,900	82,256,900
	$166,422,500	$187,684,500

See accompanying notes to condensed consolidated financial statements.

PETROLEUM DEVELOPMENT CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Income
Three and Six Months ended June 30, 2001 and 2000
(Unaudited)

	Three Months Ended June 30, 2001	Three Months Ended June 30, 2000	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
Revenues:				
Oil and gas well drilling operations	$21,805,800	$ 7,648,200	$43,228,100	$25,406,000
Gas sales from marketing activities	16,923,600	15,537,200	45,737,700	27,221,400
Oil and gas sales	6,501,200	4,298,300	14,042,100	7,936,100
Well operations and pipeline income	1,381,900	1,291,800	2,689,500	2,579,600
Other income	516,500	287,700	973,000	424,500
	47,129,000	29,063,200	106,670,400	63,567,600
Costs and expenses:				
Cost of oil and gas well drilling operations	18,868,800	6,012,600	37,351,300	20,416,300
Cost of gas marketing activities	17,111,600	15,691,200	45,280,100	27,340,800
Oil and gas production costs	2,495,100	1,857,200	4,184,400	3,915,100
General and administrative expenses	998,400	1,032,300	1,959,800	1,711,500
Depreciation, depletion, and amortization	1,990,100	1,664,800	3,980,200	3,154,500

Interest	213,700	275,400	427,600	290,000
	41,677,700	26,533,500	93,183,400	56,828,200
Income before income taxes	5,451,300	2,529,700	13,487,000	6,739,400
Income taxes	1,635,400	581,900	4,046,100	1,550,200
Net income	$ 3,815,900	$ 1,947,800	$ 9,440,900	$ 5,189,200
Basic earnings per common share	$ .23	$ .12	$ .58	$ .32
Diluted earnings per share	$ .23	$ .12	$ .57	$ .32

See accompanying notes to condensed consolidated financial statements.

PETROLEUM DEVELOPMENT CORPORATION AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows
Six Months Ended June 30, 2001 and 2000
(Unaudited)

	2001	2000
Cash flows from operating activities:		
Net income	$ 9,440,900	$5,189,200
Adjustments to net income to reconcile to cash used in operating activities:		
Deferred federal income taxes	1,517,300	396,800
Depreciation, depletion & amortization	3,980,200	3,154,500
Leasehold acreage expired or surrendered	191,600	196,100
Amortization of stock award	2,700	2,700
Gain on disposal of assets	(3,500)	(6,700)
Decrease (increase) in current assets	9,705,100	(9,887,900)
Increase in other assets	(199,700)	(62,700)
Decrease in current liabilities	(30,692,200)	(16,625,600)
Increase in other liabilities	33,600	534,500
Total adjustments	(15,464,900)	(22,298,300)
Net cash used in operating activities	(6,024,000)	(17,109,100)
Cash flows from investing activities:		
Capital expenditures	(13,028,100)	(11,688,000)
Proceeds from sale of leases	876,500	392,500
Proceeds from sale of assets	3,500	6,700
	(12,148,100)	(11,288,800)
Cash flows from financing activities:		
Proceeds from exercise of stock options	-	95,600
Net (retirement of) proceeds from long-term debt	(2,350,000)	4,700,000
Net cash (used in) provided by financing activities	(2,350,000)	4,795,600
Net decrease in cash and cash equivalents	(20,522,100)	(23,602,300)
Cash and cash equivalents, beginning of period	46,872,000	29,059,200
Cash and cash equivalents, end of period	$ 26,349,900	$ 5,456,900

See accompanying notes to condensed consolidated financial statements.

