

PDC ENERGY, INC.
Form 424B3
July 11, 2013
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Filed pursuant to Rule 424(b)(3)

Registration No. 333-185047

PROSPECTUS

PDC Energy, Inc.

Offer to Exchange up to

\$500,000,000

7.750% Senior Notes due 2022

That Have Been Registered Under the Securities Act of 1933

For Any and All Outstanding Unregistered

7.750% Senior Notes due 2022

Terms of the Exchange Offer

We are offering to exchange up to \$500,000,000 of our outstanding unregistered 7.750% Senior Notes due 2022 (current notes) for new notes with substantially identical terms that have been registered under the Securities Act of 1933, as amended (new notes).

The exchange offer expires at 11:59 p.m., New York City time, on August 9, 2013, unless we decide to extend the expiration date.

We will exchange for an equal principal amount of new notes all current notes that you validly tender and do not validly withdraw before the exchange offer expires.

Tenders of current notes may be withdrawn at any time prior to the expiration date of the exchange offer.

The exchange of new notes for current notes should generally not be a taxable event for U.S. federal income tax purposes. Please read Material U.S. Federal Income Tax Considerations.

Terms of the New 7.750% Senior Notes due 2022 Offered in the Exchange Offer

The terms of the new notes are identical to the terms of the current notes that were issued on October 3, 2012, except that the new notes will be registered under the Securities Act of 1933, as amended (the Securities Act) and there are certain differences relating to transfer restrictions, registration rights and payment of additional interest in case of non-registration. We will not list the new notes on any securities exchange.

You should carefully consider the risk factors beginning on page 6 of this prospectus before participating in the exchange offer.

Each broker-dealer that receives new notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such new notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an underwriter within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of new notes received in exchange for current notes where such current notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed to make this prospectus available until the earlier of 180 days from the completion date of this exchange offer or such time as such broker-dealers no longer hold any current notes, to any broker-dealer for use in connection with any such resale; *provided* that if the letters of transmittal relating to the exchange offer as provided to us indicate that no holder is a broker-dealer, we will not be obligated to maintain the effectiveness of the registration statement of which this prospectus is a part after the consummation of the exchange offer. See Plan of Distribution.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

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In this prospectus, unless the context otherwise requires, references to we, us, our or the Company refer to PDC Energy, Inc.

This prospectus incorporates business and financial information about us that is not included in or delivered with this prospectus. You should rely only on the information contained in this prospectus or information contained in documents incorporated by reference in this prospectus. We have not authorized anyone to provide you with different information. The information contained in this prospectus is accurate only as of its date or, in the case of an incorporated document, the date of its filing, regardless of the time of delivery of this prospectus or of any exchange of our current notes for new notes. We are not making this exchange offer to, nor will we accept surrenders for exchange from, holders of current notes in any jurisdiction in which the exchange offer would violate securities or blue sky laws or where it is otherwise unlawful.

You can obtain documents incorporated by reference in this prospectus by requesting them in writing or by telephone from us at the following:

Corporate Secretary

PDC Energy, Inc.

1775 Sherman Street, Suite 3000

Denver, Colorado 80203

303-860-5800

In order to ensure timely delivery of the requested documents, requests should be made no later than five business days before the expiration date of this exchange offer. In the event that we extend the exchange offer, we urge you to submit your request at least five business days before the expiration date, as extended. You will not be charged for any of the documents that you request.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference herein, including our Annual Report on Form 10-K for the year ended December 31, 2012 (the 2012 10-K) and our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2013, (the 2013 10-Q), contain forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. Words such as expects, anticipates, intends, plans, believes, seeks, estimates and similar expressions or variations of such words are intended to identify forward-looking statements herein. Certain forward-looking statements included in the 2012 10-K and the 2013 10-Q are identified under the heading Special Note Regard Forward Looking Statements in such documents. Please also see the disclosure concerning forward-looking statements in our Current Report on Form 8-K filed on June 28, 2013.

Although forward-looking statements contained in this prospectus reflect our good faith judgment, such statements can only be based on facts and factors currently known to us. Consequently, forward-looking statements are inherently subject to risks and uncertainties, including known and unknown risks and uncertainties incidental to the exploration for, and the acquisition, development, production and marketing of, natural gas, NGLs and crude oil, and actual outcomes may differ materially from the results and outcomes discussed in the forward-looking statements.

