Penn Virginia GP Holdings, L.P.
Form S-1/A
November 27, 2006
Table of Contents

As filed with the Securities and Exchange Commission on November 27, 2006

Registration No. 333-135686

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 4

to

FORM S-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

Penn Virginia GP Holdings, L.P.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**1221**	**20-5116532**
(State or Other Jurisdiction of Incorporation or Organization)	*(Primary Standard Industrial Classification Code Number)*	*(I.R.S. Employer Identification Number)*

Three Radnor Corporate Center, Suite 300

100 Matsonford Road

Radnor, Pennsylvania 19087

(610) 687-8900

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant s Principal Executive Offices)

Nancy M. Snyder

PVG GP, LLC

Three Radnor Corporate Center, Suite 300

100 Matsonford Road

Radnor, Pennsylvania 19087

(610) 687-8900

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

Table of Contents

Subject to Completion, dated November 27, 2006

PROSPECTUS

Penn Virginia GP Holdings, L.P.

6,300,000 Common Units

Representing Limited Partner Interests

This is an initial public offering of our common units. We estimate that the initial public offering price will be between $18.00 and $20.00 per common unit. Upon completion of this offering, we will own a 2% general partner interest, all of the incentive distribution rights and an approximate 41.3% limited partner interest in Penn Virginia Resource Partners, L.P., or PVR, a publicly traded Delaware limited partnership that is principally engaged in the management of coal properties and the gathering and processing of natural gas.

Before this offering, there has been no public market for our common units. Our common units have been approved for listing on the New York Stock Exchange, subject to official notice of issuance, under the symbol PVG.

We will use substantially all of the net proceeds from this offering to purchase PVR common units and Class B units in a private placement. Please see Use of Proceeds.

Investing in our common units involves risks. Please read Risk Factors beginning on page 19.

These risks include the following:

Our cash flow initially will be entirely dependent upon the ability of PVR to make cash distributions to us.

PVR s general partner, with our consent but without the consent of our unitholders, may limit or modify the incentive distributions we are entitled to receive, which may reduce cash distributions to you.

Our unitholders do not elect our general partner or vote on our general partner s directors. Upon completion of this offering, the owner of our general partner will own a sufficient number of common units to allow it to prevent the removal of our general partner.

You will experience immediate and substantial dilution of $17.46 per common unit in the net tangible book value of your common units.

PVR s general partner owes fiduciary duties to PVR s unitholders that may conflict with our interests.

If we or PVR were to become subject to entity-level taxation for federal or state tax purposes, then our cash available for distribution to you would be substantially reduced.

	Per Common Unit	**Total**
Initial public offering price	$	$
Underwriting discount (1)	$	$
Proceeds to us (before expenses)	$	$

(1) Excludes structuring fee payable to Lehman Brothers Inc. and UBS Securities LLC in the aggregate amount of $598,500.

We have granted the underwriters a 30-day option to purchase up to an additional 945,000 common units on the same terms and conditions as set forth above if the underwriters sell more than 6,300,000 common units in this offering.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

Lehman Brothers, on behalf of the underwriters, expects to deliver the common units on or about , 2006.

LEHMAN BROTHERS **UBS INVESTMENT BANK**

A.G. Edwards	**RBC Capital Markets**	**Wachovia Securities**
JPMorgan	**BMO Capital Markets**	**Stifel Nicolaus**

, 2006

Table of Contents

Penn Virginia Resource Partners, L.P.

Business Segments and Assets

We own (i) Penn Virginia Resource GP, LLC, the general partner of Penn Virginia Resource Partners, L.P. (NYSE: PVR), which owns the 2% general partner interest and all of the incentive distributions rights in PVR and (ii) an approximate 41.3% limited partner interest in Penn Virginia Resource Partners, L.P. We do not own any operating assets directly. The map below identifies Penn Virginia Resource Partners, L.P. s business segments and assets as of December 31, 2005.

Table of Contents

TABLE OF CONTENTS

Table of Contents

Table of Contents

Table of Contents

iv

Table of Contents

Table of Contents

Table of Contents

Until , 2006 (the 25th day after the date of this prospectus), all dealers that buy, sell or trade our common units, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to the dealers obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

You should rely only on the information contained or incorporated by reference in this prospectus and any free writing prospectus prepared by or on behalf of us or information to which we have referred you. We have not, and the underwriters have not, authorized anyone to provide you with additional or different information from that contained or incorporated by reference in this prospectus or any free writing prospectus. If anyone provides you with additional, different or inconsistent information you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where an offer or sale is not permitted. Unless otherwise indicated, you should assume that the information appearing in this prospectus is accurate as of the date on the front cover of this prospectus only, regardless of the time of delivery of this prospectus or any sale of common units offered hereby.

Table of Contents

SUMMARY

This summary highlights information contained elsewhere in this prospectus. You should read the entire prospectus carefully, including the historical consolidated financial statements and pro forma financial statements and the notes to those financial statements, and the other documents to which we refer for a more complete understanding of this offering. Furthermore, you should carefully read Summary of Risk Factors and Risk Factors for more information about important risks that you should consider before making a decision to purchase common units in this offering.

Except as otherwise indicated, the information presented in this prospectus assumes (1) an initial public offering price of $19.00 per common unit, (2) a purchase price of $25.34 per PVR common unit and Class B unit, which is the volume weighted average market price of the PVR common units on the New York Stock Exchange, or NYSE, for the five trading days ended November 24, 2006, and (3) that the underwriters do not exercise their option to purchase additional common units from us. All references in this prospectus to our, we, us, and the Company refer to Penn Virginia GP Holdings, L.P. and its wholly owned subsidiaries. All references in this prospectus to PVR refer to Penn Virginia Resource Partners, L.P. and its operating subsidiaries collectively, or to Penn Virginia Resource Partners, L.P., individually as the context may require. Unless otherwise indicated, all references in this prospectus to PVR s number of units, cash distributions, earnings per unit or unit price give effect to PVR s two-for-one unit split on April 4, 2006. All references to our partnership agreement refer to the Amended and Restated Agreement of Limited Partnership of Penn Virginia GP Holdings, L.P. to be adopted contemporaneously with the closing of this offering.

Penn Virginia GP Holdings, L.P.

We are a Delaware limited partnership formed in June 2006 that currently owns three types of equity interests in Penn Virginia Resource Partners, L.P. (NYSE: PVR), a publicly traded Delaware limited partnership that is principally engaged in the management of coal properties and the gathering and processing of natural gas. Our only cash generating assets consist of our partnership interests in PVR, which, upon completion of this offering of our common units, will initially consist of the following:

- a 2.0% general partner interest in PVR, which we hold through our 100% ownership interest in Penn Virginia Resource GP, LLC, PVR s general partner;

- all of the incentive distribution rights in PVR, which we hold through our 100% ownership interest in Penn Virginia Resource GP, LLC; and

- 19,283,506 units of PVR, consisting of 15,541,738 common units and 3,741,768 Class B units of PVR, representing an aggregate 41.3% limited partner interest in PVR. We will purchase 416,444 common units and all of the Class B units from PVR using substantially all of the net proceeds of this offering. See Use of Proceeds. For a description of the terms of the Class B units, please read Material Provisions of the Partnership Agreement of Penn Virginia Resource Partners, L.P. Class B Units.

Our incentive distribution rights in PVR entitle us to receive an increasing percentage of the total cash distributions made by PVR as it reaches certain target distribution levels. At PVR s current quarterly cash distribution rate of $0.40 per unit, or $1.60 per unit on an annualized basis, aggregate quarterly cash distributions to us on all of our interests in PVR will be approximately $10.3 million, representing approximately 49.2% of the total cash distributed by PVR. Based on PVR s current cash distribution and our expected ownership of PVR, we expect that our initial quarterly cash distribution to our unitholders will be $0.235 per unit, or $0.94 per unit on an annualized basis, to the extent we have sufficient cash from operations after

establishment of cash reserves and payment of fees and expenses. See Our Cash Distribution Policy and Restrictions on Distributions.

Our primary business objective is to increase our cash distributions to our unitholders. PVR s primary business objective is to create sustainable, capital-efficient growth in distributable cash flow to maximize its cash distributions to its unitholders by expanding its coal property management and natural gas gathering and processing businesses, through both internal growth and acquisitions. See Penn Virginia Resource Partners, L.P. PVR s Strengths and Strategies.

We intend to monitor the implementation of PVR s business strategies. Our business strategy includes supporting the growth of PVR by purchasing PVR units or lending funds to PVR for acquisitions or for internal growth projects. We may also provide PVR with other forms of credit support, such as guarantees related to financing a project.

All of our cash flows are generated from the cash distributions we receive with respect to the PVR partnership interests we own. PVR is required by its partnership agreement to distribute, and it has historically distributed within 45 days of the end of each quarter, all of its cash on hand at the end of each quarter, less cash reserves established by its general partner in its sole discretion to provide for the proper conduct of PVR s business or to provide for future distributions. While we, like PVR, are structured as a limited partnership, our capital structure and cash distribution policy differ materially from those of PVR. Most notably, our general partner does not have an economic interest in us and is not entitled to receive any distributions from us and our capital structure does not include incentive distribution rights. Therefore, our distributions are allocated exclusively to our common units, which is our only class of security currently outstanding.

Our ownership of PVR s incentive distribution rights entitles us to receive the following percentages of cash distributed by PVR as it reaches the following target cash distribution levels:

- 13.0% of all incremental cash distributed in a quarter after $0.275 has been distributed in respect of each common unit and Class B unit of PVR for that quarter;

- 23.0% of all incremental cash distributed after $0.325 has been distributed in respect of each common unit and Class B unit of PVR for that quarter; and

- the maximum sharing level of 48.0% of all incremental cash distributed after $0.375 has been distributed in respect of each common unit and Class B unit of PVR for that quarter.

Since 2001, PVR has increased its quarterly cash distribution eight times from $0.25 per unit ($1.00 on an annualized basis) to $0.40 per unit ($1.60 on an annualized basis), which is the most recently declared distribution. These increased cash distributions by PVR have placed us at the third and maximum target cash distribution level as described above. As a consequence, any increase in cash distribution level from PVR will allow us to share at the 48.0% level and the cash distributions we receive from PVR with respect to our indirect ownership of the incentive distribution rights will increase more rapidly than those with respect to our ownership of the general partner interest and limited partner interests. Because we are at the maximum target cash distribution level on the incentive distribution rights, future growth in distributions we receive from PVR will not result from an increase in the target cash distribution level associated with the incentive distribution rights.

The following graph shows hypothetical cash distributions payable to us with respect to our partnership interests in PVR, including the incentive distribution rights, the general partner interest and the limited partner interests, across a range of hypothetical annualized distributions made by

PVR. This information assumes:

- PVR has a total of 45,802,742 limited partner units (consisting of 42,060,974 common units and 3,741,768 Class B units) outstanding; and

Table of Contents

our ownership of:

the 2% general partner interest in PVR,

100% of the incentive distribution rights in PVR, and

19,283,506 units of PVR consisting of 15,541,738 common units and 3,741,768 Class B units.

The graph also illustrates the impact to us of PVR raising or lowering its quarterly cash distribution from the most recently paid distribution of $0.40 per unit ($1.60 on an annualized basis), which was paid on November 14, 2006 with respect to the third quarter of 2006. This information is presented for illustrative purposes only. This information is not intended to be a prediction of future performance and does not attempt to illustrate the impact and changes in our or PVR s business, including changes that may result from changes in interest rates, coal prices, natural gas prices, natural gas liquids (NGL) prices and general economic conditions, or the impact of any acquisition or expansion projects, divestitures or issuance of additional units or debt.

The impact to us of changes in PVR s cash distribution levels will vary depending on several factors, including the number of PVR s outstanding limited partner units on the record date for cash distributions and the impact of the incentive distribution rights structure. In addition, the level of cash distributions we receive may be affected by risks associated with the underlying business of PVR. Please read Risk Factors.

Our purchase from PVR of 416,444 common units and 3,741,768 Class B units with the net proceeds of this offering will increase the total cash flow we receive from PVR attributable to our aggregate ownership interests by approximately 22.6% at PVR s current distribution level. Our purchase of common units and Class B units will also cause the percentage of cash flow we receive from PVR attributable to our ownership of the incentive distribution rights to decline from 23.3% immediately prior to the offering to 20.9% immediately following the offering.

Table of Contents

We pay to our unitholders, on a quarterly basis, distributions equal to the cash we receive from PVR, less certain reserves for expenses and other uses of cash, including:

- our general and administrative expenses, including those we will incur as the result of becoming a publicly traded company;
- interest expense and principal payments on our indebtedness, if any;
- restrictions on distributions contained in any future debt agreements;
- capital contributions to maintain our 2% general partner interest in PVR; and
- reserves our general partner believes prudent to maintain for the proper conduct of our business or to provide for future distributions.

If PVR is successful in implementing its business strategies and increasing distributions to its partners, we generally would expect to increase distributions to our unitholders, although the timing and amount of any such increase in our distributions will not necessarily be comparable to any increase in PVR s distributions. We cannot assure you that any distributions will be declared or paid by PVR. Please read Our Cash Distribution Policy and Restrictions on Distributions and Risk Factors.

Our Structure and Ownership After This Offering

We were formed in June 2006 as a Delaware limited partnership. Prior to the closing of this offering, the 2.0% general partner interest, the incentive distribution rights and 15,125,294 common units representing limited partner interests in PVR that we will own are owned, directly and indirectly, by Penn Virginia Corporation and certain of its affiliates.

In connection with this offering, we and Penn Virginia Corporation and certain of its affiliates will enter into a Contribution Agreement pursuant to which, at the closing of this offering: (i) all of the membership interests of Penn Virginia Resource GP, LLC (the owner of PVR s 2.0% general partner interest and the incentive distribution rights) will be contributed to us and (ii) 15,125,294 common units representing limited partner interests in PVR will be contributed to us. As consideration for this contribution and in accordance with the terms of the Contribution Agreement, we will issue to Penn Virginia Corporation and certain of its affiliates 32,125,000 of our common units. The terms of the Contribution Agreement will be determined by Penn Virginia Corporation and its affiliates and will not be the result of arm s-length negotiations.

The following chart depicts our and our affiliates simplified organizational and ownership structure after giving effect to this offering and the transactions described above. Upon completion of this offering:

- Our general partner, PVG GP, LLC, which is wholly owned by Penn Virginia Resource GP Corp. (a wholly owned subsidiary of Penn Virginia Corporation), will own a non-economic interest in us.

Penn Virginia Corporation and certain of its affiliates will own 32,125,000 common units, representing an 83.6% limited partner interest in us.

Our public unitholders will own 6,300,000 common units, representing a 16.4% limited partner interest in us.

We will own 19,283,506 units of PVR, consisting of 15,541,738 common units and 3,741,768 Class B units representing an aggregate 41.3% limited partner interest in PVR.

We will continue to own a 100% membership interest in Penn Virginia Resource GP, LLC, a Delaware limited liability company, which serves as PVR s general partner and owns a 2% general partner interest and 100% of the incentive distribution rights in PVR.

Table of Contents

Penn Virginia GP Holdings, L.P.

Ownership and Organizational Chart After This Offering

Table of Contents

Our Management and Principal Executive Offices

PVG GP, LLC, our general partner, will manage our operations and activities, including, among other things, establishing the quarterly cash distribution for our common units and cash reserves it believes are prudent to maintain for the proper conduct of our business. Our general partner will not receive any management fees or other compensation in connection with its management of our business, but will be entitled to reimbursement from us for all direct and indirect expenses incurred on our behalf.

We control and manage PVR through our ownership of its general partner, Penn Virginia Resource GP, LLC. Certain of the officers of our general partner, PVG GP, LLC, are also officers of Penn Virginia Resource GP, LLC. A majority of our directors are also directors of Penn Virginia Resource GP, LLC. Upon completion of this offering, three members of our general partner s board of directors will be independent as defined by the rules of the NYSE. We elect the directors of Penn Virginia Resource GP, LLC. The board of Penn Virginia Resource GP, LLC is responsible for overseeing Penn Virginia Resource GP, LLC s role as the general partner of PVR, and we, as the sole member of Penn Virginia Resource GP, LLC, must also approve matters that have or would reasonably be expected to have a material adverse effect on our interest as the sole member of Penn Virginia Resource GP, LLC. Please read Management.

Our principal executive offices are located at Three Radnor Corporate Center, Suite 300, 100 Matsonford Road, Radnor, Pennsylvania 19087, and our phone number is (610) 687-8900.

Table of Contents

Summary of Risk Factors

An investment in our common units involves risks. These risks include, but are not limited to, those described below. For more information about these and other risks, please read Risk Factors. You should consider carefully these risk factors together with all of the other information included in this prospectus before you invest in our common units.

Risks Inherent in an Investment In Us

- Our cash flow initially will be entirely dependent upon the ability of PVR to make cash distributions to us.

- In the future, we may not have sufficient cash to pay our estimated initial quarterly distribution or to increase distributions.

- PVR s general partner, with our consent, but without the consent of our unitholders, may limit or modify the incentive distributions we are entitled to receive, which may reduce cash distributions to you.

- Our unitholders do not elect our general partner or vote on our general partner s directors. Upon completion of this offering, the owner of our general partner, will own a sufficient number of common units to allow it to prevent the removal of our general partner.

- You will experience immediate and substantial dilution of $17.46 per common unit in the net tangible book value of your common units.

- The control of our general partner may be transferred to a third party, and that party could replace our current management team, in either case, without unitholder consent.

- PVR may issue additional limited partner interests or other equity securities, which may increase the risk that PVR will not have sufficient available cash to maintain or increase its cash distributions to us.

Risks Related to Conflicts of Interest

- PVR s general partner owes fiduciary duties to PVR s unitholders that may conflict with our interests.

- Penn Virginia Corporation may compete with us or PVR under certain circumstances and may limit our and PVR s ability to acquire additional assets or businesses, which in turn could adversely affect our or PVR s results of operations and cash available for distribution.

- Our partnership agreement limits our general partner s fiduciary duties to us and contains provisions that reduce the remedies available to unitholders for actions that might otherwise constitute a breach of fiduciary duty by our general partner.

Risks Related to PVR s Business

If PVR s lessees do not manage their operations well, their production volumes and PVR s coal royalty revenues could decrease.

The coal mining operations of PVR s lessees are subject to numerous operational risks that could result in lower coal royalty revenues.

A substantial or extended decline in coal prices could reduce PVR s coal royalty revenues and the value of PVR s coal reserves.

PVR depends on a limited number of primary operators for a significant portion of its coal royalty revenues and the loss of or reduction in production from any of PVR s major lessees could reduce its coal royalty revenues.

7

PVR s coal business will be adversely affected if PVR is unable to replace or increase its coal reserves through acquisitions.

PVR s lessees could satisfy obligations to their customers with coal from properties other than PVR s, depriving PVR of the ability to receive amounts in excess of the minimum coal royalty payments.

PVR s coal reserve estimates depend on many assumptions that may be inaccurate, which could materially adversely affect the quantities and value of PVR s coal reserves.

The success of PVR s midstream business depends upon its ability to find and contract for new sources of natural gas supply.

The profitability of PVR s midstream business is dependent upon prices and market demand for natural gas and natural gas liquids, which are beyond PVR s control and have been volatile.

Acquisitions and expansions may affect PVR s business by substantially increasing the level of its indebtedness and contingent liabilities and increasing the risks of being unable to effectively integrate these new operations.

PVR is exposed to the credit risk of its coal lessees and midstream customers, and nonpayment or nonperformance by PVR s lessees or customers could reduce its cash flows.

Natural gas hedging transactions may limit PVR s potential gains and involve other risks.

PVR s natural gas midstream business involves many hazards and operational risks, some of which may not be fully covered by insurance.

Tax Risks to Our Common Unitholders

If we or PVR were to become subject to entity-level taxation for federal or state tax purposes, then our cash available for distribution to you would be substantially reduced.

If the IRS contests the federal income tax positions that we or PVR take, it may adversely affect the market for our common units or PVR limited partner units, and the costs of any contest will reduce cash available for distribution to our unitholders.

You may be required to pay taxes on your share of our income even if you do not receive any cash distributions from us.

Table of Contents

The Offering

Common units offered	6,300,000 common units.
	7,245,000 common units if the underwriters exercise their option to purchase additional common units from us in full.
Common units outstanding after this offering	38,425,000 common units, or 39,370,000 common units if the underwriters exercise their option to purchase additional common units from us in full.
Use of proceeds	We expect to receive net proceeds of approximately $110.0 million from the sale of our common units, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We will use the net proceeds from this offering as follows:

- an aggregate of approximately $105.4 million to purchase from PVR 416,444 common units and 3,741,768 Class B units representing limited partner interests in PVR; and
- approximately $2.2 million to make a capital contribution to PVR to maintain our 2% general partner interest.

We will use the remainder of the net proceeds of this offering for general partnership purposes.

We will use any net proceeds from the exercise of the underwriters option to purchase additional common units to purchase additional Class B units from PVR and make an additional capital contribution to PVR to maintain our 2% general partner interest. See Use of Proceeds.