PETROLEUM DEVELOPMENT CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements
June 30, 2001
(Unaudited)

1. Accounting Policies

349: Reference is hereby made to the Company's Annual Report on Form 10-K for 2000, which contains a summary of significant 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 six months ended June 30, 2001 are not necessarily indicative of 358: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 and six months ended June 30, 2001 and 2000:

	Three Months Ended June 30, 2001	2000	Six Months Ended June 30, 2001	2000
Weighted average common shares outstanding	16,244,519	16,174,331	16,244,283	16,070,290
Weighted average common and common equivalent shares outstanding	16,695,585	16,436,754	16,681,560	16,313,108
Net income	$ 3,815,900	$ 1,947,800	$ 9,440,900	$ 5,189,200
Basic earnings per common share	$ .23	$ .12	$ .58	$ .32
Diluted earnings per share	$ .23	$ .12	$ .57	$ .32

5. Business Segments (in Thousands)

PDC's operating activities can be divided into three major segments: drilling and development, natural gas sales, and well operations. The Company drills natural gas wells for Company-sponsored drilling partnerships and retains an interest in each well. The Company also engages in oil and gas sales to residential, commercial and industrial end-users. The Company charges Company-sponsored partnerships and other third parties competitive industry rates for well operations and gas gathering. Segment information for the three and six months ended June 30, 2001 and 2000 is as follows:

	Three Months Ended June 30, 2001	2000	Six Months Ended 2001	2000
REVENUES				
Drilling and Development	$21,806	$ 7,648	$ 43,228	$25,406
Natural Gas Sales	23,425	19,835	59,780	35,157
Well Operations	1,381	1,292	2,689	2,580
Unallocated amounts (1)	517	288	973	425
Total	$47,129	$29,063	$106,670	$63,568

(1) Includes interest on investments and partnership management fees which are not allocated in assessing segment performance.

	Three Months Ended June 30, 2001	2000	Six Months Ended June 30, 2001	2000
SEGMENT INCOME BEFORE INCOME TAXES				
Drilling and Development	$ 2,937	$ 1,635	$ 5,877	$ 4,990
Natural Gas Sales	2,853	1,556	8,307	2,732
Well Operations	395	397	795	673
Unallocated amounts (2)				
General and Administrative expenses	(999)	(1,032)	(1,960)	(1,712)
Interest expense	(214)	(275)	(428)	(290)
Other (1)	479	249	896	346
Total	$5,451	$ 2,530	$13,487	$ 6,739

(2) Items which are not allocated in assessing segment performance.

	June 30, 2001	December 31, 2000
SEGMENT ASSETS		
Drilling and Development	$ 11,033	$ 31,592

Natural Gas Sales	128,329	139,116
Well Operations	11,454	8,490
Unallocated amounts		
Cash	5,401	1,567
Other	10,206	6,920
Total	$166,423	$187,685

6. Derivative Instruments and Hedging Activities

The Company utilizes commodity based derivative instruments as hedges to manage a portion of its exposure to price volatility stemming from its integrated natural gas production and marketing activities. These instruments consist of natural gas futures and option contracts traded on the New York Mercantile Exchange. The futures and option contracts hedge committed and anticipated natural gas purchases and sales, generally forecasted to occur within a 12 month period. The Company does not hold or issue derivatives for trading or speculative purposes. Interest rate swap agreements are used to reduce the potential impact of increases in interest rates on variable rate long-term debt.

Statement of Accounting Standards No. 133 and No. 138, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133/138), was issued by the Financial Accounting Standards Board. SFAS No. 133/138 standardized the accounting for derivative instruments, including certain derivative instruments embedded in other contracts. The Company adopted the provisions of the SFAS 133/138 effective January 1, 2001. The natural gas futures and options and the interest rate swap are derivatives pursuant to SFAS 133/138. The Company's derivatives are treated as hedges of committed and/or anticipated transactions and have a total estimated fair value of $471,400 (net of tax) on June 30, 2001. On adoption of this Statement on January 1, 2001, the Company recorded a net transition adjustment of ($12,079,100) (net of related income tax benefit of $8,052,700) which was recorded in accumulated other comprehensive income (AOCI). During the six months ended June 30, 2001, the Company reclassified $10,209,400 from AOCI into cost of gas marketing activities and oil and gas sales relating to the transition adjustment included in AOCI on January 1, 2001.