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

changes in production volumes and worldwide demand, including economic conditions that might impact demand;

volatility of commodity prices for natural gas, NGLs and crude oil;

impact of governmental policies and/or regulations, including changes in environmental and other laws, the interpretation and enforcement related to those laws and regulations, liabilities arising thereunder and the costs to comply with those laws and regulations;

potential declines in the values of our natural gas and crude oil 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 to be greater than expected;

timing and extent of our success in discovering, acquiring, developing and producing reserves;

our ability to acquire leases, drilling rigs, supplies and services at reasonable prices;

timing and receipt of necessary regulatory permits;

risks incidental to the drilling and operation of natural gas and crude oil wells;

our future cash flows, liquidity and financial position;

competition in the oil and gas industry;

availability and cost of capital to us;

reductions in the borrowing base under our revolving credit facility;

availability of sufficient pipeline, gathering and other transportation facilities and related infrastructure to process and transport our production, particularly in the Wattenberg Field, and the impact of these facilities on the prices we receive for our production;

our success in marketing natural gas, NGLs and crude oil;

effect of natural gas and crude oil derivatives activities;

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 expenditures;

potential obstacles to completing proposed transactions, in a timely manner or at all, and purchase price or other adjustments relating to those transactions that may be unfavorable to us;

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

success of strategic plans, expectations and objectives for future operations of the Company.

Further, we urge you to carefully review and consider the cautionary statements and disclosures, specifically those in the section entitled "Risk Factors" commencing on page 6 of this prospectus and additional information contained in our 2012 10-K and our 2013 10-Q 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 forward-looking statements. **We undertake no obligation to update any forward-looking statements in order to reflect any event or circumstance 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. See also "Incorporation by Reference."**

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PROSPECTUS SUMMARY

This summary highlights selected information appearing elsewhere in this prospectus or a document incorporated by reference. This summary does not contain all of the information you should consider before making an investment decision. You should read this entire prospectus and the documents incorporated by reference carefully before making an investment decision. Please read the section entitled Risk Factors commencing on page 6 of this prospectus and additional information contained in our 2012 10-K and our 2013 10-Q incorporated by reference in this prospectus for more information about important factors you should consider before making an investment decision.

Our Company

We are a domestic independent exploration and production company that acquires, develops, explores and produces crude oil, NGLs and natural gas with operations in the Western and Eastern regions of the United States. Our Western Operating Region is primarily focused on development in the Wattenberg Field in Colorado, particularly in the liquid-rich horizontal Niobrara and Codell plays. In our Eastern Operating Region, we are currently focused on development activity in the liquid-rich portion of the Utica Shale play in Ohio. We are also pursuing horizontal development in the Marcellus Shale in northern West Virginia through our 50% joint venture interest in PDC Mountaineer LLC, or PDCM.

For additional information as to our business, properties and financial condition, please refer to the documents referred to in Where You Can Find More Information and Incorporation by Reference.

PDC Energy, Inc. is a Nevada corporation. Our principal executive offices are located at 1775 Sherman Street, Suite 3000, Denver, Colorado 80203, and our telephone number at that address is 303-860-5800.

The Exchange Offer

On October 3, 2012, we completed a private offering of the current notes. We entered into a registration rights agreement with the initial purchasers in the private offering in which we agreed to deliver this prospectus and to offer the new notes in exchange for the current notes.

Exchange Offer	We are offering to exchange our 7.750% Senior Notes due 2022 registered under the Securities Act, which we refer to as new notes, for any and all of our outstanding 7.750% Senior Notes due 2022 issued on October 3, 2012 in a private offering, which we refer to as current notes. The current notes may be tendered in an amount equal to \$2,000 in principal amount or in integral multiples of \$1,000 in excess of \$2,000. In order to exchange an old note, you must follow the required procedures and we must accept the old note for exchange. We will exchange all current notes validly offered for exchange, or tendered, and not validly withdrawn. As of the date of this prospectus, there is \$500,000,000 aggregate principal amount of current notes outstanding.
Expiration Date	The exchange offer expires at 11:59 p.m. New York City time, on August 9, 2013, unless we decide to extend the expiration date.
Resale of the New Notes	Based on interpretive letters of the SEC staff to third parties, we believe that you may offer for resale, resell and otherwise transfer the new notes issued pursuant to the exchange offer without compliance with the registration and prospectus delivery provisions of the Securities Act, if you: <ul style="list-style-type: none">are not an affiliate of ours, as defined in Rule 405 of the Securities Act (if you are such an affiliate, you must comply with the registration and prospectus delivery requirements of the Securities Act to the extent applicable);are not engaged in and do not intend to engage in, and have no arrangement or understanding with any person to participate in, a distribution of new notes to be issued in the exchange offer;

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acquired the new notes issued in the exchange offer in the ordinary course of your business;

are not a broker-dealer that acquired the current notes from us or in market-making transactions or other trading activities; and

are not acting on behalf of any person who could not truthfully and completely make the foregoing representations.

