

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, 2004

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 000-50616

I.R.S. Employer Identification Number 55-0825013

PDC 2003-B 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 XX
No

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

PDC 2003-B LIMITED PARTNERSHIP
(A West Virginia Limited Partnership)

INDEX

| PART I - FINANCIAL INFORMATION | | <u>Page No.</u> |
|--------------------------------|--|-----------------|
| Item 1. | Financial Statements | |
| | Balance Sheets - September 30, 2004 (unaudited) and December 31, 2003 | 1 |
| | Statements of Operations - Three and Nine Months Ended September 30, 2004 and 2003 (unaudited) | 2 |
| | Statement of Partners' Equity - Nine Months Ended September 30, 2004 (unaudited) | 3 |
| | Statement of Cash Flows- Nine Months Ended September 30, 2004 and 2003 (unaudited) | 4 |
| | Notes to Financial Statements (unaudited) | 5 |
| Item 2. | Management's Discussion and Analysis of Financial Condition and Results of Operations | 6 |
| Item 3. | Quantitative and Qualitative Disclosure About Market Rate Risk | 8 |
| Item 4. | Controls and Procedures | 9 |
| PART II OTHER INFORMATION | | |
| Item 1. | Legal Proceedings | 10 |
| Item 6. | Exhibits | 10 |

PDC 2003-B LIMITED PARTNERSHIP
(A West Virginia Limited Partnership)

Balance Sheets

September 30, 2004 and December 31, 2003

| <u>Assets</u> | <u>2004</u> (Unaudited) | <u>2003</u> |
|--|----------------------------|-------------------|
| Current assets: | | |
| Cash | \$ 19,574 | 23,773 |
| Accounts receivable - oil and gas revenues | <u>1,281,608</u> | <u>1,011,476</u> |
| Total current assets | 1,301,182 | 1,035,249 |
| Oil and gas properties, successful efforts method | 18,874,302 | 18,874,302 |
| Less accumulated depreciation, depletion and amortization | <u>2,527,864</u> | <u>548,863</u> |
| | <u>16,346,438</u> | <u>18,325,439</u> |
| | \$ <u>17,647,620</u> | <u>19,360,688</u> |
| <u>Liabilities and Partners' Equity</u> | | |
| Current liabilities: | | |
| Accrued expenses | \$ <u>357,829</u> | <u>17,190</u> |
| Total current liabilities | 357,829 | 17,190 |
| Asset retirement obligations | 11,282 | 10,796 |
| Partners' Equity | <u>17,278,509</u> | <u>19,332,702</u> |
| | \$ <u>17,647,620</u> | <u>19,360,688</u> |

See accompanying notes to financial statements.

PDC 2003-B LIMITED PARTNERSHIP
(A West Virginia Limited Partnership)

Statements of Operations

Three and Nine Months ended September 30, 2004 and 2003
(Unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|---------------------|------------------------------------|---------------------|
| | <u>2004</u> | <u>2003</u> | <u>2004</u> | <u>2003</u> |
| Revenues: | | | | |
| Sales of oil and gas | \$ 1,336,637 | - | 5,008,395 | - |
| Interest income | <u>654</u> | <u>7,894</u> | <u>1,201</u> | <u>7,894</u> |
| | 1,337,291 | 7,894 | 5,009,596 | 7,894 |
| Expenses: | | | | |
| Lifting cost | 214,179 | - | 678,174 | - |
| Direct administration cost | 486 | 15 | 486 | 15 |
| Depreciation, depletion, and amortization | 487,911 | - | 1,979,001 | - |
| Management fee | <u>-</u> | <u>433,648</u> | <u>-</u> | <u>433,648</u> |
| | <u>702,576</u> | <u>433,663</u> | <u>2,657,661</u> | <u>433,663</u> |
| Net income (loss) | \$ <u>634,715</u> | <u>(425,769)</u> | <u>2,351,935</u> | <u>(425,769)</u> |
| Net income (loss) per limited partner unit | \$ <u><u>585</u></u> | <u><u>(493)</u></u> | <u><u>2,169</u></u> | <u><u>(493)</u></u> |

See accompanying notes to financial statements.

