



# **Petroleum Development Corporation**

**2007 Earnings Release**

**March 19, 2008**

**Steven R. Williams, CEO**

**Richard W. McCullough, President & CFO**

**NASDAQ GSM: PETD**



# Disclaimer

The following information contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on Management's current expectations and beliefs, as well as a number of assumptions concerning future events.

These statements are based on certain assumptions and analyses made by Management in light of its experience and its perception of historical trends, current conditions and expected future developments as well as other factors it believes are appropriate in the circumstances. However, whether actual results and developments will conform with Management's expectations and predictions is subject to a number of risks and uncertainties, general economic, market or business conditions; the opportunities (or lack thereof) that may be presented to and pursued by Petroleum Development Corporation; actions by competitors; changes in laws or regulations; and other factors, many of which are beyond the control of Petroleum Development Corporation.

You are cautioned not to put undue reliance on such forward-looking statements because actual results may vary materially from those expressed or implied, as more fully discussed in our safe harbor statements found in our SEC filings, including, without limitation, the discussion under the heading "Risk Factors" in the company's annual report on Form 10-K. All forward-looking statements are based on information available to Management on this date and Petroleum Development Corporation assumes no obligation to, and expressly disclaims any obligation to, update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

The SEC permits oil and gas companies to disclose in their filings with the SEC only proved reserves, which are reserve estimates that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. The Company uses in this presentation the terms "probable" and "possible" reserves, which SEC guidelines prohibit in filings of U.S. registrants. Probable reserves are unproved reserves that are more likely than not to be recoverable. Possible reserves are unproved reserves that are less likely to be recoverable than probable reserves. Estimates of probable and possible reserves which may potentially be recoverable through additional drilling or recovery techniques are by nature more uncertain than estimates of proved reserves and accordingly are subject to substantially greater risk of not actually being realized by the Company. In addition, the Company's production forecasts and expectations for future periods are dependent upon many assumptions, including estimates of production decline rates from existing wells and the undertaking and outcome of future drilling activity, which may be affected by significant commodity price declines or drilling cost increases.

This material also contains certain non-GAAP financial measures as defined under the Securities and Exchange Commission rules.



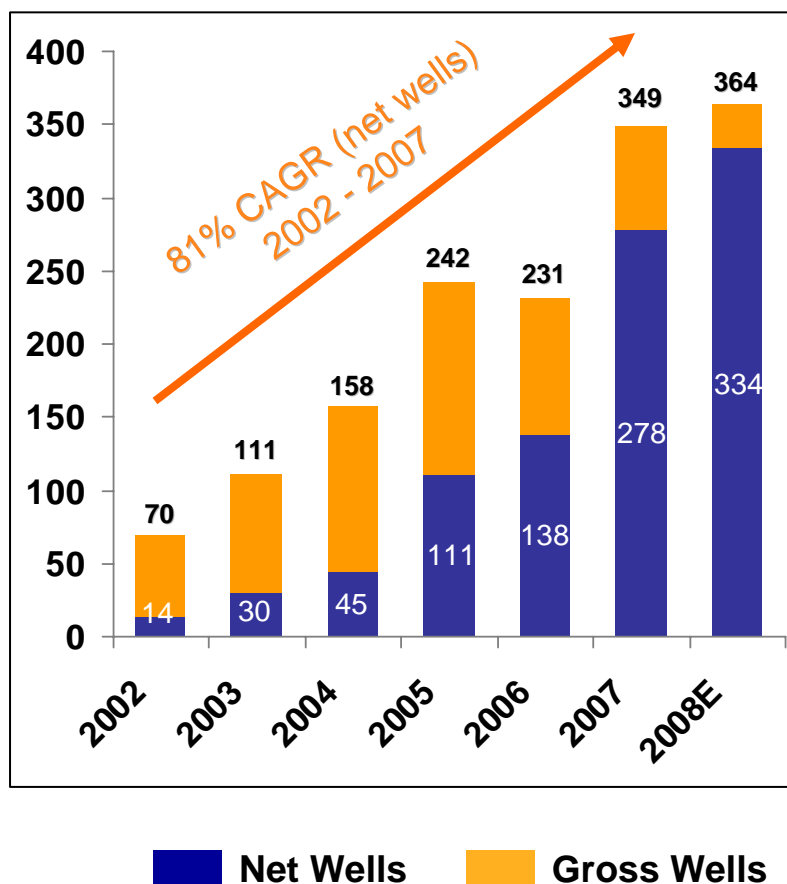
# Filing Extension

- Requested automatic extension of filing date to March 31
  - Company is awaiting SEC response on 2006 presentation matter that also impacts 2007
  - Form 10-K was ready to file on time
  - PDC expects to file on or before extension date if SEC response is timely
- Issue is presentation of partnership drilling revenues and expenses- net or gross
  - No impact on operating pretax and net income, earnings per share, or cash flow per share



