

PETROLEUM DEVELOPMENT CORP

Form 8-K

June 29, 2006

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

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FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES AND EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported) June 23, 2006

Petroleum Development Corporation

(Exact Name of Registrant as Specified in Charter)

Nevada 0-7246 95-2636730

(State or Other Jurisdiction  
of Incorporation)

(Commission  
File Number)

(IRS Employer  
Identification No.)

103 East Main Street; Bridgeport, WV 26330

(Address of Principal Executive Offices)

Registrant's telephone number, including area code 304-842-3597

no change

(Former Name or Former Address, if Changed Since Last Report)

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## Item 1.01. Entry into a Material Definitive Agreement.

At a meeting held on Friday, June 23, 2006 the Compensation Committee determined and the Board of Directors of Petroleum Development Corporation approved 2006 short term incentive compensation terms for the CEO and other executive officers of the Company. The short term incentive plan provides the potential for an annual bonus to each of the executive officers based on both Company and personal performance criteria. Forty percent of the bonus will be determined by increases in the Company's production; thirty percent of the bonus will be determined by increases in diluted earnings per share; and the remaining thirty percent of the bonus will be determined by the Compensation Committee in its discretion based upon an evaluation by the Committee of the performance of each respective executive during the year. The following table summarizes the criteria to be used in determining the bonus amounts:

| Criteria  | Lower Threshold Amount               | Target Bonus | Maximum Bonus | Percent of Total Maximum Bonus |
|---|--------------------------------------|--------------|---------------|--------------------------------|
| Production increase based on Mcf equivalentents | 6%                                   | 10%          | 14%           | 40%                            |
| Diluted earnings per share                      | \$2.42                               | \$2.66       | \$3.03        | 30%                            |
| Discretionary evaluation                        | Compensation Committee Determination |              |               | 30%                            |

Payments of bonus amounts based on the criteria above will begin at the lower threshold and increase proportionally as the metric increases. The following table summarizes the lower threshold, target and maximum bonus amounts for each covered executive based on each of the bonus criteria set forth in the table above:

| Executive          | Position     | Lower Threshold Amount | Target Bonus | Maximum Bonus |
|--------------------|--------------|------------------------|--------------|---------------|
| Steven R. Williams | CEO          | \$0                    | \$258,750    | \$517,500     |
| Thomas E. Riley    | President    | \$0                    | \$136,000    | \$272,000     |
| Eric R. Stearns    | Executive VP | \$0                    | \$125,500    | \$251,000     |
| Darwin L. Stump    | CFO          | \$0                    | \$110,250    | \$220,500     |

**Modifications to Board Compensation**

The Compensation Committee recommended and the Board of Directors approved the modifications to the Board Compensation for 2006:

The Non-executive Director Restricted Stock Grant for 2006 will be 1,379 shares, to be granted on the date of annual meeting.

Members of the Audit Committee will be paid an additional retainer of \$8,000 per year.

EXHIBIT INDEX

Item 9.01. Financial Statements and Exhibits.

(c) Exhibits.

10.1 Summary of Short Term Incentive Compensation Arrangements

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

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Petroleum Development Corporation

Date June 29, 2006

By /s/ Darwin L. Stump

Darwin L. Stump

Chief Financial Officer