

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, 2002

Commission File Number 033-63635-04

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

PDC 1996-D LIMITED PARTNERSHIP

(Exact name of registrant as specified in its charter)

West Virginia

55-0751154

(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:

General and Limited Partnership Interests

(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. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as  
definition in Rule 12b-2 of the Exchange Act). Yes \_ No X

## PART I

### ITEM 1. BUSINESS.

#### General

PDC 1996-D Limited Partnership ("the Partnership") is a limited partnership formed on December 31, 1996 pursuant to the West Virginia Uniform Limited Partnership Act. Petroleum Development Corporation ("PDC") serves as Managing General Partner of the Partnership.

Since the commencement of operations on December 31, 1996, the Partnership has been engaged in onshore, domestic gas exploration exclusively in the Northern Appalachian and Michigan Basins. A total of 9 limited partners contributed initial capital of \$324,250; a total of 921 additional general partners contributed initial capital of \$14,977,476; and PDC (Managing General Partner) contributed \$3,328,126 in capital as a participant in accordance with contribution provisions of the Limited Partnership Agreement (the Agreement).

Under the terms of the Agreement, the allocation of revenues is as follows:

	<u>Allocation of Revenues</u>
Additional General and Limited Partners	<u>80%</u>
Managing General Partner	<u>20%</u>

Operating and direct costs are allocated and charged to the additional general and limited partners and the Managing General Partner in the same percentages as revenues are allocated. Leasehold, drilling and completion costs, and equipment costs are borne 80% by the additional general and limited partners and 20% by the Managing General Partner.

#### Employees

The Partnership has no employees, however, PDC has approximately 94 employees which include a staff of geologists, petroleum engineers, landmen and accounting personnel who administer all of the partnership's operations.

#### Plan of Operations

The Partnership participated in the drilling of 85 gross wells and will continue to operate and produce its 80 gross productive wells. The Partnership does not have unexpended initial capital and no additional drilling activity is planned.

See Item 2 herein for information concerning the Partnership's gas wells.

#### Markets for Oil and Gas

The availability of a market for any oil and gas produced from the operations of the Partnership will depend upon a number of factors beyond the control of the Partnership which cannot be accurately predicted. These factors include the proximity of the Partnership wells to and the capacity of natural gas pipelines, the availability and price of competitive fuels, fluctuations in seasonal supply and demand, and government regulation of supply and demand created by its pricing and allocation restrictions. Oversupplies of gas can be

expected to occur from time to time and may result in the Partnership's wells being shut-in or curtailed. Increased imports of oil and natural gas have occurred and are expected to continue. The effects of such imports could adversely impact the market for domestic oil and natural gas.

#### Derivatives and Hedging Activities

The Managing General Partner has extensive experience and utilizes commodity based derivative instruments as hedges to manage a portion of the Partnership's exposure to price volatility stemming from natural gas production. These instruments consist of costless collars and option contracts traded on the New York Mercantile Exchange. The costless collars and option contracts hedge committed and anticipated natural gas sales, generally forecasted to occur within a 12 month period. The Managing General Partner does not hold or issue derivatives for trading or speculative purposes and permits utilization of hedges only if there is an underlying physical position.

Notwithstanding the measures taken by the Managing General Partner to attempt to control price risk, the Partnership remains subject to price fluctuations for natural gas sold in the spot market. The Managing General Partner continues to evaluate the potential for reducing these risks by entering into hedge transactions. In addition, the Managing General Partner may also close out any portion of hedges that may exist from time to time.

#### Competition

The Partnership competes in marketing its gas with numerous companies and individuals, many of which have financial resources, staffs and facilities substantially greater than those of the Partnership or Petroleum Development Corporation.

#### State Regulations

State regulatory authorities have established rules and regulations requiring permits for well operations, reclamation bonds and reports concerning operations. States also have statutes and regulations concerning the spacing of wells, environmental matters and conservation, and have established regulations concerning the unitization and pooling of oil and gas properties and maximum rates of production from oil and gas wells. The Partnership believes it has complied in all material respects with applicable state regulations.

#### Federal Regulations

Regulation of Liquid Hydrocarbons. Liquid hydrocarbons (including crude oil and natural gas liquids) were subject to federal price and allocation controls until January 1981 when controls were effectively eliminated by executive order of the President. As a result, to the extent the Partnership sells oil produced from its properties, those sales are at unregulated market prices.

Although it appears unlikely under present circumstances that controls will be reimposed upon liquid hydrocarbons, it is possible Congress may enact such legislation at a future date. The impact of such legislation on the Partnership would be minimal since the partnership expects to sell only small quantities of liquid hydrocarbons, if any.