By tendering your notes as described in *The Exchange Offer Procedures for Tendering*, you will be making representations to this effect. If you fail to satisfy any of these conditions, you cannot rely on the position of the SEC set forth in the no-action letters referred to above and you must comply with the applicable registration and prospectus delivery requirements of the Securities Act in connection with a resale of the new notes.

If you are a broker-dealer that acquired current notes as a result of market-making or other trading activities, you must comply with the prospectus delivery requirements of the Securities Act in connection with a resale of the new notes as described in this summary under *Restrictions on Sale by Broker-Dealers* below.

We base our belief on interpretations by the SEC staff in no-action letters issued to other issuers in exchange offers like ours. We cannot guarantee that the SEC would make a similar decision about our exchange offer. If our belief is wrong, you could incur liability under the Securities Act. We will not protect you against any loss incurred as a result of this liability under the Securities Act.

Restrictions on Sale by Broker

If you are a broker-dealer that has received new notes for your own account in exchange for current notes that were acquired as a result of market-making or other trading activities, you must acknowledge that you will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of the new notes. A broker-dealer that indicates it is a broker dealer in the letter of transmittal relating to the exchange offer may use this prospectus until 180 days from the completion date of this exchange offer.

Dealer

Consequences If You Do Not

If you are eligible to participate in the exchange offer and you do not tender your current notes, you will not have any further registration or exchange rights and your current notes will continue to be subject to transfer restrictions. These transfer restrictions and the availability of new notes could adversely affect the trading market for your current notes.

Exchange Your Current Notes

Conditions

The exchange offer is subject to certain customary conditions, which we may waive, as described below under *The Exchange Offer Conditions to the Exchange Offer*.

Procedures for Tendering Current

If you wish to accept the exchange offer, the following must be delivered to the exchange agent:

Notes

your current notes by timely confirmation of book-entry transfer through The Depository Trust Company (the *DTC*);

an agent's message from the *DTC*, stating that the tendering participant agrees to be bound by the letter of transmittal and the terms of the exchange offer; and

all other documents required by the letter of transmittal.

These actions must be completed before the expiration of the exchange offer.

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Alternatively, the procedures described under "The Exchange Offer - Guaranteed Delivery" may be followed in certain circumstances.

You must comply with DTC's standard procedures for electronic tenders, by which you will agree to be bound by the letter of transmittal.

Withdrawal of Tenders You may withdraw your tender of current notes under the exchange offer at any time prior to the expiration date.

Fees and Expenses We will bear all expenses related to the exchange offer. Please refer to the section in this prospectus entitled "The Exchange Offer - Fees and Expenses."

Use of Proceeds The issuance of the new notes will not provide us with any new proceeds. We are making this exchange offer solely to satisfy our obligations under the registration rights agreement.

Tax Consequences The exchange of new notes for current notes in the exchange offer should generally not be a taxable event for U.S. federal income tax purposes. Please read "Material U.S. Federal Income Tax Considerations."

Exchange Agent U.S. Bank National Association is serving as exchange agent in connection with the exchange offer. You should direct questions and requests for assistance, for additional copies of this prospectus or the letter of transmittal to the exchange agent addressed as follows: Attn: Specialized Finance, telephone number 800-934-6802. Eligible institutions may make requests by facsimile at 651-495-8158.

The New Notes

This exchange offer applies to any and all outstanding current notes. The terms of the new notes will be the same as the current notes, except that (1) the new notes will not be subject to the restrictions on transfer that apply to the current notes, (2) the new notes will not be subject to the registration rights relating to the current notes, and (3) the new notes will not contain provisions for payment of additional interest in case of non-registration. The new notes issued in this exchange offer will evidence the same debt as the current notes and both types of notes will be entitled to the benefits of the same indenture and treated as a single class of debt securities. In this document, we sometimes refer to the current notes and the new notes together as the "notes."

Issuer PDC Energy, Inc.

Securities \$500,000,000 aggregate principal amount of our 7.750% senior notes due 2022.

Maturity October 15, 2022.