# Operating Highlights

Historical Drilling



- Production increased 65% to 28 Bcfe
- Reserves increase 112% to 686 Bcfe

## 2007 Drilling Activity

Total Wells Drilled Gross	349
Total Wells Drilled Net	278
Development	338
Exploratory	11

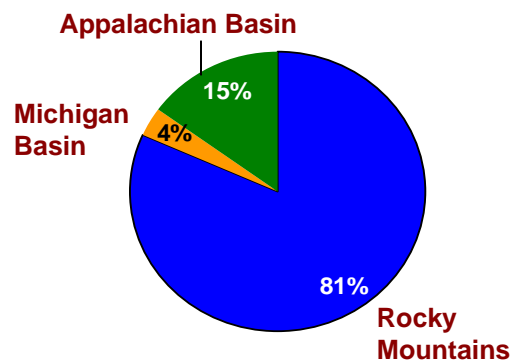
## Planned 2008 Drilling Activity

Estimated Total Wells Gross	364
Estimated Total Wells Net	334

# Core Operating Regions

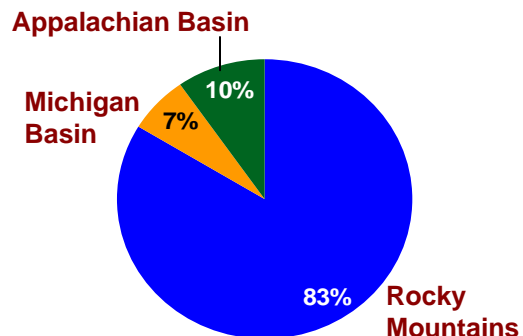
## 2007 Proved Reserves

686Bcfe



## 2007 Production

28 Bcfe