Changes in fair value related to qualifying hedges of firm commitments or anticipated transactions through the use of natural gas futures and option contracts and the interest rate swap agreement are deferred and recorded in AOCI and subsequently recognized in income when the underlying hedged transaction occurs. In order for the contracts to qualify as a hedge, there must be sufficient hedging effectiveness. The change in the fair value of derivative instruments which do not qualify for hedging are recognized into income currently.

7. Comprehensive Income

Comprehensive income includes net income and certain items recorded directly to shareholders' equity and classified as Other Comprehensive Income. The Company recorded Other Comprehensive Income for the first time in the first quarter of 2001. The following table illustrates the calculation of comprehensive income for the three and six months ended June 30, 2001.

	Three months ended June 30, 2001	Six months ended June 30, 3001
Net Income	$3,815,900	$ 9,440,900
Other Comprehensive Loss (net of tax)		
Cumulative effect of change in accounting principle - January 1, 2001 (net of tax of $8,052,700)	-	(12,079,100)
Reclassification adjustment for settled contracts included in net income (net of tax of $3,897,300 and $6,806,300, respectively)	5,845,900	10,209,400
Changes in fair value of outstanding hedging positions (net of tax of $1,637,500 and $1,560,700, respectively)	(2,456,300)	2,341,100
Other Comprehensive Loss	3,389,600	471,400
Comprehensive Income	$ 7,205,500	$ 9,912,300

There were no items in Other Comprehensive Income/Loss during 2000.

8. 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.

Substantially all of the Company's drilling programs contain a repurchase provision where Investors may tender their partnership units for repurchase at any time beginning with the third anniversary of the first cash distribution. The provision provides that the Company is obligated to purchase an aggregate of 10% of the initial subscriptions per calendar year (at a minimum price of four times the most recent 12 months' cash distributions), only if such units are tendered, subject to the Company's financial ability to do so. The maximum annual 10% repurchase obligation, if tendered by the investors, is currently approximately $1,188,000. The Company has adequate capital to meet this obligation.

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

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

Results of Operations

Three Months Ended June 30, 2001 Compared with June 30, 2000

Revenues. Total revenues for the three months ended June 30, 2001 were $47.1 million compared to $29.1 million for the three months ended June 30, 2000, an increase of approximately $18.0 million, or 61.9 percent. Such increase was primarily a result of increased drilling revenues, gas marketing activities and oil and gas sales. Drilling revenues for the three months ended June 30, 2001 were $21.8 million compared to $7.6 million for the three months ended June 30, 2000, an increase of approximately $14.2 million, or 186.8 percent. Such increase was due to an increase in drilling and completion activities, which was a direct result of an increase in drilling funds from the Company's public drilling programs. Natural gas sales from the marketing activities of Riley Natural Gas (RNG), the Company's marketing subsidiary for the three months ended June 30, 2001 were $16.9 million compared to $15.5 million for the three months ended June 30, 2000, an increase of approximately $1.4 million or 9.0 percent. Such increase was due to increased volumes of gas sold with higher average sales prices. Oil and gas sales from the Company's producing properties for the three months ended June 30, 2001 were $6.5 million compared to $4.3 million for the three months ended June 30, 2000, an increase of approximately $2.2 million, or 51.2 percent. Such increase was due to increased production from new wells drilled along with higher average sales prices of natural gas and oil from the Company's producing properties. Financial results depend upon many factors, particularly the price of natural gas and our ability to market our production on economically attractive terms. Price volatility in the natural gas market has remained prevalent in the last few years. From the third quarter of 1998 through the first quarter of 1999, we experienced a decline in energy commodity prices. However, in the summer of 2000 and continuing into early 2001, prices improved. For the months of April, 2000 through June 30, 2001, we had certain natural gas hedges in place that prevented us from realizing the full impact of this price environment. Despite this limitation, our realized natural gas price for each month in the second quarter of 2001 was higher than the previous year. In the final months of 2000 and the first quarter of 2001, the NYMEX futures market reported unprecendented natural gas contract prices. During the three months ended June 30, 2001, the hedging activities resulted in oil and gas sales being $660,000 lower than if the Company had not hedged. Well operations and pipeline income for the three months ended June 30, 2001 was $1.4 million compared to $1.3 million for the three months ended June 30, 2000, an increase of approximately $100,000 or 7.7 percent. Other income for the three months ended June 30, 2001 was $516,000 compared to $288,000 for the three months ended June 30, 2000, an increase of approximately $228,000, or 79.2 percent. Such increase resulted from more interest earned on higher average cash balances.

