

PETROLEUM DEVELOPMENT CORP
Form DEF 14A
May 02, 2005

PETROLEUM DEVELOPMENT CORPORATION

103 East Main Street

Bridgeport, West Virginia 26330

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

June 10, 2005

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To the Shareholders of

PETROLEUM DEVELOPMENT CORPORATION:

Notice is hereby given that the Annual Meeting of Shareholders of Petroleum Development Corporation (the "Company") will be held at the Benedum Civic Center, Main Street, Bridgeport, West Virginia 26330, on June 10, 2005 at 10:00 A.M., local time, for the following purposes, all as more fully described in the accompanying Proxy Statement:

- (1) To elect two directors to serve three year terms or until their successors shall be elected and shall qualify.
- (2) To ratify the selection of Independent Registered Public Accounting Firm for the Company for the fiscal year ending December 31, 2005.
- (3) To approve the 2005 Non-Employee Director Restricted Stock Plan.
- (4) Such other business as may properly come before the meeting or any adjournments thereof.

The Board of Directors has fixed the close of business on May 6, 2005 as the record date for the determination of Shareholders entitled to notice of and to vote at the Annual Meeting. The presence in person or by proxy of the holders of a majority of the outstanding shares of the Company's Common Stock entitled to vote is required to constitute a quorum.

EACH SHAREHOLDER IS CORDIALLY INVITED TO BE PRESENT AND TO VOTE AT THIS MEETING IN PERSON. SHAREHOLDERS WHO DO NOT EXPECT TO ATTEND ARE REQUESTED TO SIGN AND DATE THE ACCOMPANYING PROXY CARD AND RETURN IT PROMPTLY IN THE ENCLOSED POSTPAID ENVELOPE.

By Order of the Board of Directors,

Steven R. Williams

Chairman

Bridgeport, West Virginia

May 11, 2005

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GENERAL INFORMATION

Who May Vote

Shareholders of Petroleum Development Corporation (PDC or the Company), as recorded in our stock register on May 6, 2005, may vote at the meeting. The outstanding voting securities of the Company as of March 31, 2005 consisted of 16,589,824 shares of \$.01 par value common stock.

How to Vote

You may vote in person at the meeting or by proxy. We recommend you vote by proxy even if you plan to attend the meeting. You can always change your vote at the meeting.

How Proxies Work

Our Board of Directors is asking for your proxy. Giving us your proxy means you authorize us to vote your shares at the meeting in the manner you direct. You may vote for all, some, or none of our director candidates. You may also vote for or against the other proposals, or abstain from voting.

If your shares are held in your name, you can vote by completing, signing and dating your proxy card and returning it in the enclosed envelope.

If you give us your signed proxy but do not specify how to vote, we will vote your shares in favor of our director candidates; in favor of the ratification of the appointment of Independent Registered Public Accounting Firm; and in favor of the 2005 Non-Employee Director Restricted Stock Plan.

If you hold shares through someone else, such as a stockbroker, you will receive material from that firm asking how you want to vote. Check the voting form used by that firm to see what voting options you have available.

Revoking a Proxy

You may revoke your proxy before it is voted by:

Submitting a new signed proxy with a later date;

Notifying PDC's Secretary in writing before the meeting that you wish to revoke your proxy; or

Appearing at the meeting, notifying the Inspectors of the Election that you wish to revoke your proxy, and voting in person at the meeting.

If you hold your shares through someone else, such as a stockbroker, you will need to follow the directions they give you to revoke a proxy or otherwise vote at the meeting.

Quorum

In order to carry on the business of the meeting, we must have a quorum. This means at least a majority of the outstanding shares eligible to vote must be represented at the meeting, either by proxy or in person. Treasury shares, which are shares owned by PDC itself, are not voted and do not count for this purpose.

Votes Needed

The director candidates who receive the most votes will be elected to fill the available seats on the Board. Approval of the other proposals requires the favorable vote of a majority of the votes cast. Only votes for or against a proposal count. Abstentions and broker non-votes count for quorum purposes but not for voting purposes. Broker non-votes occur when a broker returns a proxy but does not have authority to vote on a particular proposal.

Attending in Person

Only shareholders or their proxy holders and PDC's guests may attend the annual meeting. For safety and security reasons, no cameras, audio or video recording equipment, large bags, briefcases or packages will be permitted in the meeting. In addition, each shareholder and guest may be asked to present valid, government-issued picture identification, such as a driver's license, before being admitted to the meeting.

