

CONFORMED COPY

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 Exchange Act of 1934
For the period ended September 30, 2003

or

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

Commission file number 333-47622-03

I.R.S. Employer Identification Number 35-2175775

PDC 2002-C LIMITED PARTNERSHIP

(A West Virginia Limited Partnership)
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 by check mark whether the registrant is an accelerated filer (as definition in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

PDC 2002-C LIMITED PARTNERSHIP
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PDC 2002-C LIMITED PARTNERSHIP
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Balance Sheets

September 30, 2003 and December 31, 2002

<u>Assets</u>	<u>2003</u> (Unaudited)	<u>2002</u>
Current assets:		
Cash	\$ 1,029	5,240
Accounts receivable - oil and gas revenues	<u>704,272</u>	<u>-</u>
Total current assets	705,301	5,240
Oil and gas properties, successful efforts method	10,269,887	10,264,046
Less accumulated depreciation, depletion and amortization	<u>1,482,331</u> <u>8,787,556</u>	<u>-</u> <u>10,264,046</u>
	<u>\$ 9,492,857</u>	<u>10,269,286</u>
 <u>Current Liabilities and Partners' Equity</u>		
Current liabilities:		
Accrued expenses	\$ <u>5,442</u>	<u>12,655</u>
Total current liabilities	5,442	12,655
Asset retirement obligation	6,286	-
Partners' Equity	<u>9,481,129</u>	<u>10,256,631</u>
	<u>\$ 9,492,857</u>	<u>10,269,286</u>

See accompanying notes to financial statements.

PDC 2002-C LIMITED PARTNERSHIP
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Statements of Operations

Three and Nine Months ended September 30, 2003
(Unaudited)

	Three Months Ended <u>September 30, 2003</u>	Nine Months Ended <u>September 30, 2003</u>
Revenues:		
Sales of oil and gas	\$ 855,431	2,388,581
Interest income	<u>316</u>	<u>324</u>
	855,747	2,388,905
Expenses:		
Lifting cost	141,972	354,829
Direct administrative cost	30	305
Depreciation, depletion, and amortization	<u>507,736</u>	<u>1,482,331</u>
	<u>649,738</u>	<u>1,837,465</u>
Income before cumulative effect of change in accounting principle	206,009	551,440
Cumulative effect of change in accounting principle	<u>-</u>	<u>(352)</u>
Net income	\$ <u>206,009</u>	<u>551,088</u>
Net income per limited and additional general partner unit	\$ <u>349</u>	<u>934</u>

See accompanying notes to financial statements.

PDC 2002-C LIMITED PARTNERSHIP
(A West Virginia Limited Partnership)

Statement of Partners' Equity

Nine Months ended September 30, 2003
(Unaudited)

	Limited and Additional General <u>Partners</u>	Managing General <u>Partner</u>	Accumulated Other Comprehensive <u>Income</u>	<u>Total</u>
Balance, December 31, 2002	\$ 8,205,305	2,051,326	-	10,256,631
Distributions to Partners	(1,060,988)	(265,247)		(1,326,235)
Comprehensive income:				
Net income	440,871	110,217	-	551,088
Change in fair value of outstanding hedging positions			4,505	
Less reclassification adjustments for settled contracts included in net income			<u>(4,860)</u>	
Other comprehensive loss			(355)	<u>(355)</u>
Comprehensive income	<u> </u>	<u> </u>	<u> </u>	<u>551,733</u>
Balance, September 30, 2003	<u>\$ 7,585,188</u>	<u>1,896,296</u>	<u>(355)</u>	<u>9,481,129</u>

See accompanying notes to financial statements.