The foregoing assumes (i) an initial public offering price for our common units of $19.00 per unit and (ii) a purchase price of $25.34 per PVR common unit and Class B unit, which is the volume weighted average market price per PVR common unit for the five trading days ended November 24, 2006. The actual price we will pay per common unit and Class B unit will be equal to the volume weighted average market price per PVR common unit for the ten trading days prior to the pricing of our initial public offering. The Class B units are subordinated in certain respects to the PVR common units. For a description of the terms of the Class B units, please read Material Provisions of the Partnership Agreement of Penn Virginia Resource Partners, L.P. Class B Units.

PVR will use the net proceeds from the sale to us of the PVR common units and Class B units and the related general partner contribution to repay borrowings outstanding under its credit facility.

Cash distributions	We will make an initial quarterly cash distribution of $0.235 per common unit to the extent we have sufficient cash from operations after establishment of cash reserves and payment of fees

and expenses, including payments to our general partner. In general, we

Table of Contents

will distribute all of our available cash each quarter to the holders of our common units. Please read Our Cash Distribution Policy and Restrictions on Distributions. We do not have subordinated units and our general partner is not entitled to any incentive distributions. Please see Description of Our Units.

We will pay you a prorated cash distribution for the first quarter that we are a publicly traded partnership. This cash distribution will be paid for the period beginning on the closing date of this offering and ending on the last day of that fiscal quarter. Therefore, we will pay you a cash distribution for the period from the closing date of this offering to and including December 31, 2006. We expect to pay this cash distribution in February 2007. However, we cannot assure you that any distributions will be declared or paid by us.

Limited voting rights	Our general partner will manage and operate us. Unlike the holders of common stock in a corporation, you will have only limited voting rights on matters affecting our business. You will have no right to elect our general partner or its directors on an annual or other continuing basis. Our general partner may not be removed except by a vote of the holders of at least 66 $^{2}/3$% of the outstanding common units, including any units owned by our affiliates, voting together as a single class. Following the completion of this offering, the owner of our general partner, Penn Virginia Corporation, initially will own a sufficient number of our common units to allow it to block any attempt to remove our general partner. Initially, this will give our current partners the ability to prevent our general partner s involuntary removal. Please read Material Provisions of Our Partnership Agreement Withdrawal or Removal of the General Partner.
Limited call right	If at any time our affiliates own more than 90% of our outstanding common units, our general partner has the right, but not the obligation, to purchase all of the remaining common units at a price not less than the then current market price of the common units. At the completion of this offering, Penn Virginia Corporation, the owner of our general partner, will own approximately 83.6% of our common units.
Estimated ratio of taxable income to distributions	We estimate that if you own the common units you purchase in this offering through the record date for distributions for the period ending December 31, 2009, you will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be less than 30% of the cash distributed to you with respect to that cumulative period. For the basis of this estimate, please read Material Tax Consequences Tax Consequences of Unit Ownership Ratio of Taxable Income to Distributions.
Exchange listing	Our common units have been approved for listing on the New York Stock Exchange, subject to official notice of issuance, under the symbol PVG.

Penn Virginia Resource Partners, L.P.

PVR is a publicly traded Delaware limited partnership formed by Penn Virginia Corporation in 2001 that is principally engaged in the management of coal properties and the gathering and processing of natural gas. Both in its current limited partnership form and in its previous corporate form, PVR has managed coal properties since 1882. Since the acquisition of a natural gas midstream business in March 2005, PVR conducts operations in two business segments: coal and natural gas midstream. For the twelve months ended September 30, 2006, approximately 73%, or $71.7 million, of PVR s operating income was attributable to its coal segment, and approximately 27%, or $26.6 million, of its operating income was attributable to its natural gas midstream segment.

Coal Segment Overview

As of December 31, 2005, PVR owned or controlled approximately 689 million tons of proven and probable coal reserves in Central and Northern Appalachia, the San Juan Basin and the Illinois Basin. As of December 31, 2005, approximately 25% of PVR s proven and probable coal reserves were compliance coal and approximately 48% were low sulfur coal. PVR enters into long-term leases with experienced, third-party mine operators providing them the right to mine its coal reserves in exchange for royalty payments. PVR does not operate any mines. In 2005, PVR s lessees produced 30.2 million tons of coal from PVR s properties and paid PVR coal royalty revenues of $82.7 million, for an average gross coal royalty per ton of $2.74. Approximately 83% of PVR s coal royalty revenues in 2005 and 79% of its coal royalty revenues in 2004 were derived from coal mined on its properties under leases containing royalty rates based on the higher of a fixed base price or a percentage of the gross sales price. The balance of PVR s coal royalty revenues for the respective periods was derived from coal mined on its properties under leases containing fixed royalty rates that escalate annually.

Substantially all of PVR s leases require the lessee to pay minimum rental payments to PVR in monthly or annual installments. PVR actively works with its lessees to develop efficient methods to exploit its coal reserves and to maximize production from its properties. PVR also earns revenues from providing fee-based coal preparation and transportation services to its lessees, which enhance their production levels and generate additional coal royalty revenues, and from industrial third party coal end-users by owning and operating coal handling facilities through its joint venture with Massey Energy Company. In addition, PVR earns revenues from oil and gas royalty interests it owns, from coal transportation, or wheelage, rights and from the sale of standing timber on its properties.

PVR s management continues to focus on acquisitions that increase and diversify its sources of cash flow. PVR increased its coal reserves by 162 million tons, or 29% from its year end coal reserves as of December 31, 2004, by completing four coal reserve acquisitions in 2005, for an aggregate purchase price of approximately $101 million. These acquisitions included 94 million tons of coal reserves in the Illinois Basin, a new market area for PVR. As part of these acquisitions, PVR also acquired oil and natural gas well royalty interests and wheelage rights. In addition, on May 25, 2006, PVR acquired for $65 million the lease rights to approximately 69 million tons of coal reserves in West Virginia. For a more detailed discussion of PVR s recent acquisitions, see Management s Discussion and Analysis of Financial Condition and Results of Operations PVR s Recent Acquisitions and Investments.

Natural Gas Midstream Segment Overview

PVR owns and operates midstream assets that include approximately 3,573 miles of natural gas gathering pipelines and three natural gas processing facilities located in Oklahoma and the panhandle of Texas, which have 160 million cubic feet per day, or MMcfd, of total capacity. PVR s midstream business derives revenues primarily from gas processing contracts with natural gas producers and from fees charged for gathering natural gas volumes and providing other related services. PVR also owns a natural gas marketing business, which aggregates third-party volumes and sells those volumes into intrastate pipeline systems and at market hubs

Table of Contents

accessed by various interstate pipelines. PVR acquired its natural gas midstream assets from Cantera Gas Resources, LLC in March 2005. PVR believes that this acquisition established a platform for future growth in the natural gas midstream sector and diversified its cash flows into another long-lived asset base. Since acquiring these assets, PVR has expanded its natural gas midstream business by adding 142 miles of new gathering lines.

For the twelve months ended September 30, 2006, inlet volumes at PVR s gas processing plants and gathering systems were 51 billion cubic feet (or Bcf), or approximately 141 MMcfd.

PVR continually seeks new supplies of natural gas to both offset the natural declines in production from the wells currently connected to its systems and to increase throughput volume. New natural gas supplies are obtained for all of its systems by contracting for production from new wells, connecting new wells drilled on dedicated acreage and by contracting for natural gas that has been released from competitors systems.

PVR s Strengths and Strategies

PVR s primary objective is to generate stable cash flows and increase its cash available for distribution to its unitholders. We believe that PVR is well-positioned to execute its business objective due to the following competitive strengths:

- Its coal royalty structure helps generate stable and predictable cash flows and limit its exposure to declines in coal prices.
- It leases its coal reserves to experienced lessees that have long-term relationships with major customers.
- A significant amount of its coal reserves are low sulfur coal.
- Its assets are strategically located.
- It provides an integrated and comprehensive package of natural gas midstream services.
- Its natural gas midstream hedging strategies help reduce its exposure to declines in natural gas and NGL prices.
- PVR s existing assets and properties allow it to enhance cash flows through low-cost expansions and increased utilization.
- It is well-positioned to pursue acquisitions.
- Its management team has a successful record of managing, growing and acquiring coal properties and natural gas and midstream assets.

PVR has successfully grown its businesses through organic growth projects and acquisitions of coal properties and natural gas midstream assets. Since its initial public offering in October 2001, PVR has completed numerous accretive acquisitions for an aggregate purchase price of approximately $562.4 million. PVR intends to continue to pursue the following business strategies:

- Continue to grow coal reserve holdings through acquisitions and investments in its existing market areas, as well as strategically entering new markets.

- Expand its coal services and infrastructure business on its properties.

- Expand its joint venture with Massey Energy Company to provide new coal handling facilities to generate fee-based income and provide other business development opportunities for coal-related infrastructure projects.

- Expand its midstream operations through acquisitions of new gathering and processing related assets and by adding new production to its existing systems.

Table of Contents

Omnibus Agreement and Non-Compete Agreement

Upon completion of this offering, we will become party to an existing omnibus agreement, currently among PVR, its general partner and its affiliates, including Penn Virginia Corporation, that governs potential competition among PVR and the other parties to the agreement. This omnibus agreement was entered into in connection with PVR s initial public offering in October 2001. Pursuant to the terms of the amended omnibus agreement, for so long as Penn Virginia Resource GP, LLC is the general partner of PVR and there has been no change of control in Penn Virginia Corporation, subject to certain exceptions, we will be prohibited from engaging in, whether by acquisition or otherwise, the business of (i) owning, mining, processing, marketing, or transporting coal; (ii) owning, acquiring or leasing coal reserves; and (iii) growing, harvesting, or selling timber.

We will enter into a non-compete agreement with PVR upon the closing of this offering. This non-compete agreement will not be effective until we are no longer subject to the existing omnibus agreement described above. Under the non-compete agreement, we will have a right of first refusal with respect to the potential acquisition of any general partner interest, and any other equity interests under common ownership with such general partner interest in a publicly traded partnership, other than any partnerships engaged in the coal or timber businesses described above or the business of gathering or processing natural gas or other hydrocarbons. PVR will have a right of first refusal with respect to the potential acquisition of assets that relate to the business of (i) owning, mining, processing, marketing, or transporting coal; (ii) owning, acquiring or leasing coal reserves; (iii) growing, harvesting, or selling timber; and (iv) the gathering or processing of natural gas or other hydrocarbons.

Except as provided above, we and PVR s affiliates will not be prohibited from engaging in activities that directly compete with PVR, including activities that compete with PVR s natural gas midstream business, even if we and PVR would have a conflict of interest with respect to such other business opportunity. In addition, the PVR affiliates will not be prohibited from engaging in activities that compete directly with us.

For a description of our other relationships with our affiliates, please read Certain Relationships and Related Transactions.

PVR s Principal Executive Offices and Internet Address

PVR s principal executive offices are located at Three Radnor Corporate Center, Suite 300, 100 Matsonford Road, Radnor, Pennsylvania 19087 and its telephone number at that location is (610) 687-8900. PVR s internet address is www.pvresource.com, on which it makes available, free of charge, certain corporate information and reports. Information contained on that website, however, is not incorporated into or otherwise a part of this prospectus. PVR also files annual, quarterly and current reports and other information with the Securities and Exchange Commission, or Commission. PVR s Commission filings are available to the public at the Commission s website at www.sec.gov. You may also read and copy any document PVR files at the Commission s public reference room at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Commission s public reference room by calling the Commission at 1-800-SEC-0330.

Recent Developments

On October 23, 2006, the board of directors of the general partner of PVR announced a $0.025 per unit increase in the quarterly cash distribution to $0.40 per PVR unit, or $1.60 on an annualized basis. This cash distribution covered the fiscal quarter ended September 30, 2006 and was paid on November 14, 2006. This increase in the distribution represented a 7% increase over the cash distribution per PVR unit for the fiscal quarter ended June 30, 2006 and a 23% increase over the cash distribution per PVR unit for the fiscal quarter ended September 30, 2005.

The subordination period with respect to 7,649,880 PVR subordinated units expired on October 1, 2006. As a result, all of the outstanding PVR subordinated units converted into PVR common units on a one-for-one basis on November 14, 2006.

Table of Contents

Summary of Conflicts of Interest and Fiduciary Duties

Conflicts of interest exist and may arise in the future as a result of the relationships among us, Penn Virginia Corporation, PVR and our and their respective general partners and affiliates on the one hand, and us and our limited partners, on the other hand. Like PVR, our general partner is controlled by Penn Virginia Corporation. Accordingly, Penn Virginia Corporation has the ability to elect, remove and replace the directors and officers of our general partner and the directors and officers of the general partner of PVR. The directors and officers of our general partner have fiduciary duties to manage our general partner in a manner beneficial to its owner, Penn Virginia Corporation. At the same time, our general partner has a fiduciary duty to manage us in a manner beneficial to us and our unitholders.

Certain of the executive officers and non-independent directors of our general partner also serve as executive officers and directors of the general partner of PVR. Consequently, these directors and officers may encounter situations in which their fiduciary obligations to PVR, on the one hand, and us, on the other hand, are in conflict. For a more detailed description of the conflicts of interest involving us and the resolution of these conflicts, please read Conflicts of Interest and Fiduciary Duties.

Our partnership agreement limits the liability and reduces the fiduciary duties of our general partner to our unitholders. Our partnership agreement also restricts the remedies available to unitholders for actions that might otherwise constitute a breach of our general partner s fiduciary duties owed to unitholders. By purchasing our units, you are treated as having consented to various actions contemplated in the partnership agreement and conflicts of interest that might otherwise constitute a breach of fiduciary or other duties under applicable state law. Please read Conflicts of Interest and Fiduciary Duties Fiduciary Duties for a description of the fiduciary duties imposed on our general partner by Delaware law, the material modifications of these duties contained in our partnership agreement, and certain legal rights and remedies available to unitholders.

Table of Contents

Summary Historical and Pro Forma Financial Data

We were formed on June 14, 2006 and, therefore, do not have any historical financial statements. Since we own and control Penn Virginia Resource GP, LLC, the general partner of PVR, the historical financial statements below are of Penn Virginia Resource GP, LLC on a combined basis, including PVR, for the periods and as of the dates indicated.

The summary historical statements of income and cash flow data for the years ended December 31, 2003, 2004 and 2005, and the balance sheet data as of December 31, 2004 and 2005 are derived from the audited financial statements of Penn Virginia Resource GP, LLC. The summary historical statements of income and cash flow data for the periods ended September 30, 2005 and 2006, and the balance sheet data as of September 30, 2006 are derived from the unaudited financial statements of Penn Virginia Resource GP, LLC. The unaudited financial statements include all adjustments, consisting of normal, recurring accruals, which we consider necessary for fair presentation of the financial position and results of operations for this period. On April 4, 2006, PVR completed a two-for-one split of PVR s common and subordinated units by distributing one additional common unit and one additional subordinated unit (a total of 16,997,325 common units and 3,824,940 subordinated units) for each common unit and subordinated unit, respectively, held of record at the close of business on March 28, 2006. All PVR units and per unit data have been retroactively adjusted to reflect the unit split. The subordination period with respect to 7,649,880 PVR subordinated units expired on October 1, 2006 and all of the outstanding PVR subordinated units converted into PVR common units on a one-for-one basis on November 14, 2006.

Because we own and control the general partner of PVR, we reflect our ownership interest in PVR on a consolidated basis, which means that our financial results are combined with PVR s financial results. We have no separate operating activities apart from those conducted by PVR, and our cash flows consist solely of distributions from PVR on the partnership interests, including the incentive distribution rights, that we own. Accordingly, the summary historical financial data set forth in the following table primarily reflect the operating activities and results of operations of PVR. The limited partner interests in PVR not owned by our affiliates are reflected as minority interest on our balance sheet and the non-affiliated partners share of income from PVR is reflected as an expense in our results of operations.

The summary pro forma statement of income data for the year ended December 31, 2005 reflects our historical operating results as adjusted to give pro forma effect to the following transactions, as if such transactions had occurred on January 1, 2005:

- the acquisition of our midstream business and the related debt financing and common unit offering by PVR that occurred in March 2005;
- the transactions contemplated by the Contribution Agreement described in this prospectus;
- the sale of 6,300,000 common units in this offering and application of the net proceeds from this offering to make a capital contribution to PVR, purchase 416,444 PVR common units and 3,741,768 Class B units and for general partnership purposes, as described in Use of Proceeds; and
- PVR s use of the funds received from us to repay approximately $107.5 million of borrowings outstanding under its credit facility.

The summary unaudited pro forma statement of income data for the nine months ended September 30, 2006 reflects our historical operating results as adjusted to give pro forma effect to the transactions contemplated by the Contribution Agreement and this offering, as if they had occurred on January 1, 2005. The summary unaudited pro forma balance sheet data as of September 30, 2006 reflects our consolidated historical financial position as adjusted to give pro forma effect to the transactions contemplated by the Contribution Agreement and this offering, as if they had occurred on September 30, 2006.

Table of Contents

We derived the data in the following table from, and it should be read together with and is qualified in its entirety by reference to, the historical and pro forma financial statements and the accompanying notes included in this prospectus. The table should also be read together with Management s Discussion and Analysis of Financial Condition and Results of Operations.

For a description of all of the assumptions used in preparing the unaudited pro forma financial statements, you should read the notes to the pro forma financial statements. The pro forma financial data should not be considered as indicative of the historical results we would have had or the results that we will have after this offering.

	Historical					Pro Forma	
	Year Ended December 31,			Nine Months Ended September 30,		Year Ended December 31,	Nine Months Ended September 30,
	2003	2004	2005	2005	2006	2005	2006
				(unaudited) (in thousands)		(unaudited)	
Income Statement Data:							
Revenues							
Natural gas midstream	$	$	$ 348,657	$ 213,351	$ 305,340	$ 421,099	$ 305,340
Coal royalties	50,312	69,643	82,725	60,921	73,288	82,725	73,288
Coal services	2,111	3,787	5,230	3,869	4,345	5,230	4,345
Other	3,219	2,200	9,736	6,062	7,148	9,761	7,148
Total revenues	55,642	75,630	446,348	284,203	390,121	518,815	390,121
Expenses							
Cost of gas purchased			303,912	182,278	254,615	370,494	254,615
Operating	4,235	7,224	15,102	10,730	13,950	17,196	13,950
Taxes other than income	1,256	948	2,397	1,657	1,619	2,397	1,619
General and administrative	7,013	8,307	16,219	10,069	15,003	16,552	15,003
Depreciation, depletion and amortization	16,578	18,632	30,628	22,237	27,501	33,095	27,501
Total operating costs and expenses	29,082	35,111	368,258	226,971	312,688	439,734	312,688
Operating income	26,560	40,519	78,090	57,232	77,433	79,081	77,433
Other income (expense)							
Net interest income (expense)	(3,763)	(6,204)	(12,908)	(9,282)	(12,857)	(7,971)	(8,019)
Derivative losses			(14,024)	(11,186)	(11,676)	(14,024)	(11,676)
Income before minority interest, income taxes and cumulative effect of change in accounting principle	22,797	34,315	51,158	36,764	52,900	57,086	57,738
Minority interest	(12,510)	(19,026)	(30,389)	(22,274)	(31,187)	(31,329)	(33,293)
Income before cumulative effect of change in accounting principle	10,287	15,289	20,769	14,490	21,713	25,757	24,445
Cumulative effect of change in accounting principle	(107)						

Net income (loss)	$ 10,180	$ 15,289	$ 20,769	$ 14,490	$ 21,713	$ 25,757	$ 24,445
Other Financial Data:							
Net cash provided by operating activities	$ 40,770	$ 53,852	$ 94,450	$ 73,144	$ 70,476		
Net cash used in investing activities	(4,711)	(28,426)	(303,621)	(299,732)	(108,446)		
Net cash provided by (used in) financing activities	(36,504)	(13,641)	211,376	227,808	27,065		
Consolidated adjusted EBITDA	43,031	59,151	108,718	76,166	89,529	$ 112,176	$ 89,529

	Historical					Pro Forma
	At December 31,			At September 30,		At September 30,
	2003	2004	2005	2005	2006	2006
	(unaudited)			(unaudited)		(unaudited)
	(dollars in thousands)					
Balance Sheet Data:						
Current assets						
Cash and cash equivalents	$ 9,160	$ 20,945	$ 23,150	$ 22,165	$ 12,245	$ 14,745
Accounts receivable	6,911	8,670	76,408	75,518	68,357	68,357
Derivative assets			10,235	14,765	671	671
Other current assets	1,166	964	3,145	2,728	2,690	2,690
Total current assets	17,237	30,579	112,938	115,176	83,963	86,463
Property, plant and equipment	269,966	271,546	535,040	531,709	643,361	643,361
Accumulated depreciation, depletion and amortization	(31,820)	(49,931)	(76,258)	(68,927)	(99,872)	(99,872)
Net property, plant and equipment	238,146	221,615	458,782	462,782	543,489	543,489
Equity investments		27,881	26,672	26,395	25,069	25,069
Goodwill			7,718	8,066	7,718	7,718
Intangibles, net			38,051	37,183	34,252	34,252
Derivative assets			8,536	9,256	2,813	2,813
Other long-term assets	5,884	5,395	7,250	3,956	14,940	7,259
Total assets	$ 261,267	$ 285,470	$ 659,947	$ 662,814	$ 712,244	$ 707,063
Current liabilities						
Accounts payable and accrued liabilities	$ 4,742	$ 4,129	$ 66,942	$ 66,246	$ 55,618	$ 55,618
Current portion of long-term debt	1,500	4,800	8,108	8,105	10,826	10,826
Deferred income	1,610	1,207	5,073	2,314	6,860	6,860
Derivative liabilities			20,700	27,335	10,629	10,629
Total current liabilities	7,852	10,136	100,823	104,000	83,933	83,933
Deferred income	6,028	8,726	10,194	13,310	7,990	7,990
Other liabilities	2,093	2,146	4,364	3,436	4,878	4,878
Derivative liabilities	714	774	11,246	18,871	8,011	8,011
Long-term debt	90,286	112,926	246,846	249,798	315,772	208,253
Commitments and contingencies						
Minority interest	190,508	189,284	326,310	327,621	329,985	334,876
Members equity (deficiency in equity)	(36,214)	(38,522)	(39,836)	(54,222)	(38,325)	59,122
Total liabilities and members equity (deficiency in equity)	$ 261,267	$ 285,470	$ 659,947	$ 662,814	$ 712,244	$ 707,063
Operating Data:						
Coal owned or controlled (millions of tons)	588.2	558.1	689.1			
Coal produced by lessees (millions of tons)	26.5	31.2	30.2	22.5	24.5	
Inlet gas volumes (MMcfd)			127	126	144	

Table of Contents

Non-GAAP Financial Measure Consolidated Adjusted EBITDA

We define Consolidated Adjusted EBITDA as net income (loss) before:

- net interest expense;
- income taxes;
- depreciation, depletion and amortization;
- minority interest; and
- gains and losses on derivatives.

