PDC ENERGY, INC.
Form 10-Q
May 03, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

T QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2018

or

£ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to _________

Commission File Number 001-37419
PDC ENERGY, INC.
(Exact name of registrant as specified in its charter)

Delaware	95-2636730
(State of incorporation)	(I.R.S. Employer Identification No.)

1775 Sherman Street, Suite 3000
Denver, Colorado 80203
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (303) 860-5800

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 66,065,856 shares of the Company's Common Stock ($0.01 par value) were outstanding as of April 20, 2018.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 ("Securities Act"), Section 21E of the Securities Exchange Act of 1934 ("Exchange Act"), and the United States ("U.S.") Private Securities Litigation Reform Act of 1995 regarding our business, financial condition, results of operations, and prospects. All statements other than statements of historical fact included in and incorporated by reference into this report are "forward-looking statements." Words such as expect, anticipate, intend, plan, believe, seek, estimate, and similar expressions or variations of such words are intended to identify forward-looking statements herein. Forward-looking statements include, among other things, statements regarding future: production, costs, and cash flows; drilling locations and zones and growth opportunities; commodity prices and differentials; capital expenditures and projects, including the number of rigs employed and the number of completion crews; renegotiation of our credit facility; management of lease expiration issues; financial ratios; certain accounting and tax change impacts; midstream capacity and related curtailments; our ability to meet our volume commitments to midstream providers; ongoing compliance with our consent decree; and the timing and adequacy of infrastructure projects of our midstream providers.

The above statements are not the exclusive means of identifying forward-looking statements herein. Although forward-looking statements contained in this report reflect our good faith judgment, such statements can only be based on facts and factors currently known to us. Forward-looking statements are always subject to risks and uncertainties, and become subject to greater levels of risk and uncertainty as they address matters further into the future. Throughout this report or accompanying materials, we may use the term “projection” or similar terms or expressions, or indicate that we have “modeled” certain future scenarios. We typically use these terms to indicate our current thoughts on possible outcomes relating to our business or our industry in periods beyond the current fiscal year. Because such statements relate to events or conditions further in the future, they are subject to increased levels of uncertainty.

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

- changes in worldwide production volumes and demand, including economic conditions that might impact demand and prices for the products we produce;
- volatility of commodity prices for crude oil, natural gas, and natural gas liquids ("NGLs") and the risk of an extended period of depressed prices;
- volatility and widening of differentials;
- reductions in the borrowing base under our revolving credit facility;
- impact of governmental policies and/or regulations, including changes in environmental and other laws, the interpretation and enforcement of those laws and regulations, liabilities arising thereunder, and the costs to comply with those laws and regulations;
- declines in the value of our crude oil, natural gas, and NGLs 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 being greater than expected;
- timing and extent of our success in discovering, acquiring, developing, and producing reserves;
- availability of sufficient pipeline, gathering, and other transportation facilities and related infrastructure to process and transport our production and the impact of these facilities and regional capacity on the prices we receive for our production;
- timing and receipt of necessary regulatory permits;
- risks incidental to the drilling and operation of crude oil and natural gas wells;

- difficulties in integrating our operations as a result of any significant acquisitions and acreage exchanges;
- increases or changes in expenses;
- availability of supplies, materials, contractors, and services that may delay the drilling or completion of our wells;
- potential losses of acreage due to lease expirations or otherwise;
- increases or adverse changes in construction costs and procurement costs associated with future build out of midstream-related assets;
- future cash flows, liquidity, and financial condition;
- competition within the oil and gas industry;
- availability and cost of capital;
- our success in marketing crude oil, natural gas, and NGLs;
- effect of crude oil and natural gas derivatives activities;

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- 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 requirements;
- our ability to retain or attract senior management and key technical employees; and
- success of strategic plans, expectations, and objectives for our future operations.

Further, we urge you to carefully review and consider the cautionary statements and disclosures, specifically those under the heading "Risk Factors," made in this Quarterly Report on Form 10-Q, our Annual Report on Form 10-K for the year ended December 31, 2017 (the "2017 Form 10-K"), filed with the U.S. Securities and Exchange Commission ("SEC") on February 27, 2018 and amended on May 1, 2018, 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 the forward-looking statements, which speak only as of the date of this report. We undertake no obligation to update any forward-looking statements in order to reflect any event or circumstance occurring after the date of this report 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.

REFERENCES

Unless the context otherwise requires, references in this report to "PDC Energy," "PDC," "the Company," "we," "us," "our," or "ours" refer to the registrant, PDC Energy, Inc. and all subsidiaries consolidated for the purposes of its financial statements, including our proportionate share of the financial position, results of operations, cash flows and operating activities of our affiliated partnerships.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PDC ENERGY, INC.
Condensed Consolidated Balance Sheets
(unaudited; in thousands, except share and per share data)

	March 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$45,923	$180,675
Accounts receivable, net	181,025	197,598
Fair value of derivatives	28,610	14,338
Prepaid expenses and other current assets	8,897	8,613
Total current assets	264,455	401,224
Properties and equipment, net	4,231,257	3,933,467
Assets held-for-sale, net	1,647	40,084
Other assets	24,798	45,116
Total Assets	$4,522,157	$4,419,891
Liabilities and Stockholders' Equity		
Liabilities		
Current liabilities:		
Accounts payable	$195,703	$150,067
Production tax liability	36,650	37,654
Fair value of derivatives	110,683	79,302
Funds held for distribution	97,611	95,811
Accrued interest payable	13,760	11,815
Other accrued expenses	33,777	42,987
Total current liabilities	488,184	417,636
Long-term debt	1,154,528	1,151,932
Deferred income taxes	187,183	191,992
Asset retirement obligations	73,905	71,006
Fair value of derivatives	26,426	22,343
Other liabilities	94,557	57,333
Total liabilities	2,024,783	1,912,242
Commitments and contingent liabilities		
Stockholders' equity		
Common shares - par value $0.01 per share, 150,000,000 authorized, 65,999,010 and 65,955,080 issued as of March 31, 2018 and December 31, 2017, respectively	660	659
Additional paid-in capital	2,504,663	2,503,294
Retained earnings (deficit)	(6,435)	6,704
Treasury shares - at cost, 29,255 and 55,927 as of March 31, 2018 and December 31, 2017, respectively	(1,514)	(3,008)
Total stockholders' equity	2,497,374	2,507,649

Total Liabilities and Stockholders' Equity	$4,522,157	$4,419,891

See accompanying Notes to Condensed Consolidated Financial Statements
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PDC ENERGY, INC.
Condensed Consolidated Statements of Operations
(unaudited; in thousands, except per share data)

	Three Months Ended March 31,	
	2018	2017
Revenues		
Crude oil, natural gas, and NGLs sales	$305,225	$189,692
Commodity price risk management gain (loss), net	(47,240)	80,704
Other income	2,615	3,311
Total revenues	260,600	273,707
Costs, expenses and other		
Lease operating expenses	29,636	19,789
Production taxes	20,169	12,399
Transportation, gathering, and processing expenses	7,313	5,902
Exploration, geologic, and geophysical expense	2,646	954
Impairment of properties and equipment	33,188	2,193
General and administrative expense	35,696	26,315
Depreciation, depletion, and amortization	126,788	109,316
Accretion of asset retirement obligations	1,288	1,768
(Gain) loss on sale of properties and equipment	1,432	(160)
Other expenses	2,768	3,528
Total costs, expenses and other	260,924	182,004
Income (loss) from operations	(324)	91,703
Interest expense	(17,529)	(19,467)
Interest income	148	240
Income (loss) before income taxes	(17,705)	72,476
Income tax (expense) benefit	4,566	(26,330)
Net income (loss)	$(13,139)	$46,146
Earnings per share:		
Basic	$(0.20)	$0.70
Diluted	$(0.20)	$0.70
Weighted-average common shares outstanding:		
Basic	65,957	65,749
Diluted	65,957	66,117

See accompanying Notes to Condensed Consolidated Financial Statements

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PDC ENERGY, INC.
Condensed Consolidated Statements of Cash Flows
(unaudited; in thousands)

	Three Months Ended March 31,	
	2018	2017
Cash flows from operating activities:		
Net income (loss)	$(13,139)	$46,146
Adjustments to net income (loss) to reconcile to net cash from operating activities:		
Net change in fair value of unsettled commodity derivatives	21,202	(80,153)
Depreciation, depletion and amortization	126,788	109,316
Impairment of properties and equipment	33,188	2,193
Accretion of asset retirement obligations	1,288	1,768
Non-cash stock-based compensation	5,261	4,454
(Gain) loss on sale of properties and equipment	1,432	(160)
Amortization of debt discount and issuance costs	3,246	3,184
Deferred income taxes	(4,809)	26,280
Other	515	722
Changes in assets and liabilities	30,177	25,750
Net cash from operating activities	205,149	139,500
Cash flows from investing activities:		
Capital expenditures for development of crude oil and natural gas properties	(196,917)	(129,826)
Capital expenditures for other properties and equipment	(1,066)	(821)
Acquisition of crude oil and natural gas properties, including settlement adjustments	(180,825)	6,181
Proceeds from sale of properties and equipment	20	737
Proceeds from divestiture	39,023	—
Restricted cash	1,249	—
Purchase of short-term investments	—	(49,890)
Net cash from investing activities	(338,516)	(173,619)
Cash flows from financing activities:		
Proceeds from revolving credit facility	35,000	—
Repayment of revolving credit facility	(35,000)	—
Purchase of treasury stock	(2,255)	(2,017)
Other	(379)	(340)
Net cash from financing activities	(2,634)	(2,357)
Net change in cash, cash equivalents, and restricted cash	(136,001)	(36,476)
Cash, cash equivalents, and restricted cash, beginning of period	189,925	244,100
Cash, cash equivalents, and restricted cash, end of period	$53,924	$207,624
Supplemental cash flow information:		
Cash payments (receipts) for:		
Interest, net of capitalized interest	$12,343	$13,224
Income taxes	193	(39)
Non-cash investing and financing activities:		
Change in accounts payable related to capital expenditures	$51,093	$69,604
Change in asset retirement obligations, with a corresponding change to crude oil and natural gas properties, net of disposals	5,354	1,233
Purchase of properties and equipment under capital leases	348	1,190

