

**CHARTER OF**  
**THE QUALIFIED LEGAL COMPLIANCE COMMITTEE**  
  
**of the**  
  
**BOARD OF DIRECTORS**  
  
**of**  
  
**PETROLEUM DEVELOPMENT CORPORATION**

**1. Purpose.** The Board of Directors (the "Board") of Petroleum Development Corporation (the "Company") has duly established the Qualified Legal Compliance Committee (the "Committee"). The purpose of the Committee is to assist the Board in receiving, considering, investigating, and responding to reports submitted under Section 307 of the Sarbanes-Oxley Act of 2002 ("SOX") alleging credible evidence of a material violation of federal or state securities laws, a material breach of a fiduciary duty arising under federal or state laws, or a similar violation of federal or state laws by the Company or any of its officers, directors, employees or agents (each such report, a "Section 307 Report").

**2. Membership.** The Committee shall consist of three or more members of the Board of the Company, at least one of whom is a member of the Company's Audit Committee. The Company shall not directly or indirectly employ any member of the Committee. Each member of the Committee shall satisfy the independence requirements of Section 301 of SOX, the rules and regulations adopted by the Securities and Exchange Commission ("SEC") thereunder and Rule 4350(c) of the Nasdaq Marketplace Rules. The Board shall appoint the members of the Committee, and such members shall serve at the discretion of the Board. The Board shall appoint the Chairperson of the Committee.

**3. Specific Responsibility and Authority.** The Board delegates to the Committee the express responsibility and authority to do the following:

**3.1 Establish Procedures.** Establish written procedures for the confidential receipt, retention, and consideration of Section 307 Reports.

**3.2 Notification of Reports.** Inform the Company's Chief Legal Officer ("CLO") and Chief Executive Officer ("CEO") of any Section 307 Report, except when the Committee reasonably believes that doing so would be futile.

**3.3 Evaluation; Investigation.** Upon receipt of a Section 307 Report, decide whether an investigation is necessary to determine whether the alleged violation or breach described in

the report has occurred, is occurring, or is about to occur, and, if the Committee determines that such an investigation is necessary or appropriate:

- (a) notify the Company's Audit Committee or the Board of the investigation;
- (b) initiate an investigation and determine whether the CLO or outside attorneys or other designated persons will be engaged to conduct the investigation;
- (c) if the Committee determines that it is advisable for outside attorneys to conduct the investigation, evaluate, select, and engage appropriate outside counsel to conduct such investigation;
- (d) if the Committee determines that it is advisable for additional expert personnel to participate in the investigation, evaluate, select, and engage such experts; and
- (e) determine an appropriate schedule for and monitor and review reports of the progress of the investigation.

**3.4 Recommendations and Responses.** Upon conclusion of any investigation pursuant to Section 3.3 above:

- (a) evaluate the results of the investigation and, if determined to be necessary or appropriate, recommend that the Company implement an appropriate response (or alternative appropriate responses), including remedial measures, such as steps or sanctions to stop any material violations that are ongoing, to prevent any material violation that has already occurred and to minimize the likelihood of its recurrence; and/or
- (b) if the attorney retained to conduct the investigation has advised the Committee that the attorney, consistent with such attorney's professional obligations, may assert a colorable defense in any investigation or judicial or administrative proceeding relating to the reported evidence of the material violation, consider the advisability of relying on a colorable defense;
- (c) inform the CLO, CEO and the Board of the results of the investigation and the Committee's recommendations as to the appropriate response, including remedial measures, if any, the Company should adopt or has adopted; and
- (d) monitor implementation of the Company's decision regarding the appropriate response.

**4. Additional Authority.** The Committee shall have the authority and responsibility to take all other appropriate action, including the authority (if determined by the Committee to be appropriate) to:

- 4.1** notify the SEC if the Company fails in any material respect to implement an appropriate response to a Section 307 Report that the Committee has recommended;

- 4.2 require and evaluate reports from or concerning any attorney who withdraws or is threatening to withdraw for professional reasons; and
- 4.3 perform any other activities consistent with this Charter, the Company's By-Laws and governing law, as the Committee deems necessary or appropriate or as may be required by law or the Nasdaq Marketplace Rules.