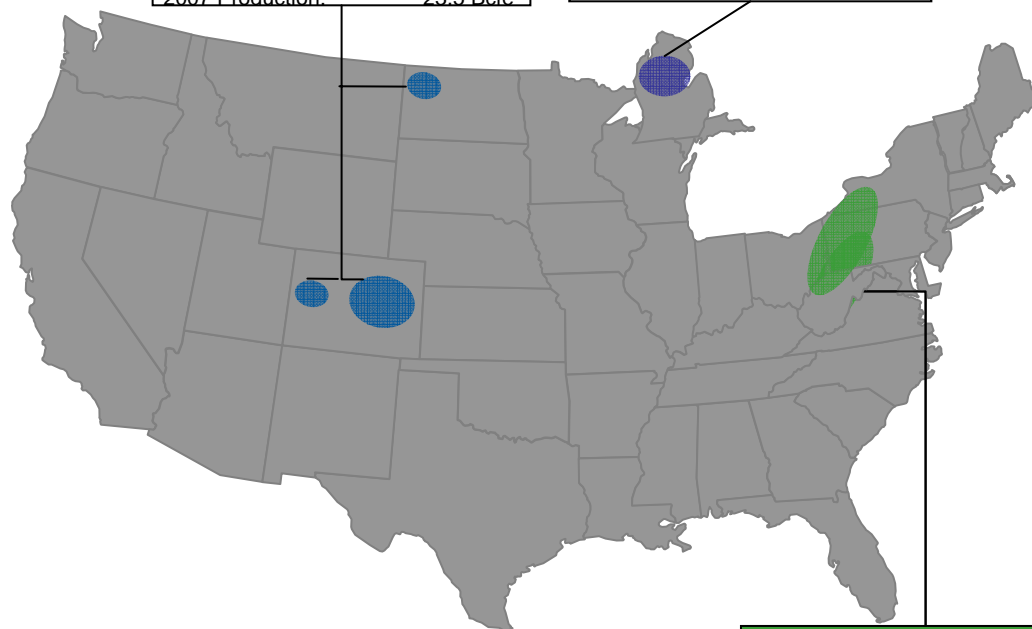


### Rocky Mountains

2007 Proved Reserves:	559 Bcfe
2006 Production:	14.1 Bcfe
2007 Production:	23.5 Bcfe

### Michigan Basin

2007 Proved Reserves:	24 Bcfe
2006 Production:	1.4 Bcfe
2007 Production:	1.7 Bcfe

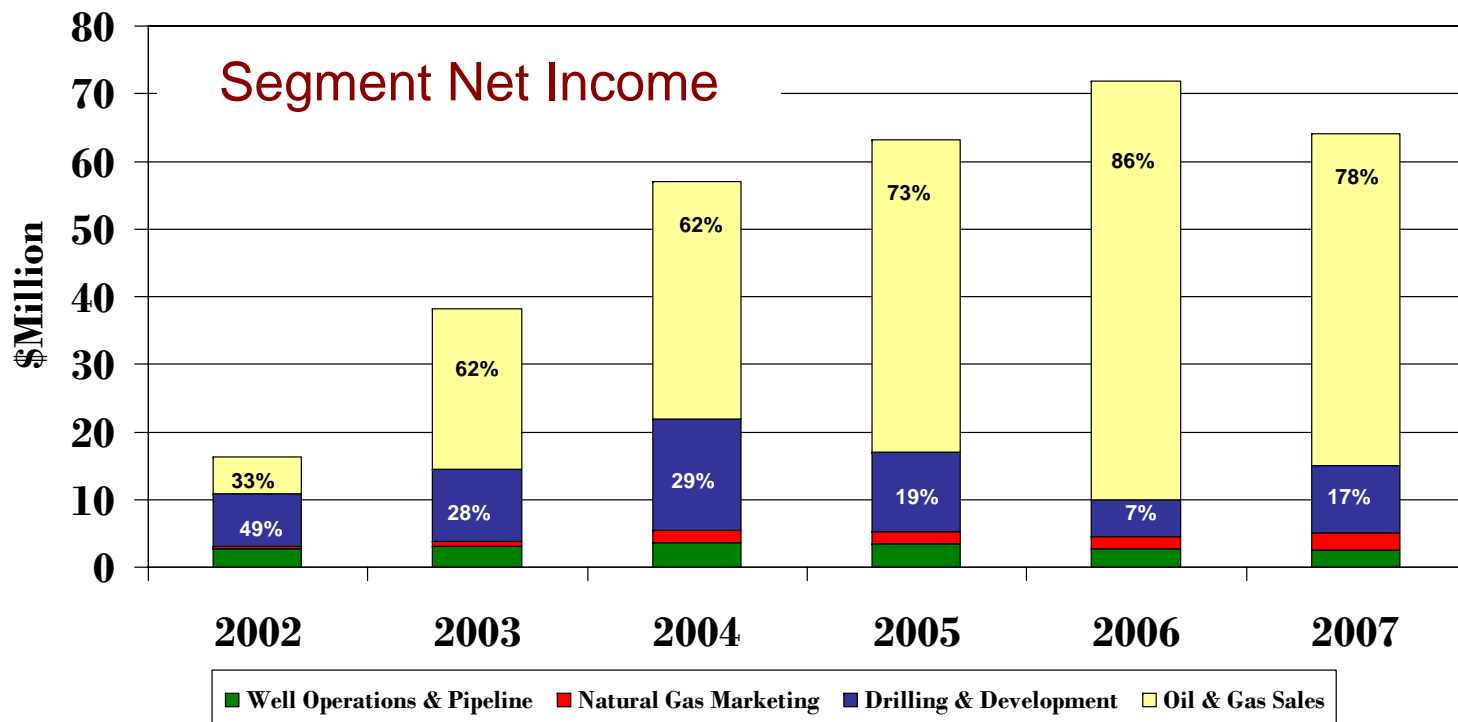


### Appalachian Basin

2007 Proved Reserves:	103 Bcfe
2006 Production:	1.5 Bcfe
2007 Production:	2.7 Bcfe

See Slide 2 regarding Forward Looking Statements

# Business Segment Contribution

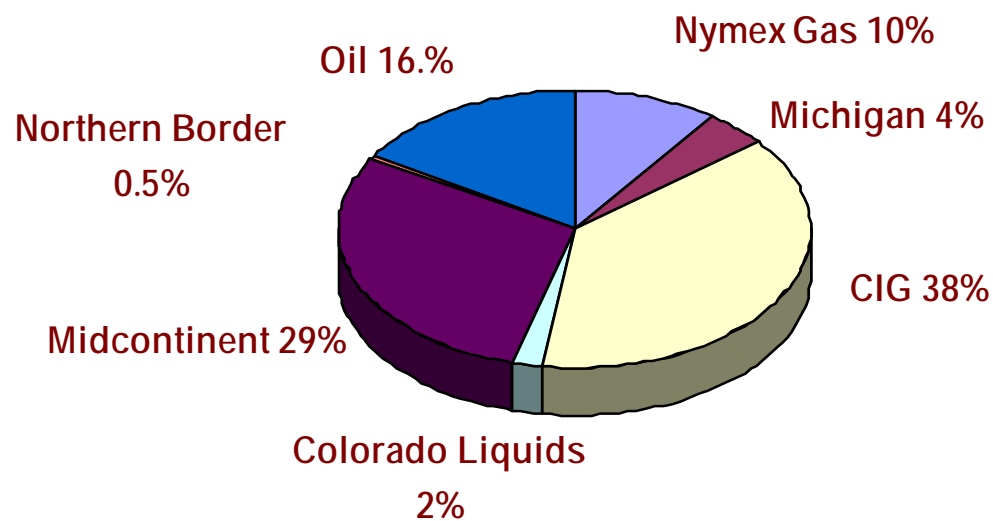