Consolidated Adjusted EBITDA is a significant performance metric used by our management to indicate (prior to the establishment of any cash reserves by our board of managers) the cash distributions we can pay to our unitholders. Specifically, this financial measure indicates to investors whether or not we are generating cash flow at a level that can sustain or support an increase in our quarterly distribution rates. Consolidated Adjusted EBITDA is also used as a quantitative standard by our management and by external users of our financial statements such as investors, research analysts and others to assess:

- the financial performance of our assets without regard to financing methods, capital structure or historical cost basis;
- the ability of our assets to generate cash sufficient to pay interest costs and support our indebtedness; and
- our operating performance and return on capital as compared to those of other companies in our industry, without regard to financing or capital structure.

Our Consolidated Adjusted EBITDA should not be considered as an alternative to net income, operating income, cash flow from operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. Our Consolidated Adjusted EBITDA excludes some, but not all, items that affect net income and operating income and these measures may vary among other companies. Therefore, our Consolidated Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

The following table presents a reconciliation of Consolidated Adjusted EBITDA to net income, our most directly comparable GAAP performance measure, for each of the periods presented:

	Historical	Pro Forma

	Year Ended December 31,			Nine Months Ended September 30,		Year Ended December 31,	Nine Months Ended September 30,
	2003	2004	2005	2005	2006	2005	2006
	(dollars in thousands)						
Net income (loss)	$ 10,180	$ 15,289	$ 20,769	$ 14,490	$ 21,713	$ 25,757	$ 24,445
Add:							
Net interest expense	3,763	6,204	12,908	9,282	12,857	7,971	8,019
Depreciation, depletion and amortization	16,578	18,632	30,628	22,237	27,501	33,095	27,501
Minority interest	12,510	19,026	30,389	22,274	31,187	31,329	33,293
Derivative losses			14,024	11,186	11,676	14,024	11,676
Cash settlement for derivatives[1]					(15,405)		(15,405)
Consolidated adjusted EBITDA	$ 43,031	$ 59,151	$ 108,718	$ 79,469	$ 89,529	$ 112,176	$ 89,529

(1) Reflects cash settlements and adjustments for derivatives that are accounted for using mark-to-market accounting.

Table of Contents

RISK FACTORS

You should consider carefully the following risk factors, which we believe include all material risks to our business, together with all of the other information included in this prospectus, in your evaluation of an investment in our common units. Realization of any of the following risks could have a material adverse effect on our business, financial condition, cash flows and results of operations. In that case, we might not be able to pay the minimum quarterly distribution on our common units, the trading price of our common units could decline and you could lose all or part of your investment.

Risks Inherent in an Investment in Us

Our cash flow initially will be entirely dependent upon the ability of PVR to make cash distributions to us.

The source of our earnings and cash flow will initially consist exclusively of cash distributions from PVR. The amount of cash that PVR will be able to distribute to its partners, including us, each quarter principally depends upon the amount of cash it generates from its coal and natural gas midstream businesses. For a description of certain factors that can cause fluctuations in the amount of cash that PVR generates from its coal and natural gas midstream businesses, please read Risks Related to PVR s Business and Management s Discussion and Analysis of Financial Condition and Results of Operations Factors That Significantly Affect Our Results and PVR s Results. PVR may not have sufficient available cash each quarter to continue paying distributions at their current level or at all. If PVR reduces its per unit distribution, we will have less cash available for distribution to you and would probably be required to reduce our per unit distribution to you. You should also be aware that the amount of cash PVR has available for distribution depends primarily upon PVR s cash flow, including cash flow from financial reserves and working capital borrowings, and is not solely a function of profitability, which will be affected by non-cash items. As a result, PVR may make cash distributions during periods when it records losses and may not make cash distributions during periods when it records profits.

In addition, the timing and amount, if any, of an increase or decrease in distributions by PVR to its unitholders will not necessarily be comparable to the timing and amount of any changes in distributions made by us. Our ability to distribute cash received from PVR to our unitholders is limited by a number of factors, including:

- restrictions on distributions contained in any future debt agreements;
- our estimated general and administrative expenses, including expenses we will incur as a result of being a public company as well as other operating expenses;
- expenses of Penn Virginia Resource GP, LLC and PVR;
- reserves necessary for us to make the necessary capital contributions to maintain our 2.0% general partner interest in PVR, as required by the partnership agreement of PVR upon the issuance of additional partnership securities by PVR; and
- reserves our general partner believes prudent for us to maintain the proper conduct of our business or to provide for future distributions by us.

In addition, prior to making any distributions to our unitholders, we will reimburse our general partner and its affiliates for all direct and indirect expenses incurred by them on our behalf. Our general partner will determine the amount of these reimbursed expenses. In addition, our general partner and its affiliates may perform other services for us for which we will be charged fees as determined by our general partner. The reimbursement of these expenses, in addition to the other factors listed above, could adversely affect the amount of distributions we make to our unitholders. In the future, we may not be able to pay distributions at or above our estimated initial quarterly distribution of $0.235 per unit, or $0.94 on an annualized basis. The actual amount of cash that is available for distribution to our unitholders will depend on numerous factors, many of which are beyond our control or the control of our general partner.

In the future, we may not have sufficient cash to pay our estimated initial quarterly distribution or to increase distributions.

In order to make our initial quarterly distribution of $0.235 per unit (or $0.94 on an annualized basis) through December 31, 2007, we estimate that we will require available cash of approximately $36.1 million per year, or $9.0 million per quarter, based on the number of common units outstanding immediately after completion of this offering. Our estimated cash available to pay distributions for the twelve months ending December 31, 2007 is based on our expected ownership of PVR following the completion of this offering. A reduction in the number of PVR units we own or in the amount of cash distributed by PVR per unit or on the incentive distribution rights, or an increase in our expenses may result in our not being able to pay the expected distribution of $0.94 per unit annually. In addition, of our anticipated total limited partner interests in PVR following the completion of this offering, 3,741,768 units will be Class B units, which have their distributions reduced before distributions to the PVR common units are reduced.

Our rate of growth may be reduced to the extent we purchase additional units from PVR, which will reduce the percentage of the cash we receive from the incentive distribution rights.

Our business strategy includes supporting the growth of PVR by purchasing PVR units or lending funds to PVR to provide funding for the acquisition of a business or asset or for an internal growth project. To the extent we purchase common units or securities not entitled to a current distribution from PVR, the rate of our distribution growth may be reduced, at least in the short term, as less of our cash distributions will come from our ownership of PVR incentive distribution rights, whose distributions increase at a faster rate than those of our other securities. Our purchase of PVR common units and Class B units with the net proceeds of this offering will reduce the percentage of the cash flow we receive from PVR attributable to our ownership of incentive distribution rights from 23.3% immediately prior to the offering to 20.9% upon the completion of this offering.

Our ability to meet our financial needs may be adversely affected by our cash distribution policy and our lack of operational assets.

Our cash distribution policy, which is consistent with our partnership agreement, requires us to distribute all of our available cash quarterly. Our only cash generating assets are partnership interests in PVR, and we currently have no independent operations separate from those of PVR. Moreover, as discussed below, a reduction in PVR s distributions will disproportionately affect the amount of cash distributions we receive. Given that our cash distribution policy is to distribute available cash and not retain it and that our only cash generating assets are partnership interests in PVR, we may not have enough cash to meet our needs if any of the following events occur:

- an increase in our operating expenses;
- an increase in general and administrative expenses;

an increase in working capital requirements; or

an increase in cash needs of PVR or its subsidiaries that reduces PVR s distributions.

Table of Contents

PVR s general partner, with our consent but without the consent of our unitholders, may limit or modify the incentive distributions we are entitled to receive, which may reduce cash distributions to you.

We own PVR s general partner, which owns the incentive distribution rights in PVR that entitle us to receive increasing percentages, up to a maximum of 48% of any cash distributed to PVR as certain target distribution levels are reached in excess of $0.375 per PVR unit in any quarter. A substantial portion of the cash flow we receive from PVR is provided by these incentive distribution rights. Because of the high percentage of PVR s incremental cash flow that is distributed to the incentive distribution rights, certain potential acquisitions might not increase cash available for distribution per PVR unit. In order to facilitate acquisitions by PVR, the board of directors of the general partner of PVR may elect to reduce the incentive distribution rights payable to us with our consent, which we may provide without the approval of our unitholders if our general partner determines that such reduction does not adversely affect our limited partners in any material respect. These reductions may be permanent reductions in the incentive distribution rights or may be reductions with respect to cash flows from the potential acquisition. If distributions on the incentive distribution rights were reduced for the benefit of the PVR units, the total amount of cash distributions we would receive from PVR, and therefore the amount of cash distributions we could pay to our unitholders, would be reduced.

A portion of our partnership interests in PVR are subordinated to PVR s common units, which would result in decreased distributions to us if PVR is unable to meet its minimum quarterly distribution.

Following this offering we will own, directly or indirectly, 19,283,506 units representing limited partner interests in PVR, of which approximately 80.6% are common units and 19.4% are Class B units. Initially, the Class B units will not receive any distributions in a quarter until PVR has paid the minimum quarterly distribution of $0.25 per PVR unit, plus any arrearages in the payment of the minimum quarterly distribution from prior quarters, on all of the outstanding PVR common units. Distributions on the Class B units are, therefore, more uncertain than distributions on PVR s common units. Furthermore, no distributions may be made on the incentive distribution rights until the minimum quarterly distribution has been paid on all outstanding PVR units. Therefore, distributions with respect to the incentive distribution rights are even more uncertain than distributions on the Class B units. Neither the Class B units nor the incentive distribution rights are entitled to any arrearages from prior quarters.

A reduction in PVR s distributions will disproportionately affect the amount of cash distributions to which we are currently entitled.

Our ownership of the incentive distribution rights in PVR, through our ownership interests in Penn Virginia Resource GP, LLC, the holder of the incentive distribution rights, entitles us to receive our pro rata share of specified percentages of total cash distributions made by PVR with respect to any particular quarter only in the event that PVR distributes more than $0.275 per unit for such quarter. As a result, the holders of PVR s common units and Class B units have a priority over the holders of PVR s incentive distribution rights to the extent of cash distributions by PVR up to and including $0.275 per unit for any quarter.

Our incentive distribution rights entitle us to receive increasing percentages, up to 48%, of all cash distributed by PVR. Because we are at the maximum target cash distribution level on the incentive distribution rights, future growth in distributions we receive from PVR will not result from an increase in the target cash distribution level associated with the incentive distribution rights. Furthermore, a decrease in the amount of distributions by PVR to less than $0.375 per unit per quarter would reduce Penn Virginia Resource GP, LLC s percentage of the incremental cash distributions above $0.325 per common unit per quarter from 48% to 23%. As a result, any such reduction in quarterly cash distributions from PVR would have the effect of disproportionately reducing the amount of all distributions that we receive from PVR based on our ownership interest in the incentive distribution rights in PVR as compared to cash distributions we receive from PVR with respect to our 2% general partner interest in PVR and our PVR units.

Table of Contents

If distributions on our common units are not paid with respect to any fiscal quarter, including those at the anticipated initial distribution rate, our unitholders will not be entitled to receive such payments in the future.

Our distributions to our unitholders will not be cumulative. Consequently, if distributions on our common units are not paid with respect to any fiscal quarter, including those at the anticipated initial distribution rate, our unitholders will not be entitled to receive such payments in the future.

Our cash distribution policy limits our ability to grow.

Because we distribute all of our available cash, our growth may not be as fast as businesses that reinvest their available cash to expand ongoing operations. In fact, our growth initially will be completely dependent upon PVR s ability to increase its quarterly distribution per unit because currently our only cash-generating assets are partnership interests in PVR. If we issue additional units or incur debt to fund acquisitions and growth capital expenditures, the payment of distributions on those additional units or interest on that debt could increase the risk that we will be unable to maintain or increase our per unit distribution level.

Consistent with the terms of its partnership agreement, PVR distributes to its partners its available cash each quarter. In determining the amount of cash available for distribution, PVR sets aside cash reserves, which it uses to fund its growth capital expenditures. Additionally, PVR has relied upon external financing sources, including commercial borrowings and other debt and equity issuances, to fund its acquisition capital expenditures. Accordingly, to the extent PVR does not have sufficient cash reserves or is unable to finance growth externally, its cash distribution policy will significantly impair its ability to grow. In addition, to the extent PVR issues additional units in connection with any acquisitions or growth capital expenditures, the payment of distributions on those additional units may increase the risk that PVR will be unable to maintain or increase its per unit distribution level, which in turn may impact the available cash that we have to distribute to our unitholders. The incurrence of additional debt to finance its growth strategy would result in increased interest expense to PVR, which in turn may reduce the available cash that we have to distribute to our unitholders.

While we or PVR may incur debt to pay distributions to our and its unitholders, respectively, a credit facility governing such debt may restrict or limit the distributions we pay to our unitholders.

While we or PVR are permitted by our partnership agreements to incur debt to pay distributions to our unitholders, respectively, our or PVR s payment of principal and interest on any future indebtedness will reduce our cash available for distribution on our unitholders. We anticipate that any credit facility we enter into will limit our ability to pay distributions to our unitholders during an event of default or if an event of default would result from the distributions. In addition, any future levels of indebtedness may adversely affect our ability to obtain additional financing for future operations or capital needs, limit our ability to pursue acquisitions and other business opportunities, or make our results of operations more susceptible to adverse economic or operating conditions.

Furthermore, PVR s debt agreements, including its credit facility and senior notes, contain covenants limiting its ability to incur indebtedness, grant liens, engage in transactions with affiliates and make distributions to us. They also contain covenants requiring PVR to maintain certain financial ratios. PVR is prohibited from making any distribution to unitholders if such distribution would cause an event of default or otherwise violate a covenant under these agreements. Please read Our Cash Distribution Policy and Restrictions on Distributions General and Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Long-Term Debt for more information about PVR s credit facility and senior notes.

Table of Contents

Our unitholders do not elect our general partner or vote on our general partner s directors. Upon completion of this offering, the owner of our general partner will own a sufficient number of common units to allow it to prevent the removal of our general partner.

Unlike the holders of common stock in a corporation, our unitholders have only limited voting rights on matters affecting our business and, therefore, limited ability to influence management s decisions regarding our business. Our unitholders do not have the ability to elect our general partner or the directors of our general partner and will have no right to elect our general partner or the directors of our general partner on an annual or other continuing basis in the future. The board of directors of our general partner, including our independent directors, is chosen by Penn Virginia Corporation, its sole member. Furthermore, if our public unitholders are dissatisfied with the performance of our general partner, they will have little ability to remove our general partner. Our general partner may not be removed except upon the vote of the holders of at least 66 $^{2}/3$% of the outstanding common units. Because Penn Virginia Corporation owns more than 33 $^{1}/3$% of our outstanding units, our general partner currently cannot be removed without its consent. Please read Material Provisions of Our Partnership Agreement Withdrawal or Removal of the General Partner.

As a result of these provisions, the price at which our common units will trade may be lower because of the absence or reduction of a takeover premium in the trading price. Please read Material Provisions of Our Partnership Agreement Meetings; Voting.

You will experience immediate and substantial dilution of $17.46 per common unit in the net tangible book value of your common units.

The assumed initial public offering price of our common units is substantially higher than the pro forma net tangible book value per common unit of the outstanding common units immediately after the offering. If you purchase common units in this offering you will incur immediate and substantial dilution in the pro forma net tangible book value per common unit from the price you pay for the common units. See Dilution.

Our general partner may cause us to issue additional common units or other equity securities without your approval, which would dilute your ownership interests.

Our general partner may cause us to issue an unlimited number of additional common units or other equity securities of equal rank with the common units, without unitholder approval. The issuance of additional common units or other equity securities of equal rank will have the following effects:

- our unitholders proportionate ownership interest in us will decrease;
- the amount of cash available for distribution on each common unit may decrease;
- the relative voting strength of each previously outstanding common unit may be diminished;
- the ratio of taxable income to distributions may increase; and

the market price of the common units may decline.

Please read Material Provisions of Our Partnership Agreement Issuance of Additional Securities.

The control of our general partner may be transferred to a third party who could replace our current management team, in either case, without unitholder consent.

Our general partner may transfer its general partner interest to a third party in a merger or in a sale of all or substantially all of its assets without the consent of our unitholders. Furthermore, Penn Virginia Corporation, the owner of our general partner, may transfer its ownership interest in our general partner to a third party. The new owner of our general partner would then be in a position to replace the board of directors and officers of our general partner and to control the decisions taken by the board of directors and officers.

Table of Contents

If PVR s unitholders remove PVR s general partner, we would lose our general partner interest and incentive distribution rights in PVR and the ability to manage PVR.

We currently manage PVR through Penn Virginia Resource GP, LLC, PVR s general partner and our wholly-owned subsidiary. PVR s partnership agreement, however, gives unitholders of PVR the right to remove the general partner of PVR upon the affirmative vote of holders of 66 $^{2}/3$% of PVR s outstanding units. If Penn Virginia Resource GP, LLC were removed as general partner of PVR, it would receive cash or common units in exchange for its 2% general partner interest and the incentive distribution rights and would lose its ability to manage PVR. While the common units or cash we would receive are intended under the terms of PVR s partnership agreement to fully compensate us in the event such an exchange is required, the value of these common units or investments we make with the cash over time may not be equivalent to the value of the general partner interest and the incentive distribution rights had we retained them. Please read Material Provisions of the Partnership Agreement of Penn Virginia Resource Partners, L.P. Withdrawal or Removal of the General Partner.

In addition, if Penn Virginia Resource GP, LLC is removed as general partner of PVR, we would face an increased risk of being deemed an investment company. Please read If in the future we cease to manage and control PVR, we may be deemed to be an investment company under the Investment Company Act of 1940.

Our ability to sell our partnership interests in PVR may be limited by securities law restrictions and liquidity constraints.

Upon completion of this offering (and the related transactions) and the application of the use of proceeds therefrom, we will own 15,541,738 common units and 3,741,768 Class B units of PVR, all of which are unregistered and restricted securities, within the meaning of Rule 144 under the Securities Act of 1933. Unless we exercise our registration rights with respect to these limited partner interests, we are limited to selling into the market in any three-month period an amount of PVR common units that does not exceed the greater of 1% of the total number of common units outstanding or the average weekly reported trading volume of the common units for the four calendar weeks prior to the sale. Furthermore, there is no public market for PVR s Class B units and we do not expect one to develop. If we were required to sell Class B units for any reason, we likely would receive a discount to the current market price of PVR s common units, and that discount may be substantial. In addition, we face contractual limitations on our ability to sell our general partner interest and incentive distribution rights and the market for such interests is illiquid.

You may not have limited liability if a court finds that unitholder action constitutes control of our business.

Under Delaware law, you could be held liable for our obligations to the same extent as a general partner if a court determined that the right or the exercise of the right by our unitholders as a group to remove or replace our general partner, to approve some amendments to the partnership agreement or to take other action under our partnership agreement constituted participation in the control of our business. Additionally, the limitations on the liability of holders of limited partner interests for the liabilities of a limited partnership have not been clearly established in many jurisdictions.