See accompanying Notes to Condensed Consolidated Financial Statements

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PDC ENERGY, INC.
Condensed Consolidated Statement of Equity
(unaudited; in thousands, except share data)

	Common Stock			Treasury Stock			
	Shares	Amount	Additional Paid-in Capital	Shares	Amount	Retained Earnings (Deficit)	Total Stockholders' Equity
Balance, December 31, 2017	65,955,080	$ 659	$2,503,294	(55,927)	$(3,008)	$6,704	$2,507,649
Net loss	—	—	—	—	—	(13,139)	(13,139)
Purchase of treasury shares	—	—	—	(41,357)	(2,255)	—	(2,255)
Issuance of treasury shares	—	—	(3,891)	70,603	3,891	—	—
Non-employee directors' deferred compensation plan	—	—	—	(2,574)	(142)	—	(142)
Issuance of stock awards, net of forfeitures	43,930	1	(1)	—	—	—	—
Stock-based compensation expense	—	—	5,261	—	—	—	5,261
Other	—	—	—	—	—	—	—
Balance, March 31, 2018	65,999,010	$ 660	$2,504,663	(29,255)	$(1,514)	$(6,435)	$2,497,374

See accompanying Notes to Condensed Consolidated Financial Statements

PDC ENERGY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018
(unaudited)

NOTE 1 - NATURE OF OPERATIONS AND BASIS OF PRESENTATION

PDC Energy, Inc. is a domestic independent exploration and production company that acquires, explores, and develops properties for the production of crude oil, natural gas, and NGLs, with operations in the Wattenberg Field in Colorado and the Delaware Basin in Texas. Our operations in the Wattenberg Field are focused in the horizontal Niobrara and Codell plays and our Delaware Basin operations are currently focused in the Wolfcamp zones. We previously operated properties in the Utica Shale in Southeastern Ohio; however, we divested these properties during the three months ended March 31, 2018. As of March 31, 2018, we owned an interest in approximately 3,000 gross productive wells. We are engaged in two operating segments: our oil and gas exploration and production segment and our gas marketing segment. Our gas marketing segment does not meet the quantitative thresholds to require disclosure as a separate reportable segment. All of our material operations are attributable to our exploration and production business; therefore, all of our operations are presented as a single segment for all periods presented.

The accompanying unaudited condensed consolidated financial statements include the accounts of PDC, our wholly-owned subsidiaries, and our proportionate share of our affiliated partnerships. Pursuant to the proportionate consolidation method, our accompanying condensed consolidated financial statements include our pro rata share of assets, liabilities, revenues, and expenses of the entities which we proportionately consolidate. All material intercompany accounts and transactions have been eliminated in consolidation.

In our opinion, the accompanying condensed consolidated financial statements contain all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of our financial statements for interim periods in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and with the instructions to Form 10-Q and Article 10 of Regulation S-X of the SEC. Accordingly, pursuant to such rules and regulations, certain notes and other financial information included in audited financial statements have been condensed or omitted. The December 31, 2017 condensed consolidated balance sheet data was derived from audited statements, but does not include all disclosures required by U.S. GAAP. The information presented in this Quarterly Report on Form 10-Q should be read in conjunction with our audited consolidated financial statements and notes thereto included in our 2017 Form 10-K. Our results of operations and cash flows for the three months ended March 31, 2018 are not necessarily indicative of the results to be expected for the full year or any other future period.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recently Adopted Accounting Standard

In May 2014, the Financial Accounting Standards Board ("FASB") and the International Accounting Standards Board issued their converged standard on revenue recognition that provides a single, comprehensive model that entities will apply to determine the measurement of revenue and timing of when it is recognized. The standard has been updated and now includes technical corrections. The underlying principle is that an entity will recognize revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The standard outlines a five-step approach to apply the underlying principle: (1) identify the contract with the customer, (2) identify the separate performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to separate performance obligations, and (5) recognize revenue when or as each performance obligation is satisfied. We adopted the standard effective January 1, 2018. In order to evaluate the impact that the adoption of the revenue standard had on our consolidated financial statements, we performed a comprehensive review of our significant revenue streams. The focus of this review included, among other things, the identification of the significant contracts and other arrangements we have with our customers to identify performance obligations and principal versus agent considerations, and factors affecting the determination of the transaction price. We also reviewed our current accounting policies, procedures, and controls with respect to these contracts and arrangements to determine what changes, if any, would be required by the adoption of the revenue standard. We determined that we would adopt the standard under the modified retrospective method. Upon adoption, no adjustment to our opening balance of retained earnings was deemed necessary.

In November 2016, the FASB issued an accounting update on statements of cash flows to address diversity in practice in the classification and presentation of changes in restricted cash. The accounting update requires that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash or restricted cash equivalents

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PDC ENERGY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
March 31, 2018
(unaudited)

should be included with cash and cash equivalents when reconciling beginning-of-period and end-of-period amounts shown on the statement of cash flows. The guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. The adoption of this standard impacted our condensed consolidated statements of cash flows. The following table provides a reconciliation of cash and cash equivalents and restricted cash reported on the condensed consolidated balance sheets at March 31, 2018 and December 31, 2017, which sum to the total of cash, cash equivalents, and restricted cash in the condensed consolidated statements of cash flows:

	March 31, 2018	December 31, 2017
	(in thousands)	
Cash and cash equivalents	$45,923	$ 180,675
Restricted cash	8,001	9,250
Cash, cash equivalents, and restricted cash shown in the condensed consolidated statements of cash flows	$53,924	$ 189,925

Restricted cash is included in other assets on the condensed consolidated balance sheets at March 31, 2018 and December 31, 2017. We did not have any cash classified as restricted cash at March 31, 2017 or December 31, 2016.

Recently Issued Accounting Standards

In February 2016, the FASB issued an accounting update aimed at increasing the transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information about related leasing arrangements. The standard has been updated and now includes amendments. For leases with terms of more than 12 months, the accounting update requires lessees to recognize a right-of-use asset and lease liability for its right to use the underlying asset and the corresponding lease obligation. Both the lease asset and liability will initially be measured at the present value of the future minimum lease payments over the lease term. Subsequent measurement, including the presentation of expenses and cash flows, will depend upon the classification of the lease as either a finance or operating lease. The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those years, with early adoption permitted, and is to be applied as of the beginning of the earliest period presented using a modified retrospective approach. The update does not apply to leases of mineral rights to explore for or use crude oil and natural gas. We are currently evaluating the impact these changes may have on our condensed consolidated financial statements.

In August 2017, the FASB issued an accounting update to provide guidance for various components of hedge accounting, including hedge ineffectiveness, the expansion of types of permissible hedging strategies, reduced complexity in the application of the long-haul method for fair value hedges and reduced complexity in assessment of effectiveness. The guidance is effective for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years, with early adoption permitted. We are currently evaluating the impact these changes may have on our condensed consolidated financial statements.

NOTE 3 - BUSINESS COMBINATION

In January 2018, we closed the acquisition of properties from Bayswater Exploration and Production LLC (the "Bayswater Acquisition") for approximately $201.8 million in cash, including $21.0 million deposited into an escrow account in September 2017, subject to certain customary post-closing adjustments. The $21.0 million deposit was included in other assets on our December 31, 2017 condensed consolidated balance sheet. We acquired approximately 7,400 net acres, approximately 220 gross drilling locations, and 24 operated horizontal wells that were either drilled uncompleted wells ("DUCs") or in-process wells at the time of closing.

The details of the estimated purchase price and the preliminary allocation of the purchase price for the transaction, are presented below (in thousands):

	March 31, 2018
Acquisition costs:	
Cash	$171,091
Deposit made in prior period	21,000
Total cash consideration	192,091
Other purchase price adjustments	9,734
Total acquisition costs	$201,825
Recognized amounts of identifiable assets acquired and liabilities assumed:	
Assets acquired:	
Current assets	$517
Crude oil and natural gas properties - proved	208,279
Other assets	2,796
Total assets acquired	211,592
Liabilities assumed:	
Current liabilities	(5,080)
Asset retirement obligations	(4,687)
Total liabilities assumed	(9,767)
Total identifiable net assets acquired	$201,825

This acquisition was accounted for under the acquisition method. Accordingly, we conducted assessments of the net assets acquired and recognized amounts for identifiable assets acquired and liabilities assumed at their estimated acquisition date fair values, while transaction and integration costs associated with the acquisition were expensed as incurred. The fair value measurements of assets acquired and liabilities assumed are based on inputs that are not observable in the market, and therefore represent Level 3 inputs. The fair values of crude oil and natural gas properties and asset retirement obligations were measured using valuation techniques that convert future cash flows to a single discounted amount. Significant inputs to the valuation of crude oil and natural gas properties include estimates of reserves, future operating and development costs, future commodity prices, estimated future cash flows, lease terms and expirations, and a market-based weighted-average cost of capital rate. Within the unproved properties, the allocation of the value to the underlying leases also requires significant judgment and is based on a combination of comparable market transactions, the term and conditions associated with the individual leases, our ability and intent to develop specific leases, and our initial assessment of the underlying relative value of the leases given our knowledge of the geology at the time of closing. These inputs require significant judgments and estimates by management at the time of the valuation and were the most sensitive and subject to change.