See Slide 2 regarding Forward Looking Statements



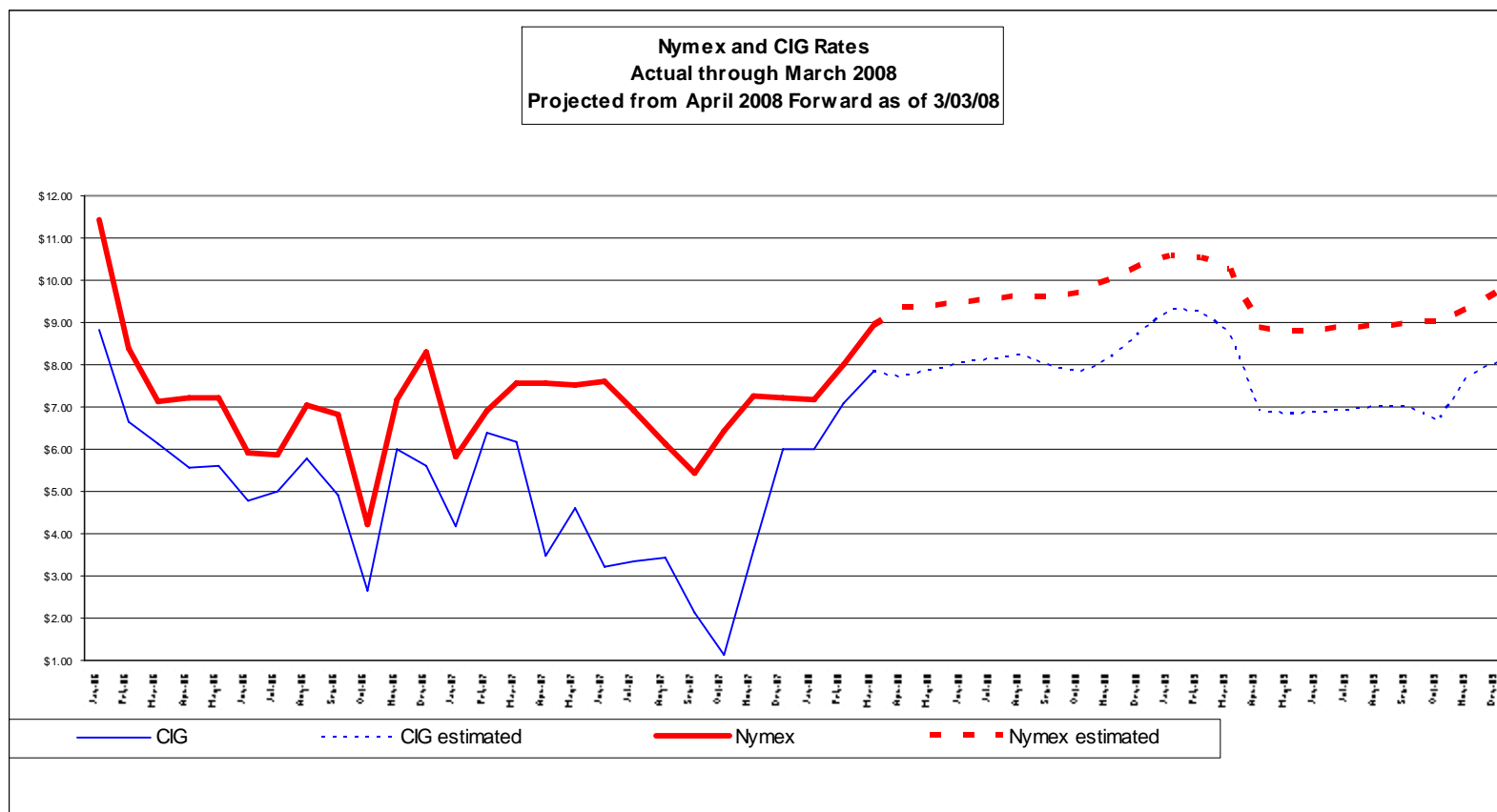
# Energy Market Exposure

**Percentage of Mcfe Sold by Market**  
(Year ended 2007)



See Slide 2 regarding Forward Looking Statements

# NYMEX and CIG Rates



See Slide 2 regarding Forward Looking Statements



# YE2007 Proved Reserve Summary

- Added to Reserves and Production through acquisitions and development in 2007
- 2007 acquisitions added 195 Bcfe proved reserves
- 2007 extensions, discoveries, other additions and purchases added 205 Bcfe