## 5. Meetings, Minutes, and Voting.

- 5.1 **Meetings.** The Committee shall hold meetings with such frequency and at such times as the Chairperson or a majority of the Committee determines is necessary to develop the Committee's procedures and discharge its responsibilities. The Chairperson may call a special meeting of the Committee at any time, and any two Committee members may call a special meeting promptly.
- 5.2 **Agendas.** The Chairperson shall prepare an agenda for each meeting and, if practical, circulate it to each Committee member prior to the meeting date. Except as provided in Section 5.4 or as the Committee or the Board otherwise duly determines, the provisions of the Company's By-Laws applicable to meetings of Board committees shall govern meetings of the Committee.
- 5.3 **Minutes.** The Committee shall keep minutes of each meeting.
- 5.4 **Voting.** The Committee shall make decisions and take other actions by majority vote.

**6. Advisors and Counsel; Cooperation and Reliance.** The Committee shall have the resources and authority to discharge its responsibilities; and the Board shall provide appropriate funding, as determined by the Committee, in its capacity as a committee of the Board.

- 6.1 **Retention of Advisors and Counsel.** The Committee shall have the authority, in its sole discretion, to obtain advice and assistance from, and to retain at the Company's expense, such independent or outside legal counsel, accounting or other advisors and experts as the Committee determines necessary or appropriate to carry out its duties, and in connection therewith to receive appropriate funding, as determined by the Committee, from the Company.
- 6.2 **Determine Administrative Expenses.** The Committee shall have the authority to determine the level and cost of separate administrative support necessary or appropriate in carrying out its duties, with the Company bearing such costs.
- 6.3 **Required Participation of Employees.** The Committee shall have unrestricted access to the Company's employees, independent auditors, and outside counsel and may require any employee of the Company or representative of the Company's independent auditors or outside counsel to attend meetings of the Committee or to meet with any members of the Committee or representative of the Committee's counsel, advisors, or experts.

**6.4 Reliance Permitted.** The Committee may act in reliance upon other committees of the Board, management and other employees, the Company's independent auditors, internal auditors, advisors and experts, as it deems necessary or appropriate.

**7. Rules and Procedures.** Except as expressly set forth in this Charter or the Company's By-Laws or Corporate Governance Guidelines, or as otherwise required by law or the rules of the Nasdaq, the Committee shall establish its own rules and procedures that are consistent with this Charter.

**8. Limitation on Responsibility.** Nothing in this Charter or in a member's service on the Committee shall increase or be deemed to increase the liability of any member of the Board under applicable state law.

**9. Annual Review of Charter.** The Committee shall review this Charter at least annually and recommend to the Board for its consideration and action revisions to this Charter, as the Committee shall deem necessary or appropriate.

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# PETROLEUM DEVELOPMENT CORPORATION

## QUALIFIED LEGAL COMPLIANCE COMMITTEE

### PROCEDURES FOR CONFIDENTIAL REPORTING, RETENTION AND CONSIDERATION OF SARBANES-OXLEY ACT § 307 REPORTS TO THE QLCC

#### Background and Introduction

Pursuant to its duly authorized charter, the Company's Qualified Legal Compliance Committee ("QLCC") has adopted the following internal rules and procedures on \_\_\_\_\_, 2004. These rules and procedures have been adopted expressly to fulfill the QLCC's duty to adopt "written procedures for the confidential receipt, retention, and consideration of any report of credible evidence of a material violation" under Section 307 of the Sarbanes-Oxley Act of 2002 ("SOX") and the rules of the Securities and Exchange Commission ("SEC") thereunder ("§ 307 Report") by attorneys. The QLCC recognizes that § 307 of SOX and the regulations promulgated thereunder contemplate the reporting of any ongoing, or imminent, or certain past, material violation of state or federal securities laws or fiduciary duties, or other similar material violations of state or federal law, by the Company or by any of its officers, directors, employees or agents. References to "a § 307 Report" within these procedures are intended to encompass reports within those parameters. These rules and procedures also are intended to augment the Company's other corporate governance mechanisms and enhance its compliance environment, by monitoring reports of, and encouraging effective and timely responses to, possible material violations of applicable laws or regulations.