If your shares are held in the name of your broker, bank, or other nominee, you must bring to the meeting an account statement or letter from the nominee indicating that you beneficially owned the shares on May 6, 2005, the record date for voting. Shareholders who do not present proxies at the meeting will be admitted upon verification of ownership at the admissions counter.

Conduct of the Meeting

The Chairman has broad authority to conduct the annual meeting in an orderly and timely manner. This authority includes establishing rules for shareholders who wish to address the meeting. Copies of these rules will be available at the meeting. The Chairman may also exercise broad discretion in recognizing shareholders who wish to speak and in determining the extent of discussion on each item of business. In light of the need to conclude the meeting within a reasonable period of time, we cannot assure that every shareholder who wishes to speak on an item of business will be able to do so. The Chairman may also rely on applicable law regarding disruptions or disorderly conduct to ensure that the meeting is conducted in a manner that is fair to all shareholders.

Contact Information

If you have questions or need more information about the annual meeting, write to:

Corporate Secretary

Petroleum Development Corporation

P.O. Box 26

Bridgeport, WV 26330

or call us at (304) 842-3597.

For information about shares registered in your name call PDC at 1-800-624-3821. We also invite you to visit PDC's internet site at www.PETD.com. Internet site materials are not part of this proxy solicitation.

PROPOSAL #1 - ELECTION OF DIRECTORS

As of the date of this proxy statement, PDC's Board of Directors had 7 members divided into three classes. Directors are elected for three-year terms. The terms for members of each class end in successive years. Directors elected to fill vacancies hold office for a term expiring at the annual meeting when the term for their class expires.

The Board of Directors has nominated two directors, David C. Parke and Jeffrey C. Swoveland, whose terms expire in 2005 to stand for election to the board for a three-year term expiring in 2008. Mr. Swoveland has served on the Board since 1991 and currently serves as the Chairman of the Compensation Committee. Mr. Parke has served on the Board since 2003.

The proxy committee will vote your proxy for the election of the two nominees unless you withhold authority to vote for any one or more of them. If any director is unable to stand for election, the board may reduce its size or choose a substitute. Proxies cannot be voted for a greater number of persons than the number of nominees named.

Vote Required

The two nominees receiving the most votes will be elected to the Board.

THE BOARD OF DIRECTORS RECOMMENDS A VOTE "FOR" PROPOSAL #1

Nominees for a Three Year Term Expiring in 2008

Name and Principal	-	Year First
Occupation Past Five Years	-	Elected
<u>and Other Directorships</u>	<u>Age</u>	<u>Director</u>
DAVID C. PARKE was elected Director by the Board of Directors in November 2003. Mr. Parke joined Mufson/Howe/Hunter & Company LLC, Philadelphia, Pennsylvania, an investment banking firm, as a founder and Director in October, 2003. From 1992-2003, Mr. Parke was director of the corporate finance department of Investec, Inc. and its predecessor Pennsylvania Merchant Group Ltd., investment banking companies. Prior to joining Pennsylvania Merchant Group, Mr. Parke served in the corporate finance departments of Wheat First Butcher & Singer, now part of Wachovia Securities, and Legg Mason, Inc.	38	2003
JEFFREY C. SWOVELAND has served as Chief Financial Officer of Body Media located in Pittsburgh, Pennsylvania, which develops body monitoring technologies, since September, 2000. Prior thereto, Mr. Swoveland was Vice President-Finance and Treasurer of Equitable Resources, Inc. since 1994.	50	1991

Continuing Directors with Terms Expiring in 2006

DONALD B. NESTOR is a Certified Public Accountant and a Partner in the CPA firm of Toothman Rice, P.L.L.C. and is in charge of the firm's Buckhannon, West Virginia office. Mr. Nestor has served in that capacity since 1975.	56	2000
KIMBERLY LUFF WAKIM is an attorney and Certified Public Accountant, and is a partner in the law firm of Thorp Reed & Armstrong, LLP, Pittsburgh, Pennsylvania. Ms. Wakim joined Thorp Reed & Armstrong LLP in 1990.	47	2003
STEVEN R. WILLIAMS was elected Chairman and Chief Executive Officer of PDC in January 2004. Mr. Williams served as President of PDC from 1983 until December 2004.	54	1983

