

PETROLEUM DEVELOPMENT CORP

Form 11-K

June 27, 2011

Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 11-K

þ ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the year ended: December 31, 2010

or

.. TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF

1934

For the transition period from ___ to ___

Commission file number 000-07246

A. Full title of the plan and address of the plan, if different from that of the issuer named below:

The Petroleum Development Corporation 401(k) & Profit Sharing Plan

B. Name of the issuer of the securities held pursuant to the plan and the address of its principal executive office:

Petroleum Development Corporation

(Doing Business as PDC Energy)

1775 Sherman Street, Suite 3000, Denver, Colorado 80203

REQUIRED INFORMATION

1. In lieu of the requirements of Item 1-3: audited statements and schedules prepared in accordance with the requirements of ERISA for the Plan's fiscal years ended December 31, 2010 and 2009.

Exhibit 23. Consent of Schneider Downs & Co., Inc., Independent Registered Public Accounting Firm.

Table of Contents

THE PETROLEUM DEVELOPMENT CORPORATION 401(K) & PROFIT SHARING PLAN AND AUDITED
FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2010 AND 2009 AND FOR THE YEAR ENDED DECEMBER 31, 2010
TABLE OF CONTENTS

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	<u>2</u>
Financial Statements:	
<u>Statements of Net Assets Available for Benefits</u>	<u>3</u>
<u>Statement of Changes in Net Assets Available for Benefits</u>	<u>4</u>
<u>Notes to Financial Statements</u>	<u>5</u>
<u>Index of Supplemental Schedules *</u>	<u>10</u>
<u>Schedule H, Line 4i -- Schedule of Assets (Held at End of Year)</u>	<u>11</u>
<u>Signature Page</u>	<u>12</u>
<u>Exhibit 23 - Consent of Independent Registered Public Accounting Firm</u>	

*All other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and Administrator of
The Petroleum Development Corporation 401(k) & Profit Sharing Plan
Bridgeport, West Virginia

We have audited the accompanying statements of net assets available for benefits of The Petroleum Development Corporation 401(k) & Profit Sharing Plan (the "Plan") as of December 31, 2010 and 2009, and the related statement of changes in net assets available for benefits for the year ended December 31, 2010. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to, nor were we engaged to perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting.

Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2010 and 2009, and the changes in its net assets available for benefits for the year ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule of assets (held at end of year) as of December 31, 2010 is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by the United States Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. This supplemental schedule is the responsibility of the Plan's management. This schedule has been subjected to the auditing procedures applied in our audit of the basic 2010 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic 2010 financial statements taken as a whole.

/s/ SCHNEIDER DOWNS & CO., INC.

Pittsburgh, Pennsylvania
June 27, 2011

Table of Contents

THE PETROLEUM DEVELOPMENT CORPORATION
 401(K) & PROFIT SHARING PLAN
 STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
 (in thousands)

Assets	December 31, 2010	2009
Investments, at fair value	\$27,937	\$23,597
Total investments	27,937	23,597
Receivables:		
Employer contributions	908	607
Employee contributions	48	42
Notes receivable from participants	606	557
Total receivables	1,562	1,206
Total Assets	29,499	24,803
Liabilities		
Excess deferrals due to participants	2	—
Total Liabilities	2	—
Net assets available for benefits	\$29,497	\$24,803

See notes to financial statements.

Table of Contents

THE PETROLEUM DEVELOPMENT CORPORATION
 401(K) & PROFIT SHARING PLAN
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 YEAR ENDED DECEMBER 31, 2010
 (in thousands)

Additions to net assets attributed to:	
Investment income:	
Interest and dividend income	\$469
Net realized & unrealized change in fair value of investments	5,515
Total investment income	5,984
Interest income on notes receivable from participants	46
Contributions:	
Employer contributions	1,719
Participant contributions	1,881
Employer contributions-profit sharing	801
Participant rollovers	206
Total contributions	4,607
Total additions	10,637
Deductions from net assets attributed to:	
Benefits paid to participants	5,935
Administrative expenses	8
Total deductions	5,943
Net increase	4,694
Net assets available for benefits:	
Beginning of year	24,803
End of year	\$29,497

See notes to financial statements.

Table of Contents

THE PETROLEUM DEVELOPMENT CORPORATION
401(K) & PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2010 AND 2009 AND FOR THE YEAR ENDED DECEMBER 31, 2010

1. DESCRIPTION OF THE PLAN

The following description of The Petroleum Development Corporation (the "Company") 401(k) & Profit Sharing Plan (the "Plan") is provided for general information purposes only. Effective July 15, 2010, the company began conducting business as PDC Energy. Participants should refer to the Plan agreement for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan covering all Company employees who meet the eligibility requirements of the Plan, except leased employees and employees covered by a collective bargaining agreement of Petroleum Development Corporation. The plan also covers employees of the Company's subsidiaries and joint venture. Currently, no Company employees are covered by a collective bargaining agreement. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the Internal Revenue Code of 1986, as amended.

