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Petroleum Development Corporation Q2 2008 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator Instructions) Your first question comes from Michael A. Hall - Stifel Nicolaus & Company, Inc.

Michael A. Hall - Stifel Nicolaus & Company, Inc.

Can you touch on the Pennsylvania leases or Marcellus leases, Pennsylvania and West Virginia? The 35,000 net, are those official yet? Do you have all the rights on those? Is that cleared up at this point?

Richard W. McCullough

Yes, it is. We have identified our deep rights and traditional legacy acreage shallow rights and our land group has been diligent in working on this over the last six months to a year. And currently our inventory's at 35,000 acres.

Michael A. Hall - Stifel Nicolaus & Company, Inc.

Can you talk about what counties that's in?

Richard W. McCullough

I don't have that right off the top of my head.

Michael A. Hall - Stifel Nicolaus & Company, Inc.

What about any existing gathering infrastructure that you have there?

Richard W. McCullough

Most of this acreage is in the areas of our existing production so there is gathering infrastructure in place.

Michael A. Hall - Stifel Nicolaus & Company, Inc.

Would it be suitable do you think for Marcellus production?

Richard W. McCullough

That is yet to be determined.

Michael A. Hall - Stifel Nicolaus & Company, Inc.

Looking on the cost line, LOE production costs in general. Can you help me think about number one, what maybe is the full company production tax rate or severance tax rate?

Richard W. McCullough

What I can tell you Michael is our severance taxes for the quarter were right at \$0.79 an MCFE. And if you look at the total production costs, the \$0.19 increase from the first quarter was all attributable to production taxes. So there are a number of other items moving up and moving down within that category of course, but the main driver of the difference was production taxes.

Michael A. Hall - Stifel Nicolaus & Company, Inc.

So no LOE or any cost creep on that front still at this point?

Richard W. McCullough

Fortunately not in this quarter.

Michael A. Hall - Stifel Nicolaus & Company, Inc.

Were there any tornado impacts or anything along those lines from the Wattenberg Field?

Barton R. Brookman, Jr.

No, there were not. Some minor damage to tank batteries but from a cost basis and production interruption, no damage.

Michael A. Hall - Stifel Nicolaus & Company, Inc.

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