Furthermore, Section 17-607 of the Delaware Revised Uniform Limited Partnership Act provides that, under some circumstances, a unitholder may be liable to us for the amount of a distribution for a period of three years from the date of the distribution. Please read Material Provisions of Our Partnership Agreement Limited Liability for a discussion of the implications of the limitations on liability to a unitholder.

If in the future we cease to manage and control PVR, we may be deemed to be an investment company under the Investment Company Act of 1940.

If we cease to manage and control PVR and are deemed to be an investment company under the Investment Company Act of 1940, we would either have to register as an investment company under the Investment

Company Act of 1940, obtain exemptive relief from the Commission or modify our organizational structure or our contractual rights to fall outside the definition of an investment company. Registering as an investment company could, among other things, materially limit our ability to engage in transactions with affiliates, including the purchase and sale of certain securities or other property to or from our affiliates, restrict our ability to borrow funds or engage in other transactions involving leverage and require us to add additional directors who are independent of us and our affiliates, and adversely affect the price of our common units.

Our partnership agreement restricts the rights of unitholders owning 20% or more of our units.

Our unitholders voting rights are restricted by the provision in our partnership agreement generally providing that any units held by a person that owns 20% or more of any class of units then outstanding, other than our general partner, its affiliates, their transferees and persons who acquired such units with the prior approval of the board of directors of the general partner, cannot be voted on any matter. In addition, our partnership agreement contains provisions limiting the ability of our unitholders to call meetings or to acquire information about our operations, as well as other provisions limiting our unitholders ability to influence the manner or direction of our management. As a result, the price at which our common units will trade may be lower because of the absence or reduction of a takeover premium in the trading price.

PVR may issue additional limited partner interests or other equity securities, which may increase the risk that PVR will not have sufficient available cash to maintain or increase its cash distribution level.

PVR has wide latitude to issue additional limited partner interests on the terms and conditions established by its general partner. We receive cash distributions from PVR on the general partner interests, incentive distribution rights and the limited partner interests that we hold. Because a majority of the cash we receive from PVR is attributable to our ownership of the incentive distribution rights, payment of distributions on additional PVR limited partner interests may increase the risk that PVR will be unable to maintain or increase its quarterly cash distribution per unit, which in turn may reduce the amount of incentive distributions we receive and the available cash that we have to distribute to our unitholders.

If PVR s general partner is not fully reimbursed or indemnified for obligations and liabilities it incurs in managing the business and affairs of PVR, its value, and, therefore, the value of our common units, could decline.

The general partner of PVR may make expenditures on behalf of PVR for which it will seek reimbursement from PVR. Under Delaware partnership law, the general partner, in its capacity as the general partner of PVR, has unlimited liability for the obligations of PVR, such as its debts and environmental liabilities, except for those contractual obligations of PVR that are expressly made without recourse to the general partner. To the extent Penn Virginia Resource GP, LLC incurs obligations on behalf of PVR, it is entitled to be reimbursed or indemnified by PVR. If PVR is unable or unwilling to reimburse or indemnify its general partner, Penn Virginia Resource GP, LLC may not be able to satisfy those liabilities or obligations, which would reduce its cash flows to us.

Risks Related to Conflicts of Interest

Conflicts of interest exist and may rise in the future among us, PVR and our respective general partners and affiliates, including Penn Virginia Corporation, the owner of our general partner. Future conflicts of interest may arise among us and the entities affiliated with any general partner interests we acquire or among PVR and such entities. For a further discussion of conflicts on interest that may arise, please read Conflicts of

Interest and Fiduciary Duties.

PVR s general partner owes fiduciary duties to PVR s unitholders that may conflict with our interests.

Conflicts of interest exist and may arise in the future as a result of the relationships between us and our affiliates, including Penn Virginia Resource GP, LLC, PVR s general partner, on one hand, and PVR and its

Table of Contents

limited partners, on the other hand. The directors and officers of Penn Virginia Resource GP, LLC have fiduciary duties to manage PVR in a manner beneficial to us, Penn Virginia Resource GP, LLC s owner. At the same time, Penn Virginia Resource GP, LLC has a fiduciary duty to manage PVR in a manner beneficial to PVR and its limited partners. The board of directors of Penn Virginia Resource GP, LLC or its conflicts committee will resolve any such conflict and they have broad latitude to consider the interests of all parties to the conflict. The resolution of these conflicts may not always be in our best interest or that of our unitholders.

For example, conflicts of interest may arise in the following situations:

- the terms and conditions of any contractual agreements between us and our affiliates, on the one hand, and PVR, on the other hand;
- the interpretation and enforcement of contractual obligations between us and our affiliates, on one hand, and PVR, on the other hand;
- the determination of the amount of cash to be distributed to PVR s partners and the amount of cash to be reserved for the future conduct of PVR s business;
- the determination of whether PVR should make acquisitions and on what terms;
- the determination of whether PVR should use cash on hand, borrow or issue equity to raise cash to finance acquisitions or expansion capital projects, repay indebtedness, meet working capital needs, pay distributions or otherwise;
- any decision we make in the future to engage in business activities independent of PVR; and
- the allocation of shared overhead expenses to PVR and us.

Potential conflicts of interest may arise among our general partner, its affiliates and us. Our general partner has limited fiduciary duties to us and our unitholders, which may permit it to favor its own interests to the detriment of us and our unitholders.

Upon completion of this offering, Penn Virginia Corporation, the owner of our general partner, will own an 83.6% limited partner interest in us. Conflicts of interest may arise among our general partner and its affiliates (including Penn Virginia Corporation), on the one hand, and us and our unitholders, on the other hand. As a result of these conflicts, our general partner may favor its own interests and the interests of its affiliates over the interests of our unitholders. These conflicts include, among others, the following situations:

- our general partner is allowed to take into account the interests of parties other than us in resolving conflicts of interest, which has the effect of limiting its fiduciary duty to our unitholders;
- our general partner determines whether or not we incur debt and that decision may affect our or PVR s credit ratings;

our general partner may limit its liability and will reduce its fiduciary duties under our partnership agreement, while also restricting the remedies available to our unitholders for actions that, without these limitations and reductions, might constitute breaches of fiduciary duty. As a result of purchasing units, our unitholders consent to some actions and conflicts of interest that might otherwise constitute a breach of fiduciary or other duties under applicable state law;

our general partner controls the enforcement of obligations owed to us by it and its affiliates;

our general partner decides whether to retain separate counsel, accountants or others to perform services for us;

our partnership agreement gives our general partner broad discretion in establishing financial reserves for the proper conduct of our business. These reserves also will affect the amount of cash available for distribution;

our general partner determines the amount and timing of asset purchases and sales, capital expenditures, borrowings, issuances of additional partnership securities and reserves, each of which can affect the amount of cash that is available to be distributed to our unitholders;

our general partner determines which costs incurred by it and its affiliates are reimbursable by us; and

our partnership agreement does not restrict our general partner from causing us to pay it or its affiliates for any services rendered on terms that are fair and reasonable to us or entering into additional contractual arrangements with any of these entities on our behalf. Please read Certain Relationships and Related Transactions Our Relationship with PVR and Conflicts of Interest and Fiduciary Duties Conflicts of Interest.

The fiduciary duties of our general partner s officers and directors may conflict with those of PVR s general partner.

Our general partner s officers and directors have fiduciary duties to manage our business in a manner beneficial to us and our unitholders and the owner of our general partner, Penn Virginia Corporation. However, a majority of our general partner s directors and all of its officers are also directors or officers of Penn Virginia Resource GP, LLC, which has fiduciary duties to manage the business of PVR in a manner beneficial to PVR and PVR s unitholders. Consequently, these directors and officers may encounter situations in which their fiduciary obligations to PVR on the one hand, and us, on the other hand, are in conflict. The resolution of these conflicts may not always be in our best interest or that of our unitholders.

If we are presented with certain business opportunities, PVR will have the first right to pursue such opportunities.

Upon completion of this offering, we will become party to an existing omnibus agreement, currently among PVR, its general partner and its affiliates, including Penn Virginia Corporation, which governs potential competition in certain coal and timber-related businesses among PVR and the other parties to the agreement. Pursuant to the terms of the amended omnibus agreement, we and Penn Virginia Corporation will agree, and will cause our controlled affiliates to agree, to certain business opportunity and non-competition arrangements to address potential conflicts that may arise between us and our general partner on one hand, and PVR and its subsidiaries on the other.

Upon completion of this offering, we will enter into a non-compete agreement with PVR. This non-compete agreement will not be effective until we are no longer subject to the existing omnibus agreement described above. Under the non-compete agreement, we will have a right of first refusal with respect to the potential acquisition of certain equity interests. PVR will have a right of first refusal with respect to the potential acquisition of certain assets that relate to the coal or timber business or the gathering or processing of natural gas or other hydrocarbons. With respect to any other business opportunities, neither we nor PVR are prohibited from engaging in any business, even if we and PVR would have a conflict of interest with respect to such other business opportunity. For a more detailed description of the terms of the omnibus agreement and the non-compete agreement, please read Certain Relationships and Related Transactions.

Penn Virginia Corporation may compete with us or PVR under certain circumstances and may limit our and PVR s ability to acquire additional assets or businesses, which in turn could adversely affect our or PVR s results of operations and cash available for distribution.

Penn Virginia Corporation is not restricted in its ability to compete with us. In addition, Penn Virginia Corporation is not restricted in its ability to compete with PVR except with respect to coal and timber opportunities as provided in the omnibus agreement described above. Furthermore, Penn Virginia Corporation s obligations under the omnibus agreement terminate if Penn Virginia Corporation ceases to control PVR or if

27

Table of Contents

there is a change of control of Penn Virginia Corporation. If Penn Virginia Corporation competes with us or PVR, our or PVR s results of operations and cash available for distribution may be adversely affected.

Our partnership agreement limits our general partner s fiduciary duties to us and contains provisions that reduce the remedies available to unitholders for actions that might otherwise constitute a breach of fiduciary duty by our general partner.

Our partnership agreement contains provisions that reduce the standards to which our general partner would otherwise be held by state fiduciary duty law. For example, our partnership agreement:

- permits our general partner to make a number of decisions in its individual capacity, as opposed to in its capacity as our general partner. This entitles our general partner to consider only the interests and factors that it desires, and it has no duty or obligation to give any consideration to any interest of, or factors affecting, us, our affiliates or any limited partner. Examples include the exercise of its limited call right, its voting rights with respect to the units it owns, its registration rights and its determination whether or not to consent to any merger or consolidation of our partnership or amendment to our partnership agreement;

- provides that our general partner will not have any liability to us or our unitholders for decisions made in its capacity as a general partner so long as it acted in good faith, meaning it believed the decisions were in the best interests of our partnership;

- generally provides that affiliated transactions and resolutions of conflicts of interest not approved by the audit and conflicts committee of the board of directors of our general partner and not involving a vote of unitholders must be on terms no less favorable to us than those generally being provided to or available from unrelated third parties or be fair and reasonable to us and that, in determining whether a transaction or resolution is fair and reasonable, our general partner may consider the totality of the relationships among the parties involved, including other transactions that may be particularly advantageous or beneficial to us;

- provides that in resolving conflicts of interest, it will be presumed that in making its decision the general partner acted in good faith, and in any proceeding brought by or on behalf of any limited partner or us, the person bringing or prosecuting such proceeding will have the burden of overcoming such presumption; and

- provides that our general partner and its officers and directors will not be liable for monetary damages to us, our limited partners or assignees for any acts or omissions unless there has been a final and non-appealable judgment entered by a court of competent jurisdiction determining that the general partner or those other persons acted in bad faith or engaged in fraud or willful misconduct or, in the case of a criminal matter, acted with knowledge that such person s conduct was criminal.

In order to become a limited partner of our partnership, our unitholders are required to agree to be bound by the provisions in the partnership agreement, including the provisions discussed above. Please read Conflicts of Interest and Fiduciary Duties Fiduciary Duties.

We may face conflicts of interest in the allocation of administrative time among Penn Virginia Corporation s businesses, PVR s business and our business.

Our general partner shares administrative personnel with Penn Virginia Corporation and PVR s general partner to operate Penn Virginia Corporation s business, our businesses and PVR s business. Our general partner s officers, who are also the officers of PVR s general partner and/or Penn Virginia Corporation, will have responsibility for overseeing the allocation of time spent by administrative personnel on our behalf and on behalf of PVR and/or Penn Virginia Corporation. These officers face conflicts regarding these time allocations that may adversely affect our or PVR s results of operations, cash flows, and financial condition. It is unlikely that these allocations will be the result of arms-length negotiations among Penn Virginia Corporation, PVR s general partner and our general partner.

Our general partner has a call right that may require you to sell your common units at an undesirable time or price.

If at any time more than 90% of our outstanding units are owned by our general partner and its affiliates, our general partner will have the right, which it may assign to any of its affiliates or to us, but not the obligation, to acquire all, but not less than all, of the remaining units held by unaffiliated persons at a price equal to the greater of (x) the average of the daily closing prices of the common units over the 20 trading days preceding the date three days before notice of exercise of the call right is first mailed and (y) the highest price paid by our general partner or any of its affiliates for common units during the 90 day period preceding the date such notice is first mailed. As a result, you may be required to sell your common units at an undesirable time or price and may not receive any return on your investment. You may also incur a tax liability upon a sale of your common units. At the completion of this offering and assuming no exercise of the underwriters option to purchase additional common units, affiliates of our general partner will own 83.6% of our common units. For additional information about the call right, please read Description of Our Partnership Agreement Limited Call Right.

Our general partner may mortgage, pledge, hypothecate or grant a security interest in all or substantially all of our assets without prior approval of our unitholders.

Our general partner may mortgage, pledge, hypothecate or grant a security interest in all or substantially all of our assets without prior approval of our unitholders. If our general partner at any time decided to incur debt and secures its obligations or indebtedness by all or substantially all of our assets, and if our general partner is unable to satisfy such obligations or repay such indebtedness, the lenders could seek to foreclose on our assets. The lenders may also sell all or substantially all of our assets under such foreclosure or other realization upon those encumbrances without prior approval of our unitholders, which would adversely affect the price of our common units.

Risks Related to PVR s Business

Because we are entirely dependent on the distributions we receive from PVR, risks to PVR s operations are also risks to us. We have set forth below risks to PVR s business and operations, the occurrence of which could negatively impact PVR s financial performance and decrease the amount of cash it is able to distribute to us.

If PVR s lessees do not manage their operations well, their production volumes and PVR s coal royalty revenues could decrease.

PVR depends on its lessees to effectively manage their operations on its properties. PVR s lessees make their own business decisions with respect to their operations, including decisions relating to:

- the method of mining;

credit review of their customers;

marketing of the coal mined;

coal transportation arrangements;

negotiations with unions;

employee wages;

permitting;

surety bonding; and

mine closure and reclamation.

Table of Contents

If PVR s lessees do not manage their operations well, their production could be reduced, which would result in lower coal royalty revenues to us and could adversely affect PVR s ability to make its quarterly distributions.

The coal mining operations of PVR s lessees are subject to numerous operational risks that could result in lower coal royalty revenues.

PVR s coal royalty revenues are largely dependent on the level of production from its coal reserves achieved by its lessees. The level of PVR s lessees production is subject to operating conditions or events that may increase PVR s lessees cost of mining and delay or halt production at particular mines for varying lengths of time and that are beyond their or its control, including:

- the inability to acquire necessary permits;
- changes or variations in geologic conditions, such as the thickness of the coal deposits and the amount of rock embedded in or overlying the coal deposit;
- changes in governmental regulation of the coal industry;
- mining and processing equipment failures and unexpected maintenance problems;
- adverse claims to title or existing defects of title;
- interruptions due to power outages;
- adverse weather and natural disasters, such as heavy rains and flooding;
- labor-related interruptions;
- employee injuries or fatalities; and
- fires and explosions.

Any interruptions to the production of coal from PVR s reserves could reduce its coal royalty revenues and adversely affect its ability to make its quarterly distributions. In addition, PVR s coal royalty revenues are based upon sales of coal by its lessees to their customers. If PVR s lessees do not receive payments for delivered coal on a timely basis from their customers, their cash flow would be adversely affected, which could cause its cash flow to be adversely affected and could adversely affect its ability to make its quarterly distributions.

A substantial or extended decline in coal prices could reduce PVR s coal royalty revenues and the value of PVR s coal reserves.

A substantial or extended decline in coal prices from recent levels could have a material adverse effect on PVR s lessees operations and on the quantities of coal that may be economically produced from its properties. This, in turn, could reduce its coal royalty revenues, PVR s coal services revenues and the value of its coal reserves. Additionally, volatility in coal prices could make it difficult to estimate with precision the value of its coal reserves and any coal reserves that PVR may consider for acquisition.

PVR depends on a limited number of primary operators for a significant portion of its coal royalty revenues and the loss of or reduction in production from any of PVR s major lessees could reduce its coal royalty revenues.

PVR depends on a limited number of primary operators for a significant portion of its coal royalty revenues. During 2005, five primary operators, each with multiple leases, accounted for 78% of PVR s coal royalty revenues. If any of these operators enters bankruptcy or decides to cease operations or significantly reduce PVR s production, PVR s coal royalty revenues could be reduced.

Table of Contents

A failure on the part of PVR s lessees to make coal royalty payments could give PVR the right to terminate the lease, repossess the property or obtain liquidation damages and/or enforce payment obligations under the lease. If PVR repossessed any of its properties, PVR would seek to find a replacement lessee. PVR may not be able to find a replacement lessee and, if it finds a replacement lessee, PVR may not be able to enter into a new lease on favorable terms within a reasonable period of time. In addition, the outgoing lessee could be subject to bankruptcy proceedings that could further delay the execution of a new lease or the assignment of the existing lease to another operator. If PVR enters into a new lease, the replacement operator might not achieve the same levels of production or sell coal at the same price as the lessee it replaced. In addition, it may be difficult for PVR to secure new or replacement lessees for small or isolated coal reserves, since industry trends toward consolidation favor larger-scale, higher technology mining operations to increase productivity rates.

PVR s coal business will be adversely affected if PVR is unable to replace or increase its coal reserves through acquisitions.

Because its reserves decline as its lessees mine its coal, PVR s future success and growth depends, in part, upon its ability to acquire additional coal reserves that are economically recoverable. If PVR is unable to negotiate purchase contracts to replace or increase its coal reserves on acceptable terms, its coal royalty revenues will decline as its coal reserves are depleted. In addition, if PVR is unable to successfully integrate the companies, businesses or properties it is able to acquire, its coal royalty revenues may decline and PVR could, therefore, experience a material adverse effect on its business, financial condition or results of operations. If PVR acquires additional coal reserves, there is a possibility that any acquisition could be dilutive to earnings and reduce its ability to make distributions to unitholders or to pay interest on, or the principal of, its debt obligations. Any debt PVR incurs to finance an acquisition may similarly affect its ability to make distributions to unitholders or to pay interest on, or the principal of, its debt obligations. PVR s ability to make acquisitions in the future also could be limited by restrictions under its existing or future debt agreements, competition from other coal companies for attractive properties or the lack of suitable acquisition candidates.

PVR s lessees could satisfy obligations to their customers with coal from properties other than PVR s, depriving PVR of the ability to receive amounts in excess of the minimum coal royalty payments.

PVR does not control its lessees business operations. Its lessees customer supply contracts do not generally require its lessees to satisfy their obligations to their customers with coal mined from its reserves. Several factors may influence a lessee s decision to supply its customers with coal mined from properties PVR does not own or lease, including the royalty rates under the lessee s lease with PVR, mining conditions, transportation costs and availability and customer coal specifications. If a lessee satisfies its obligations to its customers with coal from properties PVR does not own or lease, production under its lease will decrease, and PVR will receive lower coal royalty revenues.

Fluctuations in transportation costs and the availability or reliability of transportation could reduce the production of coal mined from PVR s properties.

Transportation costs represent a significant portion of the total cost of coal for the customers of PVR s lessees. Increases in transportation costs could make coal a less competitive source of energy or could make coal produced by some or all of its lessees less competitive than coal produced from other sources. On the other hand, significant decreases in transportation costs could result in increased competition for its lessees from coal producers in other parts of the country.

PVR s lessees depend upon rail, barge, trucking, overland conveyor and other systems to deliver coal to their customers. Disruption of these transportation services due to weather-related problems, strikes, lockouts, bottlenecks and other events could temporarily impair the ability of its lessees to supply coal to their customers. PVR s lessees transportation providers may face difficulties in the future and impair the ability of its lessees to supply coal to their customers, thereby resulting in decreased coal royalty revenues to PVR.

Table of Contents

PVR s lessees could experience labor disruptions, and PVR s lessees workforces could become increasingly unionized in the future.