PDC 2003-B LIMITED PARTNERSHIP
(A West Virginia Limited Partnership)

Statement of Partners' Equity

Nine months ended September 30, 2004
(Unaudited)

| | <u>Limited Partners</u> | <u>Managing General Partner</u> | <u>Accumulated Other Comprehensive Income (loss)</u> | <u>- Total</u> |
|--|-----------------------------|---|--|--------------------|
| Balance December 31, 2003 | \$15,466,162 | 3,866,540 | - | 19,332,702 |
| Distributions to partners | (3,244,158) | (811,038) | - | (4,055,196) |
| Comprehensive income: | | | | |
| Net income | 1,881,548 | 470,387 | - | 2,351,935 |
| Change in fair value of outstanding hedging positions | | | (350,932) | |
| Less reclassification adjustments for settled contracts included in net income | | | <u>-</u> | |
| Other comprehensive loss | | | (350,932) | <u>(350,932)</u> |
| Comprehensive income | <u> </u> | <u> </u> | <u> </u> | <u>2,001,003</u> |
| Balance September 30, 2004 | <u>\$ 14,103,552</u> | <u>3,525,889</u> | <u>(350,932)</u> | <u>17,278,509</u> |

See accompanying notes to financial statements.

PDC 2003-B LIMITED PARTNERSHIP
(A West Virginia Limited Partnership)

Statement of Cash Flows

Nine Months ended September 30, 2004 and 2003
(Unaudited)

| | <u>2004</u> | <u>2003</u> |
|--|--------------------|--------------------|
| Cash flows from operating activities: | | |
| Net income (loss) | \$2,351,935 | (425,769) |
| Adjustments to reconcile net income (loss) to net cash provided from operating activities: | | |
| Depreciation, depletion and amortization | 1,979,001 | - |
| Accretion of asset retirement obligations | 486 | - |
| Changes in operating assets and liabilities: | | |
| Decrease in accounts receivable - oil and gas revenues | (270,132) | - |
| Decrease in accrued expenses | <u>(10,293)</u> | <u>-</u> |
| Net cash provided from (used by) operating activities | <u>4,050,997</u> | <u>(425,769)</u> |
| Cash flows from investing activities: | | |
| Expenditures for oil and gas properties | <u>-</u> | <u>(3,623,238)</u> |
| Net cash used by investing activities | <u>-</u> | <u>(3,623,238)</u> |
| Cash flows from financing activities: | | |
| Limited and additional general partners contributions | - | 17,345,901 |
| Managing General Partner contribution | - | 3,772,733 |
| Syndication cost paid | - | (1,821,320) |
| Distributions to partners | <u>(4,055,196)</u> | <u>-</u> |
| Net cash (used by) provided from financing activities | <u>(4,055,196)</u> | <u>19,297,314</u> |
| Net (decrease) increase in cash | (4,199) | 15,248,307 |
| Cash at beginning of period | <u>23,773</u> | <u>-</u> |
| Cash at end of period | <u>\$ 19,574</u> | <u>15,248,307</u> |

See accompanying notes to financial statements.

PDC 2003-B 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 2003, 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.

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, 2004 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, Wright & Company, Inc. 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 natural gas are recognized when natural gas has been delivered to a custody transfer point, persuasive evidence of a sales arrangement exists, the rights and responsibility of ownership pass to the purchaser upon delivery, collection of revenue from the sale is reasonably assured and the sales price is fixed or determinable. Natural gas is sold by the Managing General Partner under contracts with terms ranging from one month to three years. Virtually all of the Managing General Partner's contracts pricing provisions are tied to a market index, with certain adjustments based on, among other factors, whether a well delivers to a gathering or transmission line, quality of natural gas and prevailing supply and demand conditions, so that the price of the natural gas fluctuates to remain competitive with other available natural gas supplies. As a result, the Partnership's revenues from the sale of natural gas will suffer if market prices decline and benefit if they increase. The Managing General Partner believes that the pricing provisions of its natural gas contracts are customary in the industry.

Sales of oil are recognized when persuasive evidence of a sales arrangement exists, the oil is verified as produced and is delivered in a stock tank, collection of revenue from the sale is reasonably assured and the sales price is determinable. The Partnership is currently able to sell all the oil that it can produce under existing sales contracts with petroleum refiners and marketers. The Partnership does not refine any of its oil production. The Partnership's crude oil production is sold to purchasers at or near the Partnership's wells under short-term purchase contracts at prices and in accordance with arrangements that are customary in the oil industry.

PDC 2003-B LIMITED PARTNERSHIP
(A West Virginia Limited Partnership)

Notes to Financial Statements
(Unaudited)

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 and oil production. These instruments consist of costless collars, option contracts and futures traded on the CIG (Colorado Interstate Gas Index). The costless collars, option contracts and futures hedge committed and anticipated natural gas and oil sales generally forecasted to occur within a 24 month period. The Managing General Partner does not hold or issue derivatives for trading or speculative purposes.

