

PDC ENERGY, INC.  
Form DEF 14A  
April 19, 2018

Use these links to rapidly review the document

[TABLE OF CONTENTS](#)

[Table of Contents](#)

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

**SCHEDULE 14A**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

**PDC ENERGY, INC.**

---

(Name of Registrant as Specified In Its Charter)

---

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

Edgar Filing: PDC ENERGY, INC. - Form DEF 14A

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

o Fee paid previously with preliminary materials.

o Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

(1) Amount Previously Paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

---

Table of Contents

**PDC ENERGY, INC.**

**1775 Sherman Street, Suite 3000  
Denver, Colorado 80203  
(303) 860-5800**

April 19, 2018

Dear Stockholder of PDC Energy, Inc.:

You are cordially invited to attend the 2018 Annual Meeting of PDC Energy, Inc. to be held on May 30, 2018, at 9:15 a.m. Mountain Time, at the Denver Financial Center at 1775 Sherman Street, Denver, Colorado 80203 (the "Annual Meeting").

The accompanying Notice of Annual Meeting and Proxy Statement provide information concerning the matters to be considered at the Annual Meeting. The Annual Meeting will cover only the business contained in the Proxy Statement and will not include a management presentation.

We hope you will join us at the Annual Meeting. We value your opinion and encourage you to participate by voting your proxy. Whether or not you plan to attend personally, it is important that your shares be represented at the Annual Meeting. You may vote your shares by using the telephone or Internet voting options described in the attached Notice of Annual Meeting and proxy card. If you receive a proxy card by mail, you may cast your vote by completing, signing and returning it promptly. This will ensure that your shares are represented at the Annual Meeting even if you cannot attend in person.

Sincerely,

Barton R. Brookman  
*President and Chief Executive Officer*

---

Table of Contents

## **PDC ENERGY, INC.**

---

### **NOTICE OF ANNUAL MEETING OF STOCKHOLDERS TO BE HELD ON WEDNESDAY, MAY 30, 2018**

---

April 19, 2018

To the Stockholders of PDC Energy, Inc.:

The 2018 Annual Meeting of PDC Energy, Inc. (the "Company") will be held on May 30, 2018, at 9:15 a.m. Mountain Time at the Denver Financial Center at 1775 Sherman Street, Denver, Colorado 80203, for the following purposes:

To elect the three nominees named in the accompanying Proxy Statement as Class II Directors of the Company, each for a term of three years;

To ratify the appointment of PricewaterhouseCoopers LLP as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2018;

To approve, on an advisory basis, the compensation of the Company's named executive officers;

To approve the Company's 2018 Equity Incentive Plan; and

To transact any other business that may properly come before the meeting and at any and all adjournments or postponements thereof.

The Board of Directors has fixed the close of business on April 2, 2018 as the record date for determining the stockholders having the right to receive notice of, to attend, and to vote at the Annual Meeting or any adjournment or postponement thereof. The presence in person or by proxy of the holders of a majority of the outstanding shares of the Company's common stock entitled to vote is required to constitute a quorum.

**Please vote by using the telephone or Internet voting options described in the accompanying Notice of Internet Availability of Proxy Materials or, if the attached Proxy Statement and a proxy card were mailed to you, please sign, date, and return the proxy card in the enclosed envelope as soon as possible.**

By Order of the Board of Directors,

Daniel W. Amidon

*Senior Vice President, General Counsel and Secretary*

---

Table of Contents

## **PDC ENERGY, INC.**

---

### **PROXY STATEMENT ANNUAL MEETING OF STOCKHOLDERS**

---

**To be held on May 30, 2018 at  
9:15 a.m. Mountain Time at  
The Denver Financial Center  
1775 Sherman Street  
Denver, Colorado 80203**

The accompanying proxy is solicited by the Board of Directors ("Board") of PDC Energy, Inc. ("PDC," the "Company," "we," "us" or "our") to be voted at the annual meeting of the stockholders of the Company (the "Annual Meeting") to be held on May 30, 2018, at 9:15 a.m. Mountain Time and at any and all adjournments or postponements of the meeting, for the purposes set forth in this Proxy Statement and the accompanying Notice of Annual Meeting. On or about April 19, 2018, we began mailing notices containing instructions for accessing this Proxy Statement and our 2017 Annual Report online, and we began mailing proxy materials to stockholders who had previously requested delivery of the materials in paper form. For information on how to vote your shares, see the instructions included on the proxy card or instruction form described under "Information About Voting and the Meeting" herein.

#### **IMPORTANT NOTICE REGARDING THE INTERNET AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING TO BE HELD ON MAY 30, 2018**

**The Notice of Annual Meeting, the Proxy Statement for the 2018 Annual Meeting, and the 2017 Annual Report, which includes the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017, are available at [www.proxyvote.com](http://www.proxyvote.com).**

---

Table of Contents

**TABLE OF CONTENTS**

<u>INFORMATION ABOUT VOTING AND THE MEETING</u>	
<u>Who May Vote</u>	<u>1</u>
<u>How Proxies Work</u>	<u>1</u>
<u>Voting 401(k) and Profit Sharing Plan Shares</u>	<u>1</u>
<u>Revoking a Proxy</u>	<u>1</u>
<u>Quorum</u>	<u>2</u>
<u>Votes Needed</u>	<u>2</u>
<u>Attending in Person</u>	<u>3</u>
<u>Conduct of the Meeting</u>	<u>3</u>
<u>Solicitation of Proxies</u>	<u>4</u>
<u>Appraisal Rights</u>	<u>4</u>
<u>Contact Information</u>	<u>4</u>
<u>PROPOSALS REQUIRING STOCKHOLDER VOTE</u>	<u>4</u>
<u>PROPOSAL NO. 1 ELECT THREE CLASS II DIRECTORS</u>	<u>4</u>
<u>Name, Principal Occupation for Past Five Years and Other Directorships</u>	<u>5</u>
<u>REPORT OF THE AUDIT COMMITTEE</u>	<u>10</u>
<u>PROPOSAL NO. 2 RATIFY THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM</u>	<u>11</u>
<u>PROPOSAL NO. 3 APPROVE, ON AN ADVISORY BASIS, THE COMPENSATION OF THE COMPANY'S NAMED EXECUTIVE OFFICERS</u>	<u>13</u>
<u>PROPOSAL NO. 4 APPROVE THE 2018 EQUITY INCENTIVE PLAN</u>	<u>14</u>
<u>ALL OTHER BUSINESS THAT MAY COME BEFORE THE 2018 ANNUAL MEETING</u>	<u>22</u>
<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u>	<u>22</u>
<u>CORPORATE GOVERNANCE</u>	<u>25</u>
<u>STANDING COMMITTEES OF THE BOARD</u>	<u>28</u>
<u>DIRECTOR COMPENSATION</u>	<u>30</u>
<u>DIRECTOR QUALIFICATIONS AND SELECTION</u>	<u>32</u>
<u>STOCKHOLDER RECOMMENDATIONS AND NOMINATIONS</u>	<u>33</u>
<u>THE BOARD'S ROLE IN RISK MANAGEMENT</u>	<u>33</u>
<u>COMMUNICATION WITH DIRECTORS BY STOCKHOLDERS</u>	<u>34</u>
<u>CODE OF BUSINESS CONDUCT AND ETHICS</u>	<u>34</u>
<u>TRANSACTIONS WITH RELATED PARTIES</u>	<u>34</u>
<u>ADDITIONAL INFORMATION</u>	<u>35</u>
<u>EXECUTIVE OFFICERS</u>	<u>35</u>
<u>COMPENSATION COMMITTEE REPORT</u>	<u>37</u>
<u>COMPENSATION DISCUSSION AND ANALYSIS</u>	<u>37</u>
<u>SUMMARY COMPENSATION TABLE</u>	<u>57</u>
<u>2017 ALL OTHER COMPENSATION</u>	<u>58</u>
<u>2017 GRANTS OF PLAN-BASED AWARDS</u>	<u>59</u>
<u>OUTSTANDING EQUITY AWARDS AT 2017 FISCAL YEAR-END</u>	<u>60</u>
<u>2017 OPTION EXERCISES AND STOCK VESTED</u>	<u>61</u>
<u>POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE OF CONTROL</u>	<u>61</u>
<u>EQUITY COMPENSATION PLAN INFORMATION</u>	<u>70</u>
<u>STOCKHOLDER NOMINATIONS AND PROPOSALS</u>	<u>70</u>
<u>HOUSEHOLDING INFORMATION</u>	<u>71</u>

Table of Contents

**INFORMATION ABOUT VOTING AND THE MEETING**

**Who May Vote**

Stockholders of PDC, as recorded in the Company's stock register on the record date of April 2, 2018, may vote at the Annual Meeting. The outstanding voting securities of the Company as of April 2, 2018 consisted of 66,087,319 shares of common stock. Each share of common stock is entitled to one vote on each matter considered at the Annual Meeting.

**How Proxies Work**

The Board is asking for your proxy. Giving the Board your proxy means that you authorize our representatives to vote your shares at the Annual Meeting in the manner you direct. We will vote your shares as you specify. You may vote for, or withhold your vote from, one or more of the three Class II Director nominees. You may also vote for or against the other proposals, or abstain from voting. If your shares are held in your name with our transfer agent (which is sometimes referred to as being a "stockholder of record"), you can vote by completing, signing and dating your proxy card and returning it in the enclosed envelope. If you provide a signed proxy but do not specify how to vote, your shares will be voted (1) in favor of approval of all three of the Class II Director nominees named in this Proxy Statement; (2) in favor of the ratification of the appointment of PricewaterhouseCoopers LLP ("PwC") as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2018; (3) to approve, on an advisory basis, the compensation of the Company's Named Executive Officers (as defined herein); and (4) to approve the 2018 Equity Incentive Plan. If any other business properly comes before the stockholders for a vote at the Annual Meeting, your shares will be voted in accordance with the discretion of the holders of the proxy.

If you hold shares through a broker, bank or other nominee, you will receive material from that firm asking how you want to vote and instructing you of the procedures to follow in order for you to vote your shares. If the nominee does not receive voting instructions from you, it may vote only on proposals that are considered "routine" matters under applicable rules. Without your instruction, the nominee may vote only on the ratification of the appointment of PwC as our independent registered public accounting firm for 2018. A nominee's inability to vote because it lacks discretionary authority to do so is commonly referred to as a "broker non-vote." The effect of broker non-votes may be different for each of the various proposals to be voted upon at the Annual Meeting. For a description of the effect of broker non-votes on each proposal, see "Votes Needed" below.

**Voting 401(k) and Profit Sharing Plan Shares**

If you are a participant in PDC's 401(k) and Profit Sharing Plan and have shares of PDC common stock credited to your plan account as of the record date, you have the right to direct the plan trustee how to vote those shares. The trustee will vote the shares in your plan account in accordance with your instructions. Your vote may not be counted if your proxy card is not received by May 24, 2018. You cannot vote such shares at the Annual Meeting or change your vote.

**Revoking a Proxy**

If you are a stockholder of record, you may revoke your initial proxy vote before it is voted at the Annual Meeting by:

Submitting a new signed proxy with a later date;

Notifying PDC's Corporate Secretary in writing before the meeting that you wish to revoke your proxy; or



Table of Contents

Appearing at the Annual Meeting, notifying the inspector of the election that you wish to revoke your proxy, and voting in person at the Annual Meeting. Merely attending the Annual Meeting will not result in the revocation of your proxy.

If you hold your shares through a broker, bank or other nominee, you must follow their instructions to revoke your initial proxy vote or to otherwise vote at the Annual Meeting.

**Quorum**

In order to carry on the business of the Annual Meeting, there must be a quorum. This means that at least a majority of the outstanding shares eligible to vote must be represented at the Annual Meeting, either by proxy or in person. Treasury shares, which are shares owned by PDC itself, are not voted and do not count for this purpose. Abstentions and broker non-votes will count for quorum purposes.

**Votes Needed**

The following table presents the voting requirements for electing the three Class II Director nominees and for approving the other proposals presented in this Proxy Statement. Under the "Uncontested Elections Policy" contained in Section 3(e) of our Corporate Governance Guidelines, which may be viewed on our website at [www.pdce.com](http://www.pdce.com), any nominee who receives a greater number of "withhold" votes than "for" votes is required to submit to the Board a letter of resignation for consideration by the Nominating and Governance ("N&G") Committee. The Company's website materials are not incorporated by reference into this Proxy Statement. For more information about our Uncontested Elections Policy, see "Corporate Governance Uncontested Elections Policy" below.

Table of Contents

**PROPOSAL**

**VOTE REQUIRED TO ELECT OR APPROVE**

**Proposal No. 1**

Elect three Class II Directors.

The three Class II Director nominees who receive the greatest number of votes will be elected Class II Directors for a three-year term ending in 2021. There is no cumulative voting for Directors. Abstentions and broker non-votes will have no effect on the election of Directors.

**Proposal No. 2**

Ratify the appointment of PwC as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2018.

The affirmative vote of a majority of shares present or represented at the Annual Meeting is required for ratification. Abstentions will be counted as votes against Proposal No. 2. Brokers will have discretionary authority to vote on Proposal No. 2.

**Proposal No. 3**

Approve, on an advisory basis, the compensation of the Company's Named Executive Officers.

The affirmative vote of a majority of shares present or represented at the Annual Meeting is required for approval. Abstentions will be counted as votes against Proposal No. 3. Broker non-votes will have no effect on the vote on Proposal No. 3.

**Proposal No. 4**

Approve the 2018 Equity Incentive Plan.

The affirmative vote of a majority of shares present or represented at the Annual Meeting is required for approval. Abstentions will be counted as votes against Proposal No. 4. Broker non-votes will have no effect on the vote on Proposal No. 4.

**Attending in Person**

Only stockholders or their proxy holders, and PDC guests, may attend the Annual Meeting. For safety and security reasons, no cameras, audio or video recording equipment, large bags, briefcases, packages or other items deemed unnecessary in PDC's discretion will be permitted at the Annual Meeting. In addition, each stockholder, proxy holder, and PDC guest may be asked to present valid, government-issued picture identification, such as a driver's license, before being admitted to the Annual Meeting.

If your shares are held in the name of your broker, bank, or other nominee, you must bring to the Annual Meeting an account statement or letter from the nominee indicating that you beneficially owned the shares on April 2, 2018, the record date for receiving notice of, attending, and voting at the Annual Meeting.

**Conduct of the Meeting**

The Chairman and the Chief Executive Officer have broad authority to conduct the Annual Meeting in an orderly and timely manner. This authority includes establishing rules for stockholders who wish to speak at the Annual Meeting. The Chairman and the Chief Executive Officer may also exercise broad discretion in recognizing stockholders who wish to speak and in determining the extent of discussion on each item of business. In light of the need to conclude the Annual Meeting within a reasonable period of time, there can be no assurance that every stockholder who wishes to speak will be able to do so. The Chairman and the Chief Executive Officer may also rely on applicable law

Table of Contents

regarding disruptions or disorderly conduct to ensure that the Annual Meeting is conducted in a manner that is fair to all stockholders.

**Solicitation of Proxies**

The Company will bear all costs related to the solicitation of proxies. The Company will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable and appropriate expenses incurred by them in sending the Notice of Internet Availability of Proxy Materials to the beneficial owners of the Company's common stock. In addition to solicitations by mail, Directors, officers and employees of the Company may solicit proxies by telephone and, to the extent necessary, other electronic communication and personal interviews, without additional compensation.

**Appraisal Rights**

No action is proposed at the Annual Meeting for which the laws of the State of Delaware or our Bylaws provide a right of our stockholders to dissent and obtain appraisal of or payment for such stockholders' common stock.

**Contact Information**

If you have questions or need more information about the Annual Meeting, you may write to or call:

Corporate Secretary  
PDC Energy, Inc.  
1775 Sherman Street, Suite 3000  
Denver, CO 80203  
(303) 860-5800  
corpsecretary@pdce.com

For information about shares registered in your name, call PDC at (800) 624-3821. You are also invited to visit PDC's website at [www.pdce.com](http://www.pdce.com). The Company's website materials are not incorporated by reference into this Proxy Statement.