Costs and expenses. Costs and expenses for the three months ended June 30, 2001 were $41.7 million compared to $26.5 million for the three months ended June 30, 2000, an increase of approximately $15.2 million or 57.4 percent. Oil and gas well drilling operations costs for the three months ended June 30, 2001 were $18.9 million compared to $6.0 million for the three months ended June 30, 2000, an increase of approximately $12.9 million or 215.0 percent. Such increase was due to the increased drilling activity referred to above. The cost of gas marketing activities for the three months ended June 30, 2001 were $17.1 million compared to $15.7 million for the three months ended June 30, 2000, an increase of $1.4 million or 8.9 percent. Such increase was due to the increased gas marketing activity of RNG with increased volumes purchased at higher average sales prices. Based on the nature of the Company's gas marketing activities, hedging did not have a significant impact on the Company's net margins from marketing activities during either period. Oil and gas production costs from the Company's producing properties for the three months ended June 30, 2001 were $2.5 million compared to $1.9 million for the three months ended June 30, 2000, an increase of approximately $600,000 or 31.6 percent. Such increase was due to the increased production from the Company's producing properties. General and administrative expenses for the three months ended June 30, 2001 remained constant at approximately $1.0 million as compared to the three months ended June 30, 2000. Depreciation, depletion, and amortization costs for the three months ended June 30, 2001 were $2.0 million compared to $1.7 million for the three months ended June 30, 2000, an increase of approximately $300,000 or 17.6 percent. Such increase was due to the increased amount of investment in oil and gas properties owned by the Company. Interest costs for the three months ended June 30, 2001 were $214,000 compared to $275,000 for the three months ended June 30, 2000, a decrease of approximately $61,000. The decrease was due to lower average outstanding balances and lower interest rates on the Company's credit facility.

Net income. Net income for the three months ended June 30, 2001 was $3.8 million compared to a net income of $1.9 million for the three months ended June 30, 2000, an increase of approximately $1.9 million or 100 percent.

Six Months Ended June 30, 2001 Compared with June 30, 2000

Revenues. Total revenues for the six months ended June 30, 2001 were $106.7 million compared to $63.6 million for the six months ended June 30, 2000, an increase of approximately $43.1 million, or 67.8 percent. Such increase was primarily a result of increased drilling revenues, gas marketing activities and oil and gas sales. Drilling revenues for the six months ended June 30, 2001 were $43.2 million compared to $25.4 million for the six months ended June 30, 2000, an increase of approximately $17.8 million, or 70.1 percent. Such increase was due to an increase in drilling and completion activities, which was a direct result of an increase drilling funds from the Company's public drilling programs. Natural gas sales from the marketing activities of Riley Natural Gas (RNG), the Company's marketing subsidiary for the six months ended June 30, 2001 were $45.7 million compared to $27.2 million for the six months ended June 30, 2000, an increase of approximately $18.5 million or 68.0 percent. Such increase was due to increased volumes of gas sold with higher average sales prices. Oil and gas sales from the Company's producing properties for the six months ended June 30, 2001 were $14.0 million compared to $7.9 million for the six months ended June 30, 2000, an increase of approximately $6.1 million, or 77.2 percent. Such increase was due to increased production from new wells drilled along with higher average sales prices of natural gas and oil from the Company's producing properties. Financial results depend upon many factors, particularly the price of natural gas and our ability to market our production on economically attractive terms. Price volatility in the natural gas market has remained prevalent in the last few years. From the third quarter of 1998 through the first quarter of 1999, we experienced a decline in energy commodity prices. However, in the summer of 2000 and continuing into early 2001, prices improved. For the months of April, 2000 through June 30, 2001, we had certain natural gas hedges in place that prevented us from realizing the full impact of this price environment.

