

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

☒ ANNUAL REPORT PURSUANT TO SECTION 13 or 15 (d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2003

Commission File Number 000-50617

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

PDC 2003-C LIMITED PARTNERSHIP
(Exact name of registrant as specified in its charter)

West Virginia
(State or other jurisdiction of
incorporation or organization)

55-0825962
(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 ☒ 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 ☒

There is no trading market for the registrant's securities.

PART I

ITEM 1. BUSINESS.

General

PDC 2003-C Limited Partnership ("the Partnership") is a limited partnership formed on November 6, 2003 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 November 6, 2003, the Partnership has been engaged in onshore, domestic oil and natural gas exploration exclusively in the Rocky Mountain Region. A total of 24 limited partners contributed initial capital of \$845,434 and a total of 724 additional general partners contributed initial capital of \$16,650,880 and PDC (Managing General Partner) contributed \$3,805,448 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	80%
Managing General Partner	20%

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. See Footnote 4 of financial statements for a complete description of the allocation of Partnership revenue and costs.

Employees

The Partnership has no employees, however, PDC has approximately 110 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 will participate in the drilling of approximately 25 gross wells (23.35 net) wells and will continue to operate and produce its twenty-five 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. All oil and gas that will be sold will be under contracts based on market sensitive indexes that will vary from month to month. No fixed contracts are in place. The Partnership has had no sales in 2003.

Hedging Activities

The Managing General Partner, through its subsidiary Riley Natural Gas (RNG), utilizes commodity-based derivative instruments as hedges to manage a portion of the Partnership's exposure to price volatility stemming from its natural gas sales and marketing activities. These instruments consist of CIG (Colorado Interstate Gas Index)-based contracts for Colorado production. The contracts hedge committed and anticipated natural gas purchases and sales, generally forecasted to occur within the next twenty-four-month period. The Managing General Partner does not hold natural gas futures or options for speculative purposes and permits utilization of hedges only if there is an underlying physical position.

The Managing General Partner has extensive experience with the use of financial hedges to reduce the risk and impact of natural gas price changes. These hedges are used to "lock in" fixed prices from time to time for the Partnership's share of production, and to establish "floors" and "ceilings" or "collars" on the possible range of the price realized for the sale of natural gas and oil. In order for contracts to serve as effective hedges, there must be sufficient correlation to the underlying hedged transaction. While hedging can help provide price protection if spot prices drop, hedges can also limit upside potential.

For unhedged natural gas sales not subject to fixed price contracts, the Partnership is 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. There are no hedge contracts outstanding as of December 31, 2003 related to oil or natural gas production.

Competition

The Partnership competes in marketing its gas and oil 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. The Partnership estimates it has spent approximately \$116,800 in 2003 to comply with federal and 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.

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 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 from November 6, 2003 (date of inception) to March 15, 2004. All of the Partnership's wells drilled and producing are located in the Rocky Mountain Region.

Development Wells					
Gross Wells			Net Wells		
<u>Productive</u>	<u>Dry</u>	<u>Total</u>	<u>Productive</u>	<u>Dry</u>	<u>Total</u>
<u>25</u>	<u>=</u>	<u>25</u>	<u>23.35</u>	<u>=</u>	<u>23.35</u>

The Partnership has not participated in any exploratory wells. Twenty wells had been drilled by December 31, 2003 and five in 2004, all of which have been completed as producers. No additional drilling activity is planned.

Reserves

See "Footnote 7" to the Partnership's financial statements for the Partnership's oil and gas reserves.

Productive Wells

As outlined in the above table, the Partnership has a total of 25 gross productive wells (23.35 net wells) all of which are located in the Rocky Mountain Region.

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 that 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.

Not Applicable.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

At December 31, 2003, PDC 2003-C Limited Partnership had one Managing General Partner, 24 Limited Partners who fully paid for 42.27 units at \$20,000 per unit of limited partnership interests and a total of 724 Additional General Partners who fully paid for 832.54 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. There is no established trading market for the securities of the Partnership.

ITEM 6. SELECTED FINANCIAL DATA.