Two of PVR s lessees each have one mine operated by unionized employees. One of these mines was PVR s second largest mine on the basis of coal reserves as of December 31, 2005. All of PVR s lessees could become increasingly unionized in the future. If some or all of PVR s lessees non-unionized operations were to become unionized, it could adversely affect their productivity and increase the risk of work stoppages. In addition, PVR s lessees operations may be adversely affected by work stoppages at unionized companies, particularly if union workers were to orchestrate boycotts against its lessees operations. Any further unionization of PVR s lessees employees could adversely affect the stability of production from its reserves and reduce its coal royalty revenues.

PVR s coal reserve estimates depend on many assumptions that may be inaccurate, which could materially adversely affect the quantities and value of PVR s coal reserves.

PVR s estimates of its coal reserves may vary substantially from the actual amounts of coal its lessees may be able to economically recover. There are numerous uncertainties inherent in estimating quantities of reserves, including many factors beyond its control. Estimates of coal reserves necessarily depend upon a number of variables and assumptions, any one of which may, if incorrect, result in an estimate that varies considerably from actual results. These factors and assumptions relate to:

- geological and mining conditions, which may not be fully identified by available exploration;
- the amount of ultimately recoverable coal in the ground;
- the effects of regulation by governmental agencies; and
- future coal prices, operating costs, capital expenditures, severance and excise taxes and development and reclamation costs.

Actual production, revenues and expenditures with respect to PVR s coal reserves will likely vary from estimates, and these variations may be material. As a result, you should not place undue reliance on the coal reserve data provided by PVR.

Any change in fuel consumption patterns by electric power generators away from the use of coal could affect the ability of PVR s lessees to sell the coal they produce and thereby reduce PVR s coal royalty revenues.

According to the U.S. Department of Energy, domestic electric power generation accounts for approximately 90% of domestic coal consumption. The amount of coal consumed for domestic electric power generation is affected primarily by the overall demand for electricity, the price and availability of competing fuels for power plants such as nuclear, natural gas, fuel oil and hydroelectric power and environmental and other governmental regulations. PVR believes that most new power plants will be built to produce electricity during peak periods of demand. Many of these new power plants will likely be fired by natural gas because of lower construction costs compared to coal-fired plants and because natural gas is a cleaner burning fuel. The increasingly stringent requirements of the Clean Air Act may result in more electric power generators shifting from coal to natural gas-fired power plants. See Business of Penn Virginia Resource Partners, L.P. Government Regulation and Environmental Matters Related to PVR s Operations.

Extensive environmental laws and regulations affecting electric power generators could have corresponding effects on the ability of PVR s lessees to sell the coal they produce and thereby reduce PVR s coal royalty revenues.

Federal, state and local laws and regulations extensively regulate the amount of sulfur dioxide, particulate matter, nitrogen oxides, mercury and other compounds emitted into the air from electric power plants, which are

Table of Contents

the ultimate consumers of the coal PVR s lessees produce. These laws and regulations can require significant emission control expenditures for many coal-fired power plants, and various new and proposed laws and regulations may require further emission reductions and associated emission control expenditures. There is also continuing pressure on state and federal regulators to impose limits on carbon dioxide emissions from electric power plants, particularly coal-fired power plants. As a result of these current and proposed laws, regulations and trends, electricity generators may elect to switch to other fuels that generate less of these emissions, possibly further reducing demand for the coal that PVR s lessees produce and thereby reducing its coal royalty revenues. See Business of Penn Virginia Resource Partners, L.P. Government Regulation and Environmental Matters Related to PVR s Operations.

Delays in PVR s lessees obtaining mining permits and approvals, or the inability to obtain required permits and approvals, could have an adverse effect on PVR s coal royalty revenues.

Mine operators, including PVR s lessees, must obtain numerous permits and approvals that impose strict conditions and obligations relating to various environmental and safety matters in connection with coal mining. The permitting rules are complex and can change over time. The public has the right to comment on permit applications and otherwise participate in the permitting process, including through court intervention. Accordingly, permits required by PVR s lessees to conduct operations may not be issued, maintained or renewed, or may not be issued or renewed in a timely fashion, or may involve requirements that restrict PVR s lessees ability to economically conduct their mining operations. Limitations on PVR s lessees ability to conduct their mining operations due to the inability to obtain or renew necessary permits could have an adverse effect on its coal royalty revenues. See Business of Penn Virginia Resource Partners, L.P. Government Regulation and Environmental Matters Related to PVR s Operations.

PVR s lessees mining operations are subject to extensive and costly laws and regulations, which could increase operating costs and limit its lessees ability to produce coal, which could have an adverse effect on PVR s coal royalty revenues.

PVR s lessees are subject to numerous and detailed federal, state and local laws and regulations affecting coal mining operations, including laws and regulations pertaining to employee health and safety, permitting and licensing requirements, air quality standards, water pollution, plant and wildlife protection, reclamation and restoration of mining properties after mining is completed, the discharge of materials into the environment, surface subsidence from underground mining and the effects that mining has on groundwater quality and availability. Numerous governmental permits and approvals are required for mining operations. PVR s lessees are required to prepare and present to federal, state or local authorities data pertaining to the effect or impact that any proposed exploration for or production of coal may have upon the environment. The costs, liabilities and requirements associated with these regulations may be significant and time-consuming and may delay commencement or continuation of exploration or production operations. The possibility exists that new laws or regulations (or judicial interpretations of existing laws and regulations) may be adopted in the future that could materially affect PVR s lessees mining operations, either through direct impacts such as new requirements impacting its lessees existing mining operations, or indirect impacts such as new laws and regulations that discourage or limit coal consumers use of coal. Any of these direct or indirect impacts could have an adverse effect on PVR s coal royalty revenues. See Business of Penn Virginia Resource Partners, L.P. Government Regulation and Environmental Matters Related to PVR s Operations.

Because of extensive and comprehensive regulatory requirements, violations during mining operations are not unusual in the industry and, notwithstanding compliance efforts, PVR does not believe violations by its lessees can be eliminated completely. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of cleanup and site restoration costs and liens and, to a lesser extent, the issuance of injunctions to limit or cease operations. PVR s lessees may also incur costs and liabilities resulting from claims for damages to property or injury to persons arising from their operations. If its lessees are required to pay these costs and liabilities and if their financial viability is affected by doing so, then their mining operations and, as a result, PVR s coal royalty revenues and its ability to make distributions to us, could be adversely affected.

Recent mining accidents in West Virginia and Kentucky have received national attention and instigated responses at the state and national level that have resulted in increased scrutiny of current safety practices and procedures at all mining operations, particularly underground mining operations. Please read Business of Penn Virginia Resource Partners, L.P. Government Regulations and Environmental Matters Related to PVR s Operations Coal Segment Mine Health and Safety Laws for a more detailed discussion of recently enacted legislation that addresses mine safety equipment, training, and emergency reporting requirements. Implementing and complying with these new laws and regulations could adversely affect PVR s lessees coal production and could therefore have an adverse affect on PVR s coal royalty revenues and its ability to make distributions to us.

The success of PVR s midstream business depends upon its ability to find and contract for new sources of natural gas supply.

In order to maintain or increase throughput levels on PVR s gathering systems and asset utilization rates at its processing plants, PVR must contract for new natural gas supplies. The primary factors affecting PVR s ability to connect new supplies of natural gas to its gathering systems include the level of drilling activity creating new gas supply near its gathering systems, PVR s success in contracting for existing natural gas supplies that are not committed to other systems and PVR s ability to expand and increase the capacity of its systems. PVR may not be able to obtain additional contracts for natural gas supplies.

Fluctuations in energy prices can greatly affect production rates and investments by third parties in the development of new oil and natural gas reserves. Drilling activity generally decreases as oil and natural gas prices decrease. PVR has no control over the level of drilling activity in its areas of operations, the amount of reserves underlying the wells and the rate at which production from a well will decline. In addition, PVR has no control over producers or their production decisions, which are affected by, among other things, prevailing and projected energy prices, demand for hydrocarbons, the level of reserves, geological considerations, governmental regulation and the availability and cost of capital.

PVR s midstream assets, including its gathering systems and processing plants, are connected to natural gas reserves and wells for which the production will naturally decline over time. PVR s cash flows associated with these systems will decline unless it is able to secure new supplies of natural gas by connecting additional production to these systems. A material decrease in natural gas production in PVR s areas of operation, as a result of depressed commodity prices or otherwise, would result in a decline in the volume of natural gas PVR handles, which would reduce its revenues and operating income. In addition, PVR s future growth will depend, in part, upon whether it can contract for additional supplies at a greater rate than the rate of natural decline in PVR s currently connected supplies.

The profitability of PVR s midstream business is dependent upon prices and market demand for natural gas and natural gas liquids, which are beyond PVR s control and have been volatile.

PVR is subject to significant risks due to fluctuations in natural gas commodity prices. During 2005, PVR generated a majority of its gross margin from two types of contractual arrangements under which its margin is exposed to increases and decreases in the price of natural gas and natural gas liquids (or NGLs) percentage-of-proceeds and keep-whole arrangements. See Business of Penn Virginia Resource Partners, L.P. PVR s Contracts Natural Gas Midstream Segment.

Virtually all of the natural gas gathered on PVR s Crescent System and Hamlin System is contracted under percentage-of-proceeds arrangements. The natural gas gathered on PVR s Beaver System is contracted primarily under either percentage-of proceeds or gas purchase/keep-whole arrangements. Under both types of arrangements, PVR provides gathering and processing services for natural gas received. Under percentage-of-proceeds arrangements, PVR generally sells the NGLs produced from the processing operations

34

and the remaining residue gas at market prices and remits to the producers an agreed upon percentage of the proceeds based upon an index price for the gas and the price received for the NGLs. Under these percentage-of-proceeds arrangements, revenues and gross margins decline when natural gas prices and NGL prices decrease. Accordingly, a decrease in the price of natural gas or NGLs could have a material adverse effect on PVR s results of operations. Under gas purchase/keep-whole arrangements, PVR generally buys natural gas from producers based upon an index price and then sells the NGLs and the remaining residue gas to third parties at market prices. Because the extraction of the NGLs from the natural gas during processing reduces the volume of natural gas available for sale, profitability is dependent on the value of those NGLs being higher than the value of the volume of gas reduction or shrink. Under these arrangements, revenues and gross margins decrease when the price of natural gas increases relative to the price of NGLs. Accordingly, a change in the relationship between the price of natural gas and the price of NGLs could have a material adverse effect on PVR s results of operations.

In the past, the prices of natural gas and NGLs have been extremely volatile, and PVR expects this volatility to continue. The markets and prices for residue gas and NGLs depend upon factors beyond PVR s control. These factors include demand for oil, natural gas and NGLs, which fluctuates with changes in market and economic conditions, and other factors, including:

- the impact of weather on the demand for oil and natural gas;
- the level of domestic oil and natural gas production;
- the availability of imported oil and natural gas;
- actions taken by foreign oil and gas producing nations;
- the availability of local, intrastate and interstate transportation systems;
- the availability and marketing of competitive fuels;
- the impact of energy conservation efforts; and
- the extent of governmental regulation and taxation.

Acquisitions and expansions may affect PVR s business by substantially increasing the level of its indebtedness and contingent liabilities and increasing the risks of being unable to effectively integrate these new operations.

From time to time, PVR evaluates and acquires assets and businesses that it believes compliment its existing operations. PVR may encounter difficulties integrating these acquisitions with its existing businesses without a loss of employees or customers, a loss of revenues, an increase in operating or other costs or other difficulties. In addition, PVR may not be able to realize the operating efficiencies, competitive advantages, cost savings or other benefits expected from these acquisitions. Future acquisitions may require substantial capital or the incurrence of substantial indebtedness. As a result, PVR s capitalization and results of operations may change significantly following an acquisition, and you will not have the opportunity to evaluate the economic, financial and other relevant information that PVR will consider in determining the application of these funds and other resources. Future PVR acquisitions might not generate increases in PVR pro forma available cash per unit, and may not increase cash distributions to PVR unitholders.

Expanding PVR s midstream business by constructing new gathering systems, pipelines and processing facilities subjects PVR to construction risks.

One of the ways PVR may grow its midstream business is through the construction of additions to existing gathering, compression and processing systems. The construction of a new gathering system or pipeline, the expansion of an existing pipeline through the addition of new pipe or compression and the construction of new processing facilities involve numerous regulatory, environmental, political and legal uncertainties beyond PVR s control and require the expenditure of significant amounts of capital. If PVR undertakes these projects, they may not be completed on schedule, or at all, or at the budgeted cost. Moreover, PVR s revenues may not increase immediately upon the expenditure of funds on a particular project. For example, the construction of gathering facilities requires the expenditure of significant amounts of capital, which may exceed PVR s estimates. Generally, it may have only limited natural gas supplies committed to these facilities prior to their construction.

Table of Contents

Moreover, PVR may construct facilities to capture anticipated future growth in production in a region in which anticipated production growth does not materialize. As a result, there is the risk that new facilities may not be able to attract enough natural gas to achieve PVR s expected investment return, which could adversely affect its financial position or results of operations and its ability to make distributions to us.

If PVR is unable to obtain new rights-of-way or the cost of renewing existing rights-of-way increases, then it may be unable to fully execute its growth strategy and its cash flows could be reduced.

The construction of additions to PVR s existing gathering assets may require PVR to obtain new rights-of-way before constructing new pipelines. PVR may be unable to obtain rights-of-way to connect new natural gas supplies to its existing gathering lines or capitalize on other attractive expansion opportunities. Additionally, it may become more expensive for PVR to obtain new rights-of-way or to renew existing rights-of-way. If the cost of obtaining new rights-of-way or renewing existing rights-of-way increases, then PVR s cash flows could be reduced.

PVR is exposed to the credit risk of its coal lessees and midstream customers, and nonpayment or nonperformance by PVR s lessees or customers could reduce its cash flows.

PVR is subject to risk of loss resulting from nonpayment or nonperformance by its coal lessees or midstream customers. For 2005, four coal lessees represented approximately 60% of its total coal segment revenues and 13% of its total consolidated revenues. In addition, PVR depends on a limited number of customers for a significant portion of its midstream revenue. For 2005, two customers represented 46% of its total natural gas midstream revenues and 35% of its total consolidated revenues. Any nonpayment or nonperformance by PVR s coal lessees and midstream customers could reduce its cash flows.

Any reduction in the capacity of, or the allocations to, PVR in interconnecting third-party pipelines could cause a reduction of volumes processed, which would adversely affect PVR s revenues and cash flow.

PVR is dependent upon connections to third-party pipelines to receive and deliver residue gas and NGLs. Any reduction of capacities of these interconnecting pipelines due to testing, line repair, reduced operating pressures or other causes could result in reduced volumes gathered and processed in PVR s midstream facilities. Similarly, if additional shippers begin transporting volumes of residue gas and NGLs on interconnecting pipelines, its allocations in these pipelines would be reduced. Any reduction in volumes gathered and processed in PVR s facilities would adversely affect its revenues and cash flow.

Natural gas hedging transactions may limit PVR s potential gains and involve other risks.

In order to manage PVR s exposure to price risks in the marketing of its natural gas and NGLs, PVR periodically enters into natural gas and NGL price hedging arrangements with respect to a portion of its expected production. PVR s hedges are limited in duration, usually for periods of two years or less. However, in connection with acquisitions, sometimes PVR s hedges are for longer periods. These hedging transactions may limit PVR s potential gains if natural gas or NGL prices were to rise over the price established by the hedging arrangements. In trying to maintain an appropriate balance, it may end up hedging too much or too little, depending upon how natural gas or NGL prices fluctuate in the future. PVR s hedging transactions may not reduce the risk or minimize the effect of any decline in natural gas or NGL prices.

In addition, hedging transactions may expose PVR to the risk of financial loss in certain circumstances, including instances in which:

PVR s production is less than expected;

there is a widening of price basis differentials between delivery points for PVR s production and the delivery point assumed in the hedge arrangement;

the counterparties to PVR s futures contracts fail to perform under the contracts; or

a sudden, unexpected event materially impacts natural gas or NGL prices.

Table of Contents

In addition, hedging transactions using derivative instruments involve basis risk. Basis risk in a hedging contract occurs when the index upon which the contract is based is more or less variable than the index upon which the hedged asset is based, thereby making the hedge less effective. For example, a NYMEX index used for hedging certain volumes of production may have more or less variability than the regional price index used for the sale of that production.

PVR s natural gas midstream business involves many hazards and operational risks, some of which may not be fully covered by insurance.

PVR s midstream operations are subject to the many hazards inherent in the gathering, compression, treating, processing and transportation of natural gas and NGLs, including:

- damage to pipelines, related equipment and surrounding properties caused by hurricanes, tornadoes, floods, fires and other natural disasters and acts of terrorism;
- inadvertent damage from construction and farm equipment;
- leaks of natural gas, NGLs and other hydrocarbons; and
- fires and explosions.

These risks could result in substantial losses due to personal injury or loss of life, severe damage to and destruction of property and equipment and pollution or other environmental damage and may result in curtailment or suspension of PVR s related operations. PVR s midstream operations are concentrated in Texas and Oklahoma, and a natural disaster or other hazard affecting these areas could have a material adverse effect on PVR s operations. PVR is not fully insured against all risks incident to its midstream business. PVR does not have property insurance on all of its underground pipeline systems that would cover damage to the pipelines. PVR is not insured against all environmental accidents that might occur, other than those considered to be sudden and accidental. If a significant accident or event occurs that is not fully insured, it could adversely affect PVR s operations and financial condition.

Federal, state or local regulatory measures could adversely affect PVR s natural gas midstream business.

PVR owns and operates an 11-mile interstate natural gas pipeline that, pursuant to the Natural Gas Act of 1938 (or the NGA), is subject to the jurisdiction of the Federal Energy Regulatory Commission s (or the FERC). The FERC has granted PVR waivers of various requirements otherwise applicable to conventional FERC-jurisdictional pipelines, including the obligation to file a tariff governing rates, terms and conditions of open access transportation service. The FERC has determined that PVR will have to comply with the filing requirements if the natural gas company ever desires to apply for blanket transportation authority to transport third-party gas on the 11-mile pipeline. The FERC may revoke these PVR waivers at any time.

PVR s natural gas gathering facilities generally are exempt from the FERC s jurisdiction under the NGA, but FERC regulation nevertheless could change and significantly affect PVR s gathering business and the market for its services. For a more detailed discussion on how regulatory measures affect PVR s natural gas gathering systems, please read Business of Penn Virginia Resource Partners, L.P. Government Regulation and

Environmental Matters Related to PVR s Operations Natural Gas Midstream Segment.

Failure to comply with applicable federal and state laws and regulations can result in the imposition of administrative, civil and criminal remedies.

PVR s natural gas midstream business is subject to extensive environmental regulation.

Many of the operations and activities of PVR s gathering systems, plants and other facilities are subject to significant federal, state and local environmental laws and regulations. These include, for example, laws and regulations that impose obligations related to air emissions and discharge of wastes from its facilities and the cleanup of hazardous substances that may have been released at properties currently or previously owned or operated by Cantera or locations to which it has sent wastes for disposal. These laws and regulations can restrict

Table of Contents

or impact PVR s business activities in many ways, including restricting the manner in which it disposes of substances, requiring pre-approval for the construction or modification of certain projects or facilities expected to produce air emissions, requiring remedial action to remove or mitigate contamination, and requiring capital expenditures to comply with control requirements. Failure to comply with these laws and regulations may trigger a variety of administrative, civil and criminal enforcement measures, including the assessment of monetary penalties, the imposition of remedial requirements and the issuance of orders enjoining future operations. Certain environmental statutes impose strict, joint and several liability for costs required to clean up and restore sites where substances and wastes have been disposed or otherwise released. Moreover, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the release of substances or wastes into the environment.

There is inherent risk of the incurrence of environmental costs and liabilities in PVR s midstream business due its handling of natural gas and other petroleum products, air emissions related to its midstream operations, historical industry operations, waste disposal practices and Cantera s prior use of natural gas flow meters containing mercury. For example, an accidental release from one of PVR s pipelines or processing facilities could subject it to substantial liabilities arising from environmental cleanup, restoration costs and natural resource damages, claims made by neighboring landowners and other third parties for personal injury and property damage, and fines or penalties for related violations of environmental laws or regulations. Moreover, the possibility exists that stricter laws, regulations or enforcement policies could significantly increase PVR s compliance costs and the cost of any remediation that may become necessary. PVR may incur material environmental costs and liabilities. Insurance may not provide sufficient coverage in the event an environmental claim is made. Please see Business of Penn Virginia Resource Partners, L.P. Government Regulation and Environmental Matters Related to PVR s Operations Natural Gas Midstream Segment.

Tax Risks to Our Common Unitholders

In addition to reading the following risk factors, you should read Material Tax Consequences for a more complete discussion of the expected material federal income tax consequences of owning and disposing of common units.

If we or PVR were to become subject to entity-level taxation for federal or state tax purposes, then our cash available for distribution to you would be substantially reduced.