**PROPOSALS REQUIRING STOCKHOLDER VOTE**

**PROPOSAL NO. 1 ELECT THREE CLASS II DIRECTORS**

**(Proposal 1 on the Proxy Card)**

As of the date of this Proxy Statement and as permitted by the Company's Bylaws, the Board consists of eight members ("Directors") divided into three classes. Directors are elected for three-year terms. The terms for members of each class end in successive years.

The Board has nominated three continuing Class II Directors, Anthony J. Crisafio, Christina M. Ibrahim and Randy S. Nickerson, to stand for re-election to the Board for three-year terms expiring in 2021. Mr. Crisafio joined the Board in 2006 and currently serves as a member of the Audit Committee, which he chairs, and the Midstream Committee. Ms. Ibrahim joined the Board in 2018 and does not currently serve on any Board Committees. Mr. Nickerson joined the Board in 2017 and currently serves as a member of the N&G Committee and the Midstream Committee, each of which he chairs.

The appointed proxies will vote your shares in accordance with your instructions and for the election of the three Class II Director nominees, unless you withhold your authority to vote for one or more of them. The Board does not contemplate that any of the Director nominees will become unavailable for any reason; however, if any Director is unable to stand for election, the Board may reduce the size of the Board or select a substitute. Your proxy cannot otherwise be voted for a person

Table of Contents

who is not named in this Proxy Statement as a candidate for Director or for a greater number of persons than the number of Director nominees named.

**Board of Directors**

As of the Annual Meeting, the composition of the Board and the term of each Director is expected to be as follows:

NOMINEES	YEAR THE DIRECTOR JOINED THE BOARD	EXPIRATION OF THE DIRECTOR'S CURRENT TERM
<b>CLASS II:</b>		
Anthony J. Crisafio	2006	2018
Christina M. Ibrahim	2018	2018
Randy S. Nickerson	2017	2018
<b>CLASS III:</b>		
Barton R. Brookman	2015	2019
Mark E. Ellis	2017	2019
Larry F. Mazza	2007	2019
<b>CLASS I:</b>		
David C. Parke	2003	2020
Jeffrey C. Swoveland	1991	2020

**Name, Principal Occupation for Past Five Years and Other Directorships****NOMINEES FOR TERM EXPIRING IN 2018 CLASS II**

Name: Anthony J. Crisafio, Director

Age: 65

Committees: Audit (Chair)  
Midstream

Mr. Crisafio, a Certified Public Accountant ("CPA") and a National Association of Corporate Directors Board Leadership Fellow, joined the Board in 2006. Mr. Crisafio has served as an independent business consultant for more than 20 years, providing financial and operational advice to businesses in a variety of industries. He has served as the part-time contract Chief Financial Officer for a number of companies in the past five years including Empire Energy, LLC, MDS Associated Companies, and TruFoodMfg. Mr. Crisafio served as Chief Operating Officer, Treasurer and member of the Board of Directors of Cinema World, Inc. from 1989 until 1993. From 1975 until 1989, he was employed by Ernst & Young LLP, last serving as a partner from 1986 to 1989. He was responsible for several Securities and Exchange Commission ("SEC") registered client engagements and gained significant experience with oil and gas industry clients and mergers and acquisitions. Mr. Crisafio has served as an Advisory Board member for a number of privately held companies. He holds a B.S. from Duquesne University.

Table of Contents

The Board has concluded that Mr. Crisafio is qualified to serve as a Director because, among other things, he is a CPA and brings to the Board more than 30 years of financial accounting business management expertise.

Name: Randy S. Nickerson, Director  
Age: 56  
Committees: Midstream (Chair)  
Nominating and Governance (Chair)

Mr. Nickerson joined the Board in March 2017. Mr. Nickerson most recently served as the Executive Vice President, Corporate Strategy of Marathon Petroleum Corporation and as the Executive Vice President and Chief Commercial Officer of the MarkWest assets of MPLX LP since December 2015. Prior to joining Marathon Petroleum Corporation, Mr. Nickerson served in various capacities of increasing responsibility for MarkWest Energy Partners, L.P. and its predecessor, including most recently as its Senior Vice President, Corporate Development and Chief Commercial Officer from 2006 until December 2015. Prior to his time with MarkWest, Mr. Nickerson served as Senior Project Manager and Regional Engineering Manager for Western Gas Resources, Inc., from 1990 to 1995, and for Chevron USA and Meridian Oil Inc. in various process and project engineering positions from 1984 to 1990. Mr. Nickerson holds a bachelor's degree in Chemical Engineering from Colorado State University.

The Board has concluded that Mr. Nickerson is qualified to serve as a Director because, among other things, he has over 30 years of experience in oil and gas operations, with a focus on midstream asset development and management, a critical element of the Company's current strategy.

Name: Christina M. Ibrahim, Director  
Age: 50  
Committees: None

Ms. Ibrahim joined the Board in January 2018. She currently serves as the Executive Vice President, General Counsel and Chief Compliance Officer of Weatherford International plc ("Weatherford"), a position she has held since May 2015. Prior to joining Weatherford in 2015, Ms. Ibrahim held a number of senior leadership positions of increasing responsibility in the legal department of Halliburton Company since January 2010, including, most recently, as Vice President, Chief Commercial Counsel and Corporate Secretary with responsibility for the global procurement, employment and real estate practice groups and oversight of mergers and acquisitions, securities, regulatory and governance practice groups. Ms. Ibrahim also served as General Counsel and Chief Compliance Officer for WellDynamics, a Halliburton joint venture company. Ms. Ibrahim earned a B.S. in Business Management and Finance from Virginia Tech and a J.D. from Texas Southern University.

The Board has concluded that Ms. Ibrahim is qualified to serve as a Director because, among other things, she is an attorney who brings to the Board a strong legal background and expertise in corporate governance, as well as more than 20 years of management experience in the oil and gas services industry.

Table of Contents

**CONTINUING DIRECTORS WITH TERM EXPIRING IN 2019 CLASS III**

Name: Barton R. Brookman, Director, President and Chief Executive Officer

Age: 55

Committees: None

Mr. Brookman, the Company's President and Chief Executive Officer ("CEO"), was appointed to the Board in January 2015, simultaneous with his appointment as the Company's CEO. Mr. Brookman originally joined the Company in July 2005 as Senior Vice President Exploration and Production; he was appointed to the position of Executive Vice President and Chief Operating Officer in June 2013 and then served as President and Chief Operating Officer from June 2014 through December 2014. Prior to joining PDC, Mr. Brookman worked for Patina Oil and Gas and its predecessor Snyder Oil from 1988 until 2005 in a series of operational and technical positions of increasing responsibility, ending his service at Patina as Vice President of Operations. Mr. Brookman holds a B.S. in Petroleum Engineering from the Colorado School of Mines and a M.S. in Finance from the University of Colorado.

The Board has concluded that in addition to his role as CEO of the Company, Mr. Brookman is qualified to serve as a Director due, among other things, to his many years of oil and gas industry executive management experience, his active involvement in industry groups and his knowledge of current developments and best practices in the industry.

Name: Mark E. Ellis, Director

Age: 61

Committees: Compensation  
Midstream

Mr. Ellis joined the Board in September 2017. He currently serves as a director and as the President and Chief Executive Officer of Linn Energy, Inc. ("Linn"), positions he has held since February 2017. From January 2010 until February 2017, Mr. Ellis was the President and Chief Executive Officer of Linn Energy LLC. Linn is the reorganized successor to Linn Energy, LLC, which filed for bankruptcy in the federal bankruptcy court, Southern District of Texas in May 2016. From 2012 to February 2017, Mr. Ellis also served as Chairman of Linn Energy LLC's board of directors. Prior to joining Linn in 2006, Mr. Ellis served in varying roles of increasing responsibility for Burlington Resources and ConocoPhillips. He holds a B.S. in Petroleum Engineering from Texas A&M University.

The Board has concluded that Mr. Ellis is qualified to serve as a Director because, among other things, his service as the chief executive officer and director of another public energy company provides extensive oil and gas industry executive management experience, as well as knowledge of current developments and best practices in the industry.

Name: Larry F. Mazza, Director

Age: 57

Committees: Compensation

Edgar Filing: PDC ENERGY, INC. - Form DEF 14A

Mr. Mazza, a CPA, joined the Board in 2007. Mr. Mazza is President, Chief Executive Officer and director of MVB Financial Corp ("MVB"), a multi-state financial services company. He has more than 28 years of experience in both large banks and community banks and is one of seven

Table of Contents

members of the West Virginia Board of Banking and Financial Institutions, which oversees the operation of financial institutions throughout West Virginia and advises the state Commissioner of Banking. Mr. Mazza is also an entrepreneur and is co-owner of nationally-recognized sports media business Football Talk, LLC, a pro football website and content provider for NBC SportsTalk. He also serves on the board of directors of a private financial technology startup, Billgo, headquartered in Fort Collins, Colorado. Prior to joining MVB in 2005, Mr. Mazza was Senior Vice President & Retail Banking Manager for BB&T Bank's West Virginia North region. Mr. Mazza was employed by BB&T and its predecessors from 1986 to 2005. Prior thereto, Mr. Mazza was President of Empire National Bank, and later served as Regional President of One Valley Bank. Mr. Mazza also previously worked for KPMG (or its predecessors) as a CPA with a focus on auditing. He holds a B.S. in Business Administration from West Virginia University.

The Board has concluded that Mr. Mazza is qualified to serve as a Director because, among other things, he is a CPA, a CEO, and has extensive leadership and banking experience. Mr. Mazza also provides an important link to community and employee stakeholders, demonstrating a continuing commitment to our workforce located in Bridgeport, West Virginia.

**CONTINUING DIRECTORS WITH TERM EXPIRING IN 2020 CLASS I**

Name: David C. Parke, Director

Age: 51

Committees: Audit  
Compensation (Chair)  
Nominating and Governance

Mr. Parke, who joined the Board in 2003, has served as a Managing Director of EVOLUTION Life Science Partners since October 2014. From June 2011 until October 2014, he was a Managing Director in the investment banking group of Burrill Securities LLC, an investment banking firm. From 2006 until June 2011, he was Managing Director in the investment banking group of Boenning & Scattergood, Inc., a regional investment bank. Prior to joining Boenning & Scattergood, from October 2003 to November 2006, he was a Director with the investment banking firm Mufson Howe Hunter & Company LLC. From 1992 through 2003, Mr. Parke was Director of Corporate Finance of Investec, Inc. and its predecessor, Pennsylvania Merchant Group Ltd., both investment banking companies. Prior to joining Pennsylvania Merchant Group, Mr. Parke served in the corporate finance departments of Wheat First Butcher & Singer, now part of Wells Fargo, and Legg Mason, Inc., now part of Stifel Nicolaus. He holds a B.S. in Finance from Lehigh University and an M.B.A. from the Wharton School at the University of Pennsylvania.

The Board has concluded that Mr. Parke is qualified to serve as a Director because, among other things, he has extensive investment banking and strategic advisory experience, including experience in the oil and gas area, allowing him to contribute broad financial and investment banking expertise to the Board and to provide guidance on capital markets and acquisition matters.



Table of Contents

Name: Jeffrey C. Swoveland, Director (Non-Executive Chairman)

Age: 63

Committees: Audit  
Nominating and Governance

Mr. Swoveland, a National Association of Corporate Directors Board Leadership Fellow, joined the Board in 1991 and was elected Non-Executive Chairman of the Board in June 2011. From 2006 until January 2014, Mr. Swoveland was first Chief Operating Officer and later President and Chief Executive Officer of ReGear Life Sciences, Inc. (previously named Coventina Healthcare Enterprises), which develops and markets medical device products. From 2000 until 2007, Mr. Swoveland served as Chief Financial Officer of Body Media, Inc., a life-science company. Prior thereto, from 1994 to September 2000, Mr. Swoveland held various positions including Vice President of Finance, Treasurer and interim Chief Financial Officer with Equitable Resources, Inc., a diversified natural gas company. Mr. Swoveland also has worked as a geologist and exploratory geophysicist for both major and independent oil and gas companies. Mr. Swoveland served as a member of the Board of Directors of Linn from 2006 to 2017. He holds a B.S. in Geology and Geophysics from the University of Missouri/Rolla and an M.S. in Finance and Policy from Carnegie Mellon University.

The Board has concluded that Mr. Swoveland is qualified to serve as a Director because, among other things, he brings to the Board extensive corporate management, accounting and finance experience, and oil and gas industry expertise. Additionally, his prior service as a director of another public energy company allows him to provide leadership and knowledge of best practices that benefit the Company and his guidance and understanding of management processes of other oil and gas companies benefits the Company as it continues to grow.

The election of the Class II Directors will be effected by an affirmative vote of a plurality of the outstanding common shares. Abstentions and broker non-votes will have no effect on the election of Directors.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" EACH OF THE CLASS II NOMINEES TO THE BOARD OF DIRECTORS SET FORTH IN THIS PROPOSAL NO. 1. PROXIES SOLICITED BY THE BOARD WILL BE SO VOTED UNLESS STOCKHOLDERS SPECIFY A CONTRARY VOTE.**

Table of Contents

**REPORT OF THE AUDIT COMMITTEE**

The Audit Committee of the Board is comprised of three Directors and operates under a written charter adopted by the Board. Each member of the Audit Committee meets the independence requirements of Rule 5605(a)(2) of the NASDAQ listing standards and other applicable standards. The duties of the Audit Committee are summarized in this Proxy Statement under "Standing Committees of the Board" and are more fully described in its charter, which can be viewed on the Company's website at [www.pdce.com](http://www.pdce.com) under "Corporate Governance."

Management is responsible for the Company's internal controls and preparation of the consolidated financial statements in accordance with generally accepted accounting principles. The Company's independent registered public accounting firm is responsible for performing an independent audit of the Company's consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB") and issuing a report thereon. The Audit Committee's responsibilities include monitoring and overseeing these processes.

The Audit Committee held eight meetings during 2017. In addition, the Audit Committee has authorized Audit Committee member Anthony J. Crisafio to serve as a sub-committee of the Audit Committee to review and approve SEC periodic financial filings and other actions of the partnerships for which the Company serves as managing general partner (collectively, the "Partnerships"). The sub-committee met five times during 2017 to review such partnership filings and PDC's Annual Report on Form 11-K for its 401(k) and Profit Sharing Plan.

The Audit Committee reviewed and discussed the Company's audited consolidated financial statements for the year ended December 31, 2017 (the "Audited Financial Statements") with the Company's management and PwC, the Company's independent registered public accounting firm. The Audit Committee also discussed with PwC the matters required to be discussed by Statement of Auditing Standards No. 61 (Codification of Statements of Auditing Standards AU § 380) as adopted by the PCAOB in Rule 3200T, as amended. The Audit Committee has received the written disclosures and the letter from PwC required by PCAOB Rule 3526 and has discussed with PwC its independence from the Company. The Audit Committee has discussed with management and PwC such other matters and received such assurances from them as the Audit Committee deemed appropriate.

Based on the foregoing review and discussions and relying thereon, the Audit Committee has recommended that the Board include the Audited Financial Statements in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

Anthony J. Crisafio, Chair

David C. Parke

Jeffrey C. Swoveland

*AUDIT COMMITTEE OF THE BOARD OF DIRECTORS*

10

---

Table of Contents**PROPOSAL NO. 2 RATIFY THE APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM****(Proposal 2 on the Proxy Card)**

The Audit Committee has appointed PwC as the Company's independent registered public accounting firm for the fiscal year ending December 31, 2018, and the Company is submitting the appointment of PwC to the stockholders for ratification. If the appointment of PwC is not ratified, the Audit Committee will reconsider its selection. A representative of PwC is expected to attend the meeting and will have an opportunity to make a statement if he or she so desires, and will be available to respond to appropriate questions.