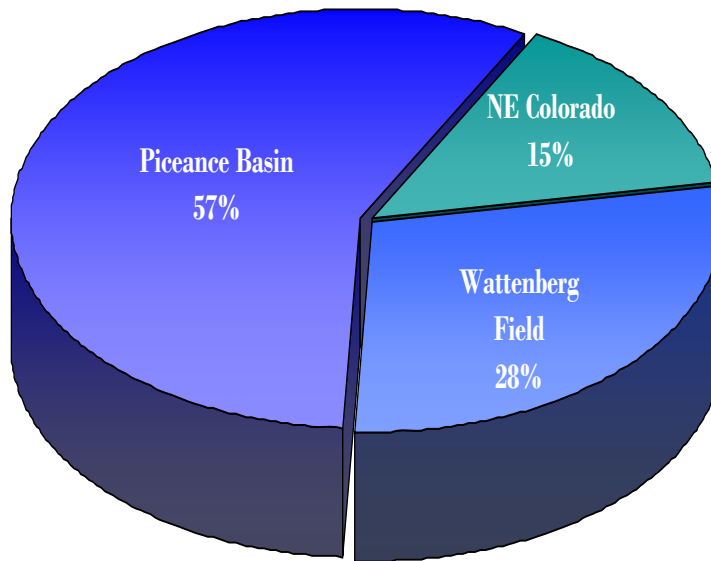
## Summary Reserve Data

	Proved Reserves (Bcfe) <sup>(1)</sup>				
	2006 YE	2007 YE	% Growth	% Developed	% Natural Gas
Rockies	175.5	558.6	195%	47.0%	83.6%
Appalachia	36.0	102.7	185%	72.4%	99.8%
Michigan	21.2	24.3	15%	100%	98.6%
<b>Total</b>	<b>322.7</b>	<b>685.6</b>	<b>112%</b>	<b>53.6%</b>	<b>86.6%</b>

(1) Independent reserve engineer's estimates

# Unproved Potential

## Distribution of 2P and 3P Reserves



▪ **Over 358 Bcfe of Probable and Possible Reserves for Future Development**

- **Grand Valley offset locations**
- **Wattenberg field locations (5<sup>th</sup> spot, rule 318A and 40 acre locations)**
- **Locations identified by seismic and offsets to producing wells in NE Colorado**