The value of our investment in PVR depends largely on PVR being treated as a partnership for federal income tax purposes, which requires that 90% or more of PVR s gross income for every taxable year consist of qualifying income, as defined in Section 7704 of the Internal Revenue Code. PVR may not meet this requirement or current law may change so as to cause, in either event, PVR to be treated as a corporation for federal income tax purposes or otherwise subject to federal income tax. Moreover, the anticipated after-tax economic benefit of an investment in our common units depends largely on our being treated as a partnership for federal income tax purposes. We have not requested, and do not plan to request, a ruling from the Internal Revenue Service, or IRS, on this or any other matter affecting us.

If PVR were treated as a corporation for federal income tax purposes, it would pay federal income tax on its taxable income at the corporate tax rate, which is currently a maximum of 35%. Distributions to us would generally be taxed again as corporate distributions, and no income, gains, losses, deductions or credits would flow through to us. As a result, there would be a material reduction in our anticipated cash flow and distributions to unitholders, likely causing a substantial reduction in the value of our units.

If we were treated as a corporation for federal income tax purposes, we would pay federal income tax on our taxable income at the corporate tax rate. Distributions to you would generally be taxed again as corporate distributions, and no income, gains, losses, deductions or credits would flow through to you. Because a tax would be imposed upon us as a corporation, our cash available for distribution to you would be substantially reduced. Thus, treatment of us as a corporation would result in a material reduction in our anticipated cash flow, likely causing a substantial reduction in the value of our units.

Table of Contents

Current law may change, causing us or PVR to be treated as a corporation for federal income tax purposes or otherwise subjecting us or PVR to entity level taxation. In addition, because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships to entity level taxation through the imposition of state income, franchise or other forms of taxation. For example, PVR will be subject to a new entity level tax on the portion of its income that is generated in Texas beginning in its tax year that ends December 31, 2007. Imposition of such tax on us or PVR by Texas, or any other state, will reduce our cash available for distribution to you.

PVR s partnership agreement provides that if a law is enacted or existing law is modified or interpreted in a manner that subjects PVR to taxation as a corporation or otherwise subjects PVR to entity-level taxation for federal, state or local income tax purposes, the minimum quarterly distribution amount and the target distribution amounts will be adjusted to reflect the impact of that law on PVR. Likewise, our cash distributions to you will be reduced if we or PVR is subjected to any form of such an entity-level taxation.

If the IRS contests the federal income tax positions that we or PVR take, it may adversely affect the market for our common units or PVR limited partner units, and the costs of any contest will reduce cash available for distribution to our unitholders.

We have not requested a ruling from the IRS with respect to our treatment as a partnership for federal income tax purposes or any other matter that affects us. Moreover, PVR has not requested any ruling from the IRS with respect to its treatment as a partnership for federal income tax purposes or any other matter that affects it. The IRS may adopt positions that differ from the positions we or PVR take. It may be necessary to resort to administrative or court proceedings to sustain some or all of the positions we or PVR take. A court may disagree with some or all of the positions we or PVR take. Any contest with the IRS may materially and adversely impact the market for our common units or PVR s limited partner units and the price at which they trade. In addition, the cost of any contest between PVR and the IRS will result in a reduction in cash available for distribution to PVR unitholders and thus indirectly by us, as a unitholder and as the owner of the general partner of PVR. Moreover, the costs of any contest between us and the IRS will result in a reduction in cash available for distribution to our unitholders and thus will be borne indirectly by our unitholders.

You may be required to pay taxes on your share of our income even if you do not receive any cash distributions from us.

Because our unitholders will be treated as partners to whom we will allocate taxable income which could be different in amount than the cash we distribute, you will be required to pay any federal income taxes and, in some cases, state and local income taxes on your share of our taxable income, whether or not you receive cash distributions from us. You may not receive cash distributions from us equal to your share of our taxable income or even equal to the tax liability that results from the taxation of your share of our taxable income.

Tax gain or loss on disposition of our common units could be more or less than expected.

If you sell your common units, you will recognize a gain or loss equal to the difference between the amount realized and the adjusted tax basis in those common units. Prior distributions to you in excess of the total net taxable income allocated to you, which decreased the tax basis in your common units, will, in effect, become taxable income to you if the common units are sold at a price greater than your tax basis in those common units, even if the price you receive is less than the original cost. A substantial portion of the amount realized, whether or not representing gain, may be ordinary income to you. In addition, if you sell your units, you may incur a tax liability in excess of the amount of cash you receive from the sale.

Tax-exempt entities and foreign persons face unique tax issues from owning common units that may result in adverse tax consequences to them.

Investment in common units by tax-exempt entities, including employee benefit plans and individual retirement accounts (known as IRAs), and non-U.S. persons raises issues unique to them. For example, virtually all of our income allocated to organizations exempt from federal income tax, including individual retirement

Table of Contents

accounts and other retirement plans, will be unrelated business taxable income and will be taxable to such a unitholder. Distributions to non-U.S. persons will be reduced by withholding taxes imposed at the highest effective applicable tax rate, and non-U.S. persons will be required to file United States federal income tax returns and pay tax on their share of our taxable income.

We treat each purchaser of our common units as having the same tax benefits without regard to the common units purchased. The IRS may challenge this treatment, which could adversely affect the value of our common units.

Because we cannot match transferors and transferees of common units, we will adopt depreciation and amortization positions that may not conform with all aspects of existing Treasury Regulations. A successful IRS challenge to those positions could adversely affect the amount of tax benefits available to our unitholders. It also could affect the timing of these tax benefits or the amount of gain from your sale of common units and could have a negative impact on the value of our common units or result in audits of and adjustments to our unitholders tax returns.

The sale or exchange of 50% or more of our capital and profits interests during any twelve-month period will result in the termination of our partnership for federal income tax purposes.

We will be considered to have been terminated for federal income tax purposes if there is a sale or exchange of 50% or more of the total interests in our capital and profits within a twelve-month period. A sale or exchange would occur, for example, if we sold our business or merged with another company, or if any of our unitholders, including Penn Virginia Corporation or any of its affiliates, sold or transferred their partnership interests in us. Our termination would, among other things, result in the closing of our taxable year for all unitholders and could result in a deferral of depreciation deductions allowable in computing our taxable income. Please read Material Tax Consequences Disposition of Units Constructive Termination for a description of the consequences of our termination for federal income tax purposes.

Our ratio of taxable income to cash distributions will be much greater than the ratio applicable to holders of common units in PVR.

Our ratio of taxable income to cash distributions will be much greater than the ratio applicable to holders of common units in PVR. Other holders of common units in PVR will receive remedial allocations of deductions from PVR. Remedial allocations of deductions to us will be very limited. In addition, our ownership of PVR incentive distribution rights will cause more taxable income to be allocated to us from PVR than will be allocated to holders who hold only common units in PVR. If PVR is successful in increasing its distributions over time, our income allocations from our PVR incentive distribution rights will increase, and, therefore, our ratio of taxable income to cash distributions will increase. Because our ratio of taxable income to cash distributions will be greater than the ratio applicable to holders of common units in PVR, your allocable taxable income will be significantly greater than that of a holder of common units in PVR who receives cash distributions from PVR equal to the cash distributions you receive from us.

You will likely be subject to state and local taxes and return filing requirements in states where you do not live as a result of investing in our common units.

In addition to federal income taxes, our unitholders will likely be subject to other taxes, including state and local taxes, unincorporated business taxes and estate, inheritance or intangible taxes that are imposed by the various jurisdictions in which we or PVR do business or own property now or in the future, even if our unitholders do not reside in any of those jurisdictions. Our unitholders likely will be required to file state and local income tax returns and pay state and local income taxes in some or all of these jurisdictions. Further, unitholders may be subject to penalties for failure to comply with those requirements. It is the responsibility of each unitholder to file all United States federal, state and local tax returns that may be required of such unitholder. Our counsel has not rendered an opinion on the state or local tax consequences of an investment in our common units.

Table of Contents

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements. All statements other than statements of historical fact are forward-looking statements. These statements can be identified by the use of forward-looking terminology including may, believe, expect, anticipate, estimate, continue other similar words, although some forward-looking statements are expressed differently. These statements discuss plans, strategies, events or developments that we expect or anticipate will or may occur in the future. Specific factors could cause our actual results to differ materially from those contained in any forward-looking statement. These factors include, but are not limited to:

- PVR s ability to generate sufficient cash from its midstream and coal businesses to pay the minimum quarterly distribution to its general partner and PVR s unitholders;
- energy prices generally and specifically, the price of natural gas and the price of NGLs;
- the relationship between natural gas and NGL prices;
- the price of coal and its comparison to the prices of natural gas and oil;
- the volatility of commodity prices for coal, natural gas and NGLs;
- the projected demand for coal, natural gas and NGLs;
- the projected supply of coal, natural gas and NGLs;
- the ability of PVR to successfully manage its relatively new natural gas midstream business;
- PVR s ability to acquire new coal reserves or midstream assets on satisfactory terms and to effectively integrate these new operations;
- the price for which coal reserves can be acquired;
- the ability of PVR to continually find and contract for new sources of natural gas supply;
- PVR s ability to retain existing or acquire new midstream customers;
- PVR s ability to lease new and existing coal reserves;
- the ability of PVR s lessees to produce sufficient quantities of coal on an economic basis from PVR s reserves;

the ability of PVR s lessees to obtain favorable contracts for coal produced from PVR s reserves;

competition among producers in the coal industry generally and among natural gas midstream companies;

PVR s exposure to the credit risk of its coal lessees and midstream customers;

the extent to which the amount and quality of PVR s actual production differ from its estimated recoverable proved coal reserves;

hazards or operating risks incidental to midstream operations;

unanticipated geological problems;

the dependence of PVR s midstream business on having connections to third party pipelines;

the availability of required materials and equipment;

the occurrence of unusual weather or operating conditions including force majeure events;

the failure of PVR s infrastructure and PVR s lessees mining equipment or processes to operate in accordance with specifications or expectations;

- delays in anticipated start-up dates of PVR s lessees mining operations and related coal infrastructure projects;
- environmental risks affecting the mining of coal reserves and the production, gathering and processing of natural gas;
- the timing of receipt of necessary governmental permits by PVR s lessees;
- the risks associated with having or not having price risk management programs;
- labor relations and costs;
- accidents;
- changes in governmental regulation or enforcement practices, especially with respect to environmental, health and safety matters, including with respect to emissions levels applicable to coal-burning power generators;
- uncertainties relating to the outcome of current and future litigation regarding mine permitting;
- risks and uncertainties relating to general domestic and international economic (including inflation and interest rates) and political conditions (including the impact of potential terrorist attacks);
- the experience and financial condition of PVR s lessees, including their ability to satisfy their royalty, environmental, reclamation and other obligations to PVR and others;
- PVR s ability to expand its midstream business by constructing new gathering systems, pipelines and processing facilities on an economic basis and in a timely manner;
- coal handling joint venture operations; and
- changes in financial market conditions.

A forward-looking statement may include a statement of the assumptions or bases underlying the forward-looking statement. We believe that we have chosen these assumptions or bases in good faith and that they are reasonable. However, we caution you that assumed facts or bases almost always vary from actual results, and the differences between assumed facts or bases and actual results can be material, depending on the circumstances. When considering forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this prospectus, including those described in the Risk Factors section of this prospectus. We will not update these statements unless the securities laws require us to do so.

Table of Contents

USE OF PROCEEDS

We expect to receive net proceeds of approximately $110.0 million from the sale of 6,300,000 common units offered by this prospectus, after deducting underwriting discounts and commissions and estimated offering expenses of approximately $9.7 million payable by us. We will use the net proceeds from this offering as follows:

- an aggregate of approximately $105.4 million to purchase from PVR, in a private placement, 416,444 common units and 3,741,768 Class B units representing limited partner interests in PVR; and

- approximately $2.2 million to make a capital contribution to PVR to maintain our 2% general partner interest.

We will use the remainder of the net proceeds of this offering for general partnership purposes.

The Class B units will be issued in lieu of additional PVR common units to comply with the rules of the NYSE as they relate to PVR. For a description of the terms of the Class B units, please read Material Provisions of the Partnership Agreement of Penn Virginia Resource Partners, L.P. Class B Units.

If the underwriters exercise their option to purchase additional common units from us in full, we expect to receive additional net proceeds of approximately $16.9 million. We will use any net proceeds from the exercise of the underwriters option to purchase additional common units, to purchase additional Class B units from PVR and make an additional capital contribution in an amount equal to approximately $0.3 million to PVR to maintain our 2% general partner interest.

The foregoing assumes (i) an initial public offering price for our common units of $19.00 per unit and (ii) a purchase price of $25.34 per PVR common unit and Class B unit, which is the volume weighted average market price per PVR common unit for the five trading days ended November 24, 2006. The actual price we will pay per PVR common unit and Class B unit will be equal to the volume weighted average market price per PVR common unit for the ten trading days prior to the pricing of our initial public offering, which may be greater or less than the price per PVR common unit and Class B units we have assumed.

An increase or decrease of $1.00 in the assumed public offering price per common unit would cause the net proceeds from the offering, after deducting underwriting discounts and commissions and offering expenses payable by us, to increase or decrease, as the case may be, by approximately $5.9 million. An increase of $1.00 in the purchase price per PVR common unit and Class B unit would cause a decrease of 157,866 in the aggregate number of common units and Class B units we purchase from PVR, which would result in the aggregate annual distributions to us from PVR to decrease by approximately $0.3 million. If the aggregate annual distributions to us from PVR were to decrease as a result of our purchasing fewer PVR common units and Class B units, the cash flow we would have available to make distributions to our unitholders would decrease accordingly. See Risk Factors In the future, we may not have sufficient cash to pay our estimated initial quarterly distribution or to increase distributions. A decrease of $1.00 in the purchase price per PVR common unit and Class B unit would cause an increase of 170,840 in the aggregate number of common and Class B units we purchase from PVR, which would result in the aggregate annual distributions to us from PVR to increase by approximately $0.3 million. The as adjusted information discussed above is intended only to show that the actual number of common units and Class B units of PVR that we will purchase with the net proceeds of this offering will depend in part on the public offering price of our common units and the purchase price per PVR common unit and Class B unit. Following the completion of this offering we will determine the actual number of common units and Class B units of PVR that we will purchase based on the actual public offering price, the actual purchase price per PVR common unit and Class B unit and other terms of this offering determined at pricing.

PVR will use the net proceeds from the sale to us of the PVR common units and Class B units and the related general partner contribution to repay approximately $107.5 million of borrowings outstanding under its credit facility. As of November 24, 2006, PVR had outstanding borrowings of $257.8 million under its credit facility. The borrowings were incurred to finance PVR s acquisitions. See Management s Discussion and Analysis of Financial Condition and Results of Operations PVR s Recent Acquisitions and Investments. Borrowings under the credit facility currently bear interest at a rate of 6.6% per annum and are due and payable in March 2010.

Table of Contents

CAPITALIZATION

The following table sets forth our cash and cash equivalents and our capitalization as of September 30, 2006:

- on a consolidated historical basis for Penn Virginia Resource GP, LLC;
- as adjusted to give effect to:
  - the transactions contemplated by the Contribution Agreement described in this prospectus;
  - the sale of 6,300,000 common units in this offering and the application of the net proceeds from this offering to make a capital contribution to PVR, purchase PVR common units and Class B units and for general partnership purposes, as described in Use of Proceeds; and
  - the use of the funds received from us by PVR to repay borrowings outstanding under its credit facility.

The historical financial data of Penn Virginia Resource GP, LLC presented in the table below is derived from and should be read in conjunction with Penn Virginia Resource GP, LLC s historical financial statements, including the accompanying notes, included elsewhere in this prospectus.

	As of September 30, 2006	
	Actual	As Adjusted (a)
	(in thousands)	
Cash and cash equivalents	$ 12,245	$ 14,745
PVR revolving credit facility	251,800	144,281
PVR senior notes	74,798	74,798
Total debt, including current portion	326,598	219,079
Minority interests in Penn Virginia Resource Partners, L.P.	329,985	334,876
Equity:		
Member s equity of Penn Virginia Resource GP, LLC	(28,999)	
Partners equity of Penn Virginia GP Holdings, L.P.		68,448
Unrealized loss on derivatives	(9,326)	(9,326)
Total equity	(38,325)	59,122
Total capitalization	$ 618,258	$ 613,077

(a) Assumes an initial public offering price of our common units of $19.00 per unit and reflects net proceeds from this offering of approximately $110.0 million, after deducting approximately $9.7 million of underwriters commissions, fees and expenses payable by us and the application of the proceeds as described in Use of Proceeds. PVR will use the proceeds from the sale to us of the common units and Class B units and the related general partner capital contribution to repay borrowings outstanding under its revolving credit facility. A $1.00 increase (decrease) in the assumed public offering price per common unit (a) would increase (decrease) the number of common units and Class B units we purchase from PVR (assuming purchase price of $25.34 per PVR unit), and as a result, the amount of indebtedness under its credit facility that PVR will repay by $5.9 million, and (b) would increase (decrease) our total partners equity by $5.9 million, assuming the number of common units offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts, commissions and estimated offering expenses payable by us. The pro forma information discussed above is illustrative only and following the completion of this offering will be adjusted based on the actual public offering price and other terms of this offering determined at pricing. The as adjusted information discussed above is intended only to show that the actual number of common units and Class B units of PVR that we will purchase with the net proceeds of this offering will depend in part on the public offering price of our common units and the purchase price per PVR common unit and Class B unit. Following the completion of this offering we will determine the actual number of common units and Class B units of PVR that we will purchase based on the actual public offering price, the actual purchase price per PVR common unit and Class B unit and other terms of this offering determined at pricing.

Table of Contents

DILUTION

Dilution is the amount by which the offering price paid by purchasers of common units sold in this offering will exceed the net tangible book value per unit after the offering. On a pro forma basis as of September 30, 2006, after giving effect to the offering of our common units at the assumed initial public offering price of $19.00 per common unit and the related transactions (including our purchase of (i) 416,444 PVR common units and (ii) 3,741,768 Class B units of PVR), the net tangible book value of our assets would have been approximately $59.1 million, or $1.54 per common unit. Purchasers of our common units in this offering will experience immediate and substantial dilution in net tangible book value per common unit for financial accounting purposes, as illustrated in the following table.

Assumed initial public offering price per common unit	$ 19.00
Less: Pro forma net tangible book value per common unit after the offering (1)	1.54
Immediate dilution in net tangible book value per common unit to new investors (2)	$ 17.46

(1) Determined by dividing the total number of common units to be outstanding after the offering into our pro forma net tangible book value, after giving effect to the application of the net proceeds of the offering and the related transactions.

(2) If the initial public offering price were to increase or decrease by $1.00 per common unit, immediate dilution in net tangible book value per common unit would increase by $1.00 or decrease by $1.00, respectively.

The following table sets forth the number of common units that we will issue and the total consideration contributed to us by our current owner, Penn Virginia Corporation, and its affiliates in respect of their common units and by the purchasers of common units in this offering upon consummation of the transactions contemplated by this prospectus:

	Units Acquired		Total Consideration	
	Number	Percent	Amount	Percent
Current owners	32,125,000	83.6%	$ (38,325,000)	(47.1)%
New investors	6,300,000	16.4	119,700,000	147.1
Total	38,425,000	100.0%	$ 81,375,000	100.0%

Table of Contents

OUR CASH DISTRIBUTION POLICY AND RESTRICTIONS ON DISTRIBUTIONS

You should read the following discussion of our cash distribution policy in conjunction with the more detailed information regarding the factors and assumptions upon which our cash distribution policy is based in Assumptions and Considerations below. In addition, you should read Forward-Looking Statements and Risk Factors for information regarding statements that do not relate strictly to historical or current facts and material risks inherent in our and PVR s business.

For additional information regarding our historical and pro forma operating results, you should refer to our historical financial statements for the years ended December 31, 2004 and 2005 and for the nine-month period ended September 30, 2006, and our pro forma financial statements for the year ended December 31, 2005 and the six-month period ended September 30, 2006, each included elsewhere in this prospectus.

General

Rationale for Our Cash Distribution Policy. Our partnership agreement requires us to distribute all of our available cash quarterly. Our available cash is our cash on hand at the end of the quarter after the payment of our expenses and the establishment of cash reserves for future capital expenditures and operational needs, including cash from borrowings. Our cash distribution policy reflects a basic judgment that our unitholders will be better served by our distributing our available cash rather than retaining it. It is important that you understand that our cash is generated by our partnership interests in PVR, including the general partner interest, limited partner interests and incentive distribution rights, from which we receive quarterly distributions. Our cash flow is entirely dependent upon the ability of PVR to make cash distributions to its partners. We currently have no independent operations and do not currently intend to conduct operations separate from those of PVR. It is unlikely that we will acquire assets other than partnership interests in PVR and accordingly, we believe we will have relatively low cash requirements for operating expenses and capital investments. Therefore, we believe that our investors are best served by us distributing all of our available cash to our unitholders as described below. Because we are not subject to an entity-level federal income or state tax, we expect to have more cash to distribute to you than would be the case were we subject to tax.

