

PDC ENERGY, INC.
Form 11-K
June 20, 2014
Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 11-K

þ ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the year ended: December 31, 2013

or
..

TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from ___ to ___

Commission file number 000-07246

A. Full title of the plan and address of the plan, if different from that of the issuer named below:
The PDC Energy, Inc. 401(k) & Profit Sharing Plan

B. Name of the issuer of the securities held pursuant to the plan and the address of its principal executive office:
PDC Energy, Inc.

1775 Sherman Street, Suite 3000, Denver, Colorado 80203

REQUIRED INFORMATION

1. In lieu of the requirements of Items 1-3: audited statements and schedules prepared in accordance with the requirements of ERISA for the Plan's fiscal years ended December 31, 2013 and 2012.

Exhibit 23. Consent of Schneider Downs & Co., Inc., Independent Registered Public Accounting Firm.

Table of Contents

THE PDC Energy, Inc. 401(K) & PROFIT SHARING PLAN AND AUDITED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2013 AND 2012 AND FOR THE YEAR ENDED DECEMBER 31, 2013
TABLE OF CONTENTS

	Page
<u>Report of Independent Registered Public Accounting Firm</u>	<u>2</u>
Financial Statements:	
<u>Statements of Net Assets Available for Benefits</u>	<u>3</u>
<u>Statement of Changes in Net Assets Available for Benefits</u>	<u>4</u>
<u>Notes to Financial Statements</u>	<u>5</u>
<u>Index of Supplemental Schedules *</u>	<u>10</u>
Schedule H, Question 4a - Delinquent Participant Contributions	<u>11</u>
<u>Schedule H, Line 4i -- Schedule of Assets (Held at End of Year)</u>	<u>12</u>
<u>Signature Page</u>	<u>13</u>
Exhibit 23 - Consent of Independent Registered Public Accounting Firm	

*All other schedules required by Section 2520.103-10 of the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974 have been omitted because they are not applicable.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Participants and Administrator of
The PDC Energy, Inc. 401(k) & Profit Sharing Plan
Bridgeport, West Virginia

We have audited the accompanying statements of net assets available for benefits of The PDC Energy, Inc. 401(k) & Profit Sharing Plan (the "Plan") as of December 31, 2013 and 2012, and the related statement of changes in net assets available for benefits for the year ended December 31, 2013. These financial statements are the responsibility of the Plan's named fiduciary. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Plan is not required to, nor were we engaged to, perform an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the named fiduciary, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets available for benefits of the Plan as of December 31, 2013 and 2012, and the changes in its net assets available for benefits for the year ended December 31, 2013 in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying supplemental schedule of delinquent participant contributions for the year ended December 31, 2013 and schedule of assets (held at end of year) as of December 31, 2013 are presented for the purpose of additional analysis and are not a required part of the basic financial statements, but are supplementary information required by the United States Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. These supplemental schedules are the responsibility of the Plan's named fiduciary. These schedules have been subjected to the auditing procedures applied in our audit of the basic 2013 financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic 2013 financial statements taken as a whole.

/s/ SCHNEIDER DOWNS & CO., INC.

Pittsburgh, Pennsylvania
June 20, 2014

Table of Contents

THE PDC ENERGY, INC.
 401(K) & PROFIT SHARING PLAN
 STATEMENTS OF NET ASSETS AVAILABLE FOR BENEFITS
 (in thousands)

	December 31, 2013	2012
Assets		
Investments, at fair value	\$47,739	\$37,186
Total investments	47,739	37,186
Receivables:		
Employer contributions	1,406	1,201
Employee contributions	79	—
Notes receivable from participants	776	813
Total receivables	2,261	2,014
Total Assets	50,000	39,200
Liabilities		
Other	1	—
Total Liabilities	1	—
Net assets available for benefits	\$49,999	\$39,200

See notes to financial statements.