<b>Principal Accountant Fees and Services</b>	<b>2017</b>	<b>2016</b>
Audit Fees <sup>(1)</sup>	\$ 2,261,000	\$ 2,420,000
Audit-Related Fees <sup>(2)</sup>	7,575	26,513
Tax Fees <sup>(3)</sup>	84,000	24,854
All Other Fees <sup>(4)</sup>		
<b>Total Fees</b>	<b>\$ 2,352,575</b>	<b>\$ 2,471,367</b>

- 
- (1) Audit Fees consist of the aggregate fees billed for professional services rendered for audit procedures performed with regard to the Company's annual consolidated financial statements and the report on management's assessment of internal controls over financial reporting and the effectiveness of the Company's internal controls over financial reporting, including reviews of the consolidated financial statements included in our Quarterly Reports on Form 10-Q, and services that are normally provided by the independent registered public accounting firm in connection with statutory and regulatory filings or engagements, including fees related to comfort letters and consents issued in conjunction with our securities offerings.
- (2) Audit-Related Fees consist of the aggregate fees billed for assurance and related services that are related to the performance of the audit or review of the Company's annual consolidated financial statements and are not reported under "Audit Fees." Fees billed primarily include our proportionate share of amounts billed to the Company-sponsored partnerships for the audits of their annual financial statements. Total amounts billed to the Company-sponsored partnerships in 2017 and 2016 were \$20,000 and \$70,000, respectively.
- (3) Tax Fees consist of the aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning for the Company and its proportionately consolidated entities.
- (4) Other fees consist of aggregate fees billed for products and services other than services reported above.

**Audit Committee Pre-Approval Policies and Procedures**

The Sarbanes-Oxley Act of 2002 requires that all services provided to the Company by its independent registered public accounting firm be subject to pre-approval by the Audit Committee or authorized Audit Committee members. The Audit Committee has adopted policies and procedures for pre-approval of all audit services and non-audit services to be provided by the Company's independent registered public accounting firm. Services necessary to conduct the annual audit must be pre-approved by the Audit Committee annually. Permissible non-audit services to be performed by the independent accountant may also be approved on an annual basis by the Audit Committee if they are of a recurring nature. Permissible non-audit services which are to be performed by the independent accountant and

Table of Contents

are not eligible for annual pre-approval must be pre-approved individually by the full Audit Committee or by an authorized Audit Committee member. Actual fees incurred for all services performed by the independent accountant will be reported to the Audit Committee after the services are fully performed. All of the services described in "Principal Accountant Fees and Services" were approved by the Audit Committee pursuant to its pre-approval policies in effect at the time. The duties of the Audit Committee are described in the Audit Committee Charter, which can be viewed on the Company's website at [www.pdce.com](http://www.pdce.com) under "Corporate Governance."

The proposal to ratify the appointment of PwC will be approved if it receives the affirmative vote of a majority of shares of common stock of the Company present or represented at the Annual Meeting and entitled to vote on this proposal. Abstentions will be counted as votes against this proposal. Brokers will have discretionary authority to vote on this proposal.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THIS PROPOSAL NO. 2. PROXIES SOLICITED BY THE BOARD WILL BE SO VOTED UNLESS STOCKHOLDERS SPECIFY A CONTRARY VOTE.**

Table of Contents

**PROPOSAL NO. 3 APPROVE, ON AN ADVISORY BASIS, THE COMPENSATION  
OF THE COMPANY'S NAMED EXECUTIVE OFFICERS**

**(Proposal 3 on the Proxy Card)**

The stockholders of the Company are entitled to cast a non-binding advisory vote at the Annual Meeting on the compensation of the Company's Named Executive Officers (as defined below). While this vote is non-binding, the Board and the Compensation Committee value the opinions of our stockholders and take into consideration the outcome of the vote in connection with their ongoing evaluation of the Company's executive compensation program. In 2017, based on the stockholder votes at the 2017 Annual Meeting of Stockholders and engagement with some of the Company's largest stockholders, the Company determined to hold a "say-on-pay" vote annually, consistent with the majority of votes cast in favor of an annual advisory vote. The next non-binding advisory vote regarding such frequency will be held at the 2023 Annual Meeting of Stockholders, in accordance with SEC rules.

As described more fully under "Compensation Discussion and Analysis" below, the Company's executive compensation program is designed to attract, motivate and retain individuals with the skills required to formulate and drive the Company's strategic direction and achieve the annual and long-term performance necessary to create stockholder value. The program also seeks to align executive compensation with stockholder value on an annual and long-term basis through a combination of base pay, annual incentives and long-term incentives.

The Company's practice of targeting the median in compensation and placing a significant portion of each Named Executive Officer's compensation at risk demonstrates its pay-for-performance philosophy. In 2017 approximately 80% of the target compensation for our Named Executive Officers, other than the CEO, was in the form of variable compensation which was "at risk" (i.e., incentive cash compensation, performance-based equity, stock appreciation rights and restricted stock units). For the Company's CEO, this amount was 85% in 2017.

Each of the Named Executive Officers has been granted significant equity awards, including awards subject to annual vesting over a three year period and performance share units subject to a three year performance period, to provide a stake in the Company's long-term success. The Company also has demanding stock ownership guidelines applicable to its Named Executive Officers. The Company believes that this "tone at the top" guides the Company's other officers and management personnel to obtain and maintain meaningful ownership stakes in the Company.

The Compensation Committee considers the results of the non-binding "say-on-pay" vote of our stockholders in making prospective compensation decisions. At our 2017 annual meeting of stockholders, over 96% of the votes cast approved, on an advisory basis, the compensation of our Named Executive Officers. Accordingly, the Compensation Committee concluded that our executive compensation programs generally meet the expectations of our stockholders. We did not make any material changes to our executive compensation programs in 2017.

In light of the foregoing, the Company believes that the compensation of the Named Executive Officers for 2017 was appropriate and reasonable, and that its compensation programs and practices are sound and in the best interests of the Company and its stockholders. Stockholders are being asked to vote on the following resolution:

RESOLVED, that the Company's stockholders approve, on an advisory basis, the compensation of the Company's Named Executive Officers, as disclosed pursuant to Item 402 of Regulation S-K, including the "Compensation Discussion and Analysis," compensation tables and narrative disclosure in this Proxy Statement for the Company's 2018 Annual Meeting.

This advisory vote will be approved if it receives the affirmative vote of a majority of shares of common stock of the Company present or represented at the Annual Meeting and entitled to vote on

Table of Contents

this proposal. Abstentions will be counted as votes against this proposal. Broker non-votes will not affect the outcome of this proposal.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE RESOLUTION SET FORTH IN THIS PROPOSAL NO. 3. PROXIES SOLICITED BY THE BOARD WILL BE SO VOTED UNLESS STOCKHOLDERS SPECIFY A CONTRARY VOTE.**

**PROPOSAL NO. 4 APPROVE THE 2018 EQUITY INCENTIVE PLAN**

**(Proposal 4 on the Proxy Card)**

On March 30, 2018, the Board approved a new omnibus equity incentive plan entitled the PDC Energy, Inc. 2018 Equity Incentive Plan (the "2018 Plan"), to be effective upon stockholder approval at the Annual Meeting. The Board also recommended that the Company's stockholders approve and adopt the 2018 Plan at the Annual Meeting.

The key features of the 2018 Plan include the following:

A reserve of 1,800,000 shares of our common stock that may be issued pursuant to awards under the 2018 Plan;

A term that expires on March 29, 2028;

Permitted awards include, but are not limited to, options, stock appreciation rights (sometimes referred to as "SARs"), restricted stock, restricted stock units (sometimes referred to as "RSUs"), performance stock units (sometimes referred to as "PSUs"), and other stock-based awards;

No direct or indirect repricing of options or stock appreciation rights without stockholder approval;

Stringent share recycling provisions that prohibit recycling of shares used as consideration for tax withholding or as consideration for option exercises, along with full counting of all shares subject to stock-settled stock appreciation rights;

A minimum one year cliff vesting schedule on all awards types under the 2018 Plan (applicable to at least 95% of the shares authorized for issuance);

Dividends and dividend equivalents on unvested awards are accrued and paid only if related awards become vested; and

No excise-tax gross-ups on equity awards.

**Reasons for Adopting the 2018 Plan**

The Compensation Committee and the Board believe that we must continue to offer a competitive equity incentive program in order to successfully attract, retain and motivate the best employees, directors, and consultants, without whom we cannot execute on our business goals or deliver value to our stockholders. Our Amended and Restated 2010 Long-Term Equity Compensation Plan, which was most recently approved by stockholders in 2013 (as the same has been amended and restated from time to time, the "2010 Plan"), is the only equity incentive plan that we currently maintain, and it will remain outstanding and the Company may use the 2010 Plan to grant awards regardless of whether the stockholders approve the 2018 Plan. However, the share reserve of the 2010 Plan is nearly depleted. As of April 2, 2018, there were only 320,791 shares available for grant under the 2010 Plan. Accordingly, and based on historic grant patterns, we believe the remaining shares available for issuance under the 2010 Plan are insufficient, and that we must increase the number of shares available for issuance under



Table of Contents

our equity incentive plans to address our future equity compensation needs for a meaningful period of time. We believe strongly that adoption of the 2018 Plan will accomplish this objective.

If the stockholders approve the 2018 Plan, the number of shares of common stock reserved for issuance under the Company's equity incentive plans will be increased by 1,800,000 shares, as follows (share counts are as of April 2, 2018):

Remaining shares available for issuance pursuant to new awards under the existing 2010 plan		320,791
Shares available for issuance under the 2018 Plan	+	1,800,000
Total shares available for issuance pursuant to new awards under the Company's equity plans	=	2,120,791

**Outstanding Awards under 2010 Plan**

As of April 2, 2018, there were 298,220 stock options/SARs outstanding under the Company's equity compensation plans with a weighted average exercise price of \$47.39 and weighted average remaining term of 6.2 years. In addition, as of April 2, 2018, there were 770,910 full-value awards outstanding under the Company's equity compensation plans. Other than the foregoing, no other awards under the Company's equity compensation plans were outstanding or available for grant as of April 2, 2018.

**Description of the 2018 Plan**

The following summary of material terms of the 2018 Plan does not purport to be complete and is subject to and qualified in its entirety by the actual terms of the 2018 Plan. A copy of the 2018 Plan is provided as Appendix A to this Proxy Statement.

Purpose of the 2018 Plan

The purpose of the 2018 Plan is to promote the success of the Company and the interests of its stockholders by providing an additional means for the Company to attract, motivate, retain and reward directors, officers, employees and other eligible persons (including certain consultants and advisors).

The Board or one or more committees consisting of independent directors appointed by the Board will administer the 2018 Plan. The Board will delegate general administrative authority for the 2018 Plan to the Compensation Committee, which is comprised of directors who qualify as independent under rules promulgated by the SEC and NASDAQ. Except where prohibited by applicable law, a committee may delegate some or all of its authority with respect to the 2018 Plan to another committee of directors or to one or more officers of the Company. For purposes of Rule 16b-3 of the Exchange Act, the rules of NASDAQ and for grants to non-employee directors, the 2018 Plan must be administered by a committee consisting solely of two or more independent directors. The appropriate acting body, be it the Board, a committee within its delegated authority, or an officer within his or her delegated authority, is referred to in this section as the Administrator.

The Administrator has broad authority under the 2018 Plan with respect to award grants including, without limitation, the authority:

To select participants and determine the type(s) of award(s) that they are to receive;

To determine the number of shares that are to be subject to awards and the terms and conditions of awards, including the price (if any) to be paid for the shares or the award;

To cancel, modify, or waive the Company's rights with respect to, or modify, discontinue, suspend, or terminate any or all outstanding awards, subject to any required consents, and subject to the repricing prohibition described below;



Table of Contents

To accelerate or extend the vesting or exercisability or extend the term of any or all outstanding awards subject to any required consents;

Subject to the other provisions of the 2018 Plan, to make certain adjustments to outstanding awards and authorize the conversion, succession or substitution of awards; and

To allow the purchase price of awards or shares of the Company's common stock to be paid in the form of cash, check, or electronic funds transfer, by the delivery of already-owned shares of the Company's common stock or by a reduction of the number of shares deliverable pursuant to the awards, by services rendered by the recipient of the awards, by notice of third party payment or by cashless exercise, on such terms as the Administrator may authorize, or any other form permitted by law.

**Eligibility**

Persons eligible to receive awards under the 2018 Plan include officers and employees of the Company or any of its subsidiaries, non-employee directors of the Company, and certain individual consultants who render bona fide services to the Company or any of its subsidiaries (other than services in connection with the offering or sale of securities or as a market maker or promoter of securities of the Company). As of the date of this Proxy Statement, there are approximately 337 employees, including officers, of the Company and its subsidiaries and seven non-employee Directors of the Company and its subsidiaries who would potentially be eligible to receive awards under the 2018 Plan.

**Authorized Shares**

There are 1,800,000 shares of Company common stock authorized for issuance pursuant to awards under the 2018 Plan. The 2018 Plan generally provides that shares issued in connection with awards that are granted by or become obligations of the Company through the assumption of awards (or in substitution for awards) in connection with an acquisition of another company will not count against the shares available for issuance under the 2018 Plan, except as may be required by the Administrator or applicable law or stock exchange rules.

Shares that are subject to or underlie awards which expire or for any reason are canceled or terminated, are forfeited, fail to vest, or for any other reason are not paid or delivered under the 2018 Plan are available for reissuance under the 2018 Plan. However, the 2018 Plan prohibits liberal share recycling. Accordingly, shares tendered or withheld to satisfy the exercise price of options or tax withholding obligations, and shares covering the portion of exercised stock-settled SARs (regardless of the number of shares actually delivered), count against the share limit.

**Awards Under the 2018 Plan**

Because awards under the 2018 Plan are granted in the discretion of the Board or a committee of the Board, the type, number, recipients and other terms of future awards cannot be determined at this time.

**No Repricing**

In no case (except due to an adjustment to reflect a stock split or similar event or any repricing that may be approved by shareholders) will any adjustment be made to a stock option or stock appreciation right award under the 2018 Plan (by amendment, cancellation and regrant, exchange for other awards or cash or other means) that would constitute a repricing of the per share exercise or base price of the award.

Table of Contents

**Minimum Vesting Schedule**

The 2018 Plan requires a minimum one year cliff vesting schedule for all equity award types under the 2018 Plan. This minimum vesting schedule will apply to at least 95% of the shares authorized for grant under the 2018 Plan.

**Dividends and Dividend Equivalents**

Accrued dividends or dividend equivalent amounts shall not be paid unless and until the awards to which they relate become vested.

**Types of Awards**

The 2018 Plan authorizes stock options, SARs, restricted stock, RSUs, PSUs and other forms of awards that may be granted or denominated in the Company's common stock or units of the Company's common stock, as well as cash bonus awards. The 2018 Plan provides flexibility to offer competitive incentives and to tailor benefits to specific needs and circumstances. Awards may, in certain cases, be paid or settled in cash.

Stock Options

A stock option is a right to purchase shares of the Company's common stock at a future date at a specified price per share (the "exercise price"). The per share exercise price of an option generally may not be less than the fair market value of a share of the Company's common stock on the date of grant. On April 2, 2018, the last sale price of the Company's common stock as reported on NASDAQ was \$46.61 per share. The maximum term of an option is ten years from the date of grant. An option may be either an incentive stock option or a nonqualified stock option. Incentive stock options are taxed differently than nonqualified stock options and are subject to more restrictive terms under the Internal Revenue Code of 1986, as amended (the "Code") and the 2018 Plan. Incentive stock options may be granted only to employees of the Company or a subsidiary.

Stock Appreciation Rights

A stock appreciation right is the right to receive payment of an amount equal to the excess of the fair market value of shares of the Company's common stock on the date of exercise of the stock appreciation right over the base price of the stock appreciation right. The base price is established by the Administrator at the time of grant of the stock appreciation right and generally cannot be less than the fair market value of a share of the Company's common stock on the date of grant. Stock appreciation rights may be granted in connection with other awards or independently. The maximum term of a stock appreciation right is ten years from the date of grant.