The results of operations for the Bayswater Acquisition for the three months ended March 31, 2018 have been included in our condensed consolidated financial statements. Pro forma results of operations for the Bayswater Acquisition showing results as if the acquisition had been completed as of January 1, 2017 would not have been material to our condensed consolidated financial statements for the three months ended March 31, 2017.

NOTE 4 - REVENUE RECOGNITION

On January 1, 2018, we adopted the new accounting standard that was issued by the FASB and the International Accounting Standards Board that converged their standard on revenue recognition and provides a single, comprehensive model to determine the measurement of revenue and timing of when it is recognized and all the related amendments ("new revenue standard") using the modified retrospective method. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. Based upon our review, we determined that the adoption of the standard would have reduced our crude oil, natural gas, and NGLs sales by approximately $2.5 million in the first quarter of 2017 with a corresponding decrease in transportation, gathering, and processing expenses and no impact on net earnings. To determine the impact on our crude oil, natural gas, and NGLs sales and our transportation, processing, and gathering expenses for the three months ended March 31, 2017, we applied the new guidance to contracts that were not completed as of December 31, 2017. We do not expect adoption of the new standard to have a significant impact on our net income going forward.

Crude oil, natural gas, and NGLs revenues are recognized when we have transferred control of crude oil, natural gas, or NGLs production to the purchaser. We consider the transfer of control to have occurred when the purchaser has the ability to direct the use of, and obtain substantially all of the remaining benefits, from the crude oil, natural gas, or NGLs production. We record sales revenue based on an estimate of the volumes delivered at estimated prices as determined by the applicable sales agreement. We estimate our sales volumes based on company-measured volume readings. We then adjust our crude oil, natural gas, and NGLs sales in subsequent periods based on the data received from our purchasers that reflects actual volumes and prices received. We receive payment for sales from one to two months after actual delivery has occurred. The differences in sales estimates and actual sales are recorded one to two months later. Historically, these differences have not been material. We account for natural gas imbalances using the sales method. For the three months ended March 31, 2018 and 2017 the impact of any natural gas imbalances was not significant. If a sale is deemed uncollectible, an allowance for doubtful collection is recorded.

Our crude oil, natural gas, and NGLs sales are recorded using either the “net-back” or "gross" method of accounting, depending upon the related purchase agreement. We use the net-back method when control of the crude oil, natural gas, or NGLs has been transferred to the purchasers of these commodities that are providing transportation, gathering, or processing services. In these situations, the purchaser pays us proceeds based on a percent of the proceeds or have fixed our sales price at index less specified deductions. The net-back method results in the recognition of a net sales price that is lower than the indices for which the production is based because the operating costs and profit of the midstream facilities are embedded in the net price we are paid.

We use the gross method of accounting when control of the crude oil, natural gas, or NGLs is not transferred to the purchaser and the purchaser does not provide transportation, gathering, or processing services as a function of the price we receive. Rather, we contract separately with midstream providers for the applicable transport and processing on a per unit basis. Under this method, we recognize revenues based on the gross selling price and recognize transportation, gathering, and processing expenses.

Based on our evaluation of when control of crude oil and natural gas sales are transferred to the customer under the guidance of the new revenue recognition standard, certain crude oil sales in the Wattenberg Field that were recognized using the gross method prior to the adoption of the new revenue standard will be recognized using the net-back method. In the Delaware Basin, certain crude oil and natural gas sales that were recognized using the gross method prior to the adoption of the new revenue standard will be recognized using the net-back method.

As discussed above, we enter into agreements for the sale, transportation, gathering, and processing of our production. The terms of these agreements can result in variances in the per unit realized prices that we receive for our crude oil, natural gas and NGLs. For crude oil, the average NYMEX prices are based upon average daily prices throughout each month and our natural gas average NYMEX pricing is based upon first-of-the-month index prices as this is how the majority of each of these commodities is sold pursuant to terms of the respective sales agreements. For NGLs, we use the NYMEX crude oil price as a reference for presentation purposes.

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Disaggregated Revenue. The following table presents crude oil, natural gas, and NGLs sales disaggregated by commodity and operating region for the three months ended March 31, 2018 and 2017 (in thousands):

	Three Months Ended March 31,		
Revenue by Commodity and Operating Region	2018	2017 (2)	Percentage Change
Crude oil			
Wattenberg Field	$170,306	$105,188	61.9 %
Delaware Basin	53,418	13,538	294.6 %
Utica Shale (1)	2,696	4,270	(36.9)%
Total	$226,420	$122,996	84.1 %
Natural gas			
Wattenberg Field	$29,772	$32,614	(8.7)%
Delaware Basin	7,679	2,468	211.1 %
Utica Shale (1)	1,110	1,860	(40.3)%
Total	$38,561	$36,942	4.4 %
NGLs			
Wattenberg Field	$28,770	$25,318	13.6 %
Delaware Basin	10,635	2,947	260.9 %
Utica Shale (1)	839	1,489	(43.7)%
Total	$40,244	$29,754	35.3 %
Revenue by Operating Region			
Wattenberg Field	$228,848	$163,120	40.3 %
Delaware Basin	71,732	18,953	278.5 %
Utica Shale (1)	4,645	7,619	(39.0)%
Total	$305,225	$189,692	60.9 %

(1) In March 2018, we completed the sale of our Utica Shale properties.
(2) As we have elected the modified retrospective method of adoption, revenues for the three months ended March 31, 2017 have not been restated for the new revenue recognition standard. Such amounts would not have been material.

Contract Assets. Contract assets include material contributions in aid of construction ("CIAC"), which are common in purchase/purchase and processing agreements with midstream service providers that are our customers. Generally, the intent of the payments is to reimburse the customer for actual costs incurred related to the construction of its gathering and processing infrastructure. Contract assets that are classified as current assets are included in prepaid expenses and other current assets on our condensed consolidated balance sheet. Contract assets that are classified as long-term are included in other assets on our condensed consolidated balance sheet. The contract assets will be amortized as a reduction to crude oil, natural gas, or NGLs sales revenue during the periods that the related production is transferred to the customer.

The following table presents the changes in carrying amounts of the contract assets associated with our crude oil, natural gas, and NGLs sales revenue for the three months ended March 31, 2018:

	Amount

	(in thousands)
Beginning balance, January 1, 2018	$ 4,446
Contract assets amortized as a reduction to crude oil, natural gas, and NGLs sales	(1,233)
Ending balance, March 31, 2018	$ 3,213

Customer Accounts Receivable. Our accounts receivable include amounts billed and currently due from sales of our crude oil, natural gas, and NGLs production. Our gross accounts receivable balance from crude oil, natural gas, and NGLs sales at March 31, 2018 and December 31, 2017 was $145.3 million and $154.3 million, respectively. Historically, we have not recorded a significant amount of write-offs related to our accounts receivable from sales of our crude oil, natural gas, and NGLs sales, therefore; we did not record an allowance for doubtful accounts for these receivables at March 31, 2018 or December 31, 2017.

NOTE 5 - FAIR VALUE OF FINANCIAL INSTRUMENTS

Determination of Fair Value

Our fair value measurements are estimated pursuant to a fair value hierarchy that requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date, giving the highest priority to quoted prices in active markets (Level 1) and the lowest priority to unobservable data (Level 3). In some cases, the inputs used to measure fair value might fall in different levels of the fair value hierarchy. The lowest level input that is significant to a fair value measurement in its entirety determines the applicable level in the fair value hierarchy. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgment, considering factors specific to the asset or liability, and may affect the valuation of the assets and liabilities and their placement within the fair value hierarchy levels. The three levels of inputs that may be used to measure fair value are defined as:

Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived from observable market data by correlation or other means.

Level 3 – Unobservable inputs for the asset or liability, including situations where there is little, if any, market activity.

Derivative Financial Instruments

We measure the fair value of our derivative instruments based upon a pricing model that utilizes market-based inputs, including, but not limited to, the contractual price of the underlying position, current market prices, crude oil and natural gas forward curves, discount rates such as the LIBOR curve for a similar duration of each outstanding position, volatility factors, and nonperformance risk. Nonperformance risk considers the effect of our credit standing on the fair value of derivative liabilities and the effect of our counterparties' credit standings on the fair value of derivative assets. Both inputs to the model are based on published credit default swap rates and the duration of each outstanding derivative position.

We validate our fair value measurement through the review of counterparty statements and other supporting documentation, determination that the source of the inputs is valid, corroboration of the original source of inputs through access to multiple quotes, if available, or other information, and monitoring changes in valuation methods and assumptions. While we use common industry practices to develop our valuation techniques and believe our valuation method is appropriate and consistent with those used by other market participants, changes in our pricing methodologies or the underlying assumptions could result in significantly different fair values.