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

Liquidity and Capital Resources

The Partnership was funded on September 3, 2003 with initial Limited and Additional General Partner contributions of \$17,345,901 and the Managing General Partner's cash contribution of \$3,772,733 in accordance with the Agreement. After payment of syndication costs of \$1,821,320 and a one-time management fee to the Managing General Partner of \$433,648 the Partnership had available cash of \$18,863,666 for Partnership activities.

The Partnership began exploration and development activities subsequent to the funding of the Partnership and completed well drilling activities by December 31, 2003. Twenty-six wells have been drilled, all of which have been completed as producing wells. No additional wells will be drilled.

The Partnership had net working capital at September 30, 2004 of \$943,353.

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, 2004

Oil and gas sales for the three months ended September 30, 2004 were \$1,336,637. For the three months ended September 30, 2004, the Partnership sold 163,019 Mcf of gas and 9,885 barrels of oil at average prices of \$5.56 and \$43.52, respectively. The Lifting cost per Mcfe for the three months ended September 30, 2004 amounted to \$.96.

While the Partnership experienced a net income of \$634,715, depreciation, depletion and amortization is a non-cash expense and therefore the Partnership distributed \$1,301,261 to the partners for the three months ended September 30, 2004.

Nine months ended September 30, 2004

Oil and gas sales for the nine months ended September 30, 2004 were \$5,008,395. For the nine months ended September 30, 2004, the Partnership sold 649,033 Mcf of gas and 55,631 barrels of oil at average prices of \$4.73 and \$34.89, respectively. The Lifting cost per Mcfe in the nine months ended September 30, 2004 amounted to \$.69. While the Partnership experienced a net income of \$2,351,935, depreciation, depletion and amortization is a non-cash expense and therefore the Partnership distributed \$4,055,196 to the partners for the nine months ended September 30, 2004.

The Partnership's revenue 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 2003-B LIMITED PARTNERSHIP
(A West Virginia Limited Partnership)

Notes to Financial Statements
(Unaudited)

Revenue Recognition. Sales of natural gas are recognized when natural gas has been delivered to a custody transfer point, persuasive evidence of a sales arrangement exists, the rights and responsibility of ownership pass to the purchaser upon delivery, collection of revenue from the sale is reasonably assured and the sales price is fixed or determinable. Natural gas is sold by the Managing General Partner under contracts with terms ranging from one month to three years. Virtually all of the Managing General Partner's contracts pricing provisions are tied to a market index, with certain adjustments based on, among other factors, whether a well delivers to a gathering or transmission line, quality of natural gas and prevailing supply and demand conditions, so that the price of the natural gas fluctuates to remain competitive with other available natural gas supplies. As a result, the Partnership's revenues from the sale of natural gas will suffer if market prices decline and benefit if they increase. The Managing General Partner believes that the pricing provisions of its natural gas contracts are customary in the industry.

Sales of oil are recognized when persuasive evidence of a sales arrangement exists, the oil is verified as produced and is delivered in a stock tank, collection of revenue from the sale is reasonably assured and the sales price is determinable. The Partnership is currently able to sell all the oil that it can produce under existing sales contracts with petroleum refiners and marketers. The Partnership does not refine any of its oil production. The Partnership's crude oil production is sold to purchasers at or near the Partnership's wells under short-term purchase contracts at prices and in accordance with arrangements that are customary in the oil industry.

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.

Depreciation, Depletion and Amortization

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

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

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.

Recently Issued Accounting Pronouncements

We have been made aware of an issue regarding the application of provisions of Statement of Financial Accounting Standards (SFAS) 141, "Business Combinations" and SFAS 142, "Goodwill and Other Tangible Assets," to companies in the extractive industries, including oil and gas companies. The issue was whether SFAS 142 requires registrants to reclassify cost associated with mineral rights, including both proved and unproved leasehold acquisition costs, as intangible assets in the balance sheet, apart from other capitalized oil and gas property costs. Historically, the Partnership and other oil and gas companies have included the cost of these oil and gas leasehold interests as part of oil and gas properties and provided the disclosures required by SFAS 69, "Disclosures about Oil and Gas Producing Activities."