Restrictions and Limitations on Our Ability to Change Our Cash Distribution Policy. There is no guarantee that unitholders will receive quarterly distributions from us. Our distribution policy is subject to certain restrictions and may be changed at any time. These restrictions include the following:

PVR s cash distribution policy is subject to restrictions on distributions under its debt agreements. Specifically, PVR s debt agreements contain certain financial tests and covenants that it must satisfy. These financial tests and covenants are described in this prospectus under the caption Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Long-Term Debt. Should PVR be unable to comply with the restrictions under its debt agreements, PVR would be prohibited from making cash distributions to us, which in turn would prevent us from making cash distributions to you notwithstanding our stated distribution policy.

Under the note purchase agreement governing PVR s senior notes, PVR may not make distributions if a default or event of default under that agreement has occurred, or if PVR fails to maintain a ratio of consolidated total indebtedness to consolidated EBITDA for the four most recently completed fiscal quarters of not greater than 4.00 to 1.00 or a ratio of consolidated EBITDA to consolidated interest expense for the same period of at least 3.50 to 1.00. Under the terms of the credit facility, PVR may not make distributions if a default or event of default under that agreement has occurred, or if PVR fails to maintain a ratio of consolidated total indebtedness to consolidated EBITDA of not greater than 3.50 to 1.00 and a ratio of consolidated EBITDA to consolidated interest expense of at least 4.00 to 1.00. In the future, PVR may enter into other debt arrangements containing restrictions on making cash distributions, and those restrictions could be more restrictive than the existing restrictions. PVR s cash distribution policy is also subject to restrictions in its partnership agreement. Please see PVR s Ability to Grow is Dependent on its Ability to Access External Growth Capital.

Similar to PVR s cash distribution policy, our distribution policy may be subject to certain restrictions on distributions if we later enter into any future debt agreements. We do not have any debt currently outstanding and, therefore, are not subject to any debt covenants. We anticipate that any such future debt agreements could contain certain financial tests and covenants that we would have to satisfy. Should we be unable to satisfy these restrictions under any future debt agreements, we would be prohibited from making a distribution to you notwithstanding our stated distribution policy.

The board of directors of PVR s general partner has authority under PVR s partnership agreement to establish cash reserves for the prudent conduct of PVR s business and for future cash distributions to PVR s unitholders, and the establishment of those reserves could result in a reduction in cash distributions that we would otherwise anticipate receiving from PVR, which in turn could result in a reduction in cash distributions to you from levels we currently anticipate pursuant to our stated distribution policy.

Our general partner s board of directors will have authority under our partnership agreement to establish cash reserves for the prudent conduct of our business and the establishment of those reserves could result in a reduction in cash distributions to you from levels we currently anticipate pursuant to our stated distribution policy.

While our partnership agreement requires us to distribute all of our available cash, our partnership agreement, including our cash distribution policy contained therein, may be amended by a vote of the holders of a majority of our common units. Following completion of this offering, Penn Virginia Corporation, the owner of our general partner, will own approximately 83.6% of our outstanding common units and will have the ability to amend our partnership agreement without the approval of any other unitholders.

Even if our cash distribution policy is not modified or revoked, the amount of distributions paid under our cash distribution policy and the decision to make any distribution is at the discretion of our general partner, taking into consideration the terms of our partnership agreement.

The amount of cash distributions paid pursuant to PVR s cash distribution policy and the decision to make any distribution to its unitholders are at the discretion of PVR s general partner, which we wholly own, taking into account the terms of the PVR partnership agreement.

Under Section 17-607 of the Delaware Revised Uniform Limited Partnership Act, PVR may not make a distribution to us and we may not make a distribution to our unitholders if such distribution would cause PVR s or our liabilities to exceed the fair value of PVR s or our assets, as applicable.

We may lack sufficient cash to pay distributions to our unitholders due to increases in general and administrative expenses, working capital requirements and anticipated cash needs of us or PVR and its subsidiaries.

Our Cash Distribution Policy Limits Our Ability to Grow. Because we distribute all of our available cash, our growth may not be as fast as the growth of businesses that reinvest their available cash to expand ongoing operations. In fact, because currently our only cash-generating assets are partnership interests in PVR, our growth initially will be completely dependent upon PVR s ability to increase its quarterly cash distributions per unit. If we issue additional units or we were to incur debt, the payment of distributions on those additional units or interest on that debt could increase the risk that we will be unable to maintain or increase our cash distribution levels.

PVR s Ability to Grow is Dependent on its Ability to Access External Growth Capital. Consistent with the terms of its partnership agreement, PVR distributes to its partners its available cash each quarter. In determining the amount of cash available for distribution, PVR sets aside cash reserves, which it uses to fund its growth capital expenditures. Additionally, PVR has relied upon external financing sources, including commercial borrowings and other debt and issuances and of limited partner units, to fund its acquisition and growth capital

expenditures. Accordingly, to the extent PVR does not have sufficient cash reserves or is unable to finance growth externally, its ability to grow will likely be impaired. In addition, to the extent PVR issues additional limited partner units and maintains or increases its distribution level per unit, the available cash that we have to distribute to our unitholders will increase. If PVR issues additional limited partner units and is unable to maintain its distribution level, the cash that we have to distribute to our unitholders could decrease. The incurrence of additional debt by PVR to finance its growth strategy would result in increased interest expense to PVR, which in turn may reduce its cash distributions to us and reduce the available cash that we have to distribute to our unitholders.

Our Initial Distribution Rate

Our Cash Distribution Policy. Upon the closing of this offering, the board of directors of our general partner will adopt a distribution policy pursuant to which we will declare an initial quarterly distribution of $0.235 per unit, or $0.94 per unit on an annualized basis. This equates to an aggregate cash distribution of approximately $9.0 million per quarter, or approximately $36.1 million per year. We will pay you a prorated cash distribution for the first quarter that we are a publicly traded partnership. This cash distribution will be paid for the period beginning on the closing date of this offering and ending on December 31, 2006. We expect to pay this cash distribution in February 2007. However, we cannot assure you that any distributions will be declared or paid by us. See Risk Factors Risks Inherent in an Investment in Us In the future, we may not have sufficient cash to pay our estimated initial quarterly distribution or to increase distributions.

We will pay our cash distributions within 55 days after the end of each fiscal quarter to holders of record on or about the first of the month in which the distribution is paid. If the distribution date does not fall on a business day, we will make the distribution on the business day immediately preceding the indicated distribution date.

The following table sets forth an assumed number of outstanding common units upon the closing of this offering and the aggregate cash distributions payable on our outstanding common units during the first four quarters following the closing of this offering at our initial quarterly distribution of $0.235 per unit, or $0.94 per unit on an annualized basis.

		Distributions	
	Number of Units	**One Quarter**	**Four Quarters**
Publicly held common units	6,300,000	$ 1,480,500	$ 5,922,000
Common units held by Penn Virginia Corporation	32,125,000	$ 7,549,375	$ 30,197,500
Total	38,425,000	$ 9,029,875	$ 36,119,500

Our cash distributions will not be cumulative. Consequently, if we do not pay distributions on our common units with respect to any fiscal quarter at the anticipated initial quarterly distribution, our unitholders will not be entitled to receive such payments in the future.

Under the terms of our partnership agreement, we are subject to limitations with respect to the payment of distributions to our unitholders, including the requirement to establish cash reserves. Our cash distribution policy is consistent with the terms of our partnership agreement, which requires that we distribute all of our available cash quarterly. Under our partnership agreement, available cash is defined to mean generally, for each fiscal quarter, cash generated from our business in excess of the amount of cash reserves established by our general partner to, among other things:

- comply with applicable law;
- comply with any of our debt instruments or other agreements;
- provide for future distributions to our unitholders for any one or more of the upcoming four quarters;

Table of Contents

permit Penn Virginia Resource GP, LLC to make capital contributions to PVR to maintain its 2.0% general partner interest upon the issuance of partnership securities by PVR; or

otherwise provide for the proper conduct of our business.

Our partnership agreement provides that any determination made by our general partner in its capacity as our general partner, including a determination with respect to establishing cash reserves, must be made in good faith and that any such determination will not be the subject of any other standard imposed by our partnership agreement, the Delaware limited partnership statute or any other law, rule or regulation or at equity. Our partnership agreement also provides that, in order for a determination by our general partner to be made in good faith, our general partner must believe that the determination is in our best interests.

In addition, although we do not currently have any indebtedness, the agreements governing any debt we might incur in the future will contain restrictions of the amount of distributions we make to our unitholders.

PVR s Cash Distribution Policy. Like us, PVR has adopted a cash distribution policy that requires it to distribute its available cash to its partners on a quarterly basis. Under PVR s partnership agreement, available cash is defined to generally mean, for each fiscal quarter, cash generated from PVR s business in excess of the amount its general partner determines is necessary or appropriate to provide for the conduct of its business, to comply with applicable law, to comply with any of its debt instruments or other agreements or to provide for future distributions to its unitholders for any one or more of the upcoming four quarters. PVR s determination of available cash takes into account the possibility of establishing cash reserves in some quarterly periods that it may use to pay cash distributions in other quarterly periods, thereby enabling it to maintain relatively consistent cash distribution levels even if its business experiences fluctuations in its cash from operations due to seasonal and cyclical factors. PVR s determination of available cash also allows it to maintain reserves to provide funding for its growth opportunities. PVR makes its quarterly distributions from cash generated from its operations, and those distributions have grown over time as its business has grown, primarily as a result of numerous acquisitions and organic expansion projects that have been funded through external financing sources and cash from operations.

In addition, the agreements governing PVR s credit facility and senior notes require that the ratio of PVR s consolidated total indebtedness to PVR s consolidated EBITDA for the four fiscal quarters most recently ended must not be greater than 3.5 to 1.0 (under the terms of the credit facility) and 4.0 to 1.0 (under the terms of the senior notes) in order for PVR to make distributions to its unitholders in any given quarter.

Table of Contents

The following table sets forth, for the periods indicated, the amount of quarterly cash distributions PVR paid for each of its partnership interests, including the incentive distribution rights, with respect to the quarter indicated. The actual cash distributions by PVR to its partners occur within 45 days after the end of each quarter. PVR has an established historical record of paying quarterly cash distributions to its partners.

PVR s Cash Distribution History

	Distributions on Limited Partner Units		Distributions on General Partner Interest	Distributions on Incentive Distribution Rights	Total PVR Cash Distributions	Distributions to Penn Virginia Corporation	Distributions to Public Unitholders
	Per Unit (1)	Total					
	(in thousands, except per unit amounts)						
2003							
First quarter	$ 0.26	$ 9,385	$ 191		$ 9,576	$ 4,247	$ 5,329
Second quarter	0.26	9,371	191		9,562	4,249	5,313
Third quarter	0.26	9,371	191		9,562	4,248	5,314
Fourth quarter	0.26	9,482	194		9,676	4,248	5,428
2004							
First quarter	$ 0.26	$ 9,401	$ 192		$ 9,593	$ 4,242	$ 5,351
Second quarter	0.27	9,762	199		9,961	4,405	5,556
Third quarter	0.27	9,762	199		9,961	4,404	5,557
Fourth quarter	0.28125	10,168	208	$ 35	10,411	4,623	5,788
2005							
First quarter	$ 0.31	$ 12,781	$ 261	$ 225	$ 13,267	$ 5,299	$ 7,968
Second quarter	0.325	13,534	276	325	14,135	5,645	8,490
Third quarter	0.325	13,534	276	325	14,135	5,645	8,490
Fourth quarter	0.35	14,576	297	651	15,524	6,380	9,144
2006							
First quarter	$ 0.35	$ 14,576	$ 297	$ 651	$ 15,524	$ 6,352	$ 9,172
Second quarter	0.375	15,617	319	976	16,912	7,085	9,827
Third quarter	0.40	16,658	339	1,997	18,994	8,512	10,482

(1) All per unit distributions have been retroactively adjusted to reflect PVR s two-for-one split on April 4, 2006.

In the sections that follow, we present in detail the basis for our belief that we will be able to fully fund our initial quarterly distribution of $0.235 per unit. In those sections, we present two tables, including:

Unaudited Pro Forma Consolidated Available Cash, in which we present the amount of available cash we would have had for the year ended December 31, 2005 and for the twelve months ended September 30, 2006, giving pro forma effect to:

PVR s current quarterly cash distribution of $0.40 per limited partner unit, or $1.60 per unit on an annualized basis;

the acquisition in March 2005 of Cantera Gas Resources, LLC and the related debt financing and common unit issuance by PVR to pay for this acquisition; and this offering and the application of the net proceeds as described under Use of Proceeds;

Estimated Cash Available to Pay Distributions in which we present our estimate of how we calculate the estimated minimum Consolidated Adjusted EBITDA necessary for us to have sufficient cash available for distribution to pay the full quarterly distributions at the initial distribution rate on all the outstanding common units for each quarter through December 31, 2007. In Assumptions and Considerations below, we also present our assumptions underlying our belief that we will generate sufficient Consolidated Adjusted EBITDA to pay the minimum quarterly distribution on all common units for each quarter through December 31, 2007.

Because we own and control PVR s general partner, we reflect our ownership interest in PVR on a consolidated basis, which means that our financial results are combined with those of PVR and its general partner.

Table of Contents

Our tables titled Unaudited Pro Forma Consolidated Available Cash and Estimated Cash Available to Pay Distributions used in this section as described below have been prepared by, and are the responsibility of, our management. Neither our independent accountants, nor any other independent accountants, have compiled, examined or performed any procedures with respect to this information, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and they assume no responsibility for, and disclaim any association with, the prospective financial information. In addition, such tables and information were not prepared with a view toward compliance with published guidelines of the Securities and Exchange Commission or the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information, and were not prepared in accordance with accounting principles generally accepted in the United States of America nor were procedures applied to meet the auditing standards of the Public Company Accounting Oversight Board (United States).

Unaudited Pro Forma Consolidated Available Cash

Our pro forma available cash for the year ended December 31, 2005 and the twelve months ended September 30, 2006 would have been more than sufficient to pay the initial quarterly distribution of $0.235 per unit on all units to be outstanding following the completion of this offering.

If we had completed the transactions contemplated in this prospectus on January 1, 2005, pro forma available cash generated during our fiscal year ended December 31, 2005 would have been more than sufficient (after establishment of our cash reserves) to pay the full initial distribution amount of $36.1 million on all of our common units.

If we had completed the transactions contemplated in this prospectus on January 1, 2005, pro forma available cash generated during the twelve months ended September 30, 2006 would have been more than sufficient (after establishment of our cash reserves) to pay the full initial distribution amount of $36.1 million on all of our common units for the immediately preceding four fiscal quarters.

Based on the distributions paid by PVR to its unitholders for each of the immediately preceding four quarters, we believe we would have been able to pay the initial quarterly distribution to our unitholders for each of the immediately preceding four quarters.

Pro forma cash available for distribution includes estimated incremental general and administrative expenses we will incur as a result of being a publicly traded limited partnership, such as costs associated with annual and quarterly reports to unitholders, tax return and Schedule K-1 preparation and distribution, investor relations, registrar and transfer agent fees, director compensation and incremental insurance costs, including director and officer liability and insurance. We expect these incremental general and administrative expenses initially to total approximately $2.0 million per year. The pro forma financial statements do not reflect this anticipated incremental general and administrative expense.

The pro forma financial statements, upon which pro forma cash available for distribution is based, do not purport to present our results of operations had the transactions contemplated in this prospectus actually been completed as of the dates indicated. In addition, the results of operations of all acquisitions PVR completed during 2005 and the twelve months ended September 30, 2006, with the exception of the acquisition of its midstream business in March 2005, are included only from the date of their actual acquisition. The results of operations of the midstream business are included as of January 1, 2005. Please read Management s Discussion and Analysis of Financial Condition and Results of Operations PVR s Recent Acquisitions and Investments. Furthermore, cash available for distribution is a cash accounting concept, while our pro forma financial statements have been prepared on an accrual basis. We derived the amounts of pro forma cash available for distribution in the manner described in the table below. As a result, the amount of pro forma cash available for distribution should only be viewed as a general indication of the amount of cash available for distribution that we might have generated had we been formed in earlier periods.

Table of Contents

The following table illustrates, on a pro forma basis, for the year ended December 31, 2005, and the twelve months ended September 30, 2006, the amount of available cash that would have been available for distributions to our unitholders, assuming that this offering had been consummated at the beginning of such periods. Each of the pro forma adjustments presented below is explained in the footnotes to such adjustments.

Penn Virginia GP Holdings, L.P.

Unaudited Pro Forma Consolidated Available Cash

	Year Ended December 31, 2005	Twelve Months Ended September 30, 2006
	(In thousands, except per unit data)	
Operating Income	$ 78,090	$ 98,290
Plus:		
Depreciation, depletion and amortization	30,628	35,892
Consolidated Adjusted EBITDA (a)	108,718	134,182
Less:		
Cash settlement adjustments for mark-to-market derivative activity (b)		(15,405)
Incremental general and administrative expense (c)	(2,000)	(2,000)
Plus:		
Pro forma acquisition adjustment to Consolidated EBITDA (d)	3,458	
Pro Forma Consolidated Adjusted EBITDA	110,176	116,777
Less:		
Interest expense (net of interest income)	(12,908)	(16,483)
Maintenance capital expenditures (e)	(4,615)	(8,001)
Growth capital expenditures (f)	(8,120)	(19,739)
Principal payments on debt (g)	(4,800)	(8,300)
Distributions paid by PVR to its public unitholders other than us (h)	(42,431)	(42,431)
Plus:		
Pro forma interest expense adjustment (i)	4,937	6,336
Use of cash reserves for growth capital expenditures (j)	8,120	19,739
Pro Forma Available Cash of Penn Virginia GP Holdings, L.P.	$ 50,359	$ 47,898
Expected Cash Distributions (k):		
Expected distribution per unit, on an annualized basis	$ 0.94	$ 0.94
Distributions to public common unitholders	6,810	6,810
Distributions to common units held by Penn Virginia Corporation	30,198	30,198
Total Distributions	$ 37,008	$ 37,008
Excess	13,351	10,890
PVR Debt Covenant Ratios:		
Consolidated Total Indebtedness/Consolidated EBITDA (l)	2.5x	2.8x

Consolidated EBITDA/Consolidated Interest Expense (l)	6.4x	11.5x

(a) We define Consolidated Adjusted EBITDA as net income before net interest expense, income taxes, depreciation, depletion and amortization, minority interest and gains or losses on derivatives.

(b) Reflects cash settlements and adjustments for derivatives that are accounted for using mark-to-market accounting. In January 2006, some of PVR s derivatives did not qualify for hedge accounting and changes in market value of these derivative instruments were recognized in earnings. Because a large portion of these derivatives no longer qualified for hedge accounting, PVR elected to discontinue hedge accounting prospectively for its remaining commodity derivatives beginning May 1, 2006. Consequently, from that date forward, PVR began recognizing mark-to-market gains and losses in earnings in the current period, rather than deferring such amounts in accumulated other comprehensive income (partners capital). Prior to January 2006, cash settlements related to natural gas and NGLs were included in operating income.

Table of Contents

(c) Reflects an adjustment to our Consolidated Adjusted EBITDA for $2.0 million in estimated incremental general and administrative expenses associated with being a publicly traded limited partnership, including, among other things, costs associated with annual and quarterly reports to unitholders, tax return and Schedule K-1 preparation and distribution, investor relations, registrar and transfer agent fees, director compensation and incremental insurance costs, including director and officer liability insurance.

(d) Reflects the Consolidated Adjusted EBITDA for the operations of the natural gas midstream business PVR acquired for the period in which it did not own this business. PVR acquired this business on March 3, 2005 and therefore a pro forma adjustment has been made to reflect the Consolidated Adjusted EBITDA associated with the business for the period from January 1, 2005 through March 2, 2005.

(e) Represents actual maintenance capital expenditures for the year ended December 31, 2005 and the twelve months ended September 30, 2006. Effective January 1, 2006, maintenance capital expenditures included new well connections within existing gathering systems.

(f) Represents growth capital expenditures, primarily related to midstream processing plant expansion, construction of a coal loadout facility and purchase of railcars for the year ended December 31, 2005 and for the twelve months ended September 30, 2006.

(g) Reflects principal payments on PVR s obligations that were due for the year ended December 31, 2005 and the twelve months ended September 30, 2006.

(h) Reflects the cash distributions paid by PVR to its current unitholders other than us based upon the most recently paid quarterly distribution of $0.40 per unit or $1.60 per unit on an annualized basis.

(i) Reflects the pro forma adjustment to interest expense as if the payment of a portion of PVR s indebtedness with cash proceeds from the sale of its common units and Class B units to us and related general partner contribution in connection with this offering had occurred at the beginning of the period. For the year ended December 31, 2005, the pro forma adjustment to interest expense also reflects additional interest expense incurred on PVR indebtedness for January 1, 2005 through March 2, 2005. Assumes an interest rate of 6.0% per annum.

(j) PVR has historically financed growth capital expenditures primarily through the use of existing cash reserves. To the extent cash reserves are insufficient to finance growth capital expenditures, external financing sources, including borrowings under PVR s revolving credit facility or the issuance of debt and equity securities, would be used. The use of such external financing could result in increased interest expense, or in the case of any issuance of new equity securities by PVR, an increase in the aggregate amount of cash distributions made by PVR.

(k) The table below sets forth the assumed number of outstanding common units upon the closing of this offering, assuming the full exercise of the underwriters option to purchase additional common units, and the estimated per unit and aggregate distribution amounts payable on such units during the year following the closing of this offering at our initial distribution rate.

		Distributions	
	Number of Common Units	Per Unit	Aggregate
Estimated distributions on publicly held common units	7,245,000	$ 0.94	$ 6,810,300
Estimated distributions on common units held by Penn Virginia Corporation	32,125,000	$ 0.94	30,197,500
Total	39,370,000		$ 37,007,800

(l) The PVR revolving credit facility and senior note purchase agreement require that the ratio of PVR s consolidated total indebtedness (as defined in the revolving credit facility and senior note purchase agreement) to PVR s consolidated EBITDA (as defined in the revolving credit facility and senior note purchase agreement) for the four fiscal quarters most recently ended must be no greater than 3.50 to 1.00 in the revolving credit facility and 4.00 to 1.00 in the senior note purchase agreement. You should note that PVR s consolidated total indebtedness to PVR s consolidated EBITDA for purposes of PVR s financial covenants includes only the operations of PVR and its subsidiaries and excludes our operations and those of our subsidiaries that are not subsidiaries of PVR. In addition, PVR s revolving credit facility and senior note purchase agreement requires that the ratio of PVR s consolidated EBITDA to PVR s consolidated interest expense (as defined in the revolving credit facility and senior note purchase agreement of PVR) for the four fiscal quarters most recently ended must not be less than 4.00 to 1.00 in the revolving credit facility and 3.50 to 1.00 in the senior note purchase agreement. As indicated in the table, PVR s consolidated EBITDA would have been sufficient to satisfy the ratios required by PVR s revolving credit facility and senior note purchase agreement to permit the payment to us of cash distributions sufficient to enable us to make our intended cash distribution.

Estimated Cash Available for Distributions

In order to pay our quarterly cash distribution to our common unitholders at our initial distribution rate of $0.235 per unit per quarter, we estimate that our Consolidated Adjusted EBITDA for the twelve months ending December 31, 2007 must be at least $110.8 million. We refer to this amount as our Estimated Minimum Consolidated Adjusted EBITDA. We define Consolidated Adjusted EBITDA as net income before net interest expense, income taxes, depreciation, depletion and amortization, minority interest and losses on derivatives. Similarly, changes in working capital accounts are not included in Consolidated Adjusted EBITDA, and thus are reconciling items in the reconciliation of net cash provided by operating activities and estimated Consolidated Adjusted EBITDA.

Consolidated Adjusted EBITDA should not be considered an alternative to net income, income before income taxes, cash flows from operating activities, or any other measure of financial performance calculated in accordance with accounting principles generally accepted in the United States as these items are used to measure operating performance, liquidity or ability to service debt obligations.

In developing our Estimated Minimum Consolidated Adjusted EBITDA, we have included consolidated growth capital expenditures for the twelve-month period ending December 31, 2007. Growth capital expenditures consist of capital expenditures PVR expects to make to expand the operating capacity and revenues of its current operations.

Our estimate of $110.8 million in minimum Consolidated Adjusted EBITDA for the twelve months ending December 31, 2007 is intended to be an indicator or benchmark of the amount management considers to be the lowest amount of Consolidated Adjusted EBITDA needed to generate sufficient available cash to permit us to make cash distributions to our unitholders at our initial quarterly distribution of $0.235 per unit (or $0.94 per unit on an annualized basis). Our estimate of Minimum Consolidated Adjusted EBITDA should not be viewed as management s projection of actual operating earnings or cash generation of us or PVR.

Estimated Minimum Consolidated Adjusted EBITDA of $110.8 million is greater than pro forma Consolidated Adjusted EBITDA for the year ended December 31, 2005 by approximately $0.6 million and less than pro forma Consolidated Adjusted EBITDA for the twelve months ended September 30, 2006 by approximately $6.0 million. We believe that our partnership interests in PVR will generate sufficient cash flow to enable us to pay our initial quarterly distribution of $0.235 per unit on all of our outstanding common units for the four quarters ending December 31, 2007, including common units issued upon full exercise of the underwriters option to purchase an additional 945,000 common units. You should read Assumptions and Considerations and the footnotes to the table below for a discussion of the material assumptions underlying this belief, which reflects our judgment of conditions we expect to exist and the course of action we expect to take. While we believe that these assumptions are reasonable in light of our current expectations regarding future events, the assumptions underlying our Estimated Minimum Consolidated Adjusted EBITDA are inherently uncertain and are subject to significant business, economic, regulatory and competitive risks and uncertainties that could cause actual results to differ materially from those we anticipate. If any of our assumptions are not realized, the actual available cash that we generate could be substantially less than that currently expected and could, therefore, be insufficient to permit us to make distributions on our common units at the initial quarterly distribution, or at any level, in which event the market price of the common units may decline materially.

Table of Contents

Consequently, the statement that we believe that we will have sufficient available cash to pay the initial quarterly distribution on our common units for the four consecutive quarters ending December 31, 2007 should not be regarded as a representation by us or the underwriters or any other person that we will declare and make such a distribution.

We have also determined that if our Consolidated Adjusted EBITDA for such period is at or above our estimate, PVR would be permitted under its debt agreements to pay sufficient cash distributions to us to enable us to make distributions to our unitholders at the initial distribution rate of $0.235 per unit per quarter.

When reading this section, you should keep in mind the risk factors and other cautionary statements under the heading Risk Factors in this prospectus. Any of these factors or the other risks discussed in this prospectus could cause our financial condition and consolidated results of operations to vary significantly from those set forth below.

The accompanying prospective financial information set forth below in the table entitled Penn Virginia GP Holdings, L.P. Estimated Cash Available to Pay Distributions was not prepared with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants with respect to prospective financial information, but, in our view, was prepared on a reasonable basis, reflects the best currently available estimates and judgments, and presents, to the best of management s knowledge and belief, the assumptions on which we base our belief that we can generate the minimum Consolidated Adjusted EBITDA necessary for us to have sufficient cash available for distribution to pay the full quarterly distribution at the initial distribution rate. However, this information is not fact and should not be relied upon as being necessarily indicative of future results. Readers of this prospectus are cautioned not to place undue reliance on the prospective financial information.

Neither our independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

We do not undertake any obligation to release publicly the results of any future revisions we may make to the estimated cash available for distribution or to update our estimate to reflect events or circumstances after the date of this prospectus. Therefore, you are cautioned not to place undue reliance on this information.

Penn Virginia GP Holdings, L.P.

Estimated Cash Available to Pay Distributions

	Twelve Months Ending December 31, 2007 (Dollars in thousands except per unit data)
Estimated Minimum Consolidated Adjusted EBITDA (a)	$ 110,791
Less:	
Cash interest expense, net of interest income (b)	(12,152)
Principal payments on debt (c)	(134,397)
Maintenance capital expenditures (d)	(9,200)
Growth capital expenditures (e)	(7,200)
Distributions to PVR s public unitholders other than us (f)	(42,431)
Plus:	
Proceeds from sale of common units and Class B units (g)	124,397
Use of cash reserves for growth capital expenditures (h)	7,200
Estimated Cash Available to Pay Distributions by Penn Virginia GP Holdings, L.P.	$ 37,008
Expected Cash Distributions by Penn Virginia GP Holdings, L.P. (i)	
Expected annual cash distribution per unit	$ 0.94
Distributions to our public common unitholders	6,810
Distributions to common units held by Penn Virginia Corporation	30,198
Total distributions paid to our unitholders	$ 37,008
PVR Covenant Ratios:	
Consolidated Total Indebtedness/Consolidated EBITDA (j)	1.8x
Consolidated EBITDA/Consolidated Interest Expense (j)	8.2x

(a) Excludes approximately $2.5 million of distributions to us from PVR that we will retain for general partnership purposes.

(b) Interest expense includes the effect of PVR s repayment of approximately $124.4 million of indebtedness with proceeds from the sale of common units and Class B units to us and related general partner contribution in connection with the sale of 7,245,000 common units in this offering at the beginning of the period. Interest expense has also been adjusted to reflect the repayment of $10 million of PVR s debt that is maturing during this period.

(c) Represents the amount of indebtedness PVR will repay with proceeds of approximately $124.4 million from the sale of common units and Class B units to us and related general partner contribution in connection with the sale of 7,245,000 common units in this offering and additional debt maturities of $10.0 million due during the period.

(d) Represents maintenance capital expenditures to maintain the facilities of PVR s natural gas midstream business, including compressor overhauls and improvements to existing pipelines and gathering systems.

(e) Represents growth capital expenditures used to increase revenues, which include construction of coal preparation facilities, additional coal reserve acquisitions, connecting natural gas wells to PVR s midstream operations and purchase of additional natural gas pipelines.

(f) Reflects the cash distributions to be paid by PVR to its current unitholders other than us based upon the most recently paid quarterly cash distribution of $0.40 per unit or $1.60 per unit on an annualized basis.

(g)

Reflects proceeds from the sale of common units and Class B units to us and related general partner contribution in connection with the offering at the beginning of the period.

(h) Reflects the use of PVR s cash reserves to fund its anticipated growth capital expenditures, assuming no issuance by PVR of additional common units during the twelve months ending December 31, 2007.

Table of Contents

(i) The table below sets forth the assumed number of common units we will have outstanding upon the closing of this offering, assuming the full exercise of the underwriters option to purchase additional common units, and the estimated per unit and aggregate distribution amounts payable on such units during the year following the closing of this offering at our initial distribution rate.

	Number of Common Units	Distributions Per Unit	Distributions Aggregate
Estimated distributions on publicly held common units	7,245,000	$ 0.94	$ 6,810,300
Estimated distributions on common units held by Penn Virginia Corporation	32,125,000	$ 0.94	30,197,500
Total	39,370,000		$ 37,007,800

(j) The PVR revolving credit facility and senior note purchase agreement require that the ratio of PVR s consolidated total indebtedness (as defined in the revolving credit facility and senior note purchase agreement) to PVR s consolidated EBITDA (as defined in the revolving credit facility and senior note purchase agreement) for the four fiscal quarters most recently ended must be no greater than 3.50 to 1.00 in the revolving credit facility and 4.00 to 1.00 in the senior note purchase agreement. You should note that PVR s consolidated total indebtedness to PVR s consolidated EBITDA for purposes of PVR s financial covenants includes only the operations of PVR and its subsidiaries and excludes our operations and those of our subsidiaries that are not subsidiaries of PVR. In addition, PVR s revolving credit facility and senior note purchase agreement require that the ratio of PVR s consolidated EBITDA to PVR s consolidated interest expense (as defined in the revolving credit facility and senior note purchase agreement of PVR) for the four fiscal quarters most recently ended must not be less than 4.00 to 1.00 in the revolving credit facility and 3.50 to 1.00 in the senior note purchase agreement. As indicated in the table, PVR s consolidated EBITDA is expected to be sufficient to satisfy the ratios required by PVR s revolving credit facility and senior note purchase agreement to permit the payment to us of cash distributions sufficient to enable us to make our intended cash distribution.

Assumptions and Considerations

We believe that our partnership interests in PVR, including our incentive distribution rights, will generate sufficient cash flow to enable us to pay our initial quarterly distribution of $0.235 per unit on all of our outstanding units for the four quarters ending December 31, 2007. Our belief is based on a number of current assumptions that we believe to be reasonable over the next four quarters. While we believe that these assumptions are generally consistent with the actual performance of PVR and are reasonable in light of our current beliefs concerning future events, the assumptions are inherently uncertain and are subject to significant business, economic, regulatory and competitive risks and uncertainties that could cause actual results to differ materially from those we anticipate. Consequently, the statement that we believe that we will have sufficient available cash to pay the initial quarterly distribution on our units for each quarter through December 31, 2007 should not be regarded as a representation by us or the underwriters or any other person that we will make such a distribution. When reading this section, you should keep in mind the risk factors and other cautionary statements under the heading Risk Factors in this prospectus.

We base our Estimated Minimum Consolidated Adjusted EBITDA on the following significant assumptions:

PVR will pay a quarterly cash distribution of $0.40 per PVR limited partner unit for each of the four quarters in the four-quarter period ending December 31, 2007, which quarterly distribution amount reflects the most recently paid cash distribution of $0.40 per PVR limited partner unit for the quarter ended September 30, 2006. As a result, we estimate that the amount of cash distributions that we will receive from PVR each quarter will be equal to or greater than $40.0 million in the aggregate during this period,

Table of Contents

including the distributions we will receive on our 2.0% general partner interest, common units, Class B units and incentive distribution rights.

Following the completion of this offering and the application of the net proceeds as described in Use of Proceeds , we will own not less than a total of 19,283,506 PVR common units and Class B units.

PVR will not issue additional units during the twelve months ending December 31, 2007. Each Class B unit we purchase from PVR will receive distributions equal to 100% of the distributions on each PVR common unit.

PVR s lessees will sell a minimum of 31.7 million tons of coal for the twelve months ending December 31, 2007 as compared to 32.2 million tons sold for the twelve months ended September 30, 2006.

PVR will receive an average royalty per ton of coal sold of $2.90 as compared to $2.95 for the twelve months ended September 30, 2006.

PVR will receive $5.7 million in coal services revenues for the twelve months ending December 31, 2007, as compared to $5.7 million for the twelve months ended September 30, 2006.

PVR s midstream processing margin, which is natural gas midstream revenues less cost of gas purchased, will be a minimum of $63.0 million for the twelve months ending December 31, 2007 as compared to $64.4 million for the twelve months ended September 30, 2006.

PVR s derivative activities will have no net effect on estimated cash available to pay cash distributions for the twelve months ending December 31, 2007.

PVR s maintenance capital expenditures will not exceed $9.2 million for the twelve months ending December 31, 2007, as compared to maintenance capital expenditures of $8.0 million for the twelve months ended September 30, 2006.

PVR s growth capital expenditures will not exceed $7.2 million for the twelve months ending December 31, 2007, as compared to growth capital expenditures of $19.7 million for the twelve months ended September 30, 2006, which included the construction of a coal handling facility.

PVR will remain in compliance with the financial covenants in its existing and future debt agreements and its ability to pay distributions to us will not be encumbered.

The benchmark interest rate paid by PVR on its floating-rate debt will not exceed 7.0% on average during the period, and PVR s consolidated net cash interest expense will not exceed approximately $12.2 million for the twelve months ending December 31, 2007.

Our incremental general and administrative expenses associated with being a public company will not exceed $2.0 million for the twelve months ending December 31, 2007.

There will not be any new federal, state or local regulation of portions of the energy industry in which PVR operates, or an interpretation of existing regulations, that will be materially adverse to our or PVR s business.

There will not be any major adverse change in the portions of the energy industry in which PVR operates resulting from supply or production disruptions, reduced demand for our products or services or from significant changes in the market prices of petroleum products or coal.

Market, regulatory, insurance and overall economic conditions will not change substantially.

Table of Contents

HOW WE MAKE CASH DISTRIBUTIONS

Set forth below is a summary of the significant provisions of our partnership agreement that relate to cash distributions.

General

Our partnership agreement requires that, within 55 days after the end of each quarter beginning with the quarter ending December 31, 2006, we distribute all of our available cash to the holders of record of our common units on the applicable record date.

Definition of Available Cash

Available cash is defined in our partnership agreement and generally means, with respect to any calendar quarter, all cash on hand at the date of determination of available cash for the distribution in respect of such quarter less the amount of cash reserves necessary or appropriate, as determined in good faith by our general partner, to:

- satisfy general, administrative and other expenses and any debt service requirements;
- permit Penn Virginia Resource GP, LLC to make capital contributions to PVR to maintain its 2.0% general partner interest upon the issuance of additional partnership securities by PVR;
- comply with applicable law or any debt instrument or other agreement;
- provide funds for distributions to unitholders and our general partner in respect of any one or more of the next four quarters; and
- otherwise provide for the proper conduct of our business;

Units Eligible for Distribution

As of the closing of this offering, we will have 38,425,000 common units outstanding. Each common unit will be allocated a portion of our income, gain, loss, deduction and credit on a pro rata basis, and each unit will be entitled to receive distributions (including upon liquidation) in the same manner as each other unit.

General Partner Interest

Our general partner owns a non-economic, general partner interest in us, which does not entitle it to receive cash distributions. However, our general partner may own common units or other equity securities in us and is entitled to receive cash distributions on any such interests.

Adjustments to Capital Accounts

We will make adjustments to capital accounts upon the issuance of additional units. In doing so, we will allocate any unrealized and, for tax purposes, unrecognized gain or loss resulting from the adjustments to the unitholders and the general partner in the same manner as we allocate gain or loss upon liquidation. In the event that we make positive adjustments to the capital accounts upon the issuance of additional units, we will allocate any later negative adjustments to the capital accounts resulting from the issuance of additional units or upon our liquidation in a manner which results, to the extent possible, in the general partner s capital account balances equaling the amount which they would have been if no earlier positive adjustments to the capital accounts had been made.

Distributions of Cash Upon Liquidation

If we dissolve in accordance with the partnership agreement, we will sell or otherwise dispose of our assets in a process called a liquidation. We will first apply the proceeds of liquidation to the payment of our creditors in

Table of Contents

the order of priority provided in the partnership agreement and by law and, thereafter, we will distribute any remaining proceeds to the unitholders and our general partner in accordance with their respective capital account balances, as adjusted to reflect any gain or loss upon the sale or other disposition of our assets in liquidation.

Our Sources of Distributable Cash

Our only cash-generating assets consist of our partnership interests in PVR. Therefore, our cash flow and resulting ability to make cash distributions will be completely dependent upon the ability of PVR to make cash distributions in respect of those partnership interests. The actual amount of cash that PVR will have available for distribution will primarily depend on the amount of cash it generates from its operations. The actual amount of this cash will fluctuate from quarter to quarter based on certain factors, including:

- fluctuations in cash flow generated by PVR s operating activities;
- the level of capital expenditures PVR makes;
- the availability, if any, and cost of acquisitions;
- debt service requirements;
- fluctuations in working capital needs;
- restrictions on distributions contained in PVR s credit facility and senior notes and any future debt agreements;
- PVR s ability to borrow under its revolving credit agreement to make distributions;
- prevailing economic conditions; and
- the amount, if any, of cash reserves established by PVR s general partner in its discretion for the proper conduct of PVR s business.

Our Partnership Interests in PVR

All of our cash flows are generated from the cash distributions we receive with respect to the partnership interests we own in PVR, which upon completion of this offering and the application of the proceeds from this offering to purchase PVR common units and Class B units as described in Use of Proceeds, will initially consist of the following:

a 2.0% general partner interest in PVR, which we hold through our 100% ownership interest in Penn Virginia Resource GP, LLC, PVR s general partner;

all of the incentive distribution rights in PVR, which we hold through our 100% ownership interest in Penn Virginia Resource GP, LLC; and

15,541,738 common units and 3,741,768 Class B units of PVR, representing an aggregate 41.3% limited partner interest in PVR. We will purchase 416,444 common units and all of the Class B units from PVR using substantially all of the net proceeds of this offering. See Use of Proceeds. For a description of the terms of the Class B units, please read Material Provisions of the Partnership Agreement of Penn Virginia Resource Partners, L.P. Class B Units.

Distributions by PVR of Available Cash from Operating Surplus

Our right to receive distributions in respect of the common and Class B units of PVR that we own is contained in PVR s partnership agreement. PVR s partnership agreement provides that distributions of available cash from operating surplus for any quarter will be made in the following manner:

first, 98% to all common unitholders, pro rata, and 2% to PVR s general partner until PVR distributes for each outstanding unit an amount equal to the minimum quarterly distribution for that quarter;

Table of Contents

second, 98% to the common unitholders, pro rata, and 2% to the general partner until we distribute for each outstanding common unit an amount equal to any arrearages in payment of the minimum quarterly distribution on the common units for any prior quarters after the closing of this offering;

third, 98% to the Class B unitholders, pro rata, and 2% to the general partner until we distribute to each Class B unit an amount equal to the minimum quarterly distribution for that quarter; and

thereafter, in the manner described in PVR Incentive Distribution Rights below.

If PVR s unitholders do not approve the proposal to change the terms of the Class B units within 12 months following the issuance of the Class B units, then each Class B unit will be entitled to receive 115% of the quarterly amount distributed by PVR in respect of each common unit of PVR on a subordinated basis to the payment of the minimum quarterly distribution on the PVR common units. For a description of the terms of the Class B units, please read Material Provisions of the Partnership Agreement of Penn Virginia Resource Partners, L.P. Class B Units.

PVR Incentive Distribution Rights

The right of Penn Virginia Resource GP, LLC, our wholly owned subsidiary