Natural Gas Regulation. Sale of natural gas by the Partnership is subject to regulation of production, transportation and pricing by governmental regulatory agencies. Generally, the regulatory agency in the state where a producing well is located regulates production activities and, in addition, the transportation of gas sold intrastate. The Federal Energy Regulatory Commission (FERC) regulates the operation and cost of interstate pipeline operators who transport gas. Currently the price of gas to be sold by the Partnership is not regulated by any state or federal agency.

Proposed Regulation. Numerous proposals concerning energy are being considered by the United States Congress, various state legislatures and regulatory agencies. The possible outcome and effect of these proposals cannot be accurately predicted.

Environmental and Safety Regulation. The Partnership believes that it complies, in all material respects, with all legislation and regulations affecting its operations in the drilling and production of oil and gas wells and the discharge of wastes. To date, compliance with such provisions and regulations has not had a material effect upon the Partnership's expenditures for capital equipment, its operations or its competitive position. The cost of such compliance is not anticipated to be material in the future.

## ITEM 2. PROPERTIES.

### Drilling Activity

The following table sets forth the results of drilling activity of the Partnership which was conducted in the Continental United States.

<u>Development Wells</u>					
<u>Gross Wells</u>			<u>Net Wells</u>		
<u>Productive</u>	<u>Dry</u>	<u>Total</u>	<u>Productive</u>	<u>Dry</u>	<u>Total</u>
<u>80</u>	<u>5</u>	<u>85</u>	<u>62.474</u>	<u>4.912</u>	<u>67.386</u>

The Partnership has not participated in any exploratory wells. No additional drilling activity is planned.

### Summary of Productive Wells

The table below shows the number of the Partnership's gross and net wells by state as of December 31, 2002.

<u>Location</u>	<u>Natural Gas Wells</u>	
	<u>Gross</u>	<u>Net</u>
Michigan	9	3.622
Pennsylvania	47	41.955
West Virginia	12	11.910
Total	<u>68</u>	<u>57.487</u>

A "productive well" is a well producing, or capable of producing, oil and gas in commercial quantities. For purposes of the above table, a "gross well" is one in which the Partnership has a working interest and a "net well" is a gross well multiplied by the Partnership's working interest to which it is entitled under its drilling agreement.

#### Title to Properties

The Partnership's interests in producing acreage are in the form of assigned direct interests in leases. Such properties are subject to customary royalty interests generally contracted for in connection with the acquisition of properties and could be subject to liens incident to operating agreements, liens for current taxes and other burdens. The Partnership believes that none of these burdens materially interfere with the use of such properties in the operation of the Partnership's business.

As is customary in the oil and gas industry, little or no investigation of title is made at the time of acquisition of undeveloped properties (other than a preliminary review of local mineral records). Investigations are generally made, including in most cases receiving a title opinion of legal counsel, before commencement of drilling operations. A thorough examination of title has been made with respect to all of the Partnership's producing properties and the Partnership believes that it has generally satisfactory title to such properties.

#### ITEM 3. LEGAL PROCEEDINGS.

The Managing General partner as driller/operator is not party to any legal action what would materially affect the Managing General Partner's or Partnership's operations or financial statements.

#### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

None.

#### PART II

#### ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND SECURITY HOLDER MATTERS.

At December 31, 1996, PDC 1996-D Limited Partnership had one Managing General Partner, 9 Limited Partners who fully paid for 16.2125 units at \$20,000 per unit of limited partnership interests and a total of 921 Additional General Partners who fully paid for 748.8738 units at \$20,000 per unit of additional general partnership interests. No established public trading market exists for the interests.

Limited and additional general partnership interests are transferable, however no assignee of an interest in the Partnership can become a substituted partner without the written consent of the transferor and the Managing General Partner.

#### ITEM 6. SELECTED FINANCIAL DATA.

The selected financial data presented below has been derived from audited financial statements of the Partnership appearing elsewhere herein.

	<u>Years Ended December 31,</u>		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
Oil and Gas Sales	\$829,395	\$1,265,406	\$1,103,647
Costs and Expenses	753,955	1,464,272	854,895
Net Income (Loss)	76,247	(194,590)	253,429
Allocation of Net Income (Loss):			
Managing General Partner	15,249	(38,918)	50,686
Limited and Additional			
General Partners	60,998	(155,672)	202,743
Per Limited and Additional			
General Partner Unit	80	(203)	265
Total Assets	2,975,356	3,196,406	4,158,775
Distributions:			
Managing General Partner	22,316	38,110	31,728
Limited and Additional			
General Partners	284,275	731,061	593,615

#### ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

##### Liquidity and Capital Resources

The Partnership was funded with initial Limited and Additional General Partner contributions of \$15,301,726 and the Managing General Partner contributed \$3,328,126 in accordance with the Agreement. Syndication and management fee costs of \$1,989,224 were incurred leaving available cash of \$16,640,628 for Partnership activities.