Continuing Directors with Terms Expiring in 2007

VINCENT F. D'ANNUNZIO has served as president of Beverage Distributors, Inc. located in Clarksburg, West Virginia since 1985.	53	1989
THOMAS E. RILEY was appointed as President of PDC in December 2004. Prior to that Mr. Riley served PDC as Executive Vice President of Production, Natural Gas Marketing and Business Development since November 2003, and as Vice President Gas Marketing and Acquisitions of PDC since joining the Company in April 1996. Prior to joining PDC, Mr. Riley was president of Riley Natural Gas Company, a natural gas marketing company which PDC acquired in April 1996.	52	2004

BOARD COMMITTEES

The Company has five standing committees of the Board of Directors: the Nominating and Governance Committee, the Audit Committee, the Compensation Committee, the Qualified Legal Compliance Committee and the Executive Committee. Each Committee Charter referred to below is posted on the Company's website at www.petd.com under "Corporate Governance."

Nominating and Governance Committee

This Committee is comprised of Directors D'Annunzio (Chair), Wakim and Parke all of whom our Board has determined are independent of the Company under Rule 4200(a)(15) of the NASDAQ's listing standards. The Nominating and Governance Committee met four times in 2004. The purpose and functions performed by the Committee are to (1) assist the Board by identifying individuals qualified to become Board members and to recommend to the Board the director nominees for the next annual meeting of Shareholders or any vacancies; (2) recommend to the Board Corporate Governance Guidelines applicable to the Company; (3) lead the Board in its annual review of the Board's performance and (4) recommend to the Board director nominees for each committee. The Board has adopted a Charter for the Nominating and Governance Committee. The Charter has been posted on the Company's website.

Audit Committee

The Audit Committee is comprised of Directors Nestor (Chair), Swoveland and Wakim all of whom our Board has determined qualify as Audit Committee Financial Experts and are independent of the Company under Rule 4200(a)(15) of the NASDAQ listing standards. The Audit Committee met eight times in 2004.

The purpose of the Audit Committee is to (1) assist the Board in monitoring the integrity of the financial reporting process, systems of internal controls and financial statements and reports of the Company, and the compliance by the Company with legal and regulatory requirements; and (2) be directly responsible for the appointment, compensation and oversight of the Independent Registered Public Accounting Firm employed by the Company for the purpose of

preparing or issuing an audit report or related work.

The functions performed by the Audit Committee include the selection of the Company's Independent Registered Public Accounting Firm, determining the compensation of the Independent Registered Public Accounting Firm, and overseeing their work; reviewing the scope of the audit to be conducted by the Independent Registered Public Accounting Firm and reviewing with the Company's Independent Registered Public Accounting Firm the results of audits performed by them; approving audit and non-audit services to be provided to the Company by the Independent Registered Public Accounting Firm; and overseeing and reviewing the Company's monthly and quarterly unaudited financial statements. These reviews include the adequacy of cash flow and the status of credit arrangements of the Company. In performing its responsibilities, the Audit Committee monitors the integrity of the Company's financial reporting process and systems of internal controls regarding finance, accounting and legal compliance; monitors the independence of the Independent Registered Public Accounting Firm; and provides an avenue of communications among the Independent Registered Public Accounting Firm, management and the Board of Directors. The Board of Directors has adopted a Charter of the Audit Committee which is posted on the Company's website. The Board of Directors continues to assess the adequacy of the Charter and will revise it as necessary.

Compensation Committee

The Compensation Committee is comprised of Directors Swoveland (Chair), Nestor and Parke all of whom our Board has determined are independent of the Company under Rule 4200(a)(15) of the NASDAQ's listing standards. The Compensation Committee met eight times in 2004. The Board has adopted a Compensation Committee Charter which is posted on the Company's website.

The purpose and functions of this committee are to (1) oversee the development of a compensation strategy for the Company subject to approval by the Board, (2) oversee the administration of the Company's compensation programs, (3) evaluate the performance of and set compensation for the Chief Executive Officer, (4) review and approve the elements of compensation for other executive officers of the Company, (5) negotiate the terms of employment agreements with executive officers of the Company, (6) review the compensation of the Company's Directors and recommend changes in compensation levels to the Board of Directors, (7) recommend equity-based incentive programs necessary to implement the Company's compensation strategy, and (8) administer all equity-based incentive programs of the Company.

Qualified Legal Compliance Committee

The Qualified Legal Compliance Committee (QLCC) consists of Directors Wakim (Chair), D'Annunzio and Nestor. The purpose of the Committee is to assist the Board in receiving, considering, investigating, and responding to reports submitted under Section 307 of the Sarbanes-Oxley Act of 2002 ("SOX") alleging credible evidence of a material violation of federal or state securities laws, a material breach of a fiduciary duty arising under federal or state laws, or a similar violation of federal or state laws by the Company or any of its officers, directors, employees or agents (each such report, a "Section 307 Report"). The Board has adopted a charter for the QLCC which is posted on the Company's website.