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

	Period from November 6, 2003 (date of inception) to <u>December 31, 2003</u>
Oil and Gas Sales	\$ -
Costs and Expenses	454,403
Net Loss	(436,062)
Allocation of Net Loss:	
Managing General Partner	269
Limited and Additional General Partners	(436,331)
Per Limited and Additional General Partner Unit	(499)
Total Assets	19,056,574
Cash Distributions:	
Managing General Partner	-
Limited and Additional General Partners	-

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

Liquidity and Capital Resources

The Partnership was funded on November 6, 2003 with initial Limited and Additional General Partner contributions of \$17,496,314 and the Managing General Partner's cash contribution of \$3,805,448 in accordance with the Agreement. After payment of syndication costs of \$1,837,113 and a one-time management fee to the managing general partner of \$437,408, the Partnership had available cash of \$19,027,241 for Partnership activities.

The Partnership began exploration and development activities subsequent to the funding of the Partnership and completed these activities by March 15, 2004. Twenty wells had been drilled by December 31, 2003 and five in 2004, all of which have been completed as producers. No additional wells will be drilled.

The Partnership had net working capital at December 31, 2003 of \$1,346.

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

2003 Results

The Partnership began exploration and development activities subsequent to the funding of the Partnership and completed these activities by March 15, 2004. Twenty-five wells have been drilled, all of which have been completed as producers. No additional wells will be drilled.

The Partnership's revenue from oil and natural gas sales will be affected by changes in prices. Oil and 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 and Estimates

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. In applying those policies, our management uses its judgment to determine the appropriate assumptions to be used in the determination of certain estimates. Those estimates are based on our historical experience, our observance of trends in the industry, and information available from other outside sources, as appropriate. For a more detailed discussion on the application of these and other accounting policies, see "Note 1 - Summary of significant account policies" in our financial statements and related notes. The Partnership's critical accounting policies and estimates are as follows:

Revenue Recognition

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

Oil and Gas Properties

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

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 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.

New Accounting Standards

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 recorded a net asset of \$11,052 and a related liability of \$11,052 (using a 6% discount rate) when drilling occurred in 2003.

A reporting issue has arisen regarding the application of certain provisions of SFAS No. 141 and SFAS no. 142 to companies in the extractive industries, including oil and gas companies. The issue is whether SFAS No. 142 requires registrants to classify the costs of mineral rights (leases) associated with extracting oil and gas intangible assets in the balance sheets, apart from other capitalized oil and gas property costs, and provide specific footnote disclosures. Historically, the Partnership has included the costs of mineral rights associated with extracting oil and gas as a component of oil and gas properties. If it is ultimately determined that SFAS No. 142 requires oil and gas companies to classify costs of mineral rights associated with extracting oil and gas as a separate intangible assets line item on the balance sheet, the Partnership would be required to reclassify the historical cost of approximately \$322,828 of mineral rights associated with developed oil and gas properties as of December 31, 2003 out of oil and gas properties and into a separate intangible mineral rights assets line item. The Partnership's total balance sheet, cash flows and results of operations would be not affected since such intangible assets would continue to be amortized and assessed for impairment.

Item 7A. 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 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 2004 although natural gas storage levels are near normal levels following a period where storage 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.

Financial results depend upon many factors, particularly the price of natural gas and our ability to market our production on economically attractive terms. Price volatility in the natural gas and oil markets has remained prevalent in the last few years and can have a material impact on our financial results. Natural gas prices declined dramatically at the end of 2001 and during the entire first quarter of 2002. Natural gas prices in Colorado remained low for most of 2002. In the fourth quarter of 2002 and continuing in 2003, Colorado prices began to increase, although they continue to trail prices in other areas. The Partnership believes the lower prices in the Rocky Mountain Region, including Colorado, resulted from increasing local supplies that exceeded the local demand and pipeline capacity available to move gas from the region. On May 1st of 2003, the Kern River pipeline expansion was completed and placed into service. The Kern River Pipeline Company has announced that the additional facilities added about 900 million cubic feet per day of capacity for deliveries to Arizona, Nevada and southern California. This represents almost 30% of the prior pipeline capacity from the region to the West Coast and other markets outside the region. The Partnership believes that the completion and start-up of the pipeline eliminated or reduced the local supply surplus, leading to improved natural gas prices in the region. Since the startup of the new Kern River pipeline the Colorado Interstate Gas price index has improved to a range of from 83% to over 90% of the NYMEX price, levels consistent with historical price relationships before the recent local demand/pipeline capacity situation. The Partnership has commodity price hedging contracts for natural gas production from January 2004 through October 2004 to protect against possible short-term price weaknesses.