The Partnership began exploration and development activities subsequent to the funding of the Partnership and completed these activities by December 31, 1997. Eighty-five wells have been drilled, 80 of which have been completed as producers currently the Partnership has 68 producing wells. No additional wells will be drilled.

The Partnership had net working capital at December 31, 2002 of \$ 78,139.

Operations are expected to be conducted with available funds and revenues generated from oil and gas activities. No bank borrowings are anticipated.

##### Results of Operations

##### 2002 Compared to 2001

Oil and gas sales decreased 34.5% in 2002 compared to 2001 as a result of lower average gas prices and lower sales volumes of natural gas. While the Partnership experienced modest net income of \$76,247, depreciation, depletion and amortization is a non-cash expense and therefore the Partnership distributed \$306,591 to the partners during 2002.

## 2001 Compared to 2000

Oil and gas sales increased 14.7% in 2001 compared to 2000 as a result of lower sales volumes of natural gas offset by higher average sales prices. The net loss of \$194,590 in 2001 was primarily due to the impairment charge for oil and gas properties of \$519,481. This impairment resulted from net capitalized costs exceeding estimated undiscounted future net cash flow. The impairment was based on estimated fair value which considered future discounted cash flows. This charge did not affect cash distributions to the partners which increased from \$625,343 in 2000 to \$769,171 in 2001.

The Partnership's revenues from natural gas sales will be affected by changes in prices. Natural gas prices are subject to general market conditions which drive the pricing changes.

The principal effects of inflation upon the Partnership relate to the costs required to drill, complete and operate oil and gas wells. The Partnership expects these costs to remain somewhat stable over the next year.

## Critical Accounting Policies

Certain accounting policies are very important to the portrayal of the Partnership's financial condition and results of operations and require management's most subjective or complex judgments. The policies are as follows:

### Impairment of Long-Lived Assets

The Partnership 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 in each year's calculation for measurement purposes and expected costs are held constant throughout the estimated life of the properties. If net capitalized costs exceed undiscounted future net cash flow, the measurement of impairment is based on estimated fair value which would consider future discounted cash flows.

The judgments used in applying the above policies are based on management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from those estimates. See additional discussions in this Management's Discussion and Analysis.

## New Accounting Standards

In June 2001, the FASB issued SFAS 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). SFAS No. 143 requires the Partnership to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The Partnership also records a corresponding asset within oil and gas properties which is depreciated over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation will be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The Partnership is required to adopt SFAS No. 143 on January 1, 2003. At this time, the Partnership does not believe the adoption of this Statement will have a material effect on its financial position, results of operations, cash flows, or disclosures.

Item 7.A. Quantitative and Qualitative Disclosure About Market Risk.

Market-Sensitive Instruments and Risk Management

The Partnership's primary market risk exposure is commodity price risk. This exposure is discussed in detail below:

Commodity Price Risk

Natural gas and oil prices have been unusually volatile for the past 24 months, and the Partnership anticipates continued volatility in the future. Currently, the NYMEX futures reflect a market expectation of gas prices at Henry Hub close to or above record prices per million Btu's (mmbtu). These prices look strong for the remainder of the year with natural gas storage levels at five-year low levels. The Partnership believes this situation creates the possibility of both periods of low prices and continued high prices.

Because of the uncertainty surrounding gas prices the Managing General Partner used hedging agreements to manage some of the impact of fluctuations in prices for the Managing General Partner and its various limited partnership's share of the production. Through October of 2003 the Partnership has in place a series of costless collars and option contracts. Under the collar arrangements, if the applicable index rises above the ceiling price, the Partnership pays the counterparty, however if the index drops below the floor the counterparty pays the Partnership. These floor and ceiling prices were set at levels which allowed the Partnership to set floors on two units of production for each unit of production with a ceiling. For the period from January 2003 through March 2003, the Partnership has floors in place in a range from \$3.45 to \$3.80 on 18,259 mmbtu of monthly production and ceilings in place in a range from \$3.75 to \$4.40 on 9,129 mmbtu of monthly production. For the period April 2003 through October 2003, the Partnership has floors in place in a range from \$3.40 to \$3.50 on 4,565 mmbtu of monthly production and ceilings in place at \$3.80 on 5,454 mmbtu of monthly production. The fair value of these floors and ceilings as of December 31, 2002 is (\$33,578).

As of December 31, 2002 the Partnership had option contracts for the sale of 59,341 mmbtu of natural gas with an average ceiling price of \$3.98 and for the sale of 118,683 mmbtu of natural gas with an average floor price of \$3.49.

Disclosure of Limitations

As the information above incorporates only those exposures that exist at December 31, 2002, it does not consider those exposures or positions which could arise after that date. As a result, the Partnership's ultimate realized gain or loss with respect to commodity price fluctuations will depend on the exposures that arise during the period, the Partnership's hedging strategies at the time and commodity prices at the time.