Our crude oil and natural gas fixed-price swaps are included in Level 2. Our collars and propane fixed-price swaps are included in Level 3. Our basis swaps are included in Level 2 and Level 3. The following table presents, for each applicable level within the fair value hierarchy, our derivative assets and liabilities, including both current and non-current portions, measured at fair value on a recurring basis:

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	March 31, 2018			December 31, 2017		
	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
	(in thousands)					
Assets:						
Total assets	$22,467	$ 6,143	$28,610	$12,949	$ 1,389	$14,338
Total liabilities	122,133	14,976	137,109	90,569	11,076	101,645
Net liability	$(99,666)	$ (8,833)	$(108,499)	$(77,620)	$ (9,687)	$(87,307)

The following table presents a reconciliation of our Level 3 assets measured at fair value:

	Three Months Ended March 31,	
	2018	2017
	(in thousands)	
Fair value of Level 3 instruments, net liability beginning of period	$(9,687)	$(9,574)
Changes in fair value included in condensed consolidated statement of operations line item:		
Commodity price risk management gain (loss), net	(2,152)	13,360
Settlements included in condensed consolidated statement of operations line items:		
Commodity price risk management gain (loss), net	3,006	(1,470)
Fair value of Level 3 instruments, net asset (liability) end of period	$(8,833)	$2,316
Net change in fair value of Level 3 unsettled derivatives included in condensed consolidated statement of operations line item:		
Commodity price risk management gain (loss), net	$1,205	$11,427

The significant unobservable input used in the fair value measurement of our derivative contracts is the implied volatility curve, which is provided by a third-party vendor. A significant increase or decrease in the implied volatility, in isolation, would have a directionally similar effect resulting in a significantly higher or lower fair value measurement of our Level 3 derivative contracts. There has been no change in the methodology we apply to measure the fair value of our Level 3 derivative contracts during the periods covered by this report.

Non-Derivative Financial Assets and Liabilities

The carrying value of the financial instruments included in current assets and current liabilities approximate fair value due to the short-term maturities of these instruments.

We utilize fair value on a nonrecurring basis to review our proved crude oil and natural gas properties for possible impairment when events and circumstances indicate a possible decline in the recoverability of the carrying value of such assets. The fair value of the properties is determined based upon estimated future discounted cash flow, a Level 3 input, using estimated production and prices at which we reasonably expect the crude oil and natural gas will be sold.

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The portion of our long-term debt related to our revolving credit facility approximates fair value due to the variable nature of related interest rates. We have not elected to account for the portion of our debt related to our senior notes under the fair value option; however, we have determined an estimate of the fair values based on measurements of trading activity and broker and/or dealer quotes, respectively, which are published market prices, and therefore are Level 2 inputs. The table below presents these estimates of the fair value of the portion of our long-term debt related to our senior notes and convertible notes as of March 31, 2018.

	Estimated Fair Value (in millions)	Percent of Par
Senior notes:		
2021 Convertible Notes	$ 194.0	97.0 %
2024 Senior Notes	409.0	102.3 %
2026 Senior Notes	593.3	98.9 %

The carrying value of our capital lease obligations approximates fair value due to the variable nature of the imputed interest rates and the duration of the related vehicle lease.

Concentration of Risk

Derivative Counterparties. A portion of our liquidity relates to commodity derivative instruments that enable us to manage a portion of our exposure to price volatility from producing crude oil and natural gas. These arrangements expose us to credit risk of nonperformance by our counterparties. We primarily use financial institutions who are also major lenders under our revolving credit facility as counterparties to our commodity derivative contracts. An insignificant portion of our commodity derivative instruments may be with other counterparties. To date, we have had no derivative counterparty default losses. We have evaluated the credit risk of our derivative assets from our counterparties using relevant credit market default rates, giving consideration to amounts outstanding for each counterparty and the duration of each outstanding derivative position. Based on our evaluation, we have determined that the potential impact of nonperformance of our current counterparties on the fair value of our derivative instruments is not significant at March 31, 2018, taking into account the estimated likelihood of nonperformance.

Cash and Cash Equivalents. We consider all highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents. Cash and cash equivalents potentially subject us to a concentration of credit risk as substantially all of our deposits held in financial institutions were in excess of the FDIC insurance limits at March 31, 2018 and December 31, 2017. We maintain our cash and cash equivalents in the form of money market and checking accounts with financial institutions that we believe are creditworthy and are also major lenders under our revolving credit facility.

NOTE 6 - COMMODITY DERIVATIVE FINANCIAL INSTRUMENTS

Our results of operations and operating cash flows are affected by changes in market prices for crude oil, natural gas, and NGLs. To manage a portion of our exposure to price volatility from producing crude oil, natural gas, and propane, which is an element of our NGLs, we enter into commodity derivative contracts to protect against price declines in future periods. While we structure these commodity derivatives to reduce our exposure to decreases in commodity prices, they also limit the benefit we might otherwise receive from price increases.

We believe our commodity derivative instruments continue to be effective in achieving the risk management objectives for which they were intended. As of March 31, 2018, we had derivative instruments, which were comprised of collars, fixed-price swaps, and basis protection swaps, in place for a portion of our anticipated 2018 and 2019 production. Our commodity derivative contracts have been entered into at no cost to us as we hedge our anticipated production at the then-prevailing commodity market prices, without adjustment for premium or discount.

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As of March 31, 2018, we had the following outstanding derivative contracts. When aggregating multiple contracts, the weighted average contract price is disclosed.

Commodity/ Index/ Maturity Period	Collars			Fixed-Price Swaps		
	Quantity (Gas - BBtu Oil - MBbls)	Weighted-Average Contract Price		Quantity (Oil - MBbls Gas and Basis- BBtu Propane - MBbls)	Weighted-Average Contract Price	Fair Value March 31, 2018 (1) (in millions)
		Floors	Ceilings			
Crude Oil						
NYMEX						
2018	1,784.0	$ 46.64	$ 57.53	7,704.0	$ 52.54	$ (91.4)
2019	400.0	50.00	60.67	7,800.0	53.20	(42.9)
Total Crude Oil	2,184.0			15,504.0		$ (134.3)
Natural Gas						
NYMEX						
2018	2,735.0	$ 3.00	$ 3.56	40,335.0	$ 2.94	$ 5.1
2019	—	—	—	4,004.0	2.77	(0.1)
Total Natural Gas	2,735.0			44,339.0		$ 5.0
Basis Protection - Crude Oil						
Midland Cushing						
2018	—	$ —	$ —	1,456.1	$ (0.10)	$ 5.4
Total Basis Protection - Crude Oil	—			1,456.1		$ 5.4
Basis Protection - Natural Gas						
CIG						
2018	—	$ —	$ —	31,409.9	$ (0.43)	$ 12.3
2019	—	—	—	4,004.0	(0.88)	(0.1)
Waha						
2018	—	—	—	4,923.8	(0.50)	3.4
El Paso						
2018	—	—	—	2,450.0	(0.62)	1.6
Total Basis Protection - Natural Gas	—			42,787.7		$ 17.2
Propane						
Mont Belvieu						
2018	—	$ —	$ —	714.4	$ 32.52	$ —
Total Propane	—			714.4		$ —

Rollfactor (2)						
Crude Oil CMA						
2018	—	$ —	$ —	4,192	$ 0.12	$ (1.8)
Total Rollfactor	—			4,192		$ (1.8)
Commodity Derivatives Fair Value						$ (108.5)

(1) Approximately 21.5 percent of the fair value of our commodity derivative assets and 10.9 percent of the fair value of our commodity derivative liabilities were measured using significant unobservable inputs (Level 3).

(2) These positions hedge the timing risk associated with our physical sales. We generally sell crude oil for the delivery month at a sales price based on the average NYMEX West Texas Intermediate price during that month, plus an adjustment calculated as a spread between the weighted average prices of the delivery month, the next month and the following month during the period when the delivery month is the first month.

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We have not elected to designate any of our derivative instruments as cash flow hedges, and therefore these instruments do not qualify for hedge accounting. Accordingly, changes in the fair value of our derivative instruments are recorded in the condensed consolidated statements of operations.

The following table presents the balance sheet location and fair value amounts of our derivative instruments on the condensed consolidated balance sheets:

Derivative instruments:		Condensed consolidated balance sheet line item	Fair Value March 31, 2018	December 31, 2017
			(in thousands)	
Derivative assets:	Current			
	Commodity derivative contracts	Fair value of derivatives	$5,958	$7,340
	Basis protection derivative contracts	Fair value of derivatives	22,652	6,998
			28,610	14,338
	Non-current		—	—
Total derivative assets			$28,610	$14,338
Derivative liabilities:	Current			
	Commodity derivative contracts	Fair value of derivatives	108,763	77,999
	Basis protection derivative contracts	Fair value of derivatives	122	234
	Rollfactor derivative contracts	Fair value of derivatives	1,798	1,069
			110,683	79,302
	Non-current			
	Commodity derivative contracts	Fair value of derivatives	26,447	22,343
	Basis protection derivative contracts	Fair value of derivatives	(21)	—
			26,426	22,343
Total derivative liabilities			$137,109	$101,645

The following table presents the impact of our derivative instruments on our condensed consolidated statements of operations:

Condensed consolidated statement of operations line item	Three Months Ended March 31, 2018	2017
	(in thousands)	
Commodity price risk management gain (loss), net		
Net settlements	$(26,038)	$551
Net change in fair value of unsettled derivatives	(21,202)	80,153
Total commodity price risk management gain (loss), net	$(47,240)	$80,704

Net settlements of commodity derivatives and net change in fair value of unsettled derivatives decreased for the three months ended March 31, 2018 as compared to the three months ended March 31, 2017 as a result of the increase in future commodity prices during the first quarter of 2018 compared to a decrease during the first quarter of 2017.