Interest Annual rate: 7.750%. The notes offered by this prospectus will pay interest semi-annually in cash in arrears on April 15 and October 15 of each year, beginning on April 15, 2013.

Guarantees Initially, the notes will not be guaranteed by any of our subsidiaries. In the future, if we have a domestic subsidiary that is a material subsidiary (as defined in "Description of the New Notes") and guarantees our revolving credit facility, that subsidiary must become a guarantor of the notes. Any such guarantee of the notes may be released under certain circumstances.

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Ranking

The notes and any guarantees will be our general unsecured senior obligations. Accordingly, they will:

rank equally in right of payment with all existing and future senior indebtedness of the issuer and any guarantors;

rank senior in right of payment to all future subordinated indebtedness of the issuer and any guarantors;

be effectively subordinated in right of payment to all existing and future secured indebtedness of the issuer and any guarantors, including indebtedness under our revolving credit facility, to the extent of the value of the assets securing such indebtedness; and

be effectively subordinated to all liabilities of non-guarantor subsidiaries.

We used the proceeds of the current notes offering to pay for the redemption of our 12% senior notes due 2018, to repay outstanding borrowings under our revolving credit facility and for other general corporate purposes, including capital expenditures. Any future borrowings under our revolving credit facility will constitute senior secured indebtedness.

Optional Redemption

On or after October 15, 2017, we may redeem all or part of the notes, in each case at the redemption prices described under Description of the New Notes Optional Redemption, together with any accrued and unpaid interest to the date of redemption.

At any time prior to October 15, 2015, we may, from time to time, redeem up to 35% of the aggregate principal amount of the notes with the net cash proceeds of certain equity offerings at the redemption price set forth under Description of the New Notes Optional Redemption, if at least 65% of the aggregate principal amount of the notes issued under the indenture remains outstanding immediately after the occurrence of such redemption and the redemption occurs no later than 180 days after the closing date of such equity offering, as the case may be.

In addition, prior to October 15, 2017, we may redeem all or part of the notes at a redemption price plus an applicable make-whole premium described under Description of the New Notes Optional Redemption, together with any accrued and unpaid interest to the date of redemption.

Change of Control; Asset Sale

Upon the occurrence of a change of control (as defined in the indenture for the notes), holders of the notes will have the right to require us to repurchase all or a portion of the notes at a price equal to 101% of the aggregate principal amount of the notes repurchased, together with any accrued and unpaid interest to the date of purchase. In connection with certain asset sales, we will be required to use the net cash proceeds of the asset sale to make an offer to purchase the notes at 100% of the principal amount, together with any accrued and unpaid interest to the date of purchase.

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Certain Covenants

We will issue the notes under an indenture with U.S. Bank National Association, as trustee. The indenture governing the notes will contain covenants that, among other things, limit our ability and the ability of our subsidiaries to:

- borrow money;
- pay dividends or make other distributions on stock;
- purchase or redeem stock or subordinated indebtedness;
- make investments;
- create certain liens;
- enter into agreements that restrict distributions or other payments from our restricted subsidiaries;
- enter into transactions with affiliates;
- sell assets;
- consolidate with or merge with or into other companies or transfer all or substantially all our assets; and
- create unrestricted subsidiaries.

These covenants are subject to important exceptions and qualifications that are described in Description of the New Notes Covenants.

If the notes achieve an investment grade rating from both S&P and Moody's and no default exists with respect to the notes, our obligation to comply with many of the covenants will be terminated. See Description of the New Notes Covenants.

Transfer Restrictions Absence of a

The new notes generally will be freely transferable, but will also be new securities for which there will not initially be a market. There can be no assurance as to the development or liquidity of any market for the new notes. We do not intend to apply for listing of the new notes on any securities exchange or for the quotation of the new notes in any automated dealer quotation system.

Public Market for the Notes

Risk Factors

You should consider all of the information contained in this prospectus before making an investment in the notes. In particular, you should consider the factors described under Risk Factors beginning on page 6 as well as the other cautionary language statements throughout this prospectus, for a discussion of factors you should carefully consider before deciding to invest in the notes.

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RISK FACTORS

Risks Related to the Exchange Offer and the Notes

If you fail to exchange the current notes, they will remain subject to transfer restrictions, and it may be harder for you to resell and transfer your current notes.