PDC 2002-C LIMITED PARTNERSHIP
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Statement of Cash Flows

Nine Months ended September 30, 2003
(Unaudited)

	<u>2003</u>
Cash flows from operating activities:	
Net income	\$ 551,088
Adjustments to reconcile net income to net cash provided from operating activities:	
Depreciation, depletion and amortization	1,482,331
Cumulative effect of change in accounting principle	352
Accretion of asset retirement obligation	93
Changes in operating assets and liabilities:	
Increase in accounts receivable - oil and gas revenues	(704,272)
Decrease in accrued expenses	<u>(7,568)</u>
Net cash provided from operating activities	<u>1,322,024</u>
Cash flows from financing activities:	
Distributions to partners	<u>(1,326,235)</u>
Net cash used by financing activities	<u>(1,326,235)</u>
Net decrease in cash	(4,211)
Cash at beginning of period	<u>5,240</u>
Cash at end of period	<u>\$ 1,029</u>

See accompanying notes to financial statements.

PDC 2002-C LIMITED PARTNERSHIP
(A West Virginia Limited Partnership)

Notes to Financial Statements
(Unaudited)

1. Accounting Policies

Reference is hereby made to the Partnership's Annual Report on Form 10-K for 2002, which contains a summary of significant accounting policies followed by the Partnership in the preparation of its financial statements. These policies were also followed in preparing the quarterly report included herein except as noted below.

2. Basis of Presentation

The Management of the Partnership 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 nine months ended September 30, 2003 are not necessarily indicative of the results to be expected for the full year.

3. 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 which will be determined at year end by an independent petroleum engineer. If a determination is made that an exploratory well has not discovered economically producible reserves, then its costs are expensed as dry hole costs.

4. Revenue Recognition

Sales of oil and natural gas are recognized when the rights and responsibilities of ownership passes to the purchasers and are net of royalties.

5. Derivative Instruments and Hedging Activities

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 based on the Colorado Interstate Gas Index (CIG). 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.

6. Change in Accounting Principle

In June 2001, the Financial Accounting Standard Board issued SFAS No. 143, "Accounting for Asset Retirement Obligations" that requires entities to record the fair value of a liability for an asset retirement obligation in the period in which it is incurred and a corresponding increase in the carrying amount of the related long-lived asset. This statement is effective for fiscal years beginning after June 15, 2002. The Partnership adopted SFAS No. 143 on January 1, 2003 and recorded a net asset of \$5,841 and a related liability of \$6,193 (using a 6% discount rate) and a cumulative effect on change in accounting principle on prior years of \$352.

PDC 2002-C LIMITED PARTNERSHIP
(A West Virginia Limited Partnership)

Notes to Financial Statements
(Unaudited)

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

Liquidity and Capital Resources

The Partnership was funded on November 12, 2002 with initial Limited and Additional General Partner contributions of \$9,438,203 and the Managing General Partner's cash contribution of \$2,052,809 in accordance with the Agreement. After payment of syndication costs of \$991,011 and a one-time management fee to the managing general partner of \$235,955, the Partnership had available cash of \$10,264,046 for Partnership activities.

The Partnership began exploration and development activities subsequent to the funding of the Partnership and completed these activities by March 31, 2003. Fourteen wells have been drilled, all of which have been completed as producers. No additional wells will be drilled.

The Partnership had net working capital at September 30, 2003 of \$699,859.

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

Three months ended September 30, 2003

Oil and gas sales for the three months ended September 30, 2003 were \$855,431. The volume of natural gas sold for the three months ended September 30, 2003, was 122,303 Mcf at an average sales price of \$4.43 per Mcf. Oil sales were 10,922 barrels at an average sales price of \$28.41 per barrel for the three months ended September 30, 2003. The Lifting cost for the three months ended September 30, 2003 was \$.76 per Mcf. While the Partnership experienced a net income of \$206,009, depreciation, depletion and amortization is a non-cash expense and therefore the Partnership distributed \$686,557 to the partners during the three months ending September 30, 2003.

Nine months ended September 30, 2003

Oil and gas sales for the nine months ended September 30, 2003 were \$2,388,581. The volume of natural gas sold for the nine months ended September 30, 2003, was 362,467 Mcf at an average sales price of \$4.03 per Mcf. Oil sales were 30,986 barrels at an average sales price of \$29.84 per barrel for the nine months ended September 30, 2003. The Lifting cost for the nine months ended September 30, 2003 was \$.65 per Mcf. While the Partnership experienced a net income of \$551,088, depreciation, depletion and amortization is a non-cash expense and therefore the Partnership distributed \$1,326,235 to the partners during the nine months ending September 30, 2003.