All of our financial derivative agreements contain master netting provisions that provide for the net settlement of all contracts through a single payment in the event of early termination. We have elected not to offset the fair value positions recorded on our condensed consolidated balance sheets.

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The following table reflects the impact of netting agreements on gross derivative assets and liabilities:

As of March 31, 2018	Derivative instruments, recorded in condensed consolidated balance sheet, gross	Effect of master netting agreements	Derivative instruments, net
	(in thousands)		
Asset derivatives:			
Derivative instruments, at fair value	$28,610	$(27,971)	$639
Liability derivatives:			
Derivative instruments, at fair value	$137,109	$(27,971)	$109,138

As of December 31, 2017	Derivative instruments, recorded in condensed consolidated balance sheet, gross	Effect of master netting agreements	Derivative instruments, net
	(in thousands)		
Asset derivatives:			
Derivative instruments, at fair value	$14,338	$(14,173)	$165
Liability derivatives:			
Derivative instruments, at fair value	$101,645	$(14,173)	$87,472

NOTE 7 - PROPERTIES AND EQUIPMENT

The following table presents the components of properties and equipment, net of accumulated depreciation, depletion, and amortization ("DD&A"):

	March 31, 2018	December 31, 2017
	(in thousands)	
Properties and equipment, net:		
Crude oil and natural gas properties		

Proved	$4,706,258	$4,356,922
Unproved	1,055,774	1,097,317
Total crude oil and natural gas properties	5,762,032	5,454,239
Infrastructure, pipeline, and other	125,529	109,359
Land and buildings	12,679	10,960
Construction in progress	294,311	196,024
Properties and equipment, at cost	6,194,551	5,770,582
Accumulated DD&A	(1,963,294)	(1,837,115)
Properties and equipment, net	$4,231,257	$3,933,467

The following table presents impairment charges recorded for crude oil and natural gas properties:

	Three Months Ended March 31,	
	2018	2017
	(in thousands)	
Impairment of proved and unproved properties	$33,130	$2,102
Amortization of individually insignificant unproved properties	58	91
Impairment of crude oil and natural gas properties	$33,188	$2,193

During the three months ended March 31, 2018, we recorded impairment charges of $26.9 million, primarily related to certain unproved Delaware Basin leasehold positions that expired during the three months ended March 31, 2018.

Additionally, we corrected an error in our calculation of the unproved properties and goodwill impairment originally reported in the quarter ended September 30, 2017. The correction of the error resulted in an additional impairment charge of $6.3 million, recorded in the three months ended March 31, 2018, which we have included in the impairment of properties and equipment expense line in our condensed consolidated statement of operations. We evaluated the error under the guidance of Accounting Standards Codification 250, Accounting Changes and Error Corrections ("ASC 250"). Based on the guidance in ASC 250, we determined that the impact of the error did not have a material impact to our previously-issued financial statements or those of the period of correction.

Utica Shale Divestiture. In March 2018, we completed the sale of our Utica Shale properties (the "Utica Shale Divestiture") for net cash proceeds of approximately $39.0 million, subject to certain customary post-closing adjustments. We recorded a loss on sale of properties and equipment of $1.4 million for the three months ended March 31, 2018. The divestiture of the Utica Shale properties did not represent a strategic shift in our operations or have a significant impact on our operations or financial results; therefore, we did not account for it as a discontinued operation.

Classification of Assets as Held-for-Sale. Assets held-for-sale as of March 31, 2018 were $1.6 million for a field office facility. We subsequently sold the field office facility in April 2018 for $1.9 million and will record a gain on sale of properties and equipment of $0.3 million during the second quarter of 2018. Assets held-for-sale as of December 31, 2017 included $36.8 million and $3.3 million, representing our Utica Shale properties and field office facilities and a separate parcel of land, respectively.

The following table presents balance sheet data related to assets held-for-sale. Assets held-for-sale represents the assets that are expected to be sold, net of liabilities that are expected to be assumed by the purchasers:

	March 31, 2018	December 31, 2017
	(in thousands)	
Assets		
Properties and equipment, net	$1,647	$ 40,583
Total assets	$1,647	$ 40,583
Liabilities		
Asset retirement obligation	$—	$ 499
Total liabilities	$—	$ 499
Assets held-for-sale, net	$1,647	$ 40,084

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Suspended Well Costs. We have spud three wells in the Delaware Basin for which we are unable to make a final determination regarding whether proved reserves can be associated with the wells as of March 31, 2018 as the wells had not been completed as of that date. Therefore, we have classified the capitalized costs of the wells as suspended well costs as of March 31, 2018 while we continue to conduct completion and testing operations to determine the existence of proved reserves.

The following table presents the capitalized exploratory well cost pending determination of proved reserves and included in properties and equipment, net on the condensed consolidated balance sheets:

	March 31, 2018	December 31, 2017
	(in thousands, except for number of wells)	
Beginning balance	$15,448	$—
Additions to capitalized exploratory well costs pending the determination of proved reserves	17,143	51,776
Reclassifications to proved properties	—	(36,328)
Ending balance	$32,591	$15,448
Number of wells pending determination at period end	3	3

Exploration, geologic, and geophysical expense. Exploration, geologic, and geophysical expense of $2.6 million during the three months ended March 31, 2018 was primarily related to the purchase of seismic data related to unproved acreage and lease costs associated with certain delayed drilling in the Delaware Basin. Exploration, geologic, and geophysical expense of $1.0 million during the three months ended March 31, 2017 was primarily related to drilling pilot holes in the Delaware Basin.

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NOTE 8 - OTHER ACCRUED EXPENSES AND OTHER LIABILITIES

Other Accrued Expenses. The following table presents the components of other accrued expenses as of:

	March 31, 2018	December 31, 2017
	(in thousands)	
Employee benefits	$10,901	$ 22,383
Asset retirement obligations	15,944	15,801
Environmental expenses	2,074	1,374
Short-term deferred oil gathering credit	2,010	—
Other	2,848	3,429
Other accrued expenses	$33,777	$ 42,987

Other Liabilities. The following table presents the components of other liabilities as of:

	March 31, 2018	December 31, 2017
	(in thousands)	
Production taxes	$63,454	$ 50,476
Long-term deferred oil gathering credit	21,608	—
Other	9,495	6,857
Other liabilities	$94,557	$ 57,333

On January 31, 2018, we received a payment of $24.1 million from Saddle Butte Rockies Midstream, LLC for the execution of an amendment to an existing crude oil purchase and sale agreement signed in December 2017. The amendment was effective contingent upon certain events which occurred in late January 2018. The amendment, among other things, dedicates crude oil from the majority of our Wattenberg Field acreage to Saddle Butte's gathering lines and extends the term of the agreement through December 2029. Subsequent to the receipt of this payment, Saddle Butte was purchased by Black Diamond Gathering, LLC. The short-term portion of the deferred oil gathering credit is included in other accrued expenses and the long-term portion is included in other liabilities on our condensed consolidated balance sheet as of March 31, 2018. The payment will be amortized using the straight-line method over the life of the amendment. Amortization charges totaling approximately $0.4 million for the three months ended March 31, 2018 related to the deferred oil gathering credit are included as a reduction to transportation, gathering, and processing expenses on our condensed consolidated statements of operations.

NOTE 9 - LONG-TERM DEBT

Long-term debt consisted of the following as of:

	March 31, 2018	December 31, 2017
	(in thousands)	
Senior notes:		
1.125% Convertible Notes due 2021:		
Principal amount	$200,000	$200,000
Unamortized discount	(28,478)	(30,328)
Unamortized debt issuance costs	(3,371)	(3,615)
1.125% Convertible Notes due 2021, net of unamortized discount and debt issuance costs	168,151	166,057
5.75% Senior Notes due 2026:		
Principal amount	600,000	600,000
Unamortized debt issuance costs	(7,298)	(7,555)
5.75% Senior Notes due 2026, net of unamortized debt issuance costs	592,702	592,445
6.125% Senior Notes due 2024:		
Principal amount	400,000	400,000
Unamortized debt issuance costs	(6,325)	(6,570)
6.125% Senior Notes due 2024, net of unamortized debt issuance costs	393,675	393,430
Total senior notes	1,154,528	1,151,932
Revolving credit facility	—	—
Total long-term debt, net of unamortized discount and debt issuance costs	$1,154,528	$1,151,932

Senior Notes

2021 Convertible Notes. In September 2016, we issued $200 million of 1.125% convertible notes due 2021 (the "2021 Convertible Notes") in a public offering. The maturity for the payment of principal is September 15, 2021. Interest at the rate of 1.125% per year is payable in cash semiannually in arrears on each March 15 and September 15. The conversion stock price at maturity is $85.39 per share. We allocated the gross proceeds of the 2021 Convertible Notes between the liability and equity components of the debt. The initial $160.5 million liability component was determined based on the fair value of similar debt instruments, excluding the conversion feature, priced on the same day we issued the 2021 Convertible Notes. Approximately $4.8 million in costs associated with the issuance of the 2021 Convertible Notes have been capitalized as debt issuance costs. As of March 31, 2018, the unamortized debt discount will be amortized over the remaining contractual term to maturity of the 2021 Convertible Notes using an effective interest rate of 5.8 percent.

Upon conversion, the 2021 Convertible Notes may be settled, at our sole election, in shares of our common stock, cash, or a combination of cash and shares of our common stock. We have initially elected a combination settlement method to satisfy our conversion obligation, which allows us to settle the principal amount of the 2021 Convertible

Notes in cash and to settle the excess conversion value, if any, in shares of our common stock, with cash paid in lieu of fractional shares.

2024 Senior Notes. In September 2016, we issued $400 million aggregate principal amount of 6.125% senior notes due September 15, 2024 (the “2024 Senior Notes”) in a private placement to qualified institutional buyers. In May 2017, in accordance with the registration rights agreement that we entered into with the initial purchasers when we issued the 2024 Senior Notes, we filed a registration statement with the SEC relating to an offer to exchange the 2024 Senior Notes for registered notes with substantially identical terms, and we completed the exchange offer in September 2017. The 2024 Senior Notes accrue interest from the date of issuance and interest is payable semi-annually in arrears on March 15 and September 15. Approximately $7.8 million in costs associated with the issuance of the 2024 Senior Notes have been capitalized as debt issuance costs and are being amortized as interest expense over the life of the notes using the effective interest method.

2026 Senior Notes. In November 2017, we issued $600 million aggregate principal amount of 5.75% senior notes due May 15, 2026, in a private placement to qualified institutional buyers. The 2026 Senior Notes are governed by an indenture dated November 29, 2017 between us and the U.S. Bank National Association, as trustee. The maturity for the payment of principal is May 15, 2026. Interest at the rate of 5.75% per year is payable in cash semiannually in arrears on each May 15 and November 15, commencing on May 15, 2018. Approximately $7.6 million in costs associated with the issuance of the 2026 Senior Notes have been capitalized as debt issuance costs and are being amortized as interest expense over the life of the notes using the effective interest method.

Our wholly-owned subsidiary PDC Permian, Inc. guarantees our obligations under the 2021 Convertible Notes, the 2026 Senior Notes, and the 2024 Senior Notes (collectively, the "Notes"). Accordingly, condensed consolidating financial information for PDC and PDC Permian, Inc. is presented in the footnote titled Subsidiary Guarantor.

As of March 31, 2018, we were in compliance with all covenants related to the Notes, and expect to remain in compliance throughout the next 12-month period.

Revolving Credit Facility

The revolving credit facility is available for working capital requirements, capital investments, acquisitions, general corporate purposes and to support letters of credit. The revolving credit facility matures in May 2020 and provides for a maximum of $1.0 billion in allowable borrowing capacity, subject to the borrowing base and certain limitations under our senior notes. The borrowing base is based on, among other things, the loan value assigned to the proved reserves attributable to our crude oil and natural gas interests. The borrowing base is subject to a semi-annual redetermination on November 1 and May 1 based upon quantification of our reserves at June 30 and December 31, and is also subject to a redetermination upon the occurrence of certain events. The revolving credit facility is secured by a pledge of the stock of certain of our subsidiaries, mortgages of certain producing crude oil and natural gas properties and substantially all of our and such subsidiaries' other assets.

In May and October 2017, we entered into the Fifth and Sixth Amendments, respectively, to the Third Amended and Restated Credit Agreement to amend the revolving credit facility to reflect increases in the borrowing base. The Fifth amendment reflected an increase of the borrowing base from $700 million to $950 million and the Sixth Amendment amended the revolving credit facility to allow the borrowing base to increase above the borrowing capacity of $1.0 billion. In addition, the Fifth Amendment made changes to certain of the covenants in the existing agreement as well as other administrative changes. We elected to increase the borrowing base to $1.1 billion for our November 2017 borrowing base redetermination and have elected to maintain a $700 million commitment level as of the date of this report.

In April 2018, we began negotiations with our bank group to enter into the Fourth Amended and Restated Credit Agreement, and we anticipate closing to occur by the end of May 2018. This agreement is expected to replace the Third Amended and Restated Credit Agreement. Following the amendment and restatement, the facility is expected to mature in May 2023.

As of March 31, 2018 and December 31, 2017, debt issuance costs related to our revolving credit facility were $5.5 million and $6.2 million, respectively, and are included in other assets on the condensed consolidated balance sheets. We had no outstanding balance on our revolving credit facility as of March 31, 2018 or December 31, 2017. The outstanding principal amount under the revolving credit facility accrues interest at a varying interest rate that fluctuates with an alternate base rate (equal to the greatest of JPMorgan Chase Bank, N.A.'s prime rate, the federal funds rate plus a premium and the rate for dollar deposits in the London interbank market (“LIBOR”) for one month plus a premium), or at our election, a rate equal to LIBOR for certain time periods. Additionally, commitment fees, interest margin, and other bank fees, charged as a component of interest, vary with our utilization of the facility. As of March 31, 2018, the applicable interest margin is 1.25 percent for the alternate base rate option or 2.25 percent for the LIBOR option, and the unused commitment fee is 0.5 percent. Principal payments are generally not required until the revolving credit facility expires in May 2020 unless the borrowing base falls below the outstanding balance.

The revolving credit facility contains covenants customary for agreements of this type, with the most restrictive being certain financial tests on a quarterly basis. The financial tests, as defined per the revolving credit facility, include requirements to: (a) maintain a minimum current ratio of 1.0:1.0 and (b) not exceed a maximum leverage ratio of 4.0:1.0. As of March 31, 2018, we were in compliance with all the revolving credit facility covenants and expect to remain in compliance throughout the next 12-month period. As defined by the revolving credit facility, our leverage ratio was 1.7 and our current ratio was 2.5 as of March 31, 2018.

NOTE 10 - CAPITAL LEASES

We periodically enter into non-cancelable lease agreements for vehicles utilized by our operations and field personnel. These leases are being accounted for as capital leases, as the present value of minimum monthly lease payments, including the residual value guarantee, exceeds 90 percent of the fair value of the leased vehicles at inception of the lease.

The following table presents vehicles under capital lease as of:

	March 31, 2018	December 31, 2017
	(in thousands)	
Vehicles	$6,500	$ 6,249
Accumulated depreciation	(2,271)	(1,882)
	$4,229	$ 4,367

Future minimum lease payments by year and in the aggregate, under non-cancelable capital leases with terms of one year or more, consist of the following:

For the Twelve Months Ending March 31,	Amount (in thousands)
2019	$ 1,952
2020	2,061
2021	1,247
	5,260
Less executory cost	(400)
Less amount representing interest	(501)
Present value of minimum lease payments	$ 4,359
Short-term capital lease obligations	$ 1,789
Long-term capital lease obligations	2,570
	$ 4,359

Short-term capital lease obligations are included in other accrued expenses on the condensed consolidated balance sheets and long-term capital lease obligations are included in other liabilities on the condensed consolidated balance sheets.

NOTE 11 - INCOME TAXES

We evaluate and update our estimated annual effective income tax rate on a quarterly basis based on current and forecasted operating results and tax laws. Consequently, based upon the mix and timing of our actual annual earnings compared to annual projections, our effective tax rate may vary quarterly and may make quarterly comparisons not meaningful. The quarterly income tax provision is generally comprised of tax expense on income or benefit on loss at the most recent estimated annual effective income tax rate, adjusted for the effect of discrete items.

The effective income tax rate for the three months ended March 31, 2018 was a 25.8 percent benefit on loss compared to a 36.3 percent expense on income for the three months ended March 31, 2017. The effective income tax rate for the three months ended March 31, 2018, is based upon a full year forecasted tax expense on income. The effective income tax rate for the three months ended March 31, 2018 includes discrete income tax benefits of $0.2 million relating to the excess tax benefit recognized with the vesting of stock awards during the three months ended March 31, 2018, which resulted in a 1.2 percent increase to our effective tax rate. The federal corporate statutory income tax rate decreased from 35 percent in 2017 to 21 percent in 2018 resulting from the 2017 Tax Cuts and Jobs Act (the "2017 Tax Act").

The effective income tax rate for the three months ended March 31, 2018 is based upon a full year forecasted tax expense on income and is greater than the statutory federal tax rate, primarily due to state taxes, nondeductible officers' compensation, and nondeductible lobbying expenses, partially offset by stock-based compensation tax deductions. We anticipate the potential for increased periodic volatility in future effective tax rates from the impact of stock-based compensation tax deductions as they are treated as discrete tax items. The effective tax rate for the three months ended March 31, 2017 is based upon a full year forecasted tax expense on income and is greater than the statutory federal tax rate, primarily due to state taxes, nondeductible officers' compensation and nondeductible lobbying expenses, partially offset by stock-based compensation tax deductions.

As of March 31, 2018, there is no liability for unrecognized income tax benefits. As of the date of this report, we are current with our income tax filings in all applicable state jurisdictions and are not currently under any state income tax examinations. We continue to voluntarily participate in the Internal Revenue Service's ("IRS") Compliance Assurance Program for the 2017 and 2018 tax years. We have received final acceptance of our 2016 federal income tax return from the IRS; however, this return is going through the Joint Tax Committee review process due to tax refunds requested.

NOTE 12 - ASSET RETIREMENT OBLIGATIONS

The following table presents the changes in carrying amounts of the asset retirement obligations associated with our working interests in crude oil and natural gas properties:

	Amount (in thousands)
Balance at December 31, 2017	$ 87,306
Obligations incurred with development activities	620
Obligations incurred with acquisition	4,687

Accretion expense	1,288
Revisions in estimated cash flows	50
Obligations discharged with asset retirements and divestiture	(4,102)
Balance at March 31, 2018	89,849
Less current portion	(15,944)
Long-term portion	$ 73,905

Our estimated asset retirement obligations liability is based on historical experience in plugging and abandoning wells, estimated economic lives and estimated plugging and abandonment costs considering federal and state regulatory requirements in effect. The liability is discounted using the credit-adjusted risk-free rate estimated at the time the liability is incurred or revised. As of March 31, 2018, the credit-adjusted risk-free rates used to discount our plugging and abandonment liabilities ranged from 6.5 percent to 7.5 percent. In periods subsequent to initial measurement of the liability, we must recognize period-to-period changes in the liability resulting from the passage of time, revisions to either the amount of the original estimate of undiscounted cash flows or changes in inflation factors, and changes to our credit-adjusted risk-free rate as market conditions warrant. Short-term asset retirement obligations are included in other accrued expenses on the condensed consolidated balance sheets.

NOTE 13 - COMMITMENTS AND CONTINGENCIES

Firm Transportation and Processing Agreements. We enter into contracts that provide firm transportation and processing on pipeline systems through which we transport or sell crude oil and natural gas. Satisfaction of the volume requirements includes volumes produced by us, purchased from third parties, and produced by our affiliated partnerships and other third-party working, royalty, and overriding royalty interest owners whose volumes we market on their behalf. Our condensed consolidated statements of operations reflect our share of these firm transportation and processing costs. These contracts require us to pay these transportation and processing charges whether or not the required volumes are delivered.

The following table presents gross volume information related to our long-term firm transportation and processing agreements for pipeline capacity:

	For the Twelve Months Ending March 31,						
Area	2019	2020	2021	2022	2023 and Through Expiration	Total	Expiration Date
Natural gas (MMcf)							
Wattenberg Field	7,416	27,794	31,025	31,025	114,272	211,532	April 30, 2026
Delaware Basin	25,520	25,600	11,000	—	—	62,120	December 31, 2020
Gas Marketing	7,117	7,136	7,117	6,965	2,830	31,165	August 31, 2022
Total	40,053	60,530	49,142	37,990	117,102	304,817	
Crude oil (MBbls)							
Wattenberg Field	7,438	8,062	5,085	4,563	4,937	30,085	April 30, 2023
Delaware Basin	4,493	8,227	8,580	7,392	14,080	42,772	December 31, 2023
Total	11,931	16,289	13,665	11,955	19,017	72,857	
Dollar commitment (in thousands)	$64,690	$99,560	$69,434	$65,060	$160,183	$458,927	

In March 2018, we completed the sale of our Utica Shale properties. Upon closing, the related commitment was assumed by the purchaser of the Utica Shale properties.

In anticipation of our future drilling activities in the Wattenberg Field, we have entered into two facilities expansion agreements with our primary midstream provider to expand and improve its natural gas gathering pipelines and processing facilities. The midstream provider is expected to construct two new 200 MMcfd cryogenic plants. We will be bound to the volume requirements in these agreements on the first day of the calendar month following the actual in-service dates of the plants, which, as reflected in the above table, are currently scheduled to be in the third quarter of 2018 for the first plant and the second quarter of 2019 for the second plant. Both agreements require baseline volume commitments, consisting of our gross wellhead volume delivered in November 2016, to this midstream provider, and incremental wellhead volume commitments of 51.5 MMcfd and 33.5 MMcfd for the first and second agreements, respectively, for seven years. We may be required to pay shortfall fees for any volumes under the 51.5 MMcfd and 33.5 MMcfd incremental commitments. Any shortfall in these volume commitments may be offset by other producers' volumes sold to the midstream provider that are greater than a certain total baseline volume. We are also required for the first three years of the contracts to guarantee a certain target profit margin to the midstream provider on these incremental volumes. We currently expect that our future development plans will meet both the baseline and incremental volumes, and we believe that the contractual target profit margin will be achieved without additional payment from us.

In April 2018, we entered into a five-year firm transportation agreement, effective May 1, 2018, with a third-party crude oil pipeline company to transport 12,500 barrels of crude oil per day from our Wattenberg Field via pipeline to Cushing, Oklahoma and other area refineries. This agreement is reflected in the pipeline capacity commitment table above.

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In May 2018, we entered into a firm sales agreement that is effective from June 1, 2018 through December 31, 2023 for an initial 11,400 barrels of crude oil per day and incrementally increasing to 26,400 barrels of crude oil per day with a large integrated marketing company for our crude oil production in the Delaware Basin. This agreement is expected to provide price diversification through realization of export market pricing via a Corpus Christi terminal and exposure to Brent-weighted prices. The fixed transportation charge associated with this agreement is reflected in the pipeline capacity commitment table above.

For the three months ended March 31, 2018, commitments for long-term transportation volumes, net to our interest, for Wattenberg Field crude oil and Delaware Basin natural gas were $2.6 million, and in accordance with the guidance in the new revenue recognition standard, were netted against our crude oil and natural gas sales in our condensed consolidated statements of operations. For the three months ended March 31, 2017, commitments for long-term transportation volumes for Wattenberg Field crude oil and Utica Shale natural gas were $2.2 million and were recorded in transportation, gathering, and processing expense in our condensed consolidated statements of operations.

Litigation and Legal Items. We are involved in various legal proceedings. We review the status of these proceedings on an ongoing basis and, from time to time, may settle or otherwise resolve these matters on terms and conditions that management believes are in our best interests. We have provided the necessary estimated accruals in the accompanying balance sheets where deemed appropriate for litigation and legal related items that are ongoing and not yet concluded. Although the results cannot be known with certainty, we currently believe that the ultimate results of such proceedings will not have a material adverse effect on our financial position, results of operations, or liquidity.

Action Regarding Partnerships. In December 2017, we received an action entitled Dufresne, et al. v. PDC Energy, et al., filed in the United States District Court for the District of Colorado. The complaint states that it is a derivative action brought by a number of limited partner investors seeking to assert claims on behalf of our two affiliated partnerships, Rockies Region 2006 LP and Rockies Region 2007 LP, against PDC and includes claims for breach of fiduciary duty and breach of contract. The plaintiffs also included claims against two of our senior officers for alleged breach of fiduciary duty. The lawsuit accuses PDC, as the managing general partner of the two partnerships, of, among other things, failing to maximize the productivity of the partnerships' crude oil and natural gas wells. We filed a motion to dismiss the lawsuit on February 1, 2018, on the grounds that the complaint is deficient, including because the plaintiffs failed to allege that PDC refused a demand to take action on their claims. On March 14, 2018, the motion was denied as moot by the court because the plaintiffs requested leave to amend their complaint. In late April 2018, the plaintiffs filed an amendment to their complaint. Such amendment primarily alleges additional facts to support the plaintiffs' claims and purports to add direct class action claims in addition to the original derivative claims. The amendment also adds three new individual defendants, all of which are independent members of our Board of Directors. We are currently unable to estimate any potential damages as a result of this lawsuit.

Environmental. Due to the nature of the natural gas and oil industry, we are exposed to environmental risks. We have various policies and procedures to minimize and mitigate the risks from environmental contamination. We conduct periodic reviews and simulated drills to identify changes in our environmental risk profile. Liabilities are recorded when environmental damages resulting from past events are probable and the costs can be reasonably estimated. Except as discussed herein, we are not aware of any material environmental claims existing as of March 31, 2018 which have not been provided for or would otherwise have a material impact on our financial statements; however, there can be no assurance that current regulatory requirements will not change or that unknown potential past non-compliance with environmental laws or other environmental liabilities will not be discovered on our properties.

Accrued environmental liabilities are recorded in other accrued expenses on the condensed consolidated balance sheets. The liability ultimately incurred with respect to a matter may exceed the related accrual.

Clean Air Act Tentative Agreement and Related Consent Decree. In August 2015, we received a Clean Air Act Section 114 Information Request (the "Information Request") from the U.S. Environmental Protection Agency ("EPA"). The Information Request sought, among other things, information related to the design, operation, and maintenance of our Wattenberg Field production facilities in the Denver-Julesburg Basin of Colorado ("DJ Basin"). The Information Request focused on historical operation and design information for 46 of our production facilities and requested sampling and analyses at the identified 46 facilities. We responded to the Information Request with the requested data in January 2016.

In addition, in December 2015, we received a Compliance Advisory pursuant to C.R.S. 25-7-115(2) from the Colorado Department of Public Health and Environment's (“CDPHE”) Air Quality Control Commission's Air Pollution Control Division alleging that we failed to design, operate, and maintain certain condensate collection, storage, processing, and handling operations to minimize leakage of volatile organic compounds at 65 facilities consistent with applicable standards under Colorado law.

In June 2017, the U.S. Department of Justice, on behalf of the EPA and the state of Colorado, filed a complaint against us in the U.S. District Court for the District of Colorado, claiming that we failed to operate and maintain certain condensate collection facilities at 65 facilities so as to minimize leakage of volatile organic compounds in compliance with applicable law. In October 2017, we entered into a consent decree to resolve the lawsuit. Pursuant to the consent decree, we agreed to implement a variety of operational enhancements and mitigation and similar projects, including vapor control system modifications and verification, increased inspection and monitoring, and installation of tank pressure monitors. The three primary elements of the consent decree are: (i) fine/supplemental environmental projects ($1.5 million cash fine, plus $1 million in supplemental environmental projects) of which the cash fines were paid in the first quarter of 2018 and the environmental projects have been accrued in other accrued expenses on our consolidated balance sheet as of March 31, 2018 (ii) injunctive relief with an estimated cost of approximately $18 million, primarily representing capital enhancements to our operations; and (iii) mitigation with an estimated cost of $1.7 million. We continue to incur costs associated with these activities. If we fail to comply fully with the requirements of the consent decree with respect to those matters, we could be subject to additional liability. In addition, we could be the subject of other enforcement actions by regulatory authorities in the future relating to our past, present or future operations. We do not believe that the expenditures resulting from the settlement will have a material adverse effect on our consolidated financial statements.