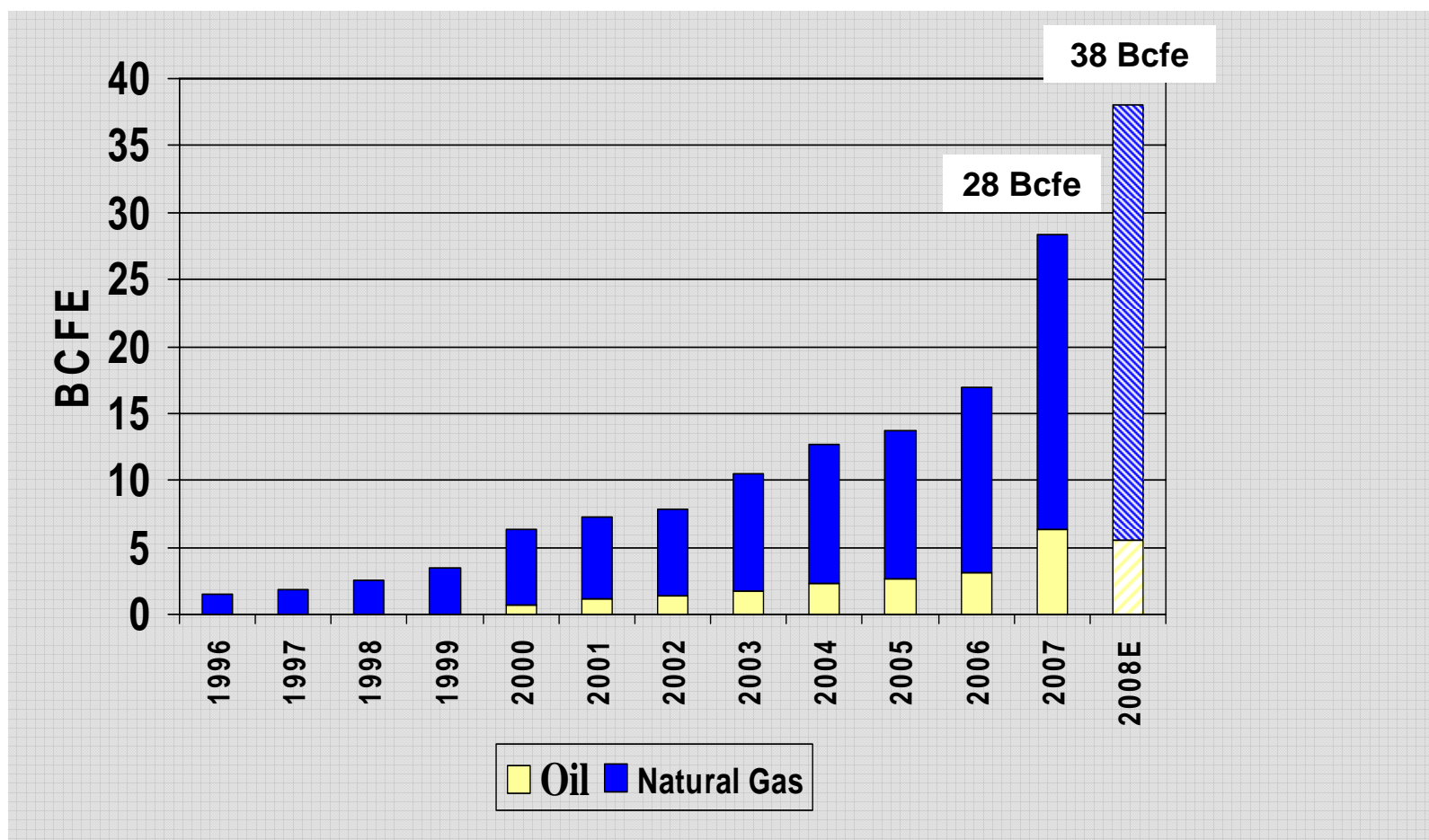
# Operations Forecast 2008 vs 2007



	<u>2007</u>	<u>2008</u>	<u>% Change</u>
<b>Total Net Production (BCFE)</b>	<b>28</b>	<b>38</b>	<b>36%</b>
<b>Net Exit Rate (MMCFE/D)</b>	<b>100</b>	<b>122</b>	<b>22%</b>
<b>Gross Exit Rate (MMCFE/D)</b>	<b>187</b>	<b>211</b>	<b>13%</b>
<b>Development Net Capital (MM\$)</b>	<b>\$224</b>	<b>\$194</b>	<b>-13%</b>
<b>Proved Reserves</b>	<b>686 Bcfe</b>	<b>750+ Bcfe</b>	<b>10%+</b>
<b>Total Proved, Probable, Possible</b>	<b>1.04 Tcfe</b>	<b>1.2+ Tcfe</b>	<b>20%+</b>

See Slide 2 regarding Forward Looking Statements

# Production



See Slide 2 regarding Forward Looking Statements



# Richard W. McCullough

## President & CFO

# Status of Year End 2007 Audit



- 10K and audit finalized and ready to file using net presentation method
  - We have disclosed in the footnotes the partnership drilling revenues and expenses that have been netted
- Dialogue with SEC has been on-going since mid January; our last response was submitted approximately 10 days ago
- Once the SEC finalizes their review and provides us with their guidance, we anticipate filing within 3-5 business days

# Summary Financial Results

(\$ in millions, except for per share data)