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 Partnership has no directors or executive officers. The Partnership is managed by Petroleum Development Corporation (the Managing General Partner). Petroleum Development Corporation's common stock is traded in the NASDAQ National Market and Form 10-K for 2002 has been filed with the Securities and Exchange Commission.

ITEM 11. EXECUTIVE COMPENSATION.

NON-APPLICABLE.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

NON-APPLICABLE.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

Pursuant to the authorization contained in the Limited Partnership Agreement, PDC receives fees for services rendered and reimbursement of certain expenses from the Partnership. The following table presents compensation or reimbursements by the Partnership to PDC or other related parties during the years listed below:

	<u>Years Ended December 31,</u>		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
Lifting costs	\$509,166	\$532,160	\$460,375
Tax return preparation	7,933	7,932	10,250
Direct administrative cost	4,255	2,874	2,618

ITEM 14. Controls and Procedures

Under the supervision and with the participation of the Managing General Partner's management, including the Managing General Partner's Chief Executive Officer and Chief Financial Officer, the Partnership has evaluated the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Exchange Act Rule 13a-14(c)) within 90 days of the filing date of this annual report, and, based on their evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective in all material respects, including those to ensure that information required to be disclosed in reports filed or submitted under the Securities Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the Commission's rules and forms, and is accumulated and communicated to management, including the Managing General Partner's Chief Executive Officer and Chief Financial Officer, as appropriate to allow for timely disclosure. There have been no significant changes in our internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.

- (a) (1) Financial Statements  
See Index to Financial Statements on F-2
- (2) Financial Statement Schedules  
See Index to Financial Statements on page F-2. All financial statement schedules are omitted because they are not required, inapplicable, or the information is included in the Financial Statements or Notes thereto.

FORM 10-K CERTIFICATION

I, James N. Ryan, certify that:

1. I have reviewed this annual report on Form 10-K of PDC 1996-D Limited Partnership;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 10, 2003

/s/ James N. Ryan

James N. Ryan

Chief Executive Officer

of Petroleum Development Corporation

FORM 10-K CERTIFICATION

I, Dale G. Rettinger, certify that:

1. I have reviewed this annual report on Form 10-K of PDC 1996-D Limited Partnership;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report.
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - (a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - (b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - (c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - (a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - (b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 10, 2003

/s/ Dale G. Rettinger

Dale G. Rettinger

Chief Financial Officer

of Petroleum Development Corporation

## 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.

PDC 1996-D Limited  
Partnership  
By its Managing General  
Partner Petroleum  
Development Corporation

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

March , 2003

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
<u>/s/ James N. Ryan</u> James N. Ryan	Chairman, Chief Executive Officer and Director	March , 2003
<u>/s/ Steven R. Williams</u> Steven R. Williams	President and Director	March , 2003
<u>/s/ Dale G. Rettinger</u> Dale G. Rettinger	Executive Vice President, Treasurer and Director (principal financial and accounting officer)	March , 2003
<u>/s/ Vincent F. D'Annunzio</u> Vincent F. D'Annunzio	Director	March , 2003

PDC 1996-D LIMITED PARTNERSHIP  
(A West Virginia Limited Partnership)

Financial Statements for Annual Report  
on Form 10-K to Securities and Exchange  
Commission

Years Ended December 31, 2002, 2001 and 2000

(With Independent Auditors' Report Thereon)

PDC 1996-D LIMITED PARTNERSHIP  
(A West Virginia Limited Partnership)

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All financial statement schedules have been omitted because they are not applicable or not required or for the reason that the required information is shown in the financial statements or notes thereto.

Independent Auditors' Report

To the Partners  
PDC 1996-D Limited Partnership:

We have audited the financial statements of PDC 1996-D Limited Partnership (a West Virginia limited partnership) as listed in the accompanying index. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 financial statements referred to above present fairly, in all material respects, the financial position of PDC 1996-D Limited Partnership as of December 31, 2002 and 2001, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1 to the financial statements, the Partnership changed its method of accounting for derivative instruments and hedging activities in 2001.