The Partnership's revenues from oil and gas will be affected by changes in prices. As a result of changes in federal regulations, gas prices are highly dependent on the balance between supply and demand. The Partnership's gas sales prices are subject to increase and decrease based on various market sensitive indices.

Critical Accounting Policies

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

PDC 2002-C LIMITED PARTNERSHIP
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Notes to Financial Statements
(Unaudited)

Revenue Recognition. Sales of oil and natural gas are recognized when the rights and responsibilities of ownership passes to the purchasers and are net of royalties.

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 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 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 judgment 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.

Item 3. Quantitative and Qualitative Disclosure About Market Rate 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 few years, 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 although natural gas storage levels are near normal levels following a period when storage levels had been at a five-year low. The Managing General Partner believes this situation creates the possibility of both periods of low prices and continued high prices.

In 2001, 2002 and earlier this year Colorado gas prices were adversely affected by an increase in the negative "basis" between NYMEX and Colorado prices. Pipeline capacity from the area to major markets in California and the Midwest was not adequate to move the new supplies developed over the past several years by oil and gas companies when local demand was at low summer levels. The result was lower prices and some limited curtailment during the summer months. Higher winter demand by local Rocky Mountain markets improved gas prices during the first three quarters of 2003, and the recent start-up of the Kern River Pipeline expansion project has reduced the price discount to historical levels. Several other pipeline projects are underway and in planning stages that will improve capacity over the next several years. There remains a possibility of greater volatility in Colorado than some other producing areas, but we expect the situation to continue to be better for the remainder of 2003 than it was in 2002.

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Notes to Financial Statements
(Unaudited)

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 production. Through March of 2004 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. For the month of October 2003, the Partnership has floors in place at \$2.50 on 9,642 Mmbtu of monthly production and ceilings in place at \$3.13 on 2,411 Mmbtu of monthly production. For the period November 2003 through March 2004, the Partnership has floors in place at \$3.50 on 5,785 Mmbtu of monthly production and ceilings in place at \$5.26 on 5,785 Mmbtu of monthly production. Oil prices have softened from earlier in the year. While oil prices are influenced by supply and demand, global geopolitics may be the single most important determinant. For the period from October 2003 through December 2003, the Partnership has in place oil hedges on 467 barrels of monthly production at \$30.00 per barrel.

As of September 30, 2003 the Partnership had option contracts for the sale of 31,337 Mmbtu of natural gas with an average ceiling price of \$5.09 and for the sale of 38,569 Mmbtu of natural gas with an average floor price of \$3.25. The Partnership also has hedging contracts for the sale of 1,402 barrels of oil at \$30.00 per barrel. The fair value of all hedges, floors and ceilings as of September 30, 2003 is \$(355).

Disclosure of Limitations

As the information above incorporates only those exposures that exist at September 30, 2003, 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.

Item 4. 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)) as of the end of this fiscal quarter, 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 control or in other factors that have materially affected or are reasonably likely to materially affect these controls that occurred during the Partnership's last fiscal quarter.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit Name	Exhibit Number
Rule 13a-14(a)/15d-14(a) Certifications by Chief Executive Officer	31
Rule 13a-14(a)/15d-14(a) Certifications by Chief Financial Officer	31
Section 1350 Certifications by Chief Executive Officer	32
Section 1350 Certifications by Chief Financial Officer	32

(b) No reports on Form 8-K have been filed during the quarter ended September 30, 2003.

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.

PDC 2002-C Limited Partnership
(Registrant)

By its Managing General Partner
Petroleum Development Corporation

Date: November 12, 2003

/s/ James N. Ryan
James N. Ryan
Chief Executive Officer

Date: November 12, 2003

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

Date: November 12, 2003

/s/ Darwin L. Stump
Darwin L. Stump
Chief Financial Officer