The average NYMEX closing price for natural gas for the years 2003, 2002 and 2001 was \$5.39 per Mmbtu, \$3.22 per Mmbtu, and \$4.27 per Mmbtu with a range from \$1.83 per Mmbtu to \$9.98 per Mmbtu. The average NYMEX closing price for oil for the years 2003, 2002 and 2001 was \$30.98 per bbl, \$26.98 per bbl and \$26.60 per bbl with a range from \$17.72 per bbl to \$36.79 per bbl. The average CIG closing price for natural gas for the years 2003, 2002 and 2001 was \$4.04 per Mmbtu, \$1.97 per Mmbtu, and \$3.50 per Mmbtu, with a range from \$1.05 per Mmbtu to \$8.63 per Mmbtu. Future near-term gas prices will be affected by various supply and demand factors such as weather, government and environmental regulations and new drilling activities within the industry.

Disclosure of Limitations

As the information above incorporates only those exposures that exist at December 31, 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.

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 9A. 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 the period covered by this annual report on Form 10-K, 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 in the fourth quarter and subsequent to the date of their evaluation.

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 2003 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. See respective drilling prospectus for further information regarding the Limited Partnership Agreement. The following table represents compensation or reimbursements by the Partnership to PDC or other related parties during the period from November 6, 2003 (date of inception) to December 31, 2003.

Drilling and completion costs	\$19,027,241
Syndication costs*	1,837,113
Management fee	437,408
Tax return preparation	5,695
Direct administrative cost	3,160

* Consists of broker dealers commission paid to PDC Securities Incorporated (100% subsidiary of the Managing General Partner and Dealer Manager of the drilling program) which was reallocated or paid to the Soliciting Broker Dealers of the drilling program.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

For the period from November 6, 2003 (date of inception) to December 31, 2003, KPMG LLP provided auditing services in the amount of \$5,340. Included was \$1,000 for tax services.

Pre-Approval Policies and Procedures

The Sarbanes-Oxley Act of 2002 requires that all services provided to the Partnership by its independent accountants be subject to pre-approval by the Audit Committee or authorized members of the Committee. The Partnership does not have an Audit Committee, the Managing General Partner's Audit Committee also serves for the Partnership. The Audit Committee has adopted policies and procedures for pre-approval of all audit services and non-audit services to be provided by the Partnership's independent accountants. Services necessary to conduct the annual audit must be pre-approved by the Audit Committee or by the authorized Audit Committee member.

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 10-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.

(b) Reports on Form 8-K during the fourth quarter.

None.

(c) Exhibits

- 4.1 Form of Limited Partnership Agreement (incorporated by reference to Appendix A to Form S-1, SEC File No. 333-105983 and Rule 424 final prospectus, dated May 16, 2002, of PDC 2003 Drilling Program, filed with the SEC on May 21, 2002).
- 14 Code of Ethics of Petroleum Development Corporation (incorporated by reference to the posted code on the web site of Petroleum Development Corporation at www.petd.com).
- 31.1 Rule 13a-14(a)/15d-14(c) Certification of Chief Executive Officer of Petroleum Development Corporation, the managing general partner of the Limited Partnership.
- 31.2 Rule 13a-14(a)/15d-14(c) Certification of Chief Financial Officer of Petroleum Development Corporation, the managing general partner of the Limited Partnership.
- 32.1 Certification of Chief Executive Officer of Petroleum Development Corporation, the managing general partner of the Limited Partnership under Title 18 United States Code section 1350.
- 32.2 Certification of Chief Financial Officer of Petroleum Development Corporation, the managing general partner of the Limited Partnership under Title 18 United States Code section 1350.

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 2003-C Limited Partnership
By its Managing General Partner
Petroleum Development Corporation

By /s/ Steven R. Williams
Steven R. Williams, Chairman
March 24, 2004

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/ Steven R. Williams</u> Steven R. Williams	Chairman, Chief Executive Officer, President and Director	March 24, 2004
<u>/s/ Darwin L. Stump</u> Darwin L. Stump	Chief Financial Officer and Treasurer (principal financial and accounting officer)	March 24, 2004
<u>/s/ Thomas E. Riley</u> Thomas E. Riley	Executive Vice President of Production , Natural Gas Marketing and Business Development and Director	March 24, 2004
<u>/s/ Donald B. Nestor</u> Donald B. Nestor	Director	March 24, 2004
<u>/s/ Vincent F. D'Annunzio</u> Vincent F. D'Annunzio	Director	March 24, 2004

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

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

Period from November 6, 2003
(date of inception) to
December 31, 2003

(With Independent Auditors' Report Thereon)

PDC 2003-C 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 the required information is shown in the financial statements or notes thereto.