KPMG LLP

Pittsburgh, Pennsylvania  
March 10, 2003



PDC 1996-D LIMITED PARTNERSHIP  
(A West Virginia Limited Partnership)

Balance Sheets

December 31, 2002 and 2001

<u>Assets</u>	<u>2002</u>	<u>2001</u>
Cash	\$ 3,352	\$ 2,833
Accounts receivable - oil and gas revenues	<u>144,773</u>	<u>144,728</u>
Total current assets	148,125	147,561
Oil and gas properties, successful efforts method (notes 3 and 5):	6,932,053	6,932,053
Less accumulated depreciation, depletion, and amortization	<u>4,104,822</u> <u>2,827,231</u>	<u>3,883,208</u> <u>3,048,845</u>
	<u>\$2,975,356</u>	<u>\$3,196,406</u>
<u>Current Liabilities and Partners' Equity</u>		
Current liabilities:		
Accrued expenses	\$ <u>69,986</u>	\$ <u>27,114</u>
Total current liabilities	69,986	27,114
Partners' equity	<u>2,905,370</u>	<u>3,169,292</u>
	<u>\$2,975,356</u>	<u>\$3,196,406</u>

See accompanying notes to financial statements.

PDC 1996-D LIMITED PARTNERSHIP  
(A West Virginia Limited Partnership)

Statements of Operations

Years Ended December 31, 2002, 2001 and 2000

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Revenues:			
Sales of oil and gas	\$ 829,395	\$ 1,265,406	1,103,647
Interest income	<u>807</u>	<u>4,276</u>	<u>4,677</u>
	830,202	1,269,682	1,108,324
Expenses (note 3):			
Lifting cost	509,166	532,160	460,375
Independent audit fee	7,673	7,378	7,163
Franchise taxes	3,314	3,859	4,188
Tax return preparation	7,933	7,932	10,250
Direct administrative cost	4,255	2,874	2,618
Loss on impairment of oil and gas properties	-	519,481	-
Depreciation, depletion and amortization	<u>221,614</u>	<u>390,588</u>	<u>370,301</u>
	<u>753,955</u>	<u>1,464,272</u>	<u>854,895</u>
Net income (loss)	\$ <u><u>76,247</u></u>	<u><u>(194,590)</u></u>	<u><u>253,429</u></u>
Net income (loss) per limited and additional general partner unit	\$ <u><u>80</u></u>	<u><u>(203)</u></u>	<u><u>265</u></u>

See accompanying notes to financial statements.

PDC 1996-D LIMITED PARTNERSHIP  
(A West Virginia Limited Partnership)

Statements of Partners' Equity

Years Ended December 31, 2002, 2001 and 2000

	Limited and additional general <u>partners</u>	Managing general <u>partner</u>	Accumulated Other Comprehensive <u>Income</u>	<u>Total</u>
Balance, December 31, 1999	\$ 3,534,155	970,812	-	4,504,967
Net income	202,743	50,686		253,429
Distributions to partners	<u>(593,615)</u>	<u>(31,728)</u>	<u>          </u>	<u>(625,343)</u>
Balance, December 31, 2000	3,143,283	989,770		4,133,053
Distributions to partners	(731,061)	(38,110)		(769,171)
Comprehensive loss:				
Net loss	(155,672)	(38,918)		(194,590)
Cumulative effect of change in accounting principle - January 1, 2001			(804,251)	
Change in fair value of outstanding hedging positions			407,972	
Reclassification adjustment for settled contracts included in net loss			<u>396,279</u>	
Other comprehensive income			-	-
Comprehensive loss	<u>          </u>	<u>          </u>	<u>          </u>	<u>(194,590)</u>
Balance, December 31, 2001	2,256,550	912,742	-	3,169,292
Distributions to partners	(284,275)	(22,316)		(306,591)
Comprehensive income:				
Net income	60,998	15,249		76,247
Change in fair value of outstanding hedging positions			(33,578)	
Reclassification adjustment for settled contracts included in net income			<u>-</u>	
Other comprehensive loss			<u>(33,578)</u>	<u>(33,578)</u>
Comprehensive income	<u>          </u>	<u>          </u>	<u>          </u>	<u>42,669</u>
Balance, December 31, 2002	<u>\$2,033,273</u>	<u>905,675</u>	<u>(33,578)</u>	<u>2,905,370</u>

See accompanying notes to financial statements.

PDC 1996-D LIMITED PARTNERSHIP  
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Statements of Cash Flows

Years Ended December 31, 2002, 2001 and 2000

	<u>2002</u>	<u>2001</u>	<u>2000</u>
Cash flows from operating activities:			
Net income (loss)	\$ 76,247	(194,590)	253,429
Adjustments to reconcile net income (loss) to net cash provided from operating activities:			
Depreciation, depletion and amortization	221,614	390,588	370,301
Loss on impairment of oil and gas properties	-	519,481	-
Changes in operating assets and liabilities:			
Decrease in accounts receivable			
- oil and gas revenues	6,163	50,401	9,982
Increase (decrease) in accrued expenses	<u>3,086</u>	<u>1,392</u>	<u>(5,654)</u>
Net cash provided from operating activities	<u>307,110</u>	<u>767,272</u>	<u>628,058</u>
Cash flows from financing activities:			
Distributions to partners	<u>(306,591)</u>	<u>(769,171)</u>	<u>(625,343)</u>
Net cash used by financing activities	<u>(306,591)</u>	<u>(769,171)</u>	<u>(625,343)</u>
Net increase (decrease) in cash	519	(1,899)	2,715
Cash at beginning of period	<u>2,833</u>	<u>4,732</u>	<u>2,017</u>
Cash at end of period	<u>\$ 3,352</u>	<u>2,833</u>	<u>4,732</u>

See accompanying notes to financial statements.