Table of Contents

THE PDC ENERGY, INC.
 401(K) & PROFIT SHARING PLAN
 STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 YEAR ENDED DECEMBER 31, 2013
 (in thousands)

Additions to net assets attributed to:	
Investment income:	
Interest and dividend income	\$1,617
Net realized & unrealized change in fair value of investments	7,217
Other	11
Total investment income	8,845
Interest income on notes receivable from participants	22
Contributions:	
Employer contributions	2,769
Participant contributions	3,060
Employer contributions-profit sharing	1,237
Participant rollovers	486
Total contributions	7,552
Total additions	16,419
Deductions from net assets attributed to:	
Benefits paid to participants	5,606
Administrative expenses	14
Total deductions	5,620
Net increase	10,799
Net assets available for benefits:	
Beginning of year	39,200
End of year	\$49,999

See notes to financial statements.

Table of Contents

THE PDC ENERGY, INC.
401(K) & PROFIT SHARING PLAN
NOTES TO FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2013 AND 2012 AND FOR THE YEAR ENDED DECEMBER 31, 2013

1. DESCRIPTION OF THE PLAN

The following description of The PDC Energy, Inc. (the "Company") 401(k) & Profit Sharing Plan, formerly 'The Petroleum Development Corporation 401(k) & Profit Sharing Plan)', (the "Plan") is provided for general information purposes only. Participants should refer to the official Plan documents for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan covering all Company employees who meet the eligibility requirements of the Plan, except residents of Puerto Rico, independent contractors later determined to be employees, leased employees and employees covered by a collective bargaining agreement of PDC Energy, Inc. The plan also covers employees of the Company's subsidiaries and joint venture. Currently, no Company employees are covered by a collective bargaining agreement. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the Internal Revenue Code of 1986, as amended.

Trustee and Recordkeeper

All of the Plan's assets are held by Fidelity Management Trust Company (FMTC) as trustee. FMTC also has participant account record keeping responsibilities.

Contributions

Each year, participants may make salary deferral contributions of up to 60% of their pretax annual compensation, as defined in the Plan, subject to statutory limitations. Participants in the Plan may also elect to make contributions to Roth salary deferral accounts, and make both regular and Roth rollover contributions to the Plan. The Plan also allows catch up contributions for participants who have reached age 50 by the end of the year, subject to statutory limitations. The Company may make discretionary matching contributions in such amounts as may be determined by the Company's Board of Directors each plan year. In 2013, the Company matched 100% of each participant's contributions up to 10% of each participant's compensation and an additional 20% of each participant's contributions greater than 10% of each participant's compensation. In addition, the Company may make discretionary profit sharing contributions on the participant's behalf in an amount to be determined by the Board of Directors at the end of the plan year. The Company elected to make a 2013 discretionary profit sharing contribution of \$1,237,000, which is included in the Statement of Changes in Net Assets Available for Benefits for the year ended December 31, 2013.

Participants direct the investment of their contributions into various investment options offered by the Plan. Currently, the Plan offers 25 mutual funds and the Company's common stock as investment options for participants. Participants may change their investment election for current or future contributions, the percentage(s) invested in each of these options, or transfer funds among these options, on any business day.

Participant Accounts

Each participant's account is funded with the participant's salary deferred contributions, the participant's rollover contributions, the Company's discretionary matching contribution, allocations of the Company's discretionary profit sharing contribution, and Plan earnings. Allocations of earnings are based on participant earnings from investments. The benefit to which a participant is entitled is the benefit provided from the participant's vested account.

Vesting

Participant contributions, plus actual earnings thereon, vest immediately. Company contributions and related earnings vest based on years of service. Participants generally vest 25 percent after one year of service, 50 percent after two years of service, and are 100 percent vested after three years of service.

Table of Contents

Notes Receivable from Participants

Participants generally may borrow from their accounts a minimum of \$1,000, up to a maximum of \$50,000 or 50% of their account balance, whichever is less. Principal and interest are paid ratably through payroll deductions. The repayment period shall be no more than five years unless such loan is for the purchase of a participant's primary residence, in which case the repayment period may not extend beyond ten years from the date of the loan. The loans are secured by the balance in the participant's account and interest is set at the discretion of the Plan administrator. Loan interest is set at the prime lending rate in effect at the loan origination date plus one percent. Interest during 2013 accrued at rates ranging from 3.25% to 6%.