Restricted Stock

Shares of restricted stock are shares of the Company's common stock that are subject to certain restrictions on sale, pledge, or other transfer by the recipient during a particular period of time (the "restricted period"). Subject to the restrictions provided in the applicable award agreement and the 2018 Plan, a participant receiving restricted stock may have all of the rights of a shareholder as to such shares, including the right to vote and the right to receive dividends; provided, however, that dividends on unvested shares shall be accrued and shall be paid only if the restricted stock to which they relate become vested.

Table of Contents

Restricted Stock Units

A restricted stock unit represents the right to receive one share of the Company's common stock on a specific future vesting or payment date. Subject to the restrictions provided in the applicable award agreement and the 2018 Plan, a participant receiving RSUs has no rights as a shareholder until the shares of common stock are issued to the participant. RSUs may be granted with dividend equivalent rights. RSUs may be settled in cash if so provided in the applicable award agreement.

Performance Stock Units

A performance stock unit ("PSU") is a performance-based award that entitles the recipient to receive shares of the Company's common stock based on attainment of one or more performance goals. Each PSU shall designate a target number of shares covered by the award, with the actual number of PSUs earned (if any) based on a formula set forth in the award agreement related to the attainment of one or more performance goals. Subject to the restrictions provided in the applicable award agreement and the 2018 Plan, a participant receiving PSUs has no rights as a shareholder until the shares of common stock are issued to the participant. PSUs may be granted with dividend equivalent rights. PSUs may be settled in cash if so provided in the applicable award agreement.

Cash Awards

The Administrator, in its sole discretion, may grant cash awards, including without limitation discretionary awards, awards based on objective or subjective performance criteria, and awards subject to other vesting criteria.

Other Awards

The other types of awards that may be granted under the 2018 Plan include, without limitation, stock bonuses, dividend equivalents, and similar rights to purchase or acquire shares of the Company's common stock.

**Change of Control**

Unless otherwise provided in an applicable award agreement, upon a change of control (as defined in the 2018 Plan), the Administrator shall have full discretion to take whatever actions it deems necessary or appropriate, including but not limited to the following actions: (1) provide for full or partial accelerated vesting of any award or portion thereof, either immediately prior to the change of control or on such terms and conditions following the change of control (such as a termination without cause) as the Administrator determines in its sole and absolute discretion; (2) provide for the assumption of such awards (or portions thereof) or the substitution of such awards (or portions thereof) with similar awards of the surviving or acquiring Company; (3) provide for the cash-out and cancellation of any award (or portion thereof); and (4) take any other actions as the Administrator deems necessary or advisable in connection with such change of control transaction. If the surviving or acquiring company does not assume the outstanding awards (or portions thereof) or substitute similar stock awards for those outstanding under the 2018 Plan as of the change of control, then the vesting and exercisability (if applicable) of all awards (or portions thereof) shall be accelerated in full immediately prior to such change of control, and such outstanding awards (or portions thereof) shall terminate and/or be payable upon the occurrence of the change of control. The Administrator may take different actions with respect to different participants under the 2018 Plan, different awards under the 2018 Plan, and different portions of awards granted under the 2018 Plan.

Table of Contents

**Transferability of Awards**

Awards under the 2018 Plan generally are not transferable by the recipient other than by will or the laws of descent and distribution, or pursuant to domestic relations orders, and with respect to awards with exercise features, are generally exercisable during the recipient's lifetime only by the recipient. Any amounts payable or shares issuable pursuant to an award generally will be paid only to the recipient or the recipient's beneficiary or representative. The Administrator has discretion, however, to establish written conditions and procedures for the transfer of awards to other persons or entities, as long as such transfers comply with applicable federal and state securities laws and provided that any such transfers are not for consideration.

**Adjustments**

As is customary in plans of this nature, the share limit and the number and kind of shares available under the 2018 Plan and any outstanding awards, as well as the exercise or purchase prices of awards, are subject to adjustment in the event of certain reorganizations, mergers, combinations, recapitalizations, stock splits, stock dividends, or other similar events that change the number or kind of shares outstanding, and extraordinary dividends or distributions of property to the shareholders.

**No Limit on Other Authority**

The 2018 Plan does not limit the authority of the Board or any committee to grant awards or authorize any other compensation, with or without reference to the Company's common stock, under any other plan or authority.

**Non-Competition and Clawback Policy**

By accepting awards and as a condition to the exercise of awards and the enjoyment of any benefits of the 2018 Plan, participants agree to be bound by and subject to certain restrictive covenants and may forfeit their awards upon breach of such restrictive covenants. Awards are subject to any clawback policy adopted by the Company from time to time.

**Awards to Directors**

The 2018 Plan is the exclusive vehicle for awards of cash and equity compensation to be paid or provided to the Company's non-employee directors. Non-employee directors are eligible to receive all forms of awards to the extent permissible under the 2018 Plan. Cash awards to non-employee directors may take any form determined by the Administrator in its sole and absolute discretion, including, but not limited to, retainers, committee fees, chairperson fees, per meeting fees, and special fees for committee service. Cash awards paid to any non-employee director may not exceed \$400,000 in any fiscal year. Equity awards to non-employee directors may take any form determined by the Administrator in its sole and absolute discretion. Equity awards granted to any non-employee director may not have a grant date fair value in excess of \$400,000 in any fiscal year.

**Termination of, or Changes to, the 2018 Plan**

The Administrator may amend or terminate the 2018 Plan at any time and in any manner. Shareholder approval for an amendment will be required only to the extent then required by applicable law or any applicable stock exchange rules or as required under Sections 162, 409A, 422 or 424 of the Code to preserve the intended tax consequences of the 2018 Plan. For example, shareholder approval is required for any proposed amendment to increase the maximum number of shares that may be delivered with respect to awards granted under the 2018 Plan. Adjustments as a result of stock splits or similar events will not, however, be considered amendments requiring shareholder approval. Unless terminated earlier by the Board, the authority to grant new awards under the 2018 Plan will terminate

Table of Contents

ten years after the date on which the 2018 Plan was approved by the Board. Outstanding awards generally will continue following the expiration or termination of the 2018 Plan. Generally speaking, outstanding awards may be amended by the Administrator (except for a repricing), but the consent of the award holder is required if the amendment (or any plan amendment) materially and adversely affects the holder.

**Certain Federal Tax Consequences**

The following summary of the federal income tax consequences of awards under the 2018 Plan is based upon federal income tax laws in effect on the date of this Proxy Statement. This summary does not purport to be complete, and does not discuss state, local or non-U.S. tax consequences. The tax consequences of individual awards may vary depending upon the particular circumstances applicable to any individual participant.

Nonqualified Stock Options

The grant of a nonqualified stock option under the 2018 Plan will not result in any federal income tax consequences to the participant or to the Company. Upon exercise of a nonqualified stock option, the participant will recognize ordinary compensation income equal to the excess of the fair market value of the shares of common stock at the time of exercise over the option exercise price. If the participant is an employee, this income is subject to withholding for federal income and employment tax purposes. The Company is entitled to an income tax deduction in the amount of the income recognized by the participant, subject to possible limitations imposed by the Code, including Section 162(m) thereof. Any gain or loss on the participant's subsequent disposition of the shares will be treated as long-term or short-term capital gain or loss, depending on the sales proceeds received and whether the shares are held for more than one year following exercise. The Company does not receive a tax deduction for any subsequent capital gain.

Incentive Stock Options

The grant of an incentive stock option (or "ISO") under the 2018 Plan will not result in any federal income tax consequences to the participant or to the Company. A participant recognizes no federal taxable income upon exercising an ISO (subject to the alternative minimum tax rules discussed below), and the Company receives no deduction at the time of exercise. In the event of a disposition of stock acquired upon exercise of an ISO, the tax consequences depend upon how long the participant has held the shares. If the participant does not dispose of the shares within two years after the ISO was granted, nor within one year after the ISO was exercised, the participant will recognize a long-term capital gain (or loss) equal to the difference between the sale price of the shares and the exercise price. The Company is not entitled to any deduction under these circumstances.

If the participant fails to satisfy either of the foregoing holding periods (referred to as a "disqualifying disposition"), he or she will recognize ordinary compensation income in the year of the disposition. The amount of ordinary compensation income generally is the lesser of (i) the difference between the amount realized on the disposition and the exercise price or (ii) the difference between the fair market value of the stock at the time of exercise and the exercise price. Such amount is not subject to withholding for federal income and employment tax purposes, even if the participant is an employee of the Company. Any gain in excess of the amount taxed as ordinary income will generally be treated as a short-term capital gain. The Company, in the year of the disqualifying disposition, is entitled to a deduction equal to the amount of ordinary compensation income recognized by the participant, subject to possible limitations imposed by the Code, including Section 162(m) thereof.

The "spread" under an ISO (i.e., the difference between the fair market value of the shares at exercise and the exercise price) is classified as an item of adjustment in the year of exercise for

Table of Contents

purposes of the alternative minimum tax. If a participant's alternative minimum tax liability exceeds such participant's regular income tax liability, the participant will owe the alternative minimum tax liability.

Restricted Stock

Restricted stock is generally taxable to the participant as ordinary compensation income on the date that the restrictions lapse (i.e. the date that the stock vests), in an amount equal to the excess of the fair market value of the shares on such date over the amount paid for such stock (if any). If the participant is an employee, this income is subject to withholding for federal income and employment tax purposes. The Company is entitled to an income tax deduction in the amount of the ordinary income recognized by the participant, subject to possible limitations imposed by the Code, including Section 162(m) thereof. Any gain or loss on the participant's subsequent disposition of the shares will be treated as long-term or short-term capital gain or loss depending on the sales price and how long the stock has been held since the restrictions lapsed. The Company does not receive a tax deduction for any subsequent gain.

Participants receiving restricted stock awards may make an election under Section 83(b) of the Code (a "Section 83(b) Election") to recognize as ordinary compensation income in the year that such restricted stock is granted in an amount equal to the excess of the fair market value on the date of the issuance of the stock over the amount paid for such stock. If the participant is an employee, this income is subject to withholding for federal income and employment tax purposes. If such an election is made, the recipient recognizes no further amounts of compensation income upon the lapse of any restrictions and any gain or loss on subsequent disposition will be long-term or short-term capital gain or loss to the recipient. However, if the stock is later forfeited, the participant will not be able to recover the tax previously paid pursuant to the Section 83(b) Election. The Section 83(b) Election must be made within 30 days from the time the restricted stock is issued. The Company is entitled to a deduction equal to the amount of income taken into account as a result of the Section 83(b) Election, subject to possible limitations imposed by the Code, including Section 162(m) thereof.

To the extent dividends are paid while the restrictions on the stock are in effect, any such dividends will be taxable to the participant as ordinary income (and will be treated as additional wages for federal income and employment tax withholding purposes, if the recipient is an employee) and will be deductible by the Company (subject to possible limitations imposed by the Code, including Section 162(m) thereof), unless the participant has made a Section 83(b) Election, in which case the dividends will generally be taxed at dividend rates and will not be deductible by the Company.

Other Awards

Other awards (such as RSUs and PSUs) are generally treated as ordinary compensation income as and when common stock or cash are paid to the participant upon vesting or settlement of such awards. If the participant is an employee, this income is subject to withholding for income and employment tax purposes. The Company is generally entitled to an income tax deduction equal to the amount of ordinary income recognized by the recipient, subject to possible limitations imposed by the Code, including Section 162(m) thereof.

**Section 162(m) of the Internal Revenue Code**

Under Code Section 162(m), no deduction is allowed in any taxable year of the Company for compensation in excess of \$1 million paid to the Company's "covered employees." A "covered employee" is any individual who has served at any time after December 31, 2016 as the Company's chief executive officer, chief financial officer, or other executive officer whose compensation has been reported in a Company proxy statement, regardless of whether any such individual is still employed by the Company.

Table of Contents

**Section 409A of the Internal Revenue Code**

Section 409A of the Code provides certain requirements for the deferral and payment of deferred compensation arrangements. In the event that any award under the 2018 Plan is deemed to be a deferred compensation arrangement, and if such arrangement does not comply with Section 409A of the Code, the recipient of such award will recognize ordinary income once such award is vested, as opposed to at the time or times set forth above. In addition, the amount taxable will be subject to an additional 20% federal income tax along with other potential taxes and penalties. It is intended, although not guaranteed, that all awards issued under the 2018 Plan will either be exempt from or compliant with the requirements of Section 409A of the Code.

**Interested Parties**

Because approval of the 2018 Plan will increase the number of shares available for issuance to the directors and executive officers of the Company, each of those persons has an interest in and may benefit from the approval of the 2018 Plan.

**Vote Required for Approval**

Approval of the 2018 Plan will require the affirmative vote of a majority of the shares present or represented at the Annual Meeting. Abstentions will be counted as votes against this matter, and broker non-votes will have no effect on the vote on this matter.

**THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE "FOR" THE APPROVAL OF THE COMPANY'S 2018 EQUITY INCENTIVE PLAN.**

**ALL OTHER BUSINESS THAT MAY COME BEFORE THE 2018 ANNUAL MEETING**

As of the date of this Proxy Statement, the Board is not aware of any matters to be brought before the Annual Meeting other than the matters set forth in this Proxy Statement. However, if other matters properly come before the meeting in accordance with our Bylaws and SEC rules, it is the intention of the proxy holders named in the enclosed form of proxy to vote in accordance with their discretion on such matters pursuant to such proxy.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT  
AND RELATED STOCKHOLDER MATTERS**

The following table sets forth certain information regarding beneficial ownership of the Company's common stock as of April 2, 2018, by (1) each person known by the Company to own beneficially more than five percent of the outstanding shares of common stock; (2) each Director of the Company; (3) each executive officer; and (4) all Directors and Named Executive Officers as a group. Except as otherwise indicated, each person has sole voting and investment power with respect to all shares shown as beneficially owned, subject to community property laws where applicable. As of April 2, 2018, 66,087,319 shares of common stock of the Company were outstanding. Except as otherwise indicated,

Edgar Filing: PDC ENERGY, INC. - Form DEF 14A

Table of Contents

the address for each of the named security holders is c/o 1775 Sherman Street, Suite 3000, Denver, Colorado 80203.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percentage of Shares Beneficially Owned
BlackRock, Inc. 55 East 52nd Street New York, NY 10022	8,643,984 <sup>(1)</sup>	13.1%
The Vanguard Group 100 Vanguard Blvd. Malvern, PA 19355	6,053,474 <sup>(2)</sup>	9.2%
Causeway Capital Management LLC 11111 Santa Monica Boulevard 15th Floor Los Angeles, CA 90025	4,777,877 <sup>(3)</sup>	7.2%
FMR, LLC 245 Summer Street Boston, MA 02210	4,381,267 <sup>(4)</sup>	6.6%
Dimensional Fund Advisors LP 6300 Bee Cave Road Building One Austin, TX 78746	4,280,455 <sup>(5)</sup>	6.5%
Barton R. Brookman, Jr.	241,956 <sup>(6)</sup>	*
Lance A. Lauck	136,374 <sup>(7)</sup>	*
Scott J. Reasoner	71,008 <sup>(8)</sup>	*
Daniel W. Amidon	107,363 <sup>(9)</sup>	*
R. Scott Meyers	8,093 <sup>(10)</sup>	*
Jeffrey C. Swoveland	19,018 <sup>(11)</sup>	*
David C. Parke	11,440 <sup>(12)</sup>	*
Anthony J. Crisafio	16,892 <sup>(13)</sup>	*
Larry F. Mazza	24,864 <sup>(14)</sup>	*
Randy S. Nickerson	807 <sup>(15)</sup>	*
Mark E. Ellis	<sup>(16)</sup>	*
Christina M. Ibrahim	<sup>(17)</sup>	*
David W. Honeyfield	24,608 <sup>(18)</sup>	*
<b>All directors and executive officers as a group (12 persons)</b>	<b>637,815 <sup>(19)</sup></b>	<b>1.0%</b>

\*

Represents less than 1% of the outstanding shares of common stock.