The current notes were not registered under the Securities Act or under the securities laws of any state. Any current notes that remain outstanding after this exchange offer will continue to be subject to restrictions on their transfer. Thus, you may not resell the current notes, offer them for resale or otherwise transfer them unless they are subsequently registered or resold under an exemption from the registration requirements of the Securities Act and applicable state securities laws. If you do not exchange your current notes for new notes in this exchange offer, or if you do not properly tender your current notes in this exchange offer, you will not be able to resell, offer to resell or otherwise transfer your current notes unless they are registered under the Securities Act or unless you resell them, offer to resell or otherwise transfer them under an exemption from the registration requirements of, or in a transaction not subject to, the Securities Act. After this exchange offer, holders of current notes will not have any further rights to have their current notes exchanged for new notes registered under the Securities Act. The liquidity of the market for current notes that are not exchanged could be adversely affected by this exchange offer and you may be unable to sell your current notes.

Late deliveries of current notes and other required documents could prevent a holder from exchanging its current notes.

Holders are responsible for complying with all exchange offer procedures. The issuance of new notes in exchange for current notes will only occur upon completion of the procedures described in this prospectus under The Exchange Offer. Therefore, holders of current notes who wish to exchange them for new notes should allow sufficient time for completion of the exchange procedure. Neither we nor the exchange agent is obligated to extend the offer or notify you of any failure to follow the proper procedure or waive any defect if you fail to follow the proper procedure.

If you are a broker-dealer, your ability to transfer the new notes may be restricted.

A broker-dealer that purchased current notes for its own account as part of market-making or trading activities must comply with the prospectus delivery requirements of the Securities Act when it sells the new notes. Our obligation to make this prospectus available to broker-dealers is limited. Consequently, we cannot guarantee that a proper prospectus will be available to broker-dealers wishing to resell their new notes.

There may not be a public market for the new notes, and you may find it difficult to sell your notes.

You may find it difficult to sell your notes because an active trading market for the notes may not develop. We do not intend, and are under no obligation, to apply for listing on any securities exchange of the new notes. We do not know the extent to which investor interest will lead to the development of a trading market or how liquid that market might be.

If a market for the new notes does develop, it is possible that you will not be able to sell your notes at a particular time or that the prices that you receive when you sell will be unfavorable. It is also possible that any trading market that does develop for the notes will not be liquid. Future trading prices of the notes will depend on many factors, including:

our operating performance, financial condition and prospects, or the operating performance, financial condition and prospects of companies in the oil and natural gas industry generally;

our ability to complete the offer to exchange the current notes for the new notes;

the interest of securities dealers in making a market for the notes;

prevailing interest rates; and

the market for similar securities.

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Historically, the market for non-investment grade debt has been subject to disruptions that have caused volatility in prices. If a market for the new notes develops, it is possible that the market for the new notes will be subject to disruptions and price volatility. Any disruptions may have a negative effect on holders of the new notes, regardless of our operating performance, financial condition and prospects.

Risks Associated with our Indebtedness and the Notes

We may be unable to fulfill our obligations under the notes.

We have a substantial amount of indebtedness. As a result, a significant portion of our cash flow will be required to pay interest and principal on our indebtedness, and we may not generate sufficient cash flow from operations, or have future borrowing capacity available, to enable us to repay our indebtedness, including the notes, or to fund other liquidity needs.

Servicing our indebtedness and satisfying our other obligations will require a significant amount of cash. Our cash flow from operating activities and other sources may not be sufficient to fund our liquidity needs. Our ability to pay interest and principal on our indebtedness and to satisfy our other obligations will depend upon our future operating performance and financial condition and the availability of refinancing indebtedness, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations, or that future borrowings will be available to us under our revolving credit facility or otherwise, in an amount sufficient to fund our liquidity needs, including the payment of principal and interest on the notes.

A substantial decrease in our operating cash flow or an increase in our expenses could make it difficult for us to meet debt service requirements and could require us to modify our operations, including by curtailing our exploration and drilling programs, selling assets, reducing our capital expenditures, refinancing all or a portion of our existing debt or obtaining additional financing. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. Our ability to restructure or refinance our debt will depend on the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. In addition, the terms of future debt agreements may, and our revolving credit facility and the indenture governing the notes do, restrict us from implementing some of these alternatives. In the absence of adequate cash from operations and other available capital resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. We may not be able to consummate these dispositions for fair market value or at all. Furthermore, any proceeds that we could realize from any dispositions may not be adequate to meet our debt service obligations then due.

Our substantial indebtedness could adversely impact our business, results of operations and financial condition.

In addition to making it more difficult for us to satisfy our obligations to pay principal and interest on the notes, our substantial indebtedness could limit our ability to respond to changes in the markets in which we operate and otherwise limit our activities. For example, our indebtedness, and the terms of agreements governing that indebtedness, could:

require us to dedicate a substantial portion of our cash flow from operations to service our existing debt obligations, thereby reducing the cash available to finance our operations and other business activities and could limit our flexibility in planning for or reacting to changes in our business and the industry in which we operate;

increase our vulnerability to economic downturns and impair our ability to withstand sustained declines in oil and gas prices;

subject us to covenants that limit our ability to fund future working capital, capital expenditures, exploration costs and other general corporate requirements;

prevent us from borrowing additional funds for operational or strategic purposes (including to fund future acquisitions), disposing of assets or paying cash dividends;

limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;

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require us to devote a substantial portion of our cash flow from operations to payments on our indebtedness, thereby reducing the availability of our cash flow to fund exploration efforts, working capital, capital expenditures and other general corporate purposes; and

place us at a competitive disadvantage relative to our competitors that have less debt outstanding.

Covenants in the indenture governing the notes and in our revolving credit facility currently impose, and future financing agreements may impose, significant operating and financial restrictions.

The indenture governing the notes and our revolving credit facility contain restrictions, and future financing agreement may contain additional restrictions, on our activities, including covenants that restrict our and our restricted subsidiaries' ability to:

incur additional debt;

pay dividends on, redeem or repurchase stock;

create liens;

make specified types of investments;

apply net proceeds from certain asset sales;

engage in transactions with our affiliates;

engage in sale and leaseback transactions;

merge or consolidate;

restrict dividends or other payments from restricted subsidiaries;

sell equity interests of restricted subsidiaries; and

sell, assign, transfer, lease, convey or dispose of assets.

Our revolving credit facility is secured by all of our oil and gas properties as well as a pledge of all ownership interests in operating subsidiaries. The restrictions contained in our debt agreements may prevent us from taking actions that we believe would be in the best interest of our business, and may make it difficult for us to successfully execute our business strategy or effectively compete with companies that are not similarly restricted. We may also incur future debt obligations that might subject us to additional restrictive covenants that could affect our financial and operational flexibility.

Our revolving credit facility has substantial restrictions and financial covenants and we may have difficulty obtaining additional credit, which could adversely affect our operations. Our lenders can unilaterally reduce our borrowing availability based on anticipated sustained lower natural gas and crude oil prices.

We depend in large part on our revolving credit facility for future capital needs. The terms of the credit agreement require us to comply with certain financial covenants and ratios. Our ability to comply with these restrictions and covenants in the future is uncertain and will be affected by the levels of cash flows from operations and events or circumstances beyond our control. Our failure to comply with any of the restrictions and covenants under the revolving credit facility or other debt financing could result in a default under those facilities, which could cause all of our existing indebtedness to be immediately due and payable.

The revolving credit facility limits the amounts we can borrow to a borrowing base amount, determined by the lenders in their sole discretion based upon projected revenues from the natural gas and crude oil properties securing their loan. The lenders can unilaterally adjust the borrowing base and the borrowings permitted to be outstanding under the revolving credit facility. Outstanding borrowings in excess of the borrowing base must be repaid immediately, or we must pledge other natural gas and crude oil properties as additional collateral. We do not currently have any substantial unpledged properties, and we may not have the financial resources in the future to make any mandatory principal prepayments required under the revolving credit facility. Our inability to borrow additional funds under our revolving credit facility could adversely affect our operations and our financial results.

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If we are unable to comply with the restrictions and covenants in the agreements governing the notes and other debt, there could be a default under the terms of these agreements, which could result in an acceleration of payment of funds that we have borrowed and would impact our ability to make principal and interest payments on the notes.

Any default under the agreements governing our indebtedness, including a default under our revolving credit facility that is not waived by the required lenders, and the remedies sought by the holders of any such indebtedness, could make us unable to pay principal, premium, if any, and interest on the notes and substantially decrease the market value of the notes. If we are unable to generate sufficient cash flow and are otherwise unable to obtain funds necessary to meet required payments of principal, premium, if any, and interest on our indebtedness, or if we otherwise fail to comply with the various covenants, including financial and operating covenants, in the instruments governing our indebtedness (including the notes or our revolving credit facility), we could be in default under the terms of the agreements governing such indebtedness. In the event of such default, the holders of such indebtedness could elect to declare all the funds borrowed thereunder to be due and payable, together with accrued and unpaid interest, the lenders under our revolving credit facility could elect to terminate their commitments, cease making further loans and institute foreclosure proceedings against our assets, and we could be forced into bankruptcy or liquidation. If our operating performance declines, we may in the future need to seek to obtain waivers from the required lenders under our revolving credit facility to avoid being in default. If we breach our covenants under our revolving credit facility and seek a waiver, we may not be able to obtain a waiver from the required lenders. If this occurs, we would be in default under our revolving credit facility, the lenders could exercise their rights as described above, and we could be forced into bankruptcy or liquidation. We cannot assure you that we will be granted waivers or amendments to our debt agreements if for any reason we are unable to comply with these agreements, or that we will be able to refinance our debt on terms acceptable to us, or at all.

Notwithstanding our current indebtedness levels and restrictive covenants, we may still be able to incur substantial additional debt or make certain restricted payments, which could exacerbate the risks described above.

We may be able to incur additional debt in the future. Although the indenture governing the notes contains restrictions on our ability to incur indebtedness, those restrictions are subject to a number of exceptions. In particular, we may borrow under the revolving credit facility. In addition, if we designate some of our restricted subsidiaries under the indenture as unrestricted subsidiaries, those unrestricted subsidiaries would be permitted to borrow beyond the limitations specified in the indenture and engage in other activities in which restricted subsidiaries may not engage. We may also consider investments in joint ventures or acquisitions that may increase our indebtedness. Also, under the indenture, we will be able to make restricted payments in certain circumstances. Adding new debt to current debt levels or making otherwise restricted payments could intensify the related risks that we and our subsidiaries now face.

In addition, PDCM, a joint venture in which we hold a 50% ownership interest, is not defined as a subsidiary under the indenture governing the notes. As a result, PDCM is not subject to any of the restrictive covenants included in the indenture and may incur additional indebtedness or other liabilities beyond any limitation specified therein, to which the notes will be structurally subordinated. Furthermore, as a separate and distinct legal entity not guaranteeing the notes or otherwise subject to the restrictions included in the indenture governing the notes, PDCM will not have any obligation, contingent or otherwise, to pay amounts due with respect to the notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or other payments. If PDCM does not pay out dividends or make other distributions to us, our ability to fulfill our obligations with respect to the notes may be materially impaired. PDCM's credit facility restricts its ability to pay dividends to us.

Our variable rate indebtedness subjects us to interest rate risk, which could cause our debt service obligations to increase significantly.

Borrowings under our revolving credit facility bear interest at variable rates and expose us to interest rate risk. If interest rates increase, our debt service obligations on the variable rate indebtedness would increase although the amount borrowed remained the same, and our net income and cash available for servicing our indebtedness would decrease.

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Your right to receive payments on the notes is effectively subordinated to the rights of our and our restricted subsidiaries existing and future secured creditors.

The revolving credit facility is secured by liens on substantially all of our assets and the assets of our restricted subsidiaries. Accordingly, the notes will be effectively subordinated to any secured indebtedness incurred under the revolving credit facility to the extent of the value of the assets securing the revolving credit facility. In the event of any distribution or payment of our or any guarantor's assets in any foreclosure, dissolution, winding-up, liquidation, reorganization or other bankruptcy proceeding, holders of secured indebtedness will have prior claim to those of our or our restricted subsidiaries' assets that constitute their collateral. Holders of notes will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as such notes, and potentially with all of our or any restricted subsidiary's other general creditors, based upon the respective amounts owed to each holder or creditor, in our remaining assets. In any of the foregoing events, we cannot assure you that there will be sufficient assets to pay amounts due on the notes. As a result, holders of notes may receive less, ratably, than holders of secured indebtedness.

The notes will be subordinated to all indebtedness of those of our existing or future subsidiaries that are not, or do not become, guarantors of the notes.

None of our subsidiaries will initially be guarantors of the notes, and any future subsidiaries may not become guarantors of the notes. Non-guarantor subsidiaries will have no obligation, contingent or otherwise, to pay amounts due under the notes or to make any funds available to pay those amounts, whether by dividend, distribution, loan or other payment. The notes will be structurally subordinated to all indebtedness and other obligations of the non-guarantor subsidiaries such that, in the event of insolvency, liquidation, reorganization, dissolution or other winding up of any such subsidiary, all of the subsidiary's creditors (including trade creditors and preferred stockholders, if any) would be entitled to payment in full out of the subsidiary's assets before we would be entitled to any payment. In addition, the indenture governing the notes permits, subject to some limitations, non-guarantor subsidiaries to incur additional indebtedness and does not contain any limitation on the amount of other liabilities, such as trade payables, that may be incurred by these subsidiaries.