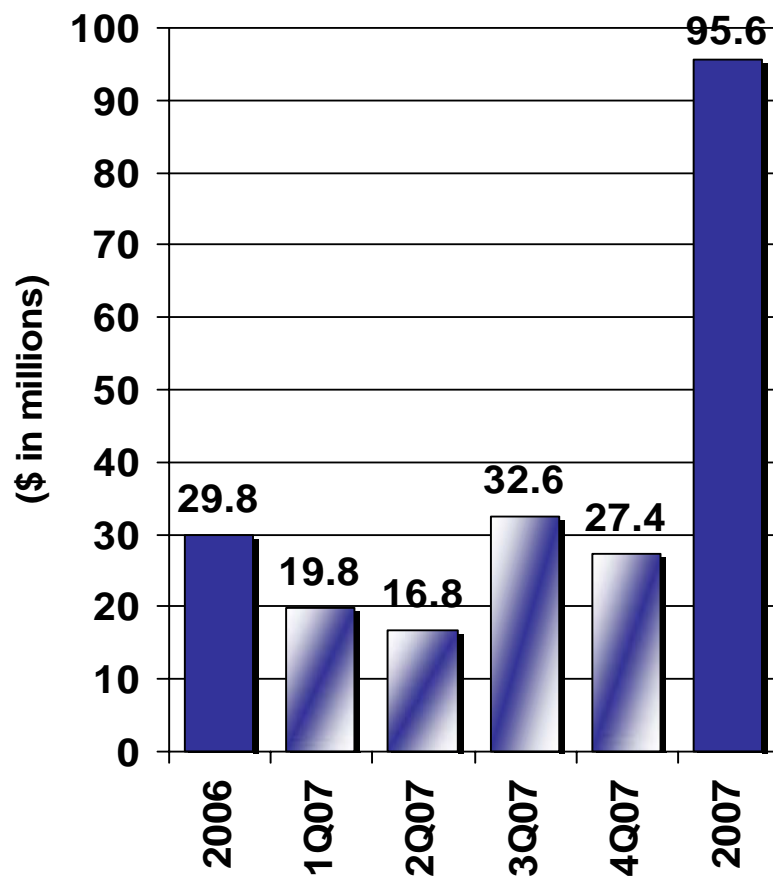
	Fourth Quarter		Year Ended Dec 31,	
	2006	2007	2006	2007
<b>Income from Operations*</b>	\$11.4	\$17.5	\$381.8	\$60.8
<b>Net Income*</b>	\$8.0	\$8.2	\$237.8	\$33.2
<b>Diluted Earnings Per Share*</b>	\$0.54	\$0.55	\$15.11	\$2.24

\*Includes \$328 million in 2006 and \$33 million in 2007 for gain on sale of leaseholds related to the Marathon lease sale.





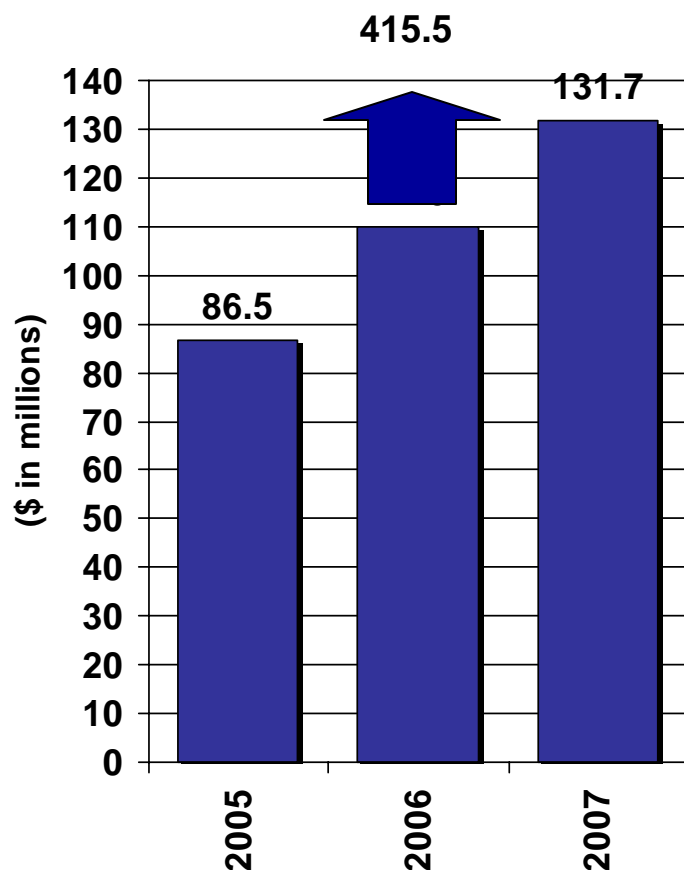
# Adjusted Cash Flow from Operations



- Increased despite lower prices
- Includes the impact of all non-cash items
- Adjusted cash flow from operations is defined as cash flow from operations before changes in assets and liabilities

See Slide 22 for GAAP Reconciliation

# EBITDA



- 7.9% lower gas prices in 2007
- 2006 and 2007 include gain on leasehold sale
- EBITDA = Net Income + Interest Expense + Income Taxes + Depreciation, depletion, amortization