#### 1. Receipt of Reports of Credible Evidence of Material Violations

The QLCC and the Company discourage the use of channels other than those designated below to communicate a § 307 Report to the QLCC.

##### (a) Preferable Modes of Communication to the QLCC

Attorneys employed or retained by the Company may report credible evidence of a material violation to the QLCC or to the Chief Legal Officer (the "CLO"). Those choosing to report to the QLCC are urged to do so in accordance with one of the following methods of communication. The QLCC may require any attorney of the Company who has made a § 307 Report other than in person, or has indicated an intention to do so, to attend a meeting of the Committee and present and discuss the Report.

##### (1) A direct dial "QLCC Hot Line" [(xxx) xxx-xxxx]

This telephonic system will allow attorneys to leave confidential recorded messages, accessible solely to the QLCC or its designee. Callers are encouraged

to seek a call-back from a committee member. All requests for a call-back will be returned by a QLCC member. Anonymity of such reports cannot be assured.

**(2) Direct communication to the QLCC during a meeting of the full committee.**

The Chair of the QLCC shall convene a meeting as often as deemed necessary or appropriate, including promptly following a receipt of a § 307 Report or of written notice, delivered to the secretary of the QLCC, of an attorney's intention to make a § 307 Report. Sessions of the QLCC wherein § 307 Reports are received shall be attended only by QLCC members, the committee's counsel, the attorney(s) wishing to present a § 307 Report and their respective counsel.

**(3) By mail.**

The QLCC will also accept § 307 Reports via mail directed to the Chair of the QLCC at the address below, and will consider such written communications expeditiously and appropriately.

[Kimberly Luff Wakim, Esq.  
Chair  
Qualified Legal Compliance Committee  
c/o Thorp Reed & Armstrong, LLP  
One Oxford Centre, 301 Grant Street, 14<sup>th</sup> Floor  
Pittsburgh, PA 15219-1425]

**(b) Acknowledgment**

The QLCC shall send a written acknowledgment of receipt of each oral or written § 307 Report to the reporting attorney.

**2. Confidentiality of Reports and Related Information Generally**

Confidentiality is a priority, and all § 307 Reports will be treated confidentially to the fullest extent possible. The QLCC will treat all § 307 Reports and any correspondence relating to such reports, to the extent feasible and consistent with performing a full and fair investigation, as CONFIDENTIAL, ATTORNEY-CLIENT PRIVILEGED, and/or ATTORNEY WORK PRODUCT, as applicable. The QLCC will determine the extent to which facts and circumstances regarding a § 307 Report or the § 307 Report itself are divulged to others within or outside the Company, and will do so consistent with applicable law and only on a "need to know" basis with a view toward appropriately protecting the Company's legal privileges.

**3. Consideration of § 307 Reports of Credible Evidence of Material Violations**

The Chairperson of the QLCC shall promptly reviewed each submitted § 307 Report and report the § 307 Report to the full QLCC and provide a copy of the § 307 Report to each member

of the QLCC, with the Chairperson's assessment of the § 307 Report and, to the extent relevant, recommended course of action.

**(a) Report to the CEO and CLO**

Upon receipt of a § 307 Report, the QLCC or its designee shall inform the CEO and CLO of the receipt of the report, unless the circumstances of the specified report make such a report futile or improper.

**(b) Report and Consultation with Counsel**

The QLCC may select internal counsel or engage outside counsel or other experts, consultants or professionals for the matter to assist in the analysis and assessment of the report, any related investigation, the response thereto and the QLCC's applicable duties, as it deems necessary or appropriate.