Despite this limitation, our realized natural gas price for each month in the first six months of 2001 was higher than the previous year. In the final months of 2000 and the first quarter of 2001, the NYMEX futures market reported unprecendented natural gas contract prices. During the six months ended June 30, 2001, the hedging activities resulted in oil and gas sales being $4.2 million lower than if the Company had not hedged. Well operations and pipeline income for the six months ended June 30, 2001 was $2.7 million compared to $2.6 million for the six months ended June 30, 2000, an increase of approximately $100,000 or 3.8 percent. Other income for the six months ended June 30, 2001 was $973,000 compared to $425,000 for the six months ended June 30, 2000, an increase of approximately $548,000, or 128.9 percent. Such increase resulted from interest earned on higher average cash balances.

Costs and expenses. Costs and expenses for the six months ended June 30, 2001 were $93.2 million compared to $56.8 million for the six months ended June 30, 2000, an increase of approximately $36.4 million or 64.1 percent. Oil and gas well drilling operations costs for the six months ended June 30, 2001 were $37.4 million compared to $20.4 million for the six months ended June 30, 2000, an increase of approximately $17.0 million or 83.3 percent. Such increase was due to the increased drilling activity referred to above. The cost of gas marketing activities for the six months ended June 30, 2001 were $45.3 million compared to $27.3 million for the six months ended June 30, 2000, an increase of $18.0 million or 65.9 percent. Such increase was due to the increased gas marketing activity of RNG with increased volumes purchased at higher average sales prices. Based on the nature of the Company's gas marketing activities, hedging did not have a significant impact on the Company's net margins from marketing activities during either period. Oil and gas production costs from the Company's producing properties for the six months ended June 30, 2001 were $4.2 million compared to $3.9 million for the six months ended June 30, 2000, an increase of approximately $300,000 or 17.6 percent. Such increase was due to the increased production from the Company's producing properties. General and administrative expenses for the six months ended June 30, 2001 increased to $2.0 million compared with $1.7 million for the six months ended June 30, 2000, an increase of $300,000 or 7.7 percent. Such increase was due to high corporate expenses as a result of the significant growth and geographic diversification of the Company's drilling and production operations. Depreciation, depletion, and amortization costs for the six months ended June 30, 2001 were $4.0 million compared to $3.2 million for the six months ended June 30, 2000, an increase of approximately $800,000 or 25.0 percent. Such increase was due to the increased amount of investment in oil and gas properties owned by the Company. Interest costs for the six months ended June 30, 2001 were $428,000 compared to $290,000 for the six months ended June 30, 2000, an increase of approximately $138,000. The increase was due to higher average outstanding balances offset in part by lower interest rates on the Company's credit facility.

Net income. Net income for the six months ended June 30, 2001 was $9.4 million compared to a net income of $5.2 million for the six months ended June 30, 2000, an increase of approximately $4.2 million or 80.8 percent.