Independent Auditors' Report

To the Partners
PDC 2003-C Limited Partnership:

We have audited the financial statements of PDC 2003-C 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 audit.

We conducted our audit 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 audit provides 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 2003-C Limited Partnership as of December 31, 2003, and the results of its operations and its cash flows for the period from November 6, 2003 (date of inception) to December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

Pittsburgh, Pennsylvania
March 15, 2004

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

Balance Sheet

December 31, 2003

Assets

Current Assets:

Cash	\$ 18,281
Total current assets	18,281

Oil and gas properties, successful efforts method (notes 3 and 5):	13,687,656
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Less accumulated depreciation, depletion and amortization	-
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Unevaluated properties	<u>5,350,637</u>
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Total oil and gas properties	19,038,293
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\$19,056,574

Liabilities and Partners' Equity

Current Liabilities:

Accrued expenses	<u>16,935</u>
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Total current liabilities	16,935
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Asset retirement obligation	11,052
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Partners' equity	<u>19,028,587</u>
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\$19,056,574

See accompanying notes to financial statements.

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

Statement of Operations

Period from November 6, 2003 (date of inception) to December 31, 2003

Revenues:

Sales of oil and gas	\$ -
Interest income	<u>18,341</u>
	18,341

Expenses (note 3):

Management fee	437,408
Independent engineering fee	3,800
Independent audit fee	4,340
Tax return preparation	5,695
Direct administrative cost	<u>3,160</u>
	<u>454,403</u>

Net loss	<u><u>\$ (436,062)</u></u>
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Net loss per limited and additional general partner unit	<u><u>\$ (499)</u></u>
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See accompanying notes to financial statements.

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

Statement of Partners' Equity

Period from November 6, 2003 (date of inception) to December 31, 2003

	Limited and Additional General <u>Partners</u>	Managing General <u>Partner</u>	<u>Total</u>
Partners' initial capital contributions	\$17,496,314	3,805,448	21,301,762
Syndication costs	(1,837,113)	-	(1,837,113)
Net (loss) income	<u>(436,331)</u>	<u>269</u>	<u>(436,062)</u>
Balance December 31, 2003	<u>\$15,222,870</u>	<u>3,805,717</u>	<u>19,028,587</u>

See accompanying notes to financial statements.

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

Statement of Cash Flows

Period from November 6, 2003 (date of inception) to December 31, 2003

Cash flows from operating activities:	
Net loss	\$(436,062)
Adjustments to reconcile net loss to net cash used by operating activities:	
Changes in operating assets and liabilities:	
Increase in accrued expenses	<u>16,935</u>
Net cash used by operating activities	<u>(419,127)</u>
 Cash flows used by investing activities:	
Expenditures for oil and gas properties	<u>(19,027,241)</u>
Net cash used by investing activities	<u>(19,027,241)</u>
 Cash flows from financing activities:	
Limited and additional general partner contributions	17,496,314
Managing General Partner contribution	3,805,448
Syndication cost paid	<u>(1,837,113)</u>
Net cash provided from financing activities	<u>19,464,649</u>
 Net increase in cash	18,281
Cash at beginning of period	<u>-</u>
Cash at end of period	<u>\$ 18,281</u>

See accompanying notes to financial statements.

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

Notes to Financial Statements

December 31, 2003

(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 2003-C 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 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.

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 flows, the measurement of impairment is based on estimated fair value which would consider future discounted cash flows.

There were twenty wells drilled at December 31, 2003. An additional five wells were drilled as of March 15, 2004. Drilling activity is complete at March 15, 2004.

Revenue Recognition

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

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.

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.

(Continued)

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

Notes to Financial Statements, Continued

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.

New Accounting Standards

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 recorded a net asset of \$11,052 and a related liability of \$11,052 (using a 6% discount rate) when drilling occurred in 2003.