Also under consideration was whether SFAS 142 requires registrants to provide the additional disclosure for intangible assets for costs associated with mineral rights. This issue as it pertains to oil and gas companies was referred to the FASB staff, and the staff issued a proposed FASB Staff Position ("FSP") on the matter on July 19, 2004. On September 2, 2004, the FASB issued FSP 142.2, "application of FASB Statement No. 142, Goodwill and

PDC 2003-B LIMITED PARTNERSHIP
(A West Virginia Limited Partnership)

Notes to Financial Statements
(Unaudited)

Other Intangible Assets, to Oil- and Gas- Producing Entities,” which concluded that the scope exception in paragraph 8(b) of Statement 142 extends to the balance sheet classification and disclosure provisions for drilling and mineral rights of oil- and gas- producing entities. Therefore, there are no balance sheet reclassifications or additional disclosure requirements necessary.

Disclosure Regarding Forward Looking Statements

This Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). All statements other than statements of historical facts included in and incorporated by reference into this Form 10-Q are forward-looking statements. These forward-looking statements are subject to certain risks, trends and uncertainties that could cause actual results to differ materially from those projected. Among those risks, trends and uncertainties are the Managing General Partner's estimate of the sufficiency of its existing capital sources, its ability to raise additional capital to fund cash requirements for future operations, the uncertainties involved in estimating quantities of proved oil and natural gas reserves, in prospect development and property acquisitions and in projecting future rates of production, the timing of development expenditures and drilling of wells, and the operating hazards attendant to the oil and gas business. In particular, careful consideration should be given to cautionary statements made in the various reports the Partnership has filed with the Securities and Exchange Commission. The Partnership undertakes no duty to update or revise these forward-looking statements.

When used in the Form 10-Q, the words, “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “estimate” and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Because these forward-looking statements involve risks and uncertainties, actual results could differ materially from those expressed or implied by these forward-looking statements for a number of important reasons, including those discussed under “Management's Discussions and Analysis of Financial Condition and Results of Operations” and elsewhere in this Form 10-Q.

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). The CIG price index has historically ranged from 80% to 90% of the NYMEX price. These prices look strong for 2004 although natural gas storage levels are near normal levels following a period when storage levels had been at a five-year low. The Partnership believes this situation creates the possibility of both periods of low prices and continued high prices.

Because of the uncertainty surrounding natural 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 December of 2005 the Partnership has in place costless collars (both ceilings and floors), option contracts and futures on part of our natural gas and oil production. Under the costless 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.

PDC 2003-B LIMITED PARTNERSHIP
(A West Virginia Limited Partnership)

Notes to Financial Statements
(Unaudited)

The following tables summarize the open futures and options contracts for the Partnership as of September 30, 2004 and September 30, 2003.

| Commodity | Type | Quantity Gas-Mmbtu Oil-Barrels | Weighted Average Price | Total Contract Amount | Fair Market Value |
|--|----------|--------------------------------------|------------------------------|-----------------------------|-------------------------|
| Total Contracts as of September 30, 2004 | | | | | |
| Natural Gas | Floors | 285,491 | 4.16 | - | - |
| Natural Gas | Ceilings | 142,746 | 5.32 | - | (123,128) |
| Oil | Futures | 6,948 | 31.63 | 219,778 | (118,262) |
| Oil | Floors | 41,690 | 32.30 | 1,346,603 | - |
| Oil | Ceilings | 20,845 | 40.00 | 833,810 | (109,542) |
| Contracts maturing in 12 months following September 30, 2004 | | | | | |
| Natural Gas | Floors | 269,588 | 4.23 | - | - |
| Natural Gas | Ceilings | 134,794 | 5.37 | - | (113,328) |
| Oil | Futures | 6,948 | 31.63 | 219,778 | (118,262) |
| Oil | Floors | 31,268 | 32.30 | 1,009,952 | - |
| Oil | Ceilings | 15,634 | 40.00 | 625,357 | (94,742) |

The maximum term over which the Partnership is hedging exposure to the variability of cash flows for commodity price risk is 15 months.

Disclosure of Limitations

As the information above incorporates only those exposures that exist at September 30, 2004, 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 Managing General Partner 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 and subsequent to the date of their evaluation.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 6. Exhibits

| Exhibit Name | Exhibit Number |
|--|----------------|
| Rule 13a-14(a)/15d-14(a) Certifications by Chief Executive Officer | 31.1 |
| Rule 13a-14(a)/15d-14(a) Certification by Chief Financial Officer | 31.2 |
| Section 1350 Certifications by Chief Executive Officer | 32.1 |
| Section 1350 Certifications by Chief Financial Officer | 32.2 |

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 2003-B Limited Partnership
(Registrant)

By its Managing General Partner
Petroleum Development Corporation

Date: November 12, 2004

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

Date: November 12, 2004

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