Trustee and Recordkeeper

All of the Plan's assets are held by Fidelity Management Trust Company as trustee who also has participant account record keeping responsibilities.

Contributions

Each year, participants may make contributions of up to 60% of their pretax annual compensation, as defined in the Plan, subject to statutory limitations. Participants in the Plan may also elect to make contributions to Roth salary deferral accounts and Roth rollover accounts. The Plan also allows catch up contributions for participants who have reached age 50 by the end of the year, subject to statutory limitations. The Company may make discretionary matching contributions in such amounts as may be determined by the Company's Board of Directors each plan year. In 2010, the Company matched 100% of participant contributions up to 10% of the participant compensation. In addition, the Company may make discretionary profit sharing contributions on the participant's behalf in an amount to be determined by the Board of Directors at the end of the plan year. During 2011, the Company elected to make a 2010 discretionary profit sharing contribution of \$800,000, which is included in the Statement of Changes in Net Assets Available for Benefits for the year ended December 31, 2010.

Participants direct the investment of their contributions into various investment options offered by the Plan. Currently, the Plan offers 24 mutual funds and the Company's common stock as investment options for participants. Participants may change their investment election for current or future contributions, the percentage(s) invested in each of these options, or transfer funds among these options on any business day.

Participant Accounts

Each participant's account is funded with the participant's contribution; the Company's matching contribution, and allocations of the Company's discretionary contribution and Plan earnings. Allocations of earnings are based on participant earnings from investments or account balances, as defined. The benefit to which a participant is entitled is the benefit provided from the participant's vested account.

Vesting

Participant contributions, plus actual earnings thereon, vest immediately. The Company's contribution portion of the participants accounts vests based on years of continuous service. Participants vest 25 percent after one year of service, 50 percent after two years of service, and are 100 percent vested after three years of service.

Table of Contents

Notes Receivable from Participants

Participants may borrow from their fund accounts a minimum of \$1,000, up to a maximum of \$50,000 or 50% of their account balance, whichever is less. Principal and interest are paid ratably through payroll deductions. The repayment period shall be no more than five years unless such loan is for the purchase of a participant's primary residence, in which case the repayment period may not extend beyond ten years from the date of the loan. The loans are secured by the balance in the participant's account and interest is set at the discretion of the Plan administrator. Prior to August 31, 2010, loan interest was set at 6%. As of September 1, 2010, loan interest was set at the prime lending rate in effect at the loan origination date plus one percent. Interest during 2010 accrued at rates ranging from 4.25% to 6%.

Payment of Benefits

On termination of service for any reason or retirement (on or after age 59 ½), a participant, representative or beneficiary may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account, or installments under a systematic withdrawal plan. In addition, in-service hardship withdrawals from a participant's Deferral Contributions Account shall be allowed.

Forfeitures

The Company's discretionary contributions that are not vested upon termination of employment are forfeited and may be used to reduce future Company contributions. At December 31, 2010 and 2009, the forfeited nonvested accounts totaled \$78,173 and \$43,269. For the year ended December 31, 2010, \$66,317 of forfeitures was used to offset current year employer contributions.

2. SUMMARY OF SIGNIFICANT ACCCOUNTING POLICIES

New Accounting Pronouncements

In September 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2010-25, Reporting Loans to Participants by Defined Contribution Pension Plans, which requires participant loans to be classified as notes receivable and measured at unpaid principal plus accrued but unpaid interest. Previously, these participant loans were classified as Plan investments, and were subject to the fair value measurement and disclosure requirements of the FASB Accounting Standards Codification ("ASC") 820, Fair Value Measurements and Disclosures. As permitted under the ASU, the Plan has retrospectively adopted the ASU for the Plan years ended December 31, 2010 and 2009. The adoption of ASU 2010-25 did not have a material impact on the Plan's financial statements. Certain reclassifications have been made to the accompanying financial statements for the year ended December 31, 2009 to conform to the current year's presentation.

In January 2010, the FASB issued ASU 2010-06, "Improving Disclosures about Fair Value Measurements". This guidance requires additional disclosure of transfers of assets and liabilities between Levels 1 and 2 of the fair value hierarchy and disclosure of activities on a gross basis, including purchases, sales, issuance, and settlements in the reconciliation of the assets and liabilities measured under Level 3 of the fair value hierarchy. This standard also clarifies existing disclosure requirements on levels of disaggregation and disclosures about inputs and valuation techniques. ASU 2010-06 was effective for the Plan year ended December 31, 2010 except for the disclosure requirements on Level 3 activity that will be effective for the Plan year ended December 31, 2011. The adoption of this standard did not have a material impact on the Plan's financial statements.