A reporting issue has arisen regarding the application of certain provisions of SFAS No. 141 and SFAS no. 142 to companies in the extractive industries, including oil and gas companies. The issue is whether SFAS No. 142 requires registrants to classify the costs of mineral rights (leases) associated with extracting oil and gas intangible assets in the balance sheets, apart from other capitalized oil and gas property costs, and provide specific footnote disclosures. Historically, the Partnership has included the costs of mineral rights associated with extracting oil and gas as a component of oil and gas properties. If it is ultimately determined that SFAS No. 142 requires oil and gas companies to classify costs of mineral rights associated with extracting oil and gas as a separate intangible assets line item on the balance sheet, the Partnership would be required to reclassify the historical cost of approximately \$322,828 of mineral rights associated with developed oil and gas properties as of December 31, 2003 out of oil and gas properties and into a separate intangible mineral rights assets line item. The Partnership's total balance sheet, cash flows and results of operations would be not affected since such intangible assets would continue to be amortized and assessed for impairment.

(2) Organization

The Partnership was organized as a limited partnership on November 6, 2003 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 Rocky Mountain Region.

Purchasers of partnership units subscribed to and fully paid for 42.27 units of limited partner interests and 832.54 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 into units of additional general partner interests in the Partnership.

(Continued)

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

Notes to Financial Statements, Continued

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.

(3) Transactions with Managing General Partner and Affiliates

Pursuant to the authorization contained in the Limited Partnership Agreement, PDC receives fees for services rendered and reimbursement of certain expenses from the Partnership. See respective drilling prospectus for further information regarding the Limited Partnership Agreement. The following table presents compensation or reimbursements by the Partnership to PDC or other related parties for the period from November 6, 2003 (date of inception) to December 31, 2003.

	Period from November 6, 2003 (date of inception) to December 31, 2003
Drilling and completion costs	\$19,027,241
Syndication costs and management fee	2,274,521
Tax return preparation	5,695
Direct administrative cost	3,160

(4) Allocation

The table below 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 capital, in the costs and revenues of the Partnership.

	Investor Partners(5)(6)	Managing General Partner(5)(6)
<u>Partnership Costs</u>		
Broker-dealer Commissions and Expenses(1)	100%	0%
Management Fee(2)	100%	0%
Lease Costs	0%	100%
Tangible Well Costs	0%	100%
Intangible Drilling and Development Costs	100%	0%
Total Drilling and Completion Costs	80%	20%
Operating Costs (3)	80%	20%
Direct Costs (4)	80%	20%
Administrative Costs	0%	100%
<u>Partnership Revenues</u>		
Sale of Oil and Gas Production	80%	20%
Sale of Productive Properties	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.

(Continued)

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

Notes to Financial Statements, Continued

- (2) Represents a one-time fee paid to the Managing General Partner on the day the Partnership is funded equal to 2-1/2% of total investor subscriptions.
 - (3) Represents Operating costs incurred after the completion of productive wells, including monthly per-well charges paid to the Managing General Partner.
 - (4) The Managing General Partner receives monthly reimbursement from the Partnership for its direct costs incurred by the Managing General Partner on behalf of the Partnership.
 - (5) To the extent that Investor Partners receive preferred cash distributions, the allocations for Investor Partners will be increased accordingly and the allocation for the Managing General Partner will likewise be decreased.
 - (6) The allocation of profits, losses and cash distributions of the Managing General Partner might be increased, and the allocation of profits, losses, and cash distributions of the Investor Partners might be decreased in the event that the Managing General Partner were to invest more than the Managing General Partner's minimum required Capital Contribution to cover tangible equipment and lease costs. The Managing General Partner will pay for the Partnership's share of all Leases and tangible well equipment. The entire Capital Contribution of the Investor Partners, after payment of brokerage commissions, due diligence reimbursement, and the Management Fee, will be utilized to pay for intangible drilling costs. In the event that the Intangible Drilling Costs exceed the funds of the Investor Partners available for payment of Intangible Drilling Costs (herein "excess IDC"), a portion of the Capital Contribution of the Managing General Partner may be used to pay such excess IDC. If the cost of Leases and tangible well equipment were to exceed the Managing General Partner's Capital Contribution of 21-3/4% of the aggregate Capital Contribution of the Investor Partners, then the Managing General Partner will increase its Capital Contribution to fund such additional capital requirements and the Managing General Partner's allocation of profits, losses, and cash distributions will be increased to equal the percentage arrived at by dividing the Capital Contribution made by the Managing General Partner by the Capital Available for Investment; the allocation of the Investor Partners will be decreased accordingly.
 - (7) In accordance with the repurchase provision of the partnership prospectus, PDC may repurchase units from the investor partners, which is entirely voluntary on the part of the partners. During 2003 there were no units purchased by PDC.
- (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 at December 31, 2003, are as follows:

Lease acquisitions at cost	\$322,828
Intangible development costs	10,941,283
Well equipment	2,412,493
Capitalized asset retirement cost	11,052
Unevaluated oil and gas properties	<u>5,350,637</u>
	<u>\$19,038,293</u>

(Continued)

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

Notes to Financial Statements, Continued

The following costs were incurred for the Partnership's oil and gas activities:

	Period from November 6, 2003 (date of inception) <u>to December 31, 2003</u>
Costs incurred:	
Property acquisition costs	\$ 322,828
Development costs	13,353,776
Unevaluated oil and gas properties	<u>5,350,637</u>
	<u>\$19,027,241</u>

Unevaluated oil and gas properties consist of payments to the Managing General Partner for drilling, completion, lease acquisition and gathering system costs on five wells drilled prior to March 15, 2004 but after December 31, 2003. All of the 25 wells drilled are productive.

(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, 2003, the income tax basis of the Partnership's oil and gas properties was \$3,805,448.

(7) Supplemental Reserve Information

Proved oil and gas reserves of the Partnership have been estimated at December 31, 2003 by an independent petroleum engineer, Wright & Company, Inc. These reserves have been prepared in compliance with the Securities and Exchange Commission rules based on year end prices. 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:

	Oil (Bbls) <u>2003</u>
Proved developed reserves:	
Beginning of year	-
Revisions of previous estimates	-
New Discoveries and extensions	
Rocky Mountain Region	306,000
Production	<u>-</u>
End of year	<u>306,000</u>
	Gas (MCF) <u>2003</u>
Proved developed reserves:	
Beginning of year	-
Revisions of previous estimates	-
New Discoveries and extensions	
Rocky Mountain Region	4,550,000
Production	<u>-</u>
End of year	<u>4,550,000</u>

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Notes to Financial Statements, Continued

(8) Standardized Measure of Discounted Future Net Cash Flows and Changes Therein Relating to Proved Oil and Gas Reserves (Unaudited)

Summarized in the following table is information for the Partnership with respect to the standardized measure of discounted future net cash flows relating to proved oil and gas reserves. Future cash inflows are computed by applying year-end prices of oil and gas relating to the Partnership proved reserves to the year-end quantities of those reserves. Future production, development, site restoration and abandonment costs are derived based on current costs assuming continuation of existing economic conditions.

	<u>As of December 31, 2003</u>
Future estimated revenues	\$ 33,765,000
Future estimated production costs	(7,336,000)
Future estimated development costs	<u>(1,490,000)</u>
Future net cash flows	24,939,000
10% annual discount for estimated timing of cash flows	<u>(11,562,000)</u>
Standardized measure of discounted future estimated net cash flows	<u>\$13,377,000</u>

The following table summarizes the principal sources of change in the standardized measure of discounted future estimated net cash flows:

	<u>Period from November 6, 2003 (date of inception) to December 31, 2003</u>
Sales of oil and gas production, net of production costs	\$ -
Net changes in prices and production costs	-
Extensions, discoveries, and improved recovery, less related cost	24,939,000
Development costs incurred during the period	-
Revisions of previous quantity estimates	-
Accretion of discount	<u>(11,562,000)</u>
	<u>\$13,377,000</u>

It is necessary to emphasize that the data presented should not be viewed as representing the expected cash flow from, or current value of, existing proved reserves since the computations are based on a large number of estimates and arbitrary assumptions. Reserve quantities cannot be measured with precision and their estimation requires many judgmental determinations and frequent revisions. The required projection of production and related expenditures over time requires further estimates with respect to pipeline availability, rates of demand and governmental control. Actual future prices and costs are likely to be substantially different from the current prices and costs utilized in the computation of reported amounts. Any analysis or evaluation of the reported amounts should give specific recognition to the computational methods utilized and the limitations inherent therein.