Executive Committee

The Executive Committee is comprised of Directors Williams (Chair), D'Annunzio, Swoveland and Riley. The purpose and function of this committee is to exercise the powers and duties of the Board between Board meetings and while the Board is not in session, and to implement the policy decisions of the Board. The Board has adopted an Executive Committee Charter which is posted on the Company's website.

CORPORATE GOVERNANCE

Board of Directors

The Board of Directors and its committees perform a number of functions for PDC and its shareholders, including:

- Overseeing the management of the Company on your behalf;
- Reviewing PDC's long-term strategic plans;
- Exercising direct decision-making authority in key areas, such as approving capital budgets;
- Selecting the CEO and evaluating the CEO's performance; and
- Reviewing development and succession plans for PDC's top executives.

Corporate Governance Guidelines

The Board has adopted Corporate Governance Guidelines that govern the structure and functioning of the Board and set out the Board's policies on a number of governance issues. A current copy of our Corporate Governance Guidelines is included as Exhibit A to this proxy statement. The Guidelines are posted on the Corporate Governance section, listed under Investor Information, of our internet site at www.PETD.com. They are also available to any shareholder on request to the Secretary at the address given under "Contact Information" above.

Director Independence

Subject to some exceptions and transition provisions, the NASDAQ standards generally provide that a director will not be independent if (1) the director is, or at any time during the past three years was, employed by PDC; (2) the director is a family member of an individual who is, or at any time during the past three years was, an executive officer of PDC; (3) the director or a member of the director's immediate family has received payments of more than \$60,000 during the current or any of the past three fiscal years from PDC other than for service as a director; (4) the director or a member of the director's immediate family is a current partner of KPMG LLP, our Independent Registered Public Accounting Firm, or during the past three years was a partner or employee of KPMG LLP; (5) the director or a member of the director's immediate family is employed as an executive officer of another entity where at any time during the past three years any of PDC's executive officers serves on the compensation committee of the other entity; or (6) the director or a member of the director's immediate family is a partner in, or a controlling person of, or an executive officer of any organization to which PDC made, or from which PDC received, payments for property or services in the current or any of the three past fiscal years that exceed 5% of the recipient's consolidated

gross revenues for that year, or \$200,000, whichever is more.

The Board has reviewed business and charitable relationships between PDC and each non-employee director to determine compliance with the NASDAQ standards described above and to evaluate whether there are any other facts or circumstances that might impair a director's independence. Based on that review, our Board has determined that all our non-employee directors are independent.

Term of Office

PDC directors serve three year terms on the Board. The terms are staggered so that approximately one-third of the board stands for election each year.

Board Meetings and Attendance

The Board met eight times in 2004. Each of PDC's directors attended more than 75% percent of the aggregate Board and committee meetings during 2004.

Executive Sessions

PDC's non-employee directors held five executive sessions in 2004. Normally Ms. Wakim, the Lead Director, presides at executive sessions but the non-employee directors may, in the event of her absence, select another presiding director for a particular session.

Compensation Committee Interlocks and Insider Participation

The members of the Compensation Committee are Swoveland (Chair), Nestor and Parke. There are no relationships that would cause a Compensation Committee interlock as defined under applicable SEC regulations.

Indemnification of Directors and Officers

The Company's By-Laws provide that the Company shall indemnify any director, officer, employee, or other agent of the Company who is or was a party, or is threatened to be made a party, to any proceeding (other than an action by or in the right of the Company to procure a judgment in its favor) by reason of the fact that such person is or was an agent of the Company, against expenses, judgments, fines, settlements, and other amounts actually and reasonably incurred in connection with such proceeding, if that person acted in good faith and in a manner that person reasonably believed to be in the best interest of the Company, and in the case of a criminal proceeding, had no reasonable cause to believe the conduct of that person was unlawful.

The Company has entered into separate indemnification agreements with each of its directors and officers whereby the Company has agreed to indemnify the director or officer against all expenses, including attorneys' fees, and other

amounts reasonably incurred by the officer or director in connection with any threatened, pending or completed civil, criminal, administrative or investigative action or proceeding to which such person is party by reason of the fact that he is or was a director or officer, as th