We may not be able to repurchase the notes upon a change of control as required by the indenture governing the notes.

Upon the occurrence of certain kinds of change of control events, we will be required to offer to repurchase all outstanding notes at 101% of the principal amount thereof plus accrued and unpaid interest, if any, to the date of repurchase, unless all notes have been previously called for redemption. The holders of our convertible notes have a similar right, and other debt securities that we may issue in the future that rank equally in right of payment with the notes may have similar rights as well. Our failure to purchase tendered notes would constitute an event of default under the indenture governing the notes, which in turn, would constitute an event of default under our revolving credit facility. In addition, the occurrence of a change of control (as defined under the revolving credit facility) in itself would constitute an event of default under our revolving credit facility.

Therefore, it is possible that we may not have sufficient funds at the time of the change of control to make the required repurchase of notes. Moreover, our revolving credit facility restricts, and any future indebtedness we incur may restrict, our ability to repurchase the notes, including following a change of control event. As a result, following a change of control event, we may not be able to repurchase notes unless we first repay all indebtedness outstanding under our revolving credit facility and any of our other indebtedness that contains similar provisions, or obtain a waiver from the holders of such indebtedness to permit us to repurchase the notes. We may be unable to repay all of that indebtedness or obtain a waiver of that type. Any requirement to offer to repurchase outstanding notes may therefore require us to refinance our other outstanding debt, which we may not be able to do on commercially reasonable terms, if at all. These repurchase requirements may also delay or make it more difficult for others to obtain control of us.

In addition, certain important corporate events, such as leveraged recapitalizations that would increase the level of our indebtedness, would not constitute a Change of Control under the indenture. See Description of the New Notes Change of Control.

Following a sale of substantially all of our assets, you may not be able to determine if a change of control that would give rise to a right to have the notes repurchased has occurred.

The definition of change of control in the Indenture includes a phrase relating to the sale of all or substantially all of our assets. There is no precise, established definition of the phrase substantially all under applicable law. Accordingly, the ability of a holder of notes to require us to repurchase its notes as a result of a sale of less than all our assets to another person may be uncertain.

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U.S. federal and state fraudulent transfer laws may permit a court to void, subordinate or limit the notes, and any guarantees, and, if that occurs, you may not receive any payments on the notes or may be required to return payments received on the notes.

U.S. federal and state fraudulent transfer and conveyance statutes may apply to the issuance of the notes and the incurrence of the guarantees of the notes. Under U.S. federal bankruptcy law and comparable provisions of state fraudulent transfer or conveyance laws, which may vary from state to state, the notes or the guarantees thereof (or the grant of collateral securing any such obligations) could be voided, subordinated or limited as a fraudulent transfer or conveyance if we or any guarantors of the notes, as applicable, (i) issued the notes or incurred the guarantees with the intent of hindering, delaying or defrauding creditors, or (ii) received less than reasonably equivalent value or fair consideration in return for either issuing the notes or incurring the guarantees and, in the case of (ii) only, one of the following is also true at the time thereof:

we or any guarantor, as applicable, were insolvent or rendered insolvent by reason of the issuance of the notes or the incurrence of the guarantees;

the issuance of the notes or the incurrence of the guarantees left us or any guarantor, as applicable, with an unreasonably small amount of capital or assets to carry on its business;

we or any guarantor intended to, or believed that we or such guarantor would, incur debts beyond our or such guarantor's ability to pay as they mature; or

we or any guarantor were a defendant in an action for money damages, or had a judgment for money damages docketed against us or such guarantor if, in either case, after final judgment, the judgment is unsatisfied.

As a general matter, value is given for a transfer or an obligation if, in exchange for the transfer or obligation, property is transferred or a valid antecedent debt is secured or satisfied. A court would likely find that a subsidiary guarantor did not receive reasonably equivalent value or fair consideration for its guarantee to the extent such guarantor did not obtain a reasonably equivalent tangible benefit directly or indirectly from the issuance of the notes.

We cannot be certain as to the standards a court would use to determine whether or not we or any guarantor were insolvent at the relevant time or, regardless of the standard that a court uses, whether the notes or the guarantees would be subordinated to our or any guarantor's other debt. In general, however, a court would deem an entity insolvent if:

the sum of its debts, including contingent and unliquidated liabilities, was greater than the fair saleable value of all of its assets;

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