PDC 1996-D LIMITED PARTNERSHIP  
(A West Virginia Limited Partnership)

Notes to Financial Statements

Years Ended December 31, 2002, 2001 and 2000

(1) Summary of Significant Accounting Policies

Partnership Financial Statement Presentation Basis

The financial statements include only those assets, liabilities and results of operations of the partners which relate to the business of PDC 1996-D Limited Partnership (the Partnership). The statements do not include any assets, liabilities, revenues or expenses attributable to any of the partners' other activities.

Oil and Gas Properties

The Partnership follows the successful efforts method of accounting for the cost of exploring for and developing oil and gas reserves. Under this method, costs of development wells, including equipment and intangible drilling costs related to both producing wells and developmental dry holes, and successful exploratory wells are capitalized and amortized on an annual basis to operations by the units-of-production method using estimated proved developed reserves determined at year-end by the Managing General Partner's petroleum engineers. If a determination is made that an exploratory well has not discovered economically producible reserves, then its costs are expensed as dry hole costs.

The Partnership 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 in each year's calculation for measurement purposes and expected costs are held constant throughout the estimated life of the properties. If net capitalized costs exceed undiscounted future net cash flow, the measurement of impairment is based on estimated fair value which would consider future discounted cash flows. During 2002, 2001 and 2000 the loss on impairment of oil and gas properties as reflected in the statement of operations amounted to \$0, \$519,481 and \$0, respectively.

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

Income Taxes

Since the taxable income or loss of the Partnership is reported in the separate tax returns of the partners, no provision has been made for income taxes on the Partnership's books.

(Continued)

PDC 1996-D LIMITED PARTNERSHIP  
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Notes to Financial Statements, Continued

Under federal income tax laws, regulations and administrative rulings, certain types of transactions may be accorded varying interpretations. Accordingly, the Partnership's tax return and, consequently, individual tax returns of the partners may be changed to conform to the tax treatment resulting from a review by the Internal Revenue Service.

Derivatives Financial Instruments

The Managing General Partner utilizes commodity based derivative instruments as hedges to manage a portion of the Partnership's exposure to price volatility stemming from natural gas production. These instruments consist of costless collars and option contracts traded on the New York Mercantile Exchange. The costless collars and option contracts hedge committed and anticipated natural gas sales generally forecasted to occur within a 12 month period. The Partnership does not hold or issue derivatives for trading or speculative purposes.

All derivatives are recognized on the Partnership balance sheet at their fair value. On the date the derivative contract is entered into, the Managing General Partner designates the derivative as either a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow" hedge), or a non-hedging derivative. The Managing General Partner formally documents all relationships between hedging instruments and hedged items, as well as its risk-management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives that are designated as cash-flow hedges to specific firm commitments or forecasted transactions. The Managing General Partner also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items. When it is determined that a derivative is not highly effective as a hedge or that it has ceased to be a highly effective hedge, the Partnership discontinues hedge accounting prospectively. No hedging activities were discontinued during 2002.

Changes in fair value of a derivative that is highly effective and that is designated and qualifies as a cash-flow hedge are recorded in accumulated other comprehensive income, until earnings are affected by the variability in cash flows of the designated hedged item. Changes in the fair value of non-hedging derivatives are reported in current-period earnings. The Partnership discontinues hedge accounting prospectively when it is determined that the derivative is no longer effective in offsetting changes in the cash flows of the hedged item, the derivative expires or is sold, terminated, or exercised. Additionally, if the derivative is dedesignated as a hedging instrument, because it is unlikely that a forecasted transaction will occur, a hedged firm commitment no longer meets the definition of a firm commitment, or management determines that designation of the derivative as a hedging instrument is no longer appropriate, hedge accounting will discontinue.

PDC 1996-D LIMITED PARTNERSHIP  
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Notes to Financial Statements, Continued

For the year ended December 31, 2000, prior to adoption of Statement of Financial Accounting Standards (SFAS) No. 133, "Accounting for Derivative Instruments and Certain Hedging Activities" and SFAS No. 138, "Accounting for Certain Hedging Activities", gains and losses related to qualifying hedges of firm commitments or anticipated transactions through the use of natural gas futures and option contracts were deferred and recognized in income or as adjustments of carrying amounts when the underlying hedged transaction occurred. In order for futures contracts to qualify as a hedge, there must have been sufficient correlation to the underlying hedged transaction. The change in the fair value of derivative instruments which do not qualify for hedging were recognized into income in 2000.

The Partnership adopted the provisions of SFAS 133/138 effective January 1, 2001. The natural gas futures and options are derivatives pursuant to SFAS 133/138. The Partnership's derivatives are treated as hedges of committed and/or anticipated transactions. On adoption of this Statement on January 1, 2001, the Partnership recorded a net transition adjustment of (\$804,251) which was recorded in accumulated other comprehensive income (AOCI). During the year ended December 31, 2001, the Partnership reclassified \$396,279, from AOCI into oil and gas sales relating to settled contracts.

By using derivative financial instruments to hedge exposures to changes in commodity prices, the Managing General Partner exposes the Partnership to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Managing General Partner, which creates credit/repayment risk. The Managing General Partner minimizes the credit/repayment risk in derivative instruments by entering into transactions with high-quality counterparties.

Use of Estimates

The Partnership 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 financial statements include estimates of oil and gas reserves and future cash flows from oil and gas properties which are used in assessing impairment of long-lived assets.

PDC 1996-D LIMITED PARTNERSHIP  
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Notes to Financial Statements, Continued

New Accounting Standards

In June 2001, the FASB issued SFAS 143, "Accounting for Asset Retirement Obligations" ("SFAS No. 143"). SFAS No. 143 requires the Partnership to record the fair value of an asset retirement obligation as a liability in the period in which it incurs a legal obligation associated with the retirement of tangible long-lived assets that result from the acquisition, construction, development and/or normal use of the assets. The Partnership also records a corresponding asset within oil and gas properties which is depreciated over the life of the asset. Subsequent to the initial measurement of the asset retirement obligation, the obligation will be adjusted at the end of each period to reflect the passage of time and changes in the estimated future cash flows underlying the obligation. The Partnership is required to adopt SFAS No. 143 on January 1, 2003. At this time, the Partnership does not believe the adoption of this Statement will have a material effect on its financial position, results of operations, cash flows, or disclosures.

(2) Organization

The Partnership was organized as a limited partnership on December 31, 1996 in accordance with the laws of the State of West Virginia for the purpose of engaging in the drilling, completion and operation of oil and gas development and exploratory wells in the Northern Appalachian and Michigan Basins.

Purchasers of partnership units subscribed to and fully paid for 16.2125 units of limited partner interests and 748.8738 units of additional general partner interests at \$20,000 per unit (Investor Partners). Petroleum Development Corporation has been designated the Managing General Partner of the Partnership. Although costs, revenues and cash distributions allocable to the limited and additional general partners are shared pro rata based upon the amount of their subscriptions, including the Managing General Partner to the extent of its capital contributions, there are significant differences in the federal income tax effects and liability associated with these different types of units in the Partnership.

Upon completion of the drilling phase of the Partnership's wells, all additional general partners units are converted into units of limited partner interests and thereafter become limited partners of the Partnership. Limited partners do not have any rights to convert their units of additional general interests in the Partnership.

In accordance with the terms of the Partnership Agreement (the Agreement), the Managing General Partner manages all activities of the Partnership and acts as the intermediary for substantially all Partnership transactions.



PDC 1996-D LIMITED PARTNERSHIP  
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Notes to Financial Statements, Continued

(3) Transactions with Managing General Partner and Affiliates

The Partnership's transactions with the Managing General Partner include the following:

	<u>Years Ended December 31,</u>		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
Lifting costs	\$509,166	\$532,160	\$460,375
Tax return preparation	7,933	7,932	10,250
Direct administrative cost	4,255	2,874	2,618

(4) Allocation

The following table summarizes the participation of the Managing General Partner and the Investor Partners, taking account of the Managing General Partner's capital contribution equal to a minimum of 20% of the Initial Operating Capital, in the costs and revenues of the Partnership.

	<u>Investor Partners</u>	<u>Managing General Partner</u>
<b><u>Costs</u></b>		
Broker-dealer Commissions and Expenses(1)	100%	0%
Management Fee	100%	0%
Undeveloped Lease Costs	0%	100%
Drilling and Completion Costs	80%	20%
Tangible Equipment	0%	100%
Intangible Drilling and Development Costs	100%	0%
Operating Costs(2)	80%	20%
Direct Costs(3)	80%	20%
Administrative Costs	0%	100%
<b><u>Partnership Revenues</u></b>		
Sale of Oil and Gas Production(4)	80%	20%
Sale of Productive Properties(5)	80%	20%
Sale of Equipment	0%	100%
Sale of Undeveloped Leases	80%	20%
Interest Income	80%	20%

- 
- (1) Organization and Offering Costs, net of the Dealer Manager commissions, discounts, due diligence expenses, and wholesaling fees of the Partnership were paid by the Managing General Partner and not from Partnership funds. In addition, Organization and Offering Costs in excess of 10-1/2% of Subscriptions were paid by the Managing General Partner, without recourse to the Partnership.
- (2) Represents Operating costs incurred after the completion of productive wells, including monthly per-well charges paid to the Managing General Partner.
- (3) The Managing General Partner receives monthly reimbursement from the Partnership for their direct costs incurred by the Managing General Partner on behalf of the Partnership.