Payment of Benefits

On termination of service for any reason, a participant or beneficiary may elect to receive either a lump-sum amount equal to the value of the participant's vested interest in his or her account, or installments under a systematic withdrawal plan. In addition, age 59 1/2 withdrawals from all accounts, and in-service hardship withdrawals from a participant's deferral contributions account and match account, are also allowed. Rollover contributions may be withdrawn at any time.

Forfeitures

The Company's discretionary contributions that are not vested upon termination of employment are forfeited and may be used to reduce future Company contributions. At December 31, 2013 and 2012, the forfeited nonvested accounts totaled \$44,000 and \$42,000, respectively. For the year ended December 31, 2013, \$107,000 of forfeitures was used to offset current year employer contributions.

2. SUMMARY OF SIGNIFICANT ACCCOUNTING POLICIES

Basis of Presentation

The Plan uses the accrual basis of accounting and the financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("US GAAP").

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

Investment Valuation and Income

The Plan's investments are stated at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Plan's investment committee determines the Plan's valuation policies utilizing information provided by the investment advisors and custodian. Shares of mutual funds are valued at the net asset value of shares held by the Plan at year end. The market value of the Company's common stock was based on the publicly traded price as of the last trade date of the year, December 31, 2013.

Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

Notes Receivable from Participants

Notes receivable from participants are measured at their unpaid principal balance plus any accrued and unpaid interest. Delinquent participant loans may be reclassified as distributions based upon the terms of the plan document.

Administrative Expenses

Administrative expenses, including trustee, legal, auditing and other fees, are paid by the Company and, as such, are not expenses of the Plan. The amount reported as administrative expenses of the Plan are transactional fees charged to the participant's account, such as loan processing, expedited shipping fees, etc. Investment related expenses are included in net realized and unrealized change in fair value of investments.

Payment of Benefits

Benefits are recorded when paid.

Table of Contents

Subsequent Events

The Plan administrator has evaluated subsequent events through the date of this report, to ensure that the financial statements include appropriate disclosure or recognition of events that occurred subsequent to December 31, 2013. As of the date of this report, there are no subsequent events that are reportable.

Fair Value Measurements

The Plan's assets are measured at fair value pursuant to a fair value hierarchy that gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 financial instruments) and the lowest priority to unobservable inputs (Level 3 financial instruments). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Level 1 Inputs - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the plan has the ability to accept.

Level 2 Inputs - Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These might include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (such as interest rates, volatilities, prepayment spreads, credit risks, etc.) or inputs that are derived principally from or corroborated by market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs - Unobservable inputs for determining the fair values of assets or liabilities that reflect assumptions that market participants would use in pricing the assets or liabilities.

Mutual funds: Valued at the daily closing price as reported by the fund. Mutual funds held by the Plan are open-ended mutual funds that are registered with the Securities and Exchange Commission (SEC). These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the plan are deemed to be actively traded.

Company common stock: Valued at the closing price reported on the active market on which the Company's common stock is traded.

The table below sets forth by level, within the fair value hierarchy, the Plan's investments at fair value as of December 31, 2013 and 2012: (in thousands)

	Investments at Fair Value as of December 31, 2013			Total
	(Level 1)	(Level 2)	(Level 3)	
Money market	\$2,363	—	—	\$2,363
Mutual funds:				
Target date funds	21,964	—	—	21,964
Company common stock	5,857	—	—	5,857
Growth funds	5,679	—	—	5,679
Value funds	4,249	—	—	4,249
Bond funds	2,663	—	—	2,663
International funds	2,435	—	—	2,435
Balanced funds	1,310	—	—	1,310
Blended funds	1,219	—	—	1,219

Total investments at fair values	\$47,739	—	—	\$47,739
----------------------------------	----------	---	---	----------

7

Table of Contents

	Investments at Fair Value as of December 31, 2012			Total
	(Level 1)	(Level 2)	(Level 3)	
Money market	\$1,954	—	—	\$1,954
Mutual funds:				
Target date funds	18,508	—	—	18,508
Company common stock	4,159	—	—	4,159
Growth funds	4,096	—	—	4,096
Bond funds	2,718	—	—	2,718
Value funds	2,386	—	—	2,386
International funds	1,604	—	—	1,604
Blended funds	912	—	—	912
Balanced funds	849	—	—	849
Total investments at fair values	\$37,186	—	—	\$37,186

3. INVESTMENTS

The following represents 5% or more of the Plan's net assets available for benefits at December 31: (in thousands)

	2013	2012
Fidelity Freedom 2020	\$5,983	\$5,424
PDC Energy, Inc. Common Stock	5,857	4,159
Fidelity Freedom 2030	4,373	3,316
Fidelity Freedom 2025	4,152	3,478
Fidelity Contrafund Mutual Fund	3,200	2,112
Fidelity US Bond Index Mutual Fund	2,663	2,718
Fidelity Retirement Money Market	*	1,953

* Investments did not represent 5% or more of the Plan's net assets at December 31 for the respective year.

During 2013, the Plan's investments, including gains and losses on investments bought and sold, as well as held during the year, appreciated in value as follows: (in thousands)

Mutual funds	\$4,757
PDC Energy, Inc. common stock	2,460
Net appreciation in fair value of investments	\$7,217

4. PLAN TERMINATION

Although it has not expressed any intent to do so, the Company has the right under the Plan to discontinue its contributions at any time and to terminate the Plan, subject to the provisions of ERISA. In the event of termination, Plan participants will become 100% vested in their accounts.

Table of Contents

5. TAX STATUS

The Plan is documented on a volume submitter profit sharing plan with 401(k) features prepared by Fidelity Management and Research Company. The Plan has received an opinion letter from the Internal Revenue Service dated March 31, 2008 that the form of the plan is qualified under Section 401(a) of the Internal Revenue Code. The Company has not sought an individual determination letter for the Plan and is relying on the opinion letter as to the Plan's tax qualification, as provided for in Revenue Procedure 2005-16. The Plan administrator believes the Plan is operated in compliance with the applicable requirements of the Internal Revenue Code and has no income subject to unrelated business income tax. Therefore, no provision for income taxes has been included in the Plan's financial statement. The Plan Administrator believes that the Plan is no longer subject to income tax examinations for years prior to 2010.

6. RISKS AND UNCERTAINTIES

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net assets available for benefits.

7. RELATED PARTY / PARTY-IN-INTEREST TRANSACTIONS

Certain Plan investments are shares of the Company's common stock. The Company is the Plan sponsor and therefore qualifies as a related party / party-in-interest. At December 31, 2013 and 2012, the Plan held an investment of 110,057 and 125,250 shares of the common stock of the Company, respectively. The fair value of the Company common stock held by the fund at December 31, 2013 and 2012 was \$5,857,000 and \$4,159,000, respectively.

Certain Plan investments are shares of mutual funds managed by FMTC. FMTC is the trustee as defined by the Plan, and therefore, these transactions qualify as party-in-interest transactions.

Table of Contents

INDEX of Supplemental Schedules

Form 5500, Schedule H, Part IV, Line 4a - Delinquent Participant Contributions

Form 5500, Schedule H, Part IV, Line 4i - Schedule of Assets (Held at End of Year)

10

Table of Contents

THE PDC ENERGY, INC.
 401(K) & PROFIT SHARING PLAN
 FORM 5500, SCHEDULE H, PART IV, LINE IV, QUESTION 4a - DELINQUENT PARTICIPANT
 CONTRIBUTIONS FOR THE YEAR ENDED DECEMBER 31, 2013
 EIN 95-2636730, PLAN 001
 DECEMBER 31, 2013

Participant Contributions Transferred Late to Plan Check here if Late Participant Loan Repayments are included: X \$ 146,784	Total that Constitute Nonexempt Prohibited Transactions			Total Fully Corrected Under VFCP and PTE 2002-51 \$ 147,063
	Contributions Not Corrected	Contributions Corrected Outside VFCP	Contributions Pending Correction in VFCP	
	—	279	—	

All employee contributions which were remitted late to the Plan, along with all delinquent participant loan repayments, have been remitted to the Plan along with an earnings credit for the delay in transmittal.

Table of Contents

THE PDC ENERGY, INC.
 401(K) & PROFIT SHARING PLAN
 FORM 5500, SCHEDULE H, PART IV, LINE 4i - SCHEDULE OF ASSETS (HELD AT END OF YEAR)
 EIN 95-2636730, PLAN 001
 DECEMBER 31, 2013

(a)	(b)	(c)	(d)	(e)
	Identity of Issuer, Borrower, Lessor or Similar Party	Description of Investment Including Maturity Date and Rate of Interest	Cost**	Current Value
				(in thousands)
*	Fidelity Freedom 2020	Fidelity Freedom 2020 Mutual Fund		\$5,983
*	PDC Energy, Inc.	Common Stock		5,857
*	Fidelity Freedom 2030	Fidelity Freedom 2030 Mutual Fund		4,373
*	Fidelity Freedom 2025	Fidelity Freedom 2025 Mutual Fund		4,152
*	Fidelity Contrafund	Fidelity Contrafund Mutual Fund		3,200
*	Fidelity US Bond Index	Fidelity US Bond Index Mutual Fund		2,663
*	Fidelity Retirement Money Market	Fidelity Retirement Money Market Mutual Fund		2,362
*	Fidelity International Discovery	Fidelity International Discovery Mutual Fund		1,655
	ABF Large Cap Val PA	American Beacon Large Cap Value Plan Ahead Class		1,531
*	Fidelity Freedom 2040	Fidelity Freedom 2040 Mutual Fund		1,528
*	Fidelity Freedom 2035	Fidelity Freedom 2035 Mutual Fund		1,478
	Rainier	Rainier Small/Mid Cap Equity Mutual Fund		1,386
*	Fidelity Freedom 2015	Fidelity Freedom 2015 Mutual Fund		1,375
	Royce	Royce Opportunity Mutual Fund		1,359
*	Fidelity Value	Fidelity Value Mutual Fund		1,359
*	Fidelity Balanced	Fidelity Balanced Mutual Fund		1,310
	Spartan Total Market Index	Spartan Total Market Index Mutual Fund - Investor Class		1,219
*	Fidelity Freedom 2010	Fidelity Freedom 2010 Mutual Fund		1,134
*	Fidelity Export and Multinational	Fidelity Export and Multinational Mutual Fund		1,093
*	Fidelity Freedom 2050	Fidelity Freedom 2050 Mutual Fund		837
	Spartan International Index	Spartan International Index Mutual Fund - Investor Class		780
*	Fidelity Freedom 2045	Fidelity Freedom 2045 Mutual Fund		744
*	Fidelity Freedom Income	Fidelity Freedom Income Mutual Fund		223
*	Fidelity Freedom 2055	Fidelity Freedom 2055 Mutual Fund		94
*	Fidelity Freedom 2000	Fidelity Freedom 2000 Mutual Fund		33
*	Fidelity Freedom 2005	Fidelity Freedom 2005 Mutual Fund		10
*	PDC Energy, Inc. Stock Purchase Account	Money Market		1
				47,739
*	Notes Receivable from participants	Loans with maturities ranging from 1 month to 120 months and interest rates that range from 3.25% to 6%.		776
				\$48,515

* Denotes party-in-interest to the Plan

** Historical cost is not required as all investments are participant-directed.

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the trustees (or other persons who administer the employee benefit plan) have duly caused this annual report to be signed on its behalf by the undersigned authorized individual.

THE PDC ENERGY, INC. 401(K) & PROFIT SHARING
PLAN

By: PDC Energy, Inc.
Plan Administrator

June 20, 2014

By: /s/ R. Scott Meyers
R. Scott Meyers
Chief Accounting Officer