**(c) Determination of Whether an Investigation is Necessary**

Within a reasonable time after receipt of a § 307 Report, but not more than 30 days after initial receipt, the QLCC, with the assistance of such internal or outside resources, shall evaluate whether the report warrants or necessitates an investigation in order to assess the appropriate response.

Promptly following completion of its evaluation, the QLCC shall notify the Company's Audit Committee or the full Board of Directors of its decision to initiate an internal investigation.

**(d) Conducting an Investigation**

If the QLCC determines that an investigation is necessary or appropriate, the QLCC shall manage and direct the appropriate resources to effect a thorough and timely examination of both the relevant law and facts relating to a specific report.

**(e) Reporting Results of an Internal Investigation**

At the conclusion of its internal investigation, the QLCC shall inform the CEO, the CLO and the Company's Board of Directors of the results, including its recommendations for an appropriate response, if necessary – as detailed below.

**(f) Determining and Recommending an Appropriate Response**

The QLCC shall determine an appropriate response or a range of appropriate responses, including remedial measures if any, reasonably designed to rectify, stop or prevent any material violation or suspected material violation at issue; and shall promptly communicate its recommendation to the CEO, the CLO and the Company's Board of Directors.

In assessing the appropriateness of potential responses and without limiting its authority to rely on others, the QLCC may rely in good faith on the representations of witnesses and advice of legal and other experts, including those it has employed or retained to conduct an investigation.

**(g) Tracking and Responding to the Company's Failure to Implement QLCC Recommendations**

The QLCC shall monitor the Company's implementation of its recommendations. If the Company fails in any material respect to implement an appropriate response that the QLCC has recommended the Company take, the QLCC shall take any and all authorized additional actions it deems appropriate. The QLCC shall communicate directly to the Company's Board of Directors regarding the Company's failure to implement an appropriate response as recommended prior to exercising its discretionary authority to communicate that failure to the SEC.

**4. Retention of Reports of Credible Evidence of Material Violations**

The QLCC, and/or its appropriate agents or designees, shall retain in a confidential file written documentation as to the instance and disposition of each § 307 Report sufficient to describe the origin, subject and nature of each report received and the QLCC's actions, determinations and recommendations. Access to the confidential file shall be restricted to members of the QLCC and the designees of the QLCC. Such documentation shall be retained consistent with the Company's retention policy applicable to the proceedings of the Board of Directors and its Committees and any specific requirements under law.

**5. Other Reports of QLCC to the Board of Directors**

To assist the Company in fulfilling its obligations under SOX § 301(a) and § 404 with respect to evaluation of internal controls or reports of accounting or auditing matters, and subject to the confidentiality standard set forth in Section 2 above, the QLCC may issue reports to the Company's Audit Committee or the Board of Directors that verify that no § 307 Reports (or reports that implicated the accuracy of financial reporting) were received by the QLCC during a specified period, or explain why the QLCC cannot or will not so verify.

**6. Modifications to These Rules and Procedures**

The QLCC at all times shall comply with the provisions of Section 307 of SOX, any subsequent applicable federal legislation, and the rules and regulations of the SEC thereunder, as all of which may be amended from time to time. At any time deemed appropriate, the QLCC may modify these rules and procedures, consistent with applicable law and Company policies. These rules and procedures shall be interpreted in a manner that is consistent with SEC interpretations of the underlying rules pursuant to which the QLCC has been organized, and, to the extent inconsistent with such interpretation, shall be deemed deleted. The CLO shall provide the QLCC

with prompt notice of any such SEC interpretations or rule changes that may require such modification.

## **7. Communications**

The Secretary and the CLO of the Company shall make these rules and procedures available in a manner easily accessible to all in-house and outside counsel employed by the Company, including new-hires. The Company shall post these rules and procedures on its website and shall periodically include a summary of these rules and procedures in its filings with the SEC.

All in-house and outside securities counsel to the Company and its subsidiaries shall be notified of these rules and procedures in writing (which may include e-mail).

Approved: \_\_\_\_\_, 2004

Effective: \_\_\_\_\_, 2004

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