Basis of Presentation

The Plan uses the accrual basis of accounting and the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation and Income

The Plan's investments are stated at fair value. Shares of mutual funds are valued at the net asset value of shares held by the Plan at year end. The market value of the Company's common stock was based on the publicly traded price as of the last trade date of the year, December 31, 2010.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

Table of Contents

Notes Receivable from Participants

Notes receivable from participants are measured at their unpaid principal balance plus any accrued and unpaid interest. Delinquent participant loans are reclassified as distributions based upon the terms of the plan document.

Administrative Expenses

Administrative expenses, including trustee, legal, auditing and other fees, are paid by the Company and, as such, are not expenses of the Plan. The amount reported as administrative expenses of the Plan are transactional fees charged to the recipient's account, such as loan processing, expedited shipping fees, etc.

Payment of Benefits

Benefits are recorded when paid.

Subsequent Events

The Plan administrator has evaluated subsequent events through the date of this report, to ensure that the financial statements include appropriate disclosure or recognition of events that occurred subsequent to December 31, 2010. As of the date of this report, there are no subsequent events that are reportable.

Fair Value Measurements

The Plan's assets are measured at fair value pursuant to a fair value hierarchy that gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 financial instruments) and the lowest priority to unobservable inputs (Level 3 financial instruments). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Level 1 Inputs - Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment speeds, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means.

Level 3 Inputs - Unobservable inputs for determining the fair values of assets or liabilities that reflect assumptions that market participants would use in pricing the assets or liabilities.

The table below sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2010 and 2009: (in thousands)

	Investments at Fair Value as of December 31, 2010			
	(Level 1)	(Level 2)	(Level 3)	Total
Money market	\$1,326	—	—	\$1,326
Mutual funds:				
Growth funds	2,982	—	—	2,982
Blended funds	307	—	—	307
Value funds	1,600	—	—	1,600
Bond funds	720	—	—	720
Balanced funds	545	—	—	545
International funds	1,170	—	—	1,170
Target date funds	14,663	—	—	14,663

Edgar Filing: PETROLEUM DEVELOPMENT CORP - Form 11-K

Company common stock	4,624	—	—	4,624
Total investments at fair values	\$27,937	—	—	\$27,937

7

Table of Contents

	Investments at Fair Value as of December 31, 2009			Total
	(Level 1)	(Level 2)	(Level 3)	
Money market	\$1,099	—	—	\$1,099
Mutual funds:				
Growth funds	2,652	—	—	2,652
Blended funds	193	—	—	193
Value funds	1,412	—	—	1,412
Bond funds	783	—	—	783
Balanced funds	362	—	—	362
International funds	1,168	—	—	1,168
Target date funds	13,536	—	—	13,536
Company common stock	2,392	—	—	2,392
Total investments at fair values	\$23,597	—	—	\$23,597

3. INVESTMENTS

The following represents 5% or more of the Plan's net assets available for benefits at December 31: (in thousands)

	2010	2009
Petroleum Development Corporation Common Stock	\$4,624	\$2,392
Fidelity Contrafund Mutual Fund	*	1,212
Fidelity Freedom 2010	*	1,353
Fidelity Freedom 2015	1,655	2,791
Fidelity Freedom 2020	4,583	3,784
Fidelity Freedom 2025	2,364	2,052
Fidelity Freedom 2030	2,250	1,647

* Investments did not represent 5% or more of the Plan's net assets at December 31 for the respective year.

During 2010, the Plan's investments, including gains and losses on investments bought and sold, as well as held during the year appreciated in value as follows: (in thousands)

Mutual funds	\$2,484
Petroleum Development Corporation common stock	3,031
Net appreciation in fair value of investments	\$5,515

4. PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan, subject to the provisions of ERISA. In the event of termination, Plan participants will become 100% vested in their accounts.

Table of Contents

5. TAX STATUS

The Plan is a volume submitter profit sharing plan with 401(k) features established by Fidelity Management and Research Company. The Plan has received an opinion letter from the Internal Revenue Service dated March 31, 2008 that the form of plan is qualified under Section 401(a) of the Internal Revenue Code. The Company has not sought an individual determination letter for the Plan and is relying on the opinion letter, as provided for in Revenue Procedure 2005-16. The Plan administrator believes the Plan is operated in compliance with the applicable requirements of the Internal Revenue Code and has no income subject to unrelated business income tax. Therefore, no provision for income taxes has been included in the Plan's financial statement.

6. RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

7. RELATED PARTY / PARTY-IN-INTEREST TRANSACTIONS

Certain Plan investments are shares of the Company's common stock. The Company is the Plan sponsor and therefore qualifies as a related party / party-in-interest. At December 31, 2010, the Plan held an investment of 109,442 shares of the common stock of the Company. The fair value of the Company common stock held by the fund at December 31, 2010 was \$4,623,944.

Certain Plan investments are shares of mutual funds managed by Fidelity Management Trust Company. Fidelity Management Trust Company is the trustee as defined by the Plan, and therefore, these transactions qualify as party-in-interest transactions.

8. RECONCILIATION OF FINANCIAL STATEMENTS TO FORM 5500

The following is a reconciliation of the assets available for benefits as included in the financial statements to Form 5500 as of December 31, 2010 and 2009: (in thousands)

	2010	2009
Net assets available for benefits - financial statements	\$29,497	\$24,803
Less deemed distribution of participant loans	—	(3
Net assets available for benefits - Form 5500	\$29,497	\$24,800

Table of Contents

INDEX of Supplemental Schedules

Form 5500, Schedule H, Part IV, Line 4i - Schedule of Assets (Held at End of Year)

10

Table of Contents

THE PETROLEUM DEVELOPMENT CORPORATION

401(K) & PROFIT SHARING PLAN

FORM 5500, SCHEDULE H, PART IV, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)

EIN 25-1211621, PLAN 001

DECEMBER 31, 2010

(a)	(b)	(c)	(d)	(e)
	Identity of Issuer, Borrower, Lessor or Similar Party	Description of Investment Including Maturity Date and Rate of Interest	Cost**	Current Value (in thousands)
	ABF Large Cap Val PA	American Beacon Large Cap Value Plan Ahead Class		\$587
	Rainier	Rainier Small/Mid Cap Equity Mutual Fund		1,123
	Royce	Royce Opportunity Mutual Fund		563
*	Petroleum Development Corporation	Common Stock		4,624
*	Fidelity Contrafund	Fidelity Contrafund Mutual Fund		1,287
*	Fidelity Value	Fidelity Value Mutual Fund		450
*	Fidelity Balanced	Fidelity Balanced Mutual Fund		545
*	Fidelity International Discovery	Fidelity International Discovery Mutual Fund		747
*	Fidelity Export and Multinational	Fidelity Export and Multinational Mutual Fund		572
*	Fidelity Freedom Income	Fidelity Freedom Income Mutual Fund		72
*	Fidelity Freedom 2000	Fidelity Freedom 2000 Mutual Fund		17
*	Fidelity Freedom 2010	Fidelity Freedom 2010 Mutual Fund		1,271
*	Fidelity Freedom 2020	Fidelity Freedom 2020 Mutual Fund		4,583
*	Fidelity Freedom 2030	Fidelity Freedom 2030 Mutual Fund		2,250
	Spartan Total Market Index	Spartan Total Market Index Mutual Fund - Investor Class		307
	Spartan International Index	Spartan International Index Mutual Fund - Investor Class		423
*	Fidelity Retirement Money Market	Fidelity Retirement Money Market Mutual Fund		1,325
*	Fidelity US Bond Index	Fidelity US Bond Index Mutual Fund		720
*	Fidelity Freedom 2040	Fidelity Freedom 2040 Mutual Fund		926
*	Fidelity Freedom 2005	Fidelity Freedom 2005 Mutual Fund		410
*	Fidelity Freedom 2015	Fidelity Freedom 2015 Mutual Fund		1,655
*	Fidelity Freedom 2025	Fidelity Freedom 2025 Mutual Fund		2,364
*	Fidelity Freedom 2035	Fidelity Freedom 2035 Mutual Fund		704
*	Fidelity Freedom 2045	Fidelity Freedom 2045 Mutual Fund		197
*	Fidelity Freedom 2050	Fidelity Freedom 2050 Mutual Fund		214
*	Petroleum Development Stock Purchase Account	Money Market		1
				27,937
*	Notes Receivable from participants	Loans with maturities ranging from 1 month to 60 months and interest rates that range from 4.25% to 6%.		606
				\$28,543

* Denotes party-in-interest to the Plan

** Historical cost is not required as all investments are participant-directed.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned hereunto duly authorized.

THE PETROLEUM DEVELOPMENT CORPORATION
401(K) & PROFIT SHARING PLAN

By: Petroleum Development Corporation
Plan Administrator

June 27, 2011

By: /s/ R. Scott Meyers
R. Scott Meyers
Chief Accounting Officer