Since our entry into the consent decree we have implemented a comprehensive program to comply with all of its requirements. As of the date of the filing of this report, all aspects of the consent decree compliance program are on or ahead of schedule.

NOTE 14 - COMMON STOCK

Stock-Based Compensation Plans

The following table provides a summary of the impact of our outstanding stock-based compensation plans on the results of operations for the periods presented:

	Three Months Ended March 31,	
	2018	2017
	(in thousands)	
Stock-based compensation expense	$5,261	$4,453
Income tax benefit	(1,261)	(1,666)
Net stock-based compensation expense	$4,000	$2,787

Stock Appreciation Rights

The stock appreciation right ("SARs") vest ratably over a three-year period and may be exercised at any point after vesting through ten years from the date of issuance. Pursuant to the terms of the awards, upon exercise, the executive officers will receive, in shares of common stock, the excess of the market price of the award on the date of exercise over the market price of the award on the date of issuance. No SARs were awarded or expired during the three months ended March 31, 2018.

Total compensation cost related to non-vested SARs granted and not yet recognized in our condensed consolidated statement of operations as of March 31, 2018 was $1.4 million. The cost is expected to be recognized over a weighted-average period of 1.52 years.

Restricted Stock Awards

Time-Based Awards. The fair value of the time-based restricted shares is amortized ratably over the requisite service period, primarily three years. The time-based shares generally vest ratably on each anniversary following the grant date provided that a participant is continuously employed.

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The following table presents the changes in non-vested time-based awards to all employees, including executive officers, for the three months ended March 31, 2018:

	Shares	Weighted-Average Grant Date Fair Value per Share
Non-vested at December 31, 2017	472,132	$ 60.23
Granted	136,256	50.94
Vested	(66,253)	58.16
Forfeited	(5,800)	68.18
Non-vested at March 31, 2018	536,335	58.04

The following table presents the weighted-average grant date fair value per share and related information as of/for the periods presented:

	As of/Three Months Ended March 31,	
	2018	2017
	(in thousands, except per share data)	
Total intrinsic value of time-based awards vested	$3,530	$3,602
Total intrinsic value of time-based awards non-vested	26,297	33,366
Market price per share as of March 31,	49.03	62.35
Weighted-average grant date fair value per share	50.94	73.28

Total compensation cost related to non-vested time-based awards and not yet recognized in our condensed consolidated statements of operations as of March 31, 2018 was $20.6 million. This cost is expected to be recognized over a weighted-average period of 2.0 years.

Market-Based Awards. The fair value of the market-based restricted shares is amortized ratably over the requisite service period, primarily three years. The market-based shares vest if the participant is continuously employed throughout the performance period and the market-based performance measure is achieved, with a maximum vesting period of three years. All compensation cost related to the market-based awards will be recognized if the requisite service period is fulfilled, even if the market condition is not achieved.

The Compensation Committee of our Board of Directors awarded a total of 90,778 market-based restricted shares to our executive officers during the three months ended March 31, 2018. In addition to continuous employment, the vesting of these shares is contingent on our total stockholder return ("TSR"), which is essentially our stock price change including any dividends as compared to the TSR of a group of peer companies. The shares are measured over a three-year period ending on December 31, 2020, and can result in a payout between 0 percent and 200 percent of the total shares awarded. The weighted-average grant date fair value per market-based share for these awards was computed using the Monte Carlo pricing model using the following assumptions:

	Three Months Ended March 31,	
	2018	2017
Expected term of award (in years)	3	3
Risk-free interest rate	2.4 %	1.4 %
Expected volatility	42.3 %	51.4 %
Weighted-average grant date fair value per share	$69.98	$94.02

The expected term of the awards was based on the requisite service period. The risk-free interest rate was based on the U.S. Treasury yields in effect at the time of grant and extrapolated to approximate the life of the award. The expected volatility was based on our historical volatility.

The following table presents the change in non-vested market-based awards during the three months ended March 31, 2018:

	Shares	Weighted-Average Grant Date Fair Value per Share
Non-vested at December 31, 2017	52,349	$ 84.06
Granted	90,778	69.98
Forfeited	(4,128)	94.02
Non-vested at March 31, 2018	138,999	74.57

The following table presents the weighted-average grant date fair value per share and related information as of/for the periods presented:

	As of Three Months Ended March 31,	
	2018	2017
	(in thousands, except per share data)	
Total intrinsic value of market-based awards non-vested	$6,815	$4,769
Market price per common share as of March 31,	49.03	62.35
Weighted-average grant date fair value per share	69.98	94.02

Total compensation cost related to non-vested market-based awards not yet recognized in our condensed consolidated statements of operations as of March 31, 2018 was $7.9 million. This cost is expected to be recognized over a weighted-average period of 2.5 years.

Preferred Stock

We are authorized to issue 50,000,000 shares of preferred stock, par value $0.01 per share, which may be issued in one or more series, with such rights, preferences, privileges, and restrictions as shall be fixed by our Board of Directors from time to time. Through March 31, 2018, no preferred shares have been issued.

NOTE 15 - EARNINGS PER SHARE

Basic earnings per share is computed by dividing net earnings by the weighted-average number of common shares outstanding for the period. Diluted earnings per share is similarly computed, except that the denominator includes the effect, using the treasury stock method, of unvested restricted stock, outstanding SARs, stock options, convertible notes, and shares held pursuant to our non-employee director deferred compensation plan, if including such potential shares of common stock is dilutive.

The following table presents a reconciliation of the weighted-average diluted shares outstanding:

	Three Months Ended March 31,	
	2018	2017
	(in thousands)	
Weighted-average common shares outstanding - basic	65,957	65,749
Dilutive effect of:		
Restricted stock	—	211
Convertible notes	—	157
Weighted-average common shares and equivalents outstanding - diluted	65,957	66,117

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We reported a net loss for the three months ended March 31, 2018. As a result, our basic and diluted weighted-average common shares outstanding were the same for that period because the effect of the common share equivalents was anti-dilutive.

The following table presents the weighted-average common share equivalents excluded from the calculation of diluted earnings per share due to their anti-dilutive effect:

	Three Months Ended March 31,	
	2018	2017
	(in thousands)	
Weighted-average common share equivalents excluded from diluted earnings per share due to their anti-dilutive effect:		
Restricted stock	491	76
Convertible notes	—	—
Other equity-based awards	198	18
Total anti-dilutive common share equivalents	689	94

In September 2016, we issued the 2021 Convertible Notes, which give the holders, at our election, the right to convert the aggregate principal amount into 2.3 million shares of our common stock at a conversion price of $85.39 per share. The 2021 Convertible Notes could be included in the diluted earnings per share calculation using the treasury stock method if the average market share price exceeds the $85.39 conversion price during the periods presented. During the three months ended March 31, 2018 and 2017, the average market price of our common stock did not exceed the conversion price; therefore, shares issuable upon conversion of the 2021 Convertible Notes were not included in the diluted earnings per share calculation.

NOTE 16 - SUBSIDIARY GUARANTOR

PDC Permian, Inc., our wholly-owned subsidiary, guarantees our obligations under our publicly-registered senior notes. The following presents the condensed consolidating financial information separately for:

(i) PDC Energy, Inc. ("Parent"), the issuer of the guaranteed obligations, including non-material subsidiaries;
(ii) PDC Permian, Inc., the guarantor subsidiary ("Guarantor"), as specified in the indentures related to our senior notes;
(iii) Eliminations representing adjustments to (a) eliminate intercompany transactions between or among Parent, Guarantor, and our other subsidiaries and (b) eliminate the investments in our subsidiaries; and
(iv) Parent and subsidiaries on a consolidated basis ("Consolidated").

The Guarantor is 100 percent owned by the Parent. The senior notes are fully and unconditionally guaranteed on a joint and several basis by the Guarantor. The guarantee is subject to release in limited circumstances only upon the occurrence of certain customary conditions. Each entity in the condensed consolidating financial information follows the same accounting policies as described in the notes to the condensed consolidated financial statements.

The following condensed consolidating financial statements have been prepared on the same basis of accounting as our condensed consolidated financial statements. Investments in subsidiaries are accounted for under the equity method. Accordingly, the entries necessary to consolidate the Parent and Guarantor are reflected in the eliminations column.

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	Condensed Consolidating Balance Sheets			
	March 31, 2018			
	Parent	Guarantor	Eliminations	Consolidated
	(in thousands)			
Current assets:				
Cash and cash equivalents	$45,923	$ —	$ —	$ 45,923
Accounts receivable, net	143,250	37,775	—	181,025
Fair value of derivatives	28,610	—	—	28,610
Prepaid expenses and other current assets	7,116	1,781	—	8,897
Total current assets	224,899	39,556	—	264,455
Properties and equipment, net	2,139,471	2,091,786	—	4,231,257
Assets held-for-sale, net	1,647	—	—	1,647
Intercompany receivable	294,476	—	(294,476)	—
Investment in subsidiaries	1,605,330	—	(1,605,330)	—
Ot				