PDC 1996-D LIMITED PARTNERSHIP  
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Notes to Financial Statements, Continued

- (4) The revenues and expenses allocated to the partners are subject to a special provision in the partnership agreement, whereby the allocable share of revenues and expenses of the Investor Partners may be increased and the interest of the Managing General Partner may be decreased if certain cash distribution levels are not met. The shifting of the allocable share of revenues and expenses to the Investor Partners in the event that certain prescribed cash distribution levels are not attained may also serve to shift an increased amount of cash distributions to the Investor Partners and a decreased amount of cash distributions to the Managing General Partner. The Managing General Partner's and Investor Partners' distributions have been adjusted in 2002, 2001 and 2000 based on these special provisions.
  
- (5) In the event of the sale or other disposition of a productive well, a lease upon which such well is situated, or any equipment related to any such lease or well, the proceeds from such sale or disposition shall be allocated and credited to the Partners as oil and gas revenues are allocated. The term "proceeds" above does not include revenues from a royalty, overriding royalty, lease interest reserved, or other promotional consideration received by the Partnership in connection with any sale or disposition, which revenues shall be allocated to the Investor Partners and the Managing General Partner in the same percentages that oil and gas revenues are allocated. No such sales have occurred.
  
- (6) In accordance with the repurchase provision of the partnership prospectus, PDC repurchases units from the investor partners which is entirely voluntary on the part of the partners. During 2002 PDC purchased a total of 6.77 units of partnership interest for a total ownership of 19.46 units as of December 31, 2002 which represents a 2.54% ownership of the original Investor Partners share of limited and additional general partnership units. Therefore, costs and revenues and distributions for these purchased units are allocated to PDC in accordance with the Investor Partners allocation percentages disclosed in this table.

PDC 1996-D LIMITED PARTNERSHIP  
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Notes to Financial Statements, Continued

(5) Costs Relating to Oil and Gas Activities

The Partnership is engaged solely in oil and gas activities, all of which are located in the continental United States. Information regarding aggregate capitalized costs and results of operations for these activities is located in the basic financial statements. Costs capitalized for these activities are as follows:

	<u>December 31,</u>		
	<u>2002</u>	<u>2001</u>	<u>2000</u>
Lease acquisition costs	\$ 535,823	\$ 535,823	\$ 535,823
Intangible development costs	13,632,238	13,632,238	13,632,238
Well equipment	2,452,567	2,452,567	2,452,567
Impairment charge	<u>(9,688,575)</u>	<u>(9,688,575)</u>	<u>(9,169,094)</u>
	<u>\$6,932,053</u>	<u>\$6,932,053</u>	<u>\$7,451,534</u>

There were no costs incurred for the Partnership's oil and gas activities for the years ended December 31, 2002, 2001 and 2000.

(6) Income Taxes

As a result of the differences in the treatment of certain items for income tax purposes as opposed to financial reporting purposes, primarily depreciation, depletion and amortization of oil and gas properties and the recognition of intangible drilling costs as an expense or capital item, the income tax basis of oil and gas properties differs from the basis used for financial reporting purposes. At December 31, 2002 and 2001, the income tax basis of the partnership's oil and gas properties was \$1,051,543 and \$1,279,281, respectively.

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Notes to Financial Statements, Continued

(7) Supplemental Reserve Information (Unaudited)

Proved oil and gas reserves of the Partnership have been estimated by the Managing General Partner's petroleum engineers. These reserves have been prepared in compliance with the Securities and Exchange Commission rules based on year-end prices, adjusted for hedging contracts. A copy of the reserve report has been made available to all partners. All of the partnership's reserves are proved developed. An analysis of the change in estimated quantities of proved developed oil and gas reserves is shown below:

	Natural gas <u>(mcf)</u>
Proved developed reserves as of December 31, 1999	4,978,500
Revisions of previous estimates Production	593,473 <u>(413,073)</u>
Proved developed reserves as of December 31, 2000	5,158,900
Revisions of previous estimates Production	(940,642) <u>(334,948)</u>
Proved developed reserves as of December 31, 2001	3,883,310
Revisions of previous estimates Production	493,621 <u>(279,201)</u>
Proved developed reserves as of December 31, 2002	<u>4,097,730</u>