See Slide 22 for GAAP Reconciliation

# Investments Adding Value

## Results of investments in people & production

Expense Category	Fourth Quarter		Year Ended December 31,	
	2006	2007	2006	2007
Oil & gas production & well ops.	\$6.7	\$16.0	\$29.0	\$49.3
<i>Per Mcfe</i>	<i>\$1.39</i>	<i>\$1.88</i>	<i>\$1.71</i>	<i>\$1.76</i>
General & administrative expense	\$4.9	\$9.1	\$19.0	\$31.0
<i>Per Mcfe</i>	<i>\$1.02</i>	<i>\$1.08</i>	<i>\$1.12</i>	<i>\$1.11</i>
DD&A	\$11.2	\$20.0	\$33.7	\$70.8
<i>Per Mcfe</i>	<i>\$2.35</i>	<i>\$2.36</i>	<i>\$1.99</i>	<i>\$2.53</i>

See Slide 2 regarding Forward Looking Statements

# F&D Costs



	2007	2006	2005
<b>Acquisition of Properties</b>		(in millions)	
<b>Proved Properties</b>	<b>\$257.3</b>	<b>\$0.8</b>	<b>\$1.6</b>
<b>Unproved Properties</b>	<b>13.7</b>	<b>11.9</b>	<b>16.9</b>
<b>Development Costs</b>	<b>194.0</b>	<b>114.5</b>	<b>68.6</b>
<b>Exploration Costs</b>			
<b>Exploratory Drilling</b>	<b>13.0</b>	<b>18.7</b>	<b>12.9</b>
<b>Geological &amp; Geophysical</b>	<b>6.3</b>	<b>2.2</b>	<b>0.0</b>
<b>Total Costs Incurred</b>	<b>\$484.3</b>	<b>\$148.1</b>	<b>\$100.0</b>
<b>* Additions to Reserves</b>	<b>396.3</b>	<b>66.9</b>	<b>80.3</b>
<b>F&amp;D Cost/Mcfe</b>	<b>\$1.22</b>	<b>\$2.21</b>	<b>\$1.25</b>
<b>3 Year Average F&amp;D Cost/Mcfe</b>	<b>\$1.35</b>		

\*Additions to reserves = year-end proved reserves+ production + dispositions to partnerships - beginning of the year reserves

See Slide 2 regarding Forward Looking Statements

# Derivatives

Oil and Gas Price Risk Management gain (loss), net				
	Fourth Quarter		Year Ended December 31,	
	2006	2007	2006	2007
Unrealized	\$ (0.3)	\$ (5.8)	\$ 7.3	\$ (4.4)
Realized	\$ 0.4	\$ 4.1	\$ 1.9	\$ 7.2

- As PDC's production and the percentage of the overall production increases relative to Partnership volumes, our total hedged volumes have increased.
- Because prices have risen during early 2008 and volumes hedged have increased,
  - higher quarterly realized and unrealized losses from derivatives may result
  - we will realize prices in 2008 that may be higher than initial guidance

See Slide 2 regarding Forward Looking Statements

# PDC Outlook for 2008 and Beyond



- PDC has
  - Large inventory of low-risk, high quality development prospects in Colorado
  - Staff and expertise to predictably execute the development plan
  - Capital to fund development at aggressive 2007 levels through 2010
- The Company is positioned for significant value creation in 2008 and beyond without any additions to its prospect inventory
- Acquisitions, exploration or exploitation success in the Barnett or Marcellus shale or other new areas will add to anticipated future reserves and production levels

# EBITDA & Adjusted Cash Flow from Operations Reconciliation

(\$ in thousands)

EBITDA	2005	2006	2007
Net Income	\$41,452	\$237,772	\$33,209
Interest, net	(681)	(5,607)	6,617
Income Taxes	24,676	149,637	20,981
Depreciation	21,116	33,735	70,844
<b>EBITDA</b>	<b>\$86,563</b>	<b>\$415,537</b>	<b>\$131,651</b>

Management believes EBITDA is relevant because it is a measure of cash available to fund the Company's capital expenditures and service its debt and is a widely used industry metric which allows comparability of our results with our peers.

## Adjusted Cash Flow Operations

	2006	1Q07	2Q07	3Q07	4Q07	2007
Net Cash Provided by (Used in) Operating Activities	\$67,390	(32,738)	(43,647)	\$43,585	\$93,104	\$60,304
Changes in Assets & Liabilities to Operations	(37,621)	52,532	60,418	(11,947)	(65,681)	35,322
<b>Adjusted Cash Flow from Operations</b>	<b>29,769</b>	<b>19,794</b>	<b>16,771</b>	<b>32,638</b>	<b>27,423</b>	<b>95,626</b>

Management believes Adjusted Cash Flow from Operations is relevant because it is a measure of cash available to fund the Company's capital expenditures and service its debt. Management also believes Adjusted Cash Flow from Operations is a useful measure for estimating the value of the Company's operations.





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