Liquidity and Capital Resources

The Company funds its operations through a combination of cash flow from operations, capital raised through drilling partnerships, and use of the Company's credit facility. Operational cash flow is generated by sales of natural gas from the Company's well interests, well drilling and operating activities for the Company's investor partners, natural gas gathering and transportation, and natural gas marketing. Cash payments from Company-sponsored partnerships are used to drill and complete wells for the partnerships, with operating cash flow accruing to the Company to the extent payments exceed drilling costs. The Company utilizes its revolving credit arrangement to meet the cash flow requirements of its operating and investment activities.

Sales volumes of natural gas have continued to increase while natural gas prices fluctuate monthly. The Company's natural 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 the natural gas, which typically peaks during the winter months. The volumes of natural gas sales are expected to continue to increase as a result of continued drilling activities and additional investment by the Company in oil and gas properties. The Company utilizes commodity-based derivative instruments (natural gas futures and option contracts traded on the NYMEX) as hedges to manage a portion of its exposure to this price volatility. The futures contracts hedge committed and anticipated natural gas purchases and sales, generally forecasted to occur within a three to twelve-month period.

The Company has a bank credit agreement with Bank One, formerly First National Bank of Chicago, which provides a borrowing base of $30.0 million, subject to adequate oil and natural gas reserves. As of June 30, 2001, the outstanding balance was $15.0 million. Interest accrues at prime, with LIBOR (London Interbank Market Rate)
714: alternatives available at the discretion of the Company. No principal payments are required until the credit agreement expires on December 31, 2004.

The Company closed its first drilling program of 2001 in the second quarter and has drilled the wells in the second and third quarters of 2001. This program closed with investor subscriptions of $9.4 million compared to the first program of 2000 which closed with investor subscriptions of $5.0 million. The Company will close its second drilling program of 2001 in September, 2001 and will drill the wells during the third and fourth quarters of 2001. Additional programs
725: are scheduled to close in November and December of 2001. The
726: Company generally invests, as its equity contribution to each drilling partnership, an additional sum approximating 20% of the aggregate subscriptions received for that particular drilling partnership. As a result, the Company is subject to substantial cash commitments at the closing of each drilling partnership. The funds received from these programs are restricted to use in future drilling operations. No assurance can be made that the Company will continue to receive this level of funding from these or future programs.

The Company continues to pursue capital investment opportunities in producing natural gas properties as well as its plan to participate in its sponsored natural gas drilling partnerships, while pursuing opportunities
738: for operating improvements and costs efficiencies. Management believes that the Company has adequate capital to meet its operating requirements.

Item 3. Quantitative and Qualitative Disclosure About Market Rate Risk

Interest Rate Risk

There have been no material changes in the reported market risks faced by the Company since December 31, 2000.

Commodity Price Risk

The Company utilizes commodity-based derivative instruments as hedges to manage a portion of its exposure to price risk from its natural gas sales and marketing activities. These instruments consist of NYMEX-traded natural gas futures contracts and option contracts. These hedging arrangements have the effect of locking in for specified periods (at predetermined prices or ranges of prices) the prices the Company will receive for the volume to which the hedge relates. As a result, while these hedging arrangements are structured to reduce the Company's exposure to decreases in price associated with the hedging commodity, they also limit the benefit the Company might otherwise have received from price increases associated with the hedged commodity. The Company's policy prohibits the use of natural gas future and option contracts for speculative purposes. As of June 30, 2001, PDC had entered into a series of natural gas future contracts and options contracts. Open future contracts maturing in 2001 are for the sale of 2,129,800 dt of natural gas with a weighted average price of $3.25 dt resulting in a total contract amount of $6,927,200. Open option contracts maturing in 2001 are for the sale of 912,200 dt with a weighted average floor price of $3.75 dt. The fair market value of the futures contracts and options is $1,483,900 as of June 30, 2001 on a pre-tax basis.

CONFORMED COPY

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

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

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 June 30, 2001.

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: August 8, 2001 /s/ Steven R. Williams
Steven R. Williams
President

Date: August 8, 2001 /s/ Dale G. Rettinger
Dale G. Rettinger
Executive Vice President
and Treasurer

??