(1) As reported on a Schedule 13G/A filed with the SEC by BlackRock, Inc. on January 23, 2018, BlackRock, Inc. holds sole voting power as to 8,510,695 shares and sole dispositive power as to 8,643,984 shares.

(2) As reported on a Schedule 13G/A filed with the SEC by The Vanguard Group on February 9, 2018, The Vanguard Group is an investment advisor in accordance with SEC Rule 13d-1(b)(1)(ii)(E) and holds sole voting power as to 71,306 shares, sole dispositive power as to 5,980,011 shares and shared dispositive power as to 73,463 shares.

(3) As reported on a Schedule 13G/A filed with the SEC by Causeway Capital Management LLC on February 14, 2018, Causeway Capital Management LLC is a parent holding company in accordance with SEC Rule 13d-1(b)(1)(ii)(G) and holds sole voting power as to 2,163,029 shares and sole dispositive power as to 4,777,877 shares.



Table of Contents

- (4) As reported on a Schedule 13G/A filed with the SEC by FMR LLC on February 13, 2018, FMR LLC is a parent holding company in accordance with SEC Rule 13d-1(b)(1)(ii)(G) and holds sole voting power as to 343,008 shares and sole dispositive power as to 4,381,267 shares.
- (5) As reported on a Schedule 13G/A filed with the SEC by Dimensional Fund Advisors LP on February 9, 2018, Dimensional Fund Advisors, LP is a parent holding company in accordance with SEC Rule 13d-1(b)(1)(ii)(G) and holds sole voting power as to 4,189,436 shares and sole dispositive power as to 4,280,455 shares.
- (6) Excludes 76,357 RSUs subject to vesting greater than 60 days after April 2, 2018; includes 103,537 shares subject to SARs exercisable within 60 days of April 2, 2018.
- (7) Excludes 28,242 RSUs subject to vesting greater than 60 days after April 2, 2018; includes 62,330 shares subject to SARs exercisable within 60 days of April 2, 2018.
- (8) Excludes 25,105 RSUs subject to vesting greater than 60 days after April 2, 2018; includes 16,783 shares subject to SARs exercisable within 60 days of April 2, 2018.
- (9) Excludes 16,498 RSUs subject to vesting greater than 60 days after April 2, 2018; includes 57,250 shares subject to SARs exercisable within 60 days of April 2, 2018.
- (10) Excludes 16,985 RSUs subject to vesting greater than 60 days after April 2, 2018.
- (11) Excludes 6,016 RSUs subject to vesting greater than 60 days after April 2, 2018; includes 3,580 common shares deferred pursuant to the Non-Employee Director Deferred Compensation Plan.
- (12) Excludes 4,813 RSUs subject to vesting greater than 60 days after April 2, 2018; includes 2,312 common shares deferred pursuant to the Non-Employee Director Deferred Compensation Plan.
- (13) Excludes 4,813 RSUs subject to vesting greater than 60 days after April 2, 2018; includes 425 common shares purchased pursuant to the Non-Employee Director Deferred Compensation Plan.
- (14) Excludes 4,813 RSUs subject to vesting greater than 60 days after April 2, 2018.
- (15) Excludes 4,364 RSUs subject to vesting greater than 60 days after April 2, 2018.
- (16) Excludes 3,902 RSUs subject to vesting greater than 60 days after April 2, 2018.
- (17) Excludes 2,748 RSUs subject to vesting greater than 60 days after April 2, 2018.
- (18) The shares reported are based on the Company's knowledge and were determined in accordance with the latest Form 4 filed by the Company on Mr. Honeyfield's behalf, dated December 18, 2017. Transactions in Company stock by Mr. Honeyfield since that date, if any, are not reflected in this number. Includes 7,962 shares subject to SARs exercisable within 60 days of April 2, 2018.
- (19) Excludes 194,656 RSUs subject to vesting greater than 60 days after April 2, 2018; includes 6,317 common shares deferred pursuant to the Non-Employee Director Deferred Compensation Plan and includes 247,862 SARs exercisable within 60 days of April 2, 2018.

Each SAR referenced in the footnotes above entitles the executive officer to receive the difference between the fair market value of a share of our common stock on the date of exercise and its value on the date of initial grant, which ranged from \$24.44 to \$74.57 for the SARs in the table, payable in shares only.

**Section 16(a) Beneficial Ownership Reporting Compliance**

Section 16(a) of the Exchange Act requires the Company's executive officers and Directors, and persons who own more than 10% of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the SEC. Executive officers, Directors and holders of more than 10% of the common stock are required by SEC rules to furnish the Company with copies of all Section 16(a) reports they file. If requested, the Company assists its executive officers and Directors in complying with the reporting requirements of Section 16(a) of the Exchange Act.

## Edgar Filing: PDC ENERGY, INC. - Form DEF 14A

Based solely on a review of the reports furnished to the Company or on written representations from reporting persons that all reportable transactions were reported, the Company believes that, during the fiscal year ended December 31, 2017, the Company's executive officers and Directors and owners of more than 10% of the Company's common stock timely filed all reports they were required to file under Section 16(a) of the Exchange Act.

Table of Contents

**CORPORATE GOVERNANCE**

**Corporate Governance Guidelines**

The Board has adopted Corporate Governance Guidelines that govern the structure and function of the Board and establish the Board's policies on a number of corporate governance issues. Among other matters, the Corporate Governance Guidelines address:

Director selection, qualification and responsibilities;

The holding and frequency of executive sessions of independent directors, Board self-evaluation and senior executive performance reviews;

Board committee structure and function;

Succession planning; and

Governance matters, standard of business conduct and Board committee responsibilities.

The Corporate Governance Guidelines were most recently amended on September 30, 2017.

Uncontested Elections Policy

The Corporate Governance Guidelines include an Uncontested Elections Policy (the "Policy"). Under the Policy, any nominee for Director in an uncontested election who receives a greater number of "withhold" votes than "for" votes will submit to the Board a letter of resignation for consideration by the N&G Committee. The N&G Committee will promptly consider the tendered resignation and will recommend to the Board whether or not to accept the tendered resignation or to take other action, such as rejecting the tendered resignation and addressing the apparent underlying causes of the "withhold" votes in a different way.

In making this recommendation, the N&G Committee will consider all factors deemed relevant by its members. These factors may include the underlying reasons for stockholders' withholding of votes from such Director nominee (if ascertainable), the length of service and qualifications of the Director whose resignation has been tendered, the Director's contributions to the Company, whether the Company will remain in compliance with applicable laws, rules, regulations and governing documents if it accepts the resignation and, generally, whether or not accepting the resignation is in the best interests of the Company and its stockholders. In considering the N&G Committee's recommendation, the Board will take into account the factors considered by the N&G Committee and such additional information and factors as the Board believes to be relevant.

**Other Corporate Governance Documents**

The Company's website includes the Corporate Governance Guidelines and the following additional governance documents:

Director Nomination Procedures

Director Stock Ownership Guidelines

Insider Trading Policy

Shareholder Communication Policy

Audit Committee Charter

Compensation Committee Charter

Midstream Committee Charter

Table of Contents

Nominating and Governance Committee Charter

Non-Executive Chairman Charter

Code of Business Conduct and Ethics

Waivers of Potential Conflicts of Interest, as applicable

**Board of Directors**

The Company's Bylaws provide that the number of members of the Board shall be designated from time to time by a resolution of the Board, provided that pursuant to the Company's Certificate of Incorporation (the "Charter") the number of directors on the Board shall in no event be fewer than three or more than nine. As of the date of this Proxy Statement, the designated number of Directors is eight. Under the Charter, the Board is divided into three separate classes of Directors which are required to be as nearly equal in number as practicable. At each annual meeting of stockholders, one class of Directors whose term is expiring may be elected for a new term of three years. The classes are staggered so that the term of one class expires each year.

There is no family relationship among any Directors or executive officers of the Company. There are no arrangements or understandings among any Directors or officers and any other person pursuant to which the person was selected as an officer or Director of the Company.

**Director Independence**

In affirmatively determining whether a Director is "independent," the Board analyzes and reviews NASDAQ listing standards, which set forth certain circumstances under which a director may not be considered independent. The current President and CEO of the Company, Mr. Brookman, is not independent under such standards. Audit Committee and Compensation Committee members are subject to additional, more stringent independence requirements.

The Board has reviewed the business and charitable relationships between the Company and each non-employee Director ("Non-Employee Director") to determine compliance with the NASDAQ listing standards and to evaluate whether there are any other facts or circumstances that might impair a Non-Employee Director's independence. The Board has affirmatively determined that each of the Non-Employee Directors (i.e., Messrs. Crisafio, Ellis, Mazza, Nickerson, Parke and Swoveland and Ms. Ibrahim, and former directors Mr. Casabona and Ms. Wakim) were independent under NASDAQ Listing Rule 5605, the Exchange Act, and our Board committee charter requirements at all times while serving as a Non-Employee Director.

**Board Meetings and Attendance**

The Board has a standing Audit Committee, Compensation Committee, Midstream Committee and N&G Committee. Actions taken by these committees are reported to the Board at its next meeting. During 2017, each Director other than Ms. Ibrahim, whose Board service commenced on January 1, 2018, attended at least 75% of all meetings of the Board and committees of which he or she was a member. As specified in the Corporate Governance Guidelines, Directors are strongly encouraged, but not required, to attend the Annual Meeting. All of the Directors (other than Mr. Ellis and Ms. Ibrahim, who were not directors at that time) attended the 2017 annual meeting of stockholders held on May 30, 2018.

Table of Contents

The following table identifies the members of each committee of the Board, the chair of each committee, and the number of meetings held in 2017. Ms. Ibrahim's appointment to the Board was approved on December 20, 2017, but was effective as of January 1, 2018.

**2017 BOARD AND COMMITTEE MEMBERSHIPS**

<b>Director</b>	<b>Board of Directors</b>	<b>Audit Committee</b>	<b>Compensation Committee</b>	<b>Nominating and Governance Committee</b>	<b>Midstream Committee <sup>(1)</sup></b>
Barton R. Brookman	X				
Anthony J. Crisafio	X	X <sup>(2)</sup>	X <sup>(3)</sup>		X
Mark E. Ellis	X <sup>(4)</sup>		X <sup>(5)</sup>		X
Larry F. Mazza	X	X <sup>(6)</sup>	X	X <sup>(7)</sup>	
Randy S. Nickerson	X <sup>(8)</sup>			X <sup>(9)</sup>	X <sup>(10)</sup>
David C. Parke	X	X <sup>(11)</sup>	X	X	
Jeffrey C. Swoveland <sup>(12)</sup>	X	X	X <sup>(13)</sup>	X <sup>(14)</sup>	
Joseph E. Casabona <sup>(15)</sup>	X				
Kimberly Luff Wakim <sup>(16)</sup>	X	X	X	X	
<b>Number of Meetings in 2017</b>	<b>8</b>	<b>8 <sup>(17)</sup></b>	<b>8</b>	<b>6</b>	<b>2</b>

(1) The Midstream Committee was formed on, and each of its members have served since, September 30, 2017.

(2) Mr. Crisafio served as a member of the Audit Committee for all of 2017, and served as its Chair since May 30, 2017.

(3)

Edgar Filing: PDC ENERGY, INC. - Form DEF 14A

- (4) Mr. Crisafio served as a member of the Compensation Committee until September 30, 2017.
- (5) Mr. Ellis became a director of the Company on August 27, 2017.
- (6) Mr. Ellis served as a member of the Compensation Committee since September 30, 2017.
- (7) Mr. Mazza served as a member of the Audit Committee until September 30, 2017.
- (8) Mr. Mazza served as Chair of the N&G Committee until September 30, 2017 at which time the role transitioned to Mr. Nickerson.
- (9) Mr. Nickerson became a director of the Company on March 4, 2017.
- (10) Mr. Nickerson served as a member of the N&G Committee since May 30, 2017, and served as its Chair since September 30, 2017.
- (11) Mr. Nickerson has served as Chair of the Midstream Committee since its formation.
- (12) Mr. Parke served as a member of the Audit Committee since September 30, 2017.
- (13) Mr. Swoveland serves as Non-Executive Chairman.
- (14) Mr. Swoveland served as a member of the Compensation Committee until September 30, 2017.
- (15) Mr. Swoveland served as a member of the N&G Committee since September 30, 2017.
- (16) Mr. Casabona ceased to serve as a director of the Company following the 2017 annual meeting of stockholders.
- (17) Ms. Wakim passed away on April 28, 2017.
- A sub-committee of the Audit Committee (the "Audit Sub-Committee") held five additional meetings in 2017 related to, among other matters, SEC filings on Form 10-K for our affiliated Partnerships. Mr. Casabona served as the sole member of this sub-committee until May 30, 2017, at which time Mr. Crisafio became the sole member.

Table of Contents

The Non-Employee Directors generally meet in "executive session" in connection with each regularly scheduled Board meeting i.e., without Mr. Brookman, the Company's President and CEO, or other members of management present. Mr. Swoveland chairs these sessions; however, the other Non-Employee Directors may, in the event of his absence, select another Director to preside over the executive session.

**STANDING COMMITTEES OF THE BOARD**

**Audit Committee**

The Audit Committee is composed entirely of persons whom the Board has determined to be independent under NASDAQ Listing Rule 5605(a)(2), Section 301 of the Sarbanes-Oxley Act of 2002, Section 10A(m)(3) of the Exchange Act and the relevant provisions of the Audit Committee Charter. The Board has adopted the Audit Committee Charter, which was most recently amended and restated on May 30, 2017 and is posted on the Company's website at [www.pdce.com](http://www.pdce.com) under "Corporate Governance." The Board assesses the adequacy of the Audit Committee Charter on an annual basis and revises it as necessary. The Board has determined that all members of the Audit Committee qualify as "financial experts" as defined by SEC regulations. The Audit Committee's primary purpose is to assist the Board in monitoring the integrity of the Company's financial reporting process, systems of internal controls, financial statements, and compliance with legal and regulatory requirements. Additionally, the Audit Committee is directly responsible for the appointment, compensation and oversight of the independent auditors engaged by the Company for the purpose of preparing or issuing an audit report or related work. In performing its responsibilities, the Audit Committee:

Monitors the integrity of the Company's financial reporting process and systems of internal controls regarding finance, accounting and legal compliance;

Monitors the independence of the independent registered public accounting firm; and

Provides an avenue for communications among the independent registered public accounting firm, management and the Board.

**Compensation Committee**

The Board has determined that all members of the Compensation Committee are independent of the Company under NASDAQ Listing Rules 5605(a)(2) and 5605(d)(2). The Board has adopted a Compensation Committee Charter, which was most recently amended and restated on September 19, 2013 and is posted on the Company's website at [www.pdce.com](http://www.pdce.com) under "Corporate Governance." In performing its responsibilities, the Compensation Committee:

Oversees the development of a compensation strategy for the Company's Named Executive Officers;

Evaluates the performance of and establishes the compensation of the CEO;

Reviews and approves the elements of compensation for other senior executive officers of the Company;

Negotiates and approves the terms of employment and severance agreements with executive officers of the Company and approves all Company severance and change of control plans;

Reviews the Non-Employee Directors' compensation and recommends to the Board any changes in such compensation;

Reviews and approves performance criteria and results for bonus and performance-based equity awards for senior executive officers and approves awards to those officers;





Table of Contents

Recommends to the Board equity-based incentive plans necessary to implement the Company's compensation strategy, approves equity grants under the plans and administers all equity-based incentive programs of the Company, which may include specific delegation to management to grant awards to non-executive officers; and

Reviews and approves Company contributions to Company-sponsored retirement plans.

**Compensation Committee Interlocks and Insider Participation**

None of the members of the Compensation Committee is or has been an officer of the Company, nor did any of them have any relationships requiring disclosure by the Company under Item 404 of Regulation S-K. During 2017, none of our executive officers served as director or member of the compensation committee (or other committee serving an equivalent function) or any other entity whose executive officers served on our Compensation Committee or the Board.

**Nominating and Governance Committee**

The Board has determined that all members of the N&G Committee are independent of the Company under NASDAQ Listing Rule 5605(a)(2). The Board has adopted a Nominating and Governance Committee Charter, which was most recently amended and restated on June 4, 2015 and is posted on the Company's website at [www.pdce.com](http://www.pdce.com) under "Corporate Governance." In performing its responsibilities, the N&G Committee:

Assists the Board by identifying and recruiting individuals qualified to become Board members and recommending nominees for election at the next annual meeting of stockholders or to fill any vacancies;

Recommends to the Board and oversees development of corporate governance and ethics policies applicable to the Company;

Leads the Board in its annual self-assessment of the Board's and its committees' performance and the Directors' contributions; and

Assists the Board in creating and maintaining an appropriate committee structure, and recommends to the Board the nominees for membership on, and Chair of, each committee, as well as the Non-Executive Chair position.

**Midstream Committee**

The Board has determined that all members of the Midstream Committee are independent of the Company under NASDAQ Listing Rule 5605(a)(2). The Board adopted a Midstream Committee Charter on September 30, 2017, which is posted on the Company's website at [www.pdce.com](http://www.pdce.com) under "Corporate Governance." In performing its responsibilities, the Midstream Committee evaluates, analyzes, and makes recommendations to the Board regarding the Company's ownership, operation, development, and potential acquisition and disposition of midstream assets.

**Board Leadership Structure**

Although the Board has no specific policy with respect to the separation of the offices of Chairman and CEO, the Board believes that our current leadership structure, under which Mr. Brookman currently serves as President and CEO and Mr. Swoveland serves as Non-Executive Chairman of the Board, is the appropriate structure for our Board at this time. Since June 2011, the roles of Chairman and CEO have been held by separate individuals. We currently believe that as Directors continue to have increasing oversight responsibilities, it is beneficial to have an independent, separate Chairman who has the responsibility of leading the Board, allowing the CEO to focus on



Table of Contents

leading the Company. We believe our CEO and Chairman have an excellent working relationship which, given the separation of their positions, provides strong Board leadership while positioning our CEO as the leader of the Company in front of our employees and stockholders. The Board reconsiders this structure at least annually.

**DIRECTOR COMPENSATION**

Non-Employee Directors' compensation is reviewed annually by the Compensation Committee and is approved by the Board. We compensate Directors on an annual basis with a combination of cash and stock-based incentives to attract and retain qualified candidates to serve on our Board and to align Directors' interests with those of our stockholders. In determining how to compensate our Directors, we consider the significant amount of time they spend fulfilling their duties, as well as the competitive market for skilled directors. No compensation is paid to our CEO for his service on the Board.

In 2017, the Compensation Committee used its independent compensation consultant to review executive compensation and to conduct an annual review of the total compensation of our Non-Employee Directors (see "Role of the Compensation Consultant" in the Compensation Discussion and Analysis section of this Proxy Statement). The consultant evaluated board and committee retainer fees, potential meeting fees and stock-based long-term incentives using, as the competitive benchmark, total compensation paid to the directors of the energy companies which comprise the Company's peer group used to determine 2017 executive compensation. Based on this review, no changes were made to our Non-Employee Directors' compensation.

Below is a summary of the compensation paid to our Non-Employee Directors for service in 2017. All Board and committee retainers are paid in quarterly installments.

**Cash Compensation**

Annual Board Retainer

Each Non-Employee Director (other than Ms. Ibrahim, whose service on the Board did not commence until January 2018) received an annual cash retainer of \$75,000 for service on the Board and for attendance at Board meetings, which amount was prorated for a partial year of service, as applicable. The Non-Executive Chairman received an additional cash retainer of \$100,000.

Table of ContentsAnnual Committee Retainers

Each Non-Employee Director receives an annual cash retainer for service on each committee and for attendance at committee meetings. The Non-Employee Directors are not paid based on the number of Board or committee meetings they attend. The chair of each committee receives an additional annual retainer for his or her services as chair. The following table shows the committee and chair retainers:

**COMMITTEE RETAINERS**

<b>Committee</b>	<b>Committee Retainer</b>	<b>Additional Committee Chair Retainer</b>
Audit	\$15,000	\$20,000
Compensation	12,000	15,000
Midstream Committee	10,000	10,000
Nominating and Governance	6,000	10,000
Audit Sub-Committee <sup>(1)</sup>	5,000	

- (1) Mr. Casabona received \$2,500 in fees for his service on the Audit Sub-Committee until May 30, 2017. Mr. Crisafio received \$2,500 in fees for his service on the Audit Sub-Committee from May 30, 2017 through the end of the year.

**Equity Compensation**

In January 2017, the Non-Employee Directors that were serving at that time were awarded RSUs for their service on the Board. The Non-Executive Chairman was granted RSUs targeted to be the equivalent of \$175,000 and the remaining Non-Employee Directors each received RSUs targeted to be the equivalent of \$140,000. Mr. Nickerson and Mr. Ellis, who became Directors later in the year, were granted RSUs in an amount that was prorated for their length of service during 2017. The RSUs vest in three equal annual installments beginning January 17, 2018, other than those granted to Mr. Nickerson and Mr. Ellis, which vest in three equal annual installments beginning March 8, 2018 and September 14, 2018, respectively. All RSUs were granted under the 2010 Plan.

**Deferred Compensation**

Each Non-Employee Director has historically had the option to defer all or a portion of his or her annual cash compensation and all or a portion of his or her eligible RSUs pursuant to the Non-Employee Director Deferred Compensation Plan (the "Deferred Comp Plan"). All compensation that is deferred pursuant to the Deferred Comp Plan is credited with hypothetical earnings and losses as if invested in common stock of the Company. As of December 31, 2017, four Directors have phantom stock balances resulting from prior deferrals of deferred cash and/or equity compensation. On December 6, 2017, the Compensation Committee approved an amendment to the Deferred Comp Plan which prohibits future deferral elections, effective as of December 31, 2017. The phantom stock of the Directors that have existing balances will continue to be credited with earnings and losses in accordance with the Deferred Comp Plan until such Directors separate from the Company.

**Director Stock Ownership Requirements and Prohibition on Certain Transactions**

Each Non-Employee Director is expected to hold shares of Company stock in an amount equal to at least five times his or her annual cash retainer. Compliance with ownership requirements is reviewed annually. Qualifying stock holdings include directly-owned shares and unvested RSUs, as well as stock equivalents held in the Deferred Comp Plan. Directors are expected to comply with the ownership guidelines within five years of their election to the Board. As of December 31, 2017, all of the



Table of Contents

Directors met or exceeded the ownership expectations under the guidelines, with the exception of Messrs. Nickerson and Ellis, both of whom were appointed to the Board in 2017, and Ms. Ibrahim, whose Board service commenced on January 1, 2018. The Director Stock Ownership Guidelines can be reviewed on the Company's website at [www.pdce.com](http://www.pdce.com) under "Corporate Governance."

The Company's Insider Trading Policy expressly prohibits Directors from short-term trading (purchasing and selling Company securities within a six-month period), short sales of Company securities, hedging or monetization transactions through financial instruments (such as prepaid variable forwards, equity swaps, collars and/or exchange funds), holding securities in margin accounts or pledging securities as collateral for loans, or engaging in other transactions that are intended to hedge against the economic risk of owning Company stock.

**Director Compensation**

Compensation paid to the Non-Employee Directors for 2017 was as follows:

**2017 DIRECTOR COMPENSATION**

Name	Fees Earned or Paid in Cash <sup>(1)</sup> (\$)	Stock Awards <sup>(2)</sup> (\$)	Total (\$)
Anthony J. Crisafio	\$126,375	\$137,955	\$264,330
Mark E. Ellis <sup>(3)</sup>	30,500	50,303	80,803
Larry F. Mazza	110,250	137,955	248,205
Randy S. Nickerson <sup>(4)</sup>	73,000	151,898	224,898
David C. Parke	114,929	137,955	252,884
Jeffrey C. Swoveland <sup>(5)</sup>	200,500	172,480	372,980
Kimberly Luff Wakim <sup>(6)</sup>	50,821	137,955	188,776
Joseph E. Casabona <sup>(7)</sup>	60,500	137,955	198,455

- (1) Includes annual Board retainer, regular committee and committee chair retainers, Audit Sub-committee fees, and the retainer for the Non-Executive Chairman of the Board.
- (2) The per-share price used for determining the number of RSUs awarded was calculated using the average of the 15-day closing prices ending ten days prior to the grant date. The lower amounts reported in the table reflect the grant date fair value as computed in accordance with FASB ASC Topic 718 and variation in stock prices.
- (3) Represents compensation earned for a partial year of service beginning on August 27, 2017.
- (4) Represents compensation earned for a partial year of service beginning on March 4, 2017.
- (5) Compensation includes cash and stock awards for his service as Non-Executive Chairman.
- (6) Represents compensation earned through partial year of service ending on April 28, 2017.
- (7) Represents compensation earned through partial year of service ending on May 30, 2017.

**DIRECTOR QUALIFICATIONS AND SELECTION**

The Board has adopted Director Nomination Procedures that prescribe the process the N&G Committee will use to evaluate nominees for election to the Board. The Director Nomination Procedures can be viewed on the Company's website. The N&G Committee evaluates each candidate based on his or her level and diversity of experience and knowledge (industry-specific and general), skills, education, reputation, integrity, professional stature and other factors that may be relevant depending on the particular candidate.

## Edgar Filing: PDC ENERGY, INC. - Form DEF 14A

Additional factors considered by the N&G Committee include the size and composition of the Board at the time, and the benefit to the Company of a broad mixture of skills, experience and perspectives on the Board. The Director nomination process also includes consideration of the diversity



Table of Contents

provided by each candidate, and diversity is considered as part of the overall assessment of the Board's functioning and needs. One or more of these factors may be given more weight in a particular case at a particular time, although no single factor is viewed as determinative. The N&G Committee has not specified any minimum qualifications that it believes must be met by any particular nominee.

The N&G Committee identifies Director candidates primarily through recommendations made by the Non-Employee Directors. These recommendations are developed based on the Non-Employee Directors' knowledge and experience in a variety of fields and on research conducted by the Company at the N&G Committee's direction. The N&G Committee also considers recommendations made by Directors, employees, stockholders and others, including search firms. All recommendations, regardless of the source, are evaluated on the same basis against the criteria contained in the Director Nomination Procedures. The N&G Committee has the authority to engage consultants to help identify or evaluate potential Director nominees, but did not do so in 2017.

## **STOCKHOLDER RECOMMENDATIONS AND NOMINATIONS**

### **Stockholder Recommendations**

The N&G Committee will consider Director candidates recommended by stockholders of the Company on the same basis as those recommended by other sources. Any stockholder who wishes to recommend a prospective Director nominee should notify the N&G Committee by writing to the N&G Committee at the Company's headquarters or by email to board@pdce.com. All recommendations will be reviewed by the N&G Committee. A submission recommending a nominee should include:

Sufficient biographical information to allow the N&G Committee to evaluate the potential nominee in light of the Director Nomination Procedures;

An indication as to whether the proposed nominee will meet the requirements for independence under NASDAQ and SEC guidelines;

Information concerning any relationships between the potential nominee and the stockholder recommending the potential nominee; and

An indication of the willingness of the proposed nominee to serve if nominated and elected.

### **Stockholder Nominations**

Stockholders may nominate candidates for election to the Board. The Company's Bylaws require that stockholders who wish to submit nominations for election to the Board at a meeting of stockholders follow certain procedures. See "Stockholder Nominations and Proposals Advance Notice Procedures under the Company's Bylaws" for a description of these procedures.

## **THE BOARD'S ROLE IN RISK MANAGEMENT**

In the normal course of its business, the Company is exposed to a variety of risks. The Company operates a risk management program which includes an enterprise risk management program designed to strengthen the consistency of risk consideration in making business decisions. The Board understands that it is not possible or desirable to eliminate all risk and that appropriate risk-taking is essential in order to achieve the Company's objectives.

Table of Contents

The Board is responsible for general oversight of the risks of the Company, including overseeing risks related to the Company's key strategic goals. While the entire Board is responsible for Company-wide risk oversight, individual committees also have roles in risk review. The Audit Committee is the primary committee overseeing the risk management process and specifically reviews risks and related controls in areas that it considers fundamental to the integrity and reliability of the Company's financial statements. The Compensation Committee considers risks related to the structure and size of the Company's compensation plans, as set out below. We believe that our Board leadership structure supports its risk oversight function. Among other things, there is open and continuous communication between our management and our Directors.

**Compensation Risk Assessment**

We do not believe that the Company's executive or non-executive compensation structure is reasonably likely to have a material adverse effect on the Company. Risk-mitigating features of our executive and non-executive compensation structure include: a balance of short-term and long-term programs to ensure focus on both elements of Company performance; limitations on awards payable to any individual under our bonus programs, along with Compensation Committee discretion to decrease bonus payouts in the event that it believes excessive risk was taken; "clawback" provisions are applicable to all Named Executive Officers through the terms of their employment agreements or pursuant to the Company's Clawback Policy, as applicable; stock ownership requirements are in place for our Named Executive Officers and Non-Employee Directors; and an Insider Trading Policy that prohibits Directors and senior employees from transacting in Company shares without first obtaining pre-clearance from the Company's General Counsel, even during open trading windows.

**COMMUNICATION WITH DIRECTORS BY STOCKHOLDERS**

Stockholders may communicate with the Board or a committee of the Board by writing to the attention of the Board or committee at the Company's corporate headquarters or by emailing the Board at *board@pdce.com* with "Board Communication" or the appropriate Board committee indicated in the subject line.

**CODE OF BUSINESS CONDUCT AND ETHICS**

The Company has a Code of Business Conduct and Ethics (the "Code of Conduct") that applies to all Directors, officers, employees, agents, consultants and representatives of the Company and is reviewed at least annually by the N&G Committee. The Company's principal executive officer, principal financial officer and principal accounting officer are subject to additional specific provisions under the Code of Conduct. The Code of Conduct can be viewed on the Company's website at *www.pdce.com* under "Corporate Governance." In the event the Board approves an amendment to or a waiver of any provisions of the Code of Conduct, the Company will disclose the information on its website.

**TRANSACTIONS WITH RELATED PARTIES**

**Related Transactions**

During 2017, there was no transaction or series of transactions, nor is there any currently proposed transaction, involving an amount exceeding \$120,000 in which the Company is or was a participant and in which any Director, executive officer, known holder of more than five percent of the Company's voting securities, or any member of the immediate family of any of the foregoing persons, had or has a direct or indirect material interest for which disclosure is required under Item 404 of Regulation S-K.

Table of Contents

**Policies and Procedures With Respect to Transactions with Related Parties**

The Board has adopted a written policy for the review, approval and ratification of transactions that involve related parties and potential conflicts of interest. The related-party transaction policy applies to each Director and executive officer of the Company, any nominee for election as a Director, any security holder who is known to own more than five percent of the Company's voting securities, any immediate family member of any of the foregoing persons and any corporation, firm or association in which one or more of the Company's Directors or executive officers have a substantial interest.

Under our related-party transaction policy, a related-party transaction is a transaction or arrangement involving a related party in which the Company is a participant or that would require disclosure in the Company's filings with the SEC as a transaction with a related party. The related party must disclose to the Audit Committee any potential related-party transactions and must disclose all material facts with respect to such transaction and relationship. All related-party transactions so disclosed will be reviewed by the Audit Committee. In determining whether to approve or ratify a transaction, the Audit Committee will consider the relevant facts and circumstances of the transaction, which may include factors such as the relationship of the related party to the Company, the materiality or significance of the transaction to the Company and the business purpose and reasonableness of the transaction, whether the transaction is comparable to a transaction that could be available to the Company from an unrelated party and the impact of the transaction on the Company's business and operations.

**ADDITIONAL INFORMATION**

The Company files annual, quarterly and current reports, proxy statements and other information with the SEC. Copies of the Company's SEC filings are available at <http://www.sec.gov> and through a link from the Company's website at [www.pdce.com](http://www.pdce.com). These documents may also be viewed at the SEC's public reference room located at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room.

**EXECUTIVE OFFICERS**

The current executive officers of the Company, their principal occupations for the past five years and additional information is set forth below.

BARTON R. BROOKMAN, 55, see "Continuing Directors with Term Expiring in 2019 Class III" for biographical information concerning Mr. Brookman.

LANCE A. LAUCK, 55, was appointed Executive Vice President Corporate Development and Strategy in January 2015. Mr. Lauck has overall responsibility for PDC's business development, acquisitions and divestitures, strategic planning, corporate reserves and midstream and marketing. Mr. Lauck joined PDC in August 2009 as Senior Vice President Business Development with the added responsibility of leading PDC's strategic planning efforts. Previously, he served as Vice President Acquisitions and Business Development for Quantum Resources Management LLC from 2006 to 2009. From 1988 until 2006, Mr. Lauck worked for Anadarko Petroleum Corporation, where he initially held production, reservoir and acquisition engineering positions before being promoted to various management level positions in the areas of acquisitions and business development, ending his service as General Manager, Corporate Development. From 1984 to 1988, Mr. Lauck worked as a production engineer for Tenneco Oil Company. Mr. Lauck graduated from the University of Missouri-Rolla in 1984 with a Bachelor of Science degree in Petroleum Engineering.

R. SCOTT MEYERS, 43, the Company's Chief Financial Officer, was appointed Chief Accounting Officer in April 2009 and Chief Financial Officer in January 2018. Prior to joining the Company,

Table of Contents

Mr. Meyers served as a Senior Manager with Schneider Downs Co., Inc., an accounting firm based in Pittsburgh, Pennsylvania, and PricewaterhouseCoopers LLP. Mr. Meyers holds a Bachelor of Science degree in Accounting from Grove City College, Pennsylvania.

DANIEL W. AMIDON, 57, the Company's Senior Vice President, General Counsel and Secretary, was appointed General Counsel and Secretary in July 2007 and Senior Vice President in 2012. Prior to joining the Company, Mr. Amidon was employed by Wheeling-Pittsburgh Steel Corporation beginning in July 2004, where he served in several positions including General Counsel and Secretary. Prior thereto, Mr. Amidon was employed by J&L Specialty Steel Inc. from 1992 through July 2004 in positions of increasing responsibility, including General Counsel and Secretary. Mr. Amidon practiced with the Pittsburgh, Pennsylvania law firm of Buchanan Ingersoll PC from 1986 through 1992. Mr. Amidon graduated from the University of Virginia, with honors, majoring in economics. He received his J.D. from the Dickinson School of Law (now Penn State Law).

SCOTT J. REASONER, 57, is the Company's Chief Operating Officer, a position to which he was appointed in January 2017. Mr. Reasoner joined the Company in April 2008 as Vice President of Western Operations. Mr. Reasoner has over 30 years of technical and management experience in the energy industry. Before joining PDC, he served as a Business Unit Manager with Noble Energy Inc. where he was responsible for the Mid-Continent team. Prior to his work with Noble Energy, Mr. Reasoner worked for Patina Oil and Gas Company as Production Manager and later as Vice President Operations. His earlier experience includes positions with Snyder Oil Corporation and Vessel Oil and Gas Company. Mr. Reasoner graduated from of the Colorado School of Mines with a degree in Petroleum Engineering, has earned an MBA from the University of Colorado, and is a Registered Professional Engineer.

With the exception of Messrs. Reasoner and Meyers, each of the above was an executive officer of the Company in September 2013, when each of twelve partnerships for which the Company was the managing general partner filed for bankruptcy in the federal bankruptcy court, Northern District of Texas, Dallas Division. With the exception of Mr. Meyers, each of the above was an executive officer of the Company in September 2016, when two additional partnerships, for which the Company also served as the managing general partner, filed for bankruptcy in the same federal bankruptcy court.

**CEO PAY RATIO**

Recently adopted rules under the Dodd-Frank Act require certain U.S. public companies to disclose the ratio of the CEO's annual total compensation to the median annual total compensation of all employees (not including the CEO) for a completed fiscal year. The Company identified the median employee based on estimated 2017 compensation reportable on Form W-2 for all employees (other than the CEO) on December 31, 2017. For 2017, the CEO's total annual compensation was \$5,826,483 and the median employee's total annual compensation was \$133,211, resulting in a pay ratio of 44:1.

Compensation data used to calculate the ratio is set forth below:

<b>Name</b>	<b>Salary</b> (\$)	<b>Bonus</b> (\$)	<b>Stock Awards</b> (\$)	<b>SARs</b> (\$)	<b>All Other Compensation(2)</b> (\$)	<b>Total</b> (\$)
Median Employee	\$77,499	\$11,000	\$9,540 <sup>(1)</sup>		\$35,172	\$133,211
CEO	825,000	990,000	3,011,051	921,522	78,910	5,826,483

(1) Represents the grant date fair value of RSUs, as computed in accordance with FASB ASC Topic 718.

Table of Contents

- (2) Includes matching contributions to the Company's 401(k) and Profit Sharing Plan, perquisites less than \$10,000 and other non-discriminatory benefits not reported in the "Summary Compensation Table" set forth in this Proxy Statement.

**COMPENSATION COMMITTEE REPORT**

The Compensation Committee of the Board of Directors of the Company has reviewed and discussed the following Compensation Discussion and Analysis with management and, based on its review and discussions, recommends its inclusion in this Proxy Statement.

David C. Parke, Chair  
 Mark E. Ellis  
 Larry F. Mazza

*COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS*

**COMPENSATION DISCUSSION AND ANALYSIS**

**Executive Summary**

The Compensation Committee (referred to in this section as the "Committee") believes that executives should be paid based on the performance of the Company. This Compensation Discussion and Analysis ("CD&A") provides stockholders with an understanding of our compensation philosophy, objectives, policies and practices in place during 2017, as well as the factors considered by the Committee in making compensation decisions. This CD&A focuses on the 2017 compensation of our President and Chief Executive Officer ("CEO"), our Chief Financial Officer ("CFO"), and our three other most highly compensated officers (collectively, the "Named Executive Officers"), namely:

<b>OFFICER</b>	<b>TITLE</b>
Barton R. Brookman	President and Chief Executive Officer
David W. Honeyfield <sup>(1)</sup>	Former Senior Vice President Chief Financial Officer
Lance A. Lauck	Executive Vice President Corporate Development and Strategy
Scott J. Reasoner	Senior Vice President Chief Operating Officer
Daniel W. Amidon	Senior Vice President General Counsel and Secretary

- (1) In January 2018, Mr. Honeyfield resigned as Senior Vice President Chief Financial Officer. For a description of the amounts paid in connection with his separation, see "Potential Payments upon Termination or Change of Control Honeyfield Separation Agreement." Mr. R. Scott Meyers has served as our Senior Vice President and Chief Financial Officer since Mr. Honeyfield's separation.

**2017 Business Highlights**

In 2017, the Company focused primarily on the successful integration of our acquisition of approximately 62,500 net acres in Reeves and Culberson Counties, Texas (the "Delaware Basin"), the ongoing execution of our capital program, and enhanced performance in the Wattenberg Field. Our technical capabilities within two premier U.S. onshore basins enabled us to provide exceptional returns. Moreover, we continued to focus on our capital discipline and maintaining a strong financial position. Through the continued success of our extended-reach lateral drilling program, we were able to increase our proved reserves 33% to over 450 million barrels of oil equivalent, increasing oil production and

Table of Contents

efficiently growing our overall production by more than 40% to 31.8 million barrels of oil equivalent. Key highlights of our achievements in 2017 include:

*Delaware Basin Highlights:*

Created a new Delaware Basin team, focused on integrating and developing the Delaware Basin assets, all while maintaining the Company's strong culture;

In the Company's first year of operations in the Delaware Basin, we turned in line 18 wells with initial results largely exceeding our expectations, while also reducing our drill times by nearly 40%; and

Further defined approximately 450 future drilling locations, or more than 15 years of inventory at our current pace.

*Wattenberg Field Highlights:*

Year-over-year Company-wide production growth of 44% including growing our overall oil production by more than 48% as shown in the chart below, despite high line pressures in Wattenberg Field significantly restricting our production in the field;

Continued technical advancements and efficiencies in the Wattenberg Field resulting in a year-over-year reduction in lease operating costs of eight percent per barrel of oil equivalent ("Boe");

*Business Development Highlights:*

Successfully executed two large-scale acreage exchanges and one acquisition that added inventory and high economic value drilling locations with tremendous upside, allowing us to take advantage of our capital and operational efficiencies, including through the use of more extended-reach lateral wells with increased working interests, reduced surface impacts, improved margins and incremental value created through consolidated acreage positions;

In addition to our successful efforts in the Kersey area, and our further consolidation resulting from the aforementioned acreage trades and acquisition, we successfully formed our Plains and Prairie areas. When combined, these three acreage positions offer a drilling inventory of approximately 1,500 highly-economic projects, or more than 10 years of inventory at our current pace; and

Agreed to extend and increase our dedication under a Wattenberg pipeline commitment, resulting in proceeds of ~\$24 million while further strengthening our commitment to reduce truck traffic by delivering more oil via pipe.

*Financial Highlights:*

Maintained a strong financial position strengthening our balance sheet, including:

Reduced Debt-to-Adjusted EBITDAX\* to 1.9 at year-end 2017, from 2.1 at year-end 2016;

Increased adjusted cash flow\* from operating activities year-over-year by 25% as shown in the chart below;

\*

Adjusted EBITDAX and adjusted cash flow are non-GAAP financial measures. See "Non-GAAP Financial Measures" on Appendix B for a reconciliation to their most directly comparable GAAP measures.

Table of Contents

Completed an offering of \$600 million aggregate principal amount of 5.75% Senior Notes in a private placement to qualified institutional buyers; and

Achieved reaffirmation by our bank group of the borrowing base under our revolving credit facility at \$1 billion despite challenging commodity prices.

The strong operational performance for the year was achieved despite several challenges including the impact of high line pressures in the Wattenberg Field and initial execution challenges in the Delaware Basin in the early part of the year; and

Successfully grew our operational capabilities on a cost-effective basis through key hires and transfers of existing talent, while focusing on integrating PDC's current culture into the new team following the acquisition of approximately 62,500 acres in the Delaware Basin Transactions.

**Oil Production (MMBbls)**

**Adj. Cash Flow From Operations (\$MM)**

For additional discussion of our 2017 results, see "Annual Cash Incentives 2017 Performance Results."

**2017 Compensation Highlights**

We made the following key compensation decisions for 2017 related to our Named Executive Officers:

Selected a new benchmarking peer group reflective of PDC's size and complexity following the Delaware Basin Transactions (see "Compensation Process Making Executive Compensation Decisions Peer Groups and Survey Data Help Establish Target Compensation and Define Competitive Levels of Pay");

Adjusted target total compensation to be more competitive with peers (see "2017 Compensation Decisions");

Awarded short-term cash bonuses at 130% of target to recognize the Company's achievements in 2017 (see "2017 Performance Results");

Awarded long-term equity incentives in January 2017 in the form of PSUs, SARs, and RSUs (see "Long Term Incentives"); and

Shares awarded for previously granted PSUs relating to the 3-year performance period ending December 31, 2017 paid out at 200% of target. This is the third year in a row that we have ranked first in TSR relative to the Company's peers (see



"2015-2017 Performance Share Units Results"), even though the peer group had been enhanced each year as the Company grew.

**2018 Compensation**

Beginning with the 2018 equity grants, the Committee changed the weighting of our long-term equity incentives to 50% RSUs and 50% PSUs (see "Long Term Incentives"); and

2018 performance metrics are substantially similar to 2017 performance metrics (see "2017 Performance Metrics").

Table of Contents

**2017 Say on Pay Vote**

At our 2017 annual meeting of stockholders, the overwhelming majority of our stockholders voted to approve our executive compensation program, with over 96% of votes cast for approval. Based on these voting results, the feedback we received during the voting process, and the success of the Company in the last year, we did not make any significant changes to our executive compensation program in 2017.

**Key Features of our Executive Compensation Program**

Compensation Best Practices

We believe our executive compensation program is competitive, is aligned with current governance trends, and contains stockholder-friendly features as outlined below:

**Our Executive Compensation Practices  
(What We Do)**

**Pay for Performance** Our Named Executive Officers' total compensation is heavily weighted toward performance-based pay. Our annual incentive program is based on performance against key operational and financial metrics. The value delivered by our equity grants is tied to both absolute and relative stockholder return performance.

**Executive Ownership Guidelines** We have stock ownership guidelines for our executives and directors that are consistent with what we believe to be corporate governance best practices.

**External Benchmarking** We assess competitors' compensation data based on an appropriate group of peers and other relevant survey data prior to making any compensation decisions.

**Double-Trigger Change-of-Control Severance Benefits** In the event of a change of control, our severance plan and grandfathered employment contracts provide for cash severance benefits only if the executive is actually or constructively terminated within two years following the change of control event.

**Clawback Policy** We have clawback provisions in place in the event of a restatement of all or a portion of our financial statements due to material noncompliance with financial reporting requirements under securities laws.

**Compensation Risk Assessment** There is an appropriate balance between long-term and short-term focus in our compensation programs and the Committee has the ability to apply discretion to ensure risk mitigation occurs in management decision-making.

**Independent Compensation Consultant** We have engaged an independent executive compensation advisor who reports directly to the Committee.

**Independent Compensation Committee** Our Committee is comprised solely of independent directors.

Table of Contents

**Executive Compensation Practices We Have Not Implemented  
(What We Don't Do)**

- X **No Golden Parachute Excise Tax Gross-Ups** We do not provide gross-up payments to reimburse our executives for any tax obligations that would be incurred upon a change of control of the Company.
- X **No New Employment Contracts and/or Excessive Severance Benefits** We no longer provide employment contracts to new executives (Messrs. Lauck and Amidon have grandfathered contracts). Severance benefits under both our severance plan and employment agreements are reasonable as compared to peer companies in our industry, and there are no liberal change of control definitions, excessive severance benefits or other payments.
- X **No Excessive Perquisites** We provide only modest perquisites that are consistent with peer companies in our industry.
- X **No Repricing** We do not permit repricing of underwater stock options or SARs without stockholder approval.
- X **Prohibited Transactions** Hedging transactions, short selling, short-term trading, pledging PDC stock, and other transactions that may distract from or conflict with the long-term business objectives of the Company are strictly prohibited for all officers and directors of the Company under our Insider Trading Policy.

**Compensation Objectives and Philosophy**

The principal tenets of our compensation philosophy are as follows:

***Our executive compensation programs should be competitive with our peers to attract, retain and reward effective leaders.*** We evaluate the range of current industry compensation practices to provide external benchmarks that help to guide our executive compensation structure. We determine individual total compensation targets within this framework to provide compensation that correlates with the Company's performance relative to peers. Generally, we target total compensation around the median level for similar positions at comparable companies, unless specific circumstances warrant otherwise.

***Our executive compensation programs should be designed to support a performance-based culture.*** The majority of each Named Executive Officer's compensation is at risk and is based on a combination of attainment of short-term goals in support of our long-term strategy, long-term stock performance relative to our peers, and actual total shareholder return. Our programs require a commitment to performance because total compensation is not guaranteed. Therefore, our programs reward above-target compensation when performance is warranted and below-target compensation when performance does not meet expectations.

***Our executive compensation programs should be designed to align our executives' interests with those of our stockholders.*** A substantial portion of our Named Executive Officers' compensation is provided in the form of long-term equity incentives that tie executive pay to stock price performance. In addition, we require each of our Named Executive Officers to meet our stock ownership guidelines.

***Our executive compensation programs should encourage appropriate risk management.*** We believe that effective leadership in the oil and gas business requires taking prudent business risks while avoiding excessive risk-taking. To encourage this balance, we have structured our compensation programs to include three-year vesting schedules on all equity awards, and to structure annual

Table of Contents

cash incentive awards using a combination of short-term financial and operational objectives. We also mitigate risk by allowing the Committee to exercise discretion in determining bonus payments rather than relying solely on a formula. We regularly review our compensation programs to ensure that our Named Executive Officers are not encouraged to take inappropriate or excessive risks.

**2017 Compensation Mix**

Our pay-for-performance philosophy is demonstrated by the proportion of our Named Executive Officers' compensation that is variable or "at risk" based on our performance mix to the overall compensation package awarded to our Named Executive Officers. The charts below show the targeted fixed and variable or "at-risk" components awarded in January 2017 to our Named Executive Officers as a percentage of their total direct compensation. These charts are not a substitute for the "Summary Compensation Table," which includes amounts supplemental to target total direct compensation. For 2017, Mr. Brookman's target compensation was 85% variable or "at-risk" and linked with Company performance. For the remaining Named Executive Officers approximately 80% of their target compensation target was variable or "at-risk" and linked with Company performance.

**2017 TARGET COMPENSATION**

Table of Contents

**Components of the Company's Compensation Program**

The table below highlights each element of our compensation program and the primary role of each element in achieving our compensation objectives:

<b>COMPENSATION ELEMENTS</b>	<b>ROLE IN TOTAL COMPENSATION</b>
Base Salary	Provide a minimum, fixed level of cash compensation upon which our executives can rely.
Annual Incentives	Reward annual Company performance;
Cash Bonus	Align participants' compensation with short-term financial and operational objectives specific to each calendar year;
	Motivate participants to meet or exceed internal and external performance expectations; and
	Recognize individual contributions to the organization's overall results.
Long-Term Incentives	
Restricted Stock Units (RSUs)	Reward long-term performance directly aligned with stockholders' interests;
Performance Share Units (PSUs)	
Stock Appreciation Rights (SARs)	Provide a strong performance-based equity component;
	Recognize and reward share performance relative to industry peers;
	Align compensation with sustained long-term value creation;

Help executives to acquire a meaningful and sustained ownership stake; and

Foster executive retention by vesting awards over multiple years.

Benefits and Perquisites

Health and Welfare

Help attract and retain executive talent by offering a comprehensive employee benefits package comparable to all other Company employees;

Retirement

Perquisites

Provide financial security by allowing executives to save for retirement through the Company's 401(k) and profit sharing plan; and

Provide modest perquisites to executives including a car allowance for business and personal use, athletic/non-golf club dues, and annual physicals, the value of which is consistent with those offered by our peer companies.

Termination Benefits

Executive Severance Plan

Attract and retain executives in a competitive and changing industry; and

Employment Contracts

Ensure executives act in the best interest of stockholders at all times, including during times of heightened uncertainty.

Table of Contents

**Executives and Directors Are Required to Own Significant Stock**

We have established stock ownership guidelines for Named Executive Officers that are reviewed annually when compensation decisions are made. In satisfying the stock ownership guidelines, Named Executive Officers are expected to:

Comply with the ownership guidelines within five years of becoming a Named Executive Officer; and

Retain the net shares acquired through the vesting of RSUs, the exercise of SARs, and the settlement of PSUs if the Named Executive Officer has not satisfied the required ownership level.

As of December 31, 2017, all of our Named Executive Officers (other than Mr. Honeyfield who joined the Company in December 2016 and was in the five-year attainment period) exceeded the minimum stock ownership requirements as set forth below.

**2017 STOCK OWNERSHIP REQUIREMENT**

<b>Name/Year of Executive Status</b>	<b>Stock Ownership Guidelines</b>	<b>Number of Shares Required To Own<sup>(1)</sup></b>	<b>Number of Qualifying Shares Owned at Year End</b>
Barton R. Brookman (2008)	5x Base Salary	88,610	171,851
David W. Honeyfield (2016)	3x Base Salary	N/A	N/A
Lance A. Lauck (2009)	4x Base Salary	35,229	96,152
Scott J. Reasoner (2015)	3x Base Salary	25,777	63,582
Daniel W. Amidon (2007)	3x Base Salary	22,555	64,693

(1) Using average of daily closing prices in December 2017, which was \$46.55.

Qualifying holdings used to determine compliance with the minimum ownership requirements include stock owned directly, shares held in the Company's 401(k) and Profit Sharing Plan and unvested time-based RSUs. SARs and PSUs are not included. Stock ownership requirements applicable to our Non-Employee Directors are described under "Director Compensation Director Stock Ownership Requirements."

**Compensation Process Making Executive Compensation Decisions**

Peer Groups and Survey Data Help Establish Target Compensation and Define Competitive Levels of Pay

On an annual basis, the Committee reviews the composition of the peer group of companies used in establishing target compensation for the Named Executive Officers for the coming year. In determining the peer group for the year, the Committee considers whether changes to the peer group are warranted based upon changes in the size and/or operations of either the Company and/or the current or potential peer companies, including the following:

Size, scope and nature of business operations, ownership structure, prior financial performance and current financial information, including market capitalization, enterprise value, assets, production (amount and commodity mix), revenues, capital expenditures and reserves for each current and potential peer company; and

Other factors that may render a current peer company no longer appropriate for inclusion in the peer group (e.g., financial status).



Table of Contents

Once identified, the Committee typically utilizes this peer group for the following:

Compensation Benchmarking to determine competitive base salaries, bonus targets and target total direct compensation;

Total Shareholder Return to measure total shareholder return under the Company's PSU awards; and

Director Compensation to determine outside directors compensation.

Peer group compensation practices are determined using a combination of compensation data disclosed in the peers' proxy statements and survey data for the peer group from Meridian Compensation Partners LLC's *"North America Oil and Gas Exploration and Production Survey."* Due to the effect of the Delaware Basin Transactions, the peer group for determining both compensation benchmarking and TSR for 2017 was changed to include larger companies in the industry (see "2017 Compensation Decisions"). The table below shows the peer group for 2016 and 2017.

For 2018, the Committee removed Gulfport Energy Corp. and added SRC Energy Inc.

**Determining Target Total Direct Compensation**

We typically establish target total direct compensation for our Named Executive Officers in the first quarter of the year by determining base salaries, and annual and long-term incentive compensation targets. In doing so, we consider the following:

Our compensation objectives and philosophy;

Each Named Executive Officer's scope of responsibility, expertise and tenure;

The CEO's assessment of the individual's performance and recommendation regarding the compensation of the other Named Executive Officers; and

Market data for target total direct compensation (base salary, bonus targets and long-term incentives) from the peer group.

## Edgar Filing: PDC ENERGY, INC. - Form DEF 14A

Our view is that an executive's target compensation should reflect the current market value for that position provided the executive has performed well in the prior year. We may adjust the mix of cash and long-term incentives, but we generally target the median of the market in total direct compensation taking into account the other factors listed above.

Table of Contents

**Annual and Long-Term Incentive Programs**

Annually, we review and approve program design, including performance metrics and target payout, and awards under the annual and long-term incentive programs. These discussions, which usually begin with recommendations from management and involve deliberation among the Committee, management and the Consultant (defined below), usually span numerous meetings before a design is approved. With respect to equity programs, we also consider the tax and accounting effect of the awards, dilution and stock burn rates (based on total outstanding shares). For performance-based equity awards, we certify at the end of the performance period the level at which the performance measures were satisfied and approve the number of related shares to be issued, if any, to each Named Executive Officer.

**Assessing the Effectiveness of Our Compensation Programs**

Annually, we review summaries of each Named Executive Officer's compensation history, as well as all compensation payable upon each Named Executive Officer's termination of employment, including upon a change of control of the Company. We also do a "look-back" of realized pay relative to our peers to assess whether our programs as designed are truly paying for performance. The Committee uses these tools to determine whether changes to our program are needed.

**Role of the Compensation Consultant**

The Committee has engaged an independent compensation consultant (the "Consultant") to help ensure that executive compensation programs are competitive and consistent with the Company's compensation philosophy and policies. Willis Towers Watson PLC served as the Consultant through May 2017 and was Consultant to the Committee when compensation decisions were made for 2017. At the end of May 2017, the Committee retained Meridian Compensation Partners to serve as the new Consultant.

In retaining the Consultant, the Committee considered the following:

The Consultant's reputation supporting compensation committees and familiarity with our executive compensation program design;

Experience of the Consultant in the energy exploration and production industry;

Range of compensation services offered by the Consultant; and

Independence of the Consultant, considering the independence factors outlined by the SEC.

The Committee determines the scope of the Consultant's engagement, which includes:

Providing input into peer group identification and assessment;

Providing benchmarking on executive and outside director compensation for the Committee to use in its decision-making process;

Providing input into plan design discussions, payout alternatives and performance measures for annual and long-term incentives, individual compensation actions, and other aspects of compensation (e.g., employment agreements and perquisites);

Reviewing and providing feedback on the compensation-related disclosures in our proxy statement; and

Edgar Filing: PDC ENERGY, INC. - Form DEF 14A

Informing us about recent trends, best practices, and other developments affecting executive compensation.

Table of Contents

The Consultant's interactions with the Committee and management include the following:

The Consultant does not make recommendations on or approve the amount of compensation of any Named Executive Officer;

The Committee may request information or advice directly from the Consultant and may direct the Company to provide information to, or solicit information from, the Consultant;

The Consultant regularly interacts with representatives of the Company and periodically with the CEO; and

The Consultant attends Committee meetings as requested.

The Committee annually reviews the engagement of the Consultant and as a part of that process reviews a summary of all services provided by the Consultant and related costs. Except as set forth above, in 2017, neither Consultant performed any material services for the Company, had any business or personal relationships with the Committee members or executive officers of the Company, or owned any stock of the Company. Each firm that served as Consultant during 2017 maintained policies and procedures designed to avoid such conflicts of interest. Accordingly, the Committee determined that each firm that served as Consultant in 2017 was not subject to any conflicts of interest.

**Role of Management in Determining Executive Compensation**

Our CEO plays a significant role in determining the compensation levels of our Named Executive Officers, which includes:

Recommending quantitative and qualitative performance measures under our annual incentive program;

Assessing the performance of the other Named Executive Officers; and

Recommending base salaries, annual incentive targets and long-term incentive awards for the forthcoming year, and annual incentive awards for the prior year.

At the Committee's request, the Company's CEO and other Named Executive Officers may also play a role in determining the following:

Quantitative and qualitative performance measures under our annual incentive program;

Proposed peer group companies;

Design changes to our compensation and benefits programs; and

Assessment of the Company's performance for the year with respect to achievement of performance measures under the annual incentive program.

The Committee determines each element of the CEO's compensation with input from the Consultant. The Committee also determines each element of compensation for the other Named Executive Officers with input from the Consultant and the CEO. The CEO is not present during voting or deliberations concerning his own compensation.

Edgar Filing: PDC ENERGY, INC. - Form DEF 14A

Management also retains an individual as a consultant in our compensation process and to coordinate the preparation of certain materials for Committee meetings. This individual is retained by and reports to management, whereas the Consultant reports to the Committee.

Table of Contents**2017 Compensation Decisions**Base Salary

Several factors were considered in determining base salary adjustments for 2017, including the new 2017 peer group used for benchmarking compensation decisions, the fact that the Committee no longer considered Mr. Brookman new to his position as CEO, and Mr. Reasoner being named Chief Operating Officer effective January 1, 2017. Based on the foregoing, as well as factors considered by the Committee in its assessment of executive compensation, in January 2017 we approved adjustments in base salary for each of the Named Executive Officers as follows:

<b>NAMED EXECUTIVE OFFICER</b>	<b>2016</b>	<b>2017</b>
Barton R. Brookman	\$750,000	\$825,000
David W. Honeyfield	400,000	400,000
Lance A. Lauck	365,000	410,000
Scott J. Reasoner	340,000	400,000
Daniel W. Amidon	328,000	350,000

Annual Cash Incentive Targets

The Committee approves a target annual cash incentive award for each Named Executive Officer. These target cash incentives are expressed as a percentage of base salary. Actual cash bonus awards can range from 0-200% of these targets based on the achievement of Company and individual goals. In January 2017, based upon a review and analysis of peer compensation data for the new 2017 peer group, we set the target annual cash incentive award as a percent of base salary for each Named Executive Officer as follows:

<b>NAMED EXECUTIVE OFFICER</b>	<b>Target Annual Cash Incentive as % of Base Salary</b>	
	<b>2016</b>	<b>2017</b>
Barton R. Brookman	100%	100%
David W. Honeyfield	N/A	85%
Lance A. Lauck	85%	90%
Scott J. Reasoner	80%	85%
Daniel W. Amidon	80%	80%

Annual Incentive Program

Bonuses under the Company's annual incentive program are primarily based on the achievement of specific operational and financial metrics established in the first quarter of the year. However, to provide us the flexibility to adjust for and react to events that occur throughout the year, we prefer not to rely solely on a formulaic approach based on pre-established thresholds that result in automatic payouts. Rather, the Committee retains discretion to adjust actual awards given circumstances at the time of the determination.

Table of Contents

Throughout the year, the Committee reviews the Company's progress toward meeting the performance metrics for the year. Following the end of the fiscal year, the Committee determines annual incentive payments as follows:

An overall corporate performance rating is determined for the annual quantitative operational and financial metrics;

Individual awards are determined by multiplying the overall corporate performance rating by the individual's annual incentive target and multiplying the result by the individual's base salary. Individual awards may be adjusted downward or upward at the Committee's discretion based on individual performance. Such individual adjustments are anticipated to have a maximum range of +/- 20%.

**2017 Performance Metrics**

In early 2017, we established specific targets for each of the following operational and financial metrics based on our 2017 operating plans. These metrics are used to ensure we are balancing operational objectives with capital discipline. Most of the performance metrics used in 2017 were similar to the metrics used in 2016, but the Committee elected to eliminate Liquidity as a financial metric while retaining the ability to consider it as a discretionary metric, and to add Capital Efficiency as a financial metric. See the specific targets under "2017 Performance Results."

**OPERATIONAL METRICS**

Production (Boe)	Three phase net production for the year.
Production, Exploration and G&A Expense per Boe	The sum of total production, exploration, and corporate general and administrative expense ("G&A") divided by net barrels of oil equivalent for the year.

**FINANCIAL METRICS\***

Adjusted Cash Flow From Operations per Share	Net cash from operations plus/minus change in assets and liabilities per share <i>divided by</i> our weighted average number of shares outstanding during the year.
Debt to Adjusted EBITDAX	Total year-end long-term debt (the sum of the Company's \$200 million principal amount 1.125% convertible notes due 2021, the \$600 million principal amount 5.75% senior notes due 2026, and the \$400 million principal amount 6.125% senior notes due 2024 and the balance outstanding under our revolving credit facility) divided by adjusted EBITDAX.
Capital Efficiency	One year finding and development costs determined by dividing total operated drilling and completions capital expenditures by our estimated expected ultimate recovery ("EUR") on wells turned-in-line for the year.

\*  
Adjusted cash flow from operations per share and adjusted EBITDAX are each non-GAAP financial measures. See "Non-GAAP Financial Measures" on Appendix B for a reconciliation to their most directly comparable GAAP measures.

At the time it established the above quantitative metrics, the Committee determined that it would consider the following three discretionary factors at year-end when assessing the Company's 2017 performance: environmental, health and safety performance for the year; reserve replacement; and liquidity. It was anticipated that these factors would, if warranted, only be used to adjust annual incentive awards downward with respect to the target percentage. The Committee expressly reserved



Table of Contents

the right to exercise its discretion to adjust the Named Executive Officers' annual incentive awards for unexpected business events such as acquisitions/dispositions, capital markets transactions, legal settlements, or other performance factors the Committee deems important at year-end. We believe that the Named Executive Officers are compensated for stock price performance through the Company's long-term equity incentive program and not through their annual bonus; however, the Committee may also consider relative stock price performance in determining the annual corporate performance.

**2017 Performance Results**

Upon completion of fiscal year 2017, the Committee reviewed the Company's performance relative to the quantitative operational and financial measures described above. Results for 2017 were as follows: