

PDC ENERGY, INC.  
Form 10-Q  
August 09, 2018  
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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 quarterly period ended June 30, 2018

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 001-37419  
PDC ENERGY, INC.  
(Exact name of registrant as specified in its charter)

Delaware 95-2636730  
(State of incorporation) (I.R.S. Employer Identification No.)  
1775 Sherman Street, Suite 3000  
Denver, Colorado 80203  
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (303) 860-5800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

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Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 66,073,231 shares of the Company's Common Stock (\$0.01 par value) were outstanding as of July 20, 2018.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 ("Securities Act"), Section 21E of the Securities Exchange Act of 1934 ("Exchange Act") and the United States ("U.S.") Private Securities Litigation Reform Act of 1995 regarding our business, financial condition, results of operations and prospects. All statements other than statements of historical fact included in and incorporated by reference into this report are "forward-looking statements." Words such as expect, anticipate, intend, plan, believe, seek, estimate and similar expressions or variations of such words are intended to identify forward-looking statements herein. Forward-looking statements include, among other things, statements regarding future: production, costs and cash flows; drilling locations and zones and growth opportunities; commodity prices and differentials; capital expenditures and projects, including the number of rigs employed; management of lease expiration issues; financial ratios and compliance with covenants in our revolving credit facility; impacts of certain accounting and tax changes; midstream capacity and related curtailments; impacts of a potential ballot initiative and other Colorado political matters; ability to meet our volume commitments to midstream providers; ongoing compliance with our consent decree; timing and likelihood that the Denver Metro/North Front Range NAA ozone classification will be reclassified to serious; and timing and adequacy of infrastructure projects of our midstream providers.

The above statements are not the exclusive means of identifying forward-looking statements herein. Although forward-looking statements contained in this report reflect our good faith judgment, such statements can only be based on facts and factors currently known to us. Forward-looking statements are always subject to risks and uncertainties, and become subject to greater levels of risk and uncertainty as they address matters further into the future. Throughout this report or accompanying materials, we may use the term "projection" or similar terms or expressions, or indicate that we have "modeled" certain future scenarios. We typically use these terms to indicate our current thoughts on possible outcomes relating to our business or our industry in periods beyond the current fiscal year. Because such statements relate to events or conditions further in the future, they are subject to increased levels of uncertainty.

Important factors that could cause actual results to differ materially from the forward-looking statements include, but are not limited to:

- changes in worldwide production volumes and demand, including economic conditions that might impact demand and prices for the products we produce;
- volatility of commodity prices for crude oil, natural gas and natural gas liquids ("NGLs") and the risk of an extended period of depressed prices;
- volatility and widening of differentials;
- reductions in the borrowing base under our revolving credit facility;
- impact of governmental policies and/or regulations, including changes in environmental and other laws, the interpretation and enforcement of those laws and regulations, liabilities arising thereunder and the costs to comply with those laws and regulations;
- declines in the value of our crude oil, natural gas and NGLs properties resulting in impairments;
- changes in estimates of proved reserves;
- inaccuracy of reserve estimates and expected production rates;
- potential for production decline rates from our wells being greater than expected;
- timing and extent of our success in discovering, acquiring, developing and producing reserves;
- availability of sufficient pipeline, gathering and other transportation facilities and related infrastructure to process and transport our production and the impact of these facilities and regional capacity on the prices we receive for our production;

- timing and receipt of necessary regulatory permits;
  - risks incidental to the drilling and operation of crude oil and natural gas wells;
  - difficulties in integrating our operations as a result of any significant acquisitions and acreage exchanges;
  - increases or changes in costs and expenses;
  - availability of supplies, materials, contractors and services that may delay the drilling or completion of our wells;
  - potential losses of acreage due to lease expirations or otherwise;
  - increases or adverse changes in construction and procurement costs associated with future build out of midstream-related assets;
  - future cash flows, liquidity and financial condition;
  - competition within the oil and gas industry;
  - availability and cost of capital;
  - our success in marketing crude oil, natural gas and NGLs;
  - effect of crude oil and natural gas derivatives activities;
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• impact of environmental events, governmental and other third-party responses to such events and our ability to insure adequately against such events;

• cost of pending or future litigation;

• effect that acquisitions we may pursue have on our capital requirements;

• our ability to retain or attract senior management and key technical employees; and

• success of strategic plans, expectations and objectives for our future operations.

Further, we urge you to carefully review and consider the cautionary statements and disclosures, specifically those under the heading "Risk Factors," made in this Quarterly Report on Form 10-Q, our Annual Report on Form 10-K for the year ended December 31, 2017 filed with the U.S. Securities and Exchange Commission ("SEC") on February 27, 2018 and as amended on May 1, 2018 (the "2017 Form 10-K"), and our other filings with the SEC for further information on risks and uncertainties that could affect our business, financial condition, results of operations and prospects, which are incorporated by this reference as though fully set forth herein. We caution you not to place undue reliance on the forward-looking statements, which speak only as of the date of this report. We undertake no obligation to update any forward-looking statements in order to reflect any event or circumstance occurring after the date of this report or currently unknown facts or conditions or the occurrence of unanticipated events. All forward-looking statements are qualified in their entirety by this cautionary statement.

REFERENCES

Unless the context otherwise requires, references in this report to "PDC Energy," "PDC," "the Company," "we," "us," "our" or "ours" refer to the registrant, PDC Energy, Inc. and all subsidiaries consolidated for the purposes of its financial statements, including our proportionate share of the financial position, results of operations, cash flows and operating activities of our affiliated partnerships.

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## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## PDC ENERGY, INC.

## Condensed Consolidated Balance Sheets

(unaudited; in thousands, except share and per share data)

	June 30, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,425	\$ 180,675
Accounts receivable, net	195,317	197,598
Fair value of derivatives	14,817	14,338
Prepaid expenses and other current assets	6,744	8,613
Total current assets	218,303	401,224
Properties and equipment, net	4,192,608	3,933,467
Assets held-for-sale, net	—	40,084
Other assets	31,243	45,116
Total Assets	\$ 4,442,154	\$ 4,419,891
Liabilities and Stockholders' Equity		
Liabilities		
Current liabilities:		
Accounts payable	\$ 215,150	\$ 150,067
Production tax liability	56,766	37,654
Fair value of derivatives	186,605	79,302
Funds held for distribution	102,354	95,811
Accrued interest payable	12,561	11,815
Other accrued expenses	35,888	42,987
Total current liabilities	609,324	417,636
Long-term debt	1,179,117	1,151,932
Deferred income taxes	141,811	191,992
Asset retirement obligations	73,549	71,006
Fair value of derivatives	36,430	22,343

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Other liabilities	61,617	57,333
Total liabilities	2,101,848	1,912,242
Commitments and contingent liabilities		
Stockholders' equity		
Common shares - par value \$0.01 per share, 150,000,000 authorized, 66,133,025 and 65,955,080 issued as of June 30, 2018 and December 31, 2017, respectively	661	659
Additional paid-in capital	2,509,693	2,503,294
Retained earnings (deficit)	(166,692 )	6,704
Treasury shares - at cost, 67,169 and 55,927 as of June 30, 2018 and December 31, 2017, respectively	(3,356 )	(3,008 )
Total stockholders' equity	2,340,306	2,507,649
Total Liabilities and Stockholders' Equity	\$ 4,442,154	\$ 4,419,891

See accompanying Notes to Condensed Consolidated Financial Statements

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PDC ENERGY, INC.

Condensed Consolidated Statements of Operations  
(unaudited; in thousands, except per share data)

Three	Six
Months	Months
Ended	Ended
June 30,	June 30,