

The logo for Seeking Alpha, with the text 'Seeking Alpha' in white and a Greek letter alpha (α) in orange, all on a dark red background.

Petroleum Development Corporation Q4 2007 Earnings Call Transcript

Question-and-Answer Session

Operator

(Operator instructions). Our first question comes from the line of Michael Hall with Stifel Nicolaus, please go ahead with your question.

Michael Hall – Stifel, Nicolaus & Company

Good afternoon gentlemen. A couple of quick ones, first, as it relates to cost structure, kind of looking at the oil and gas production costs and well offs, kind of coming in what \$1.88 per M, is that directly comparable then to the \$1.30 you talked about at the analyst day for 2008 kind of target per M or are there other numbers kind of skewing that?

Steven Williams

No Michael this category on the slide that we were covering today include the entire cost of our production and production department and our entire well offs. These numbers do not net back, we charged back our partners a fee for operating their wells. If you look at our net cost, you know we're probably more in the \$1.35-\$1.40 range for just our lifting cost alone.

Michael Hall – Stifel, Nicolaus & Company

And that's this quarter?

Steven Williams

Yes.

Michael Hall – Stifel, Nicolaus & Company

Okay. And in terms of the delay or the presentation issue, it seems like in the past the restatement back in 2006 as I recall was actually going from a gross presentation to a net presentation. Is that not the case and if so what, I guess what's the question at the SEC, it seems like in the past they've ruled that net was the appropriate presentation.

Rick McCullough

Well it was similar. This is the first time this specific issue has been called into question. This is dealing with the drilling revenues associated with when we drill for the partnerships. And we enter into a contract with the partners to drill the wells. Remember we had talked about the fact that we had

switched to a cost plus methodology and under that cost plus methodology we're pretty much serving as an agent we believe in that transaction and just realize you know kind of a [copus] type return on our activities.

This is an area where you know this is the first time the SEC has looked at this. I think what you're thinking about dealt more with the consolidation issue on the partnerships a few years back. So this is really a new issue. We took the position that when we changed to the cost plus that made a dramatic change in our business relationship. This is an area where it's really a judgment call and I think more than anything else the SEC is just taking time to understand our position which I think is personally well reasoned and we actually have conferred with two CPA firms, two big four accounting firms on this methodology. So and the ironic thing is we have all the information disclosed so that if we decide we should present it the other way it's pretty straightforward to present it that way.

Copyright © 2008 CNET Networks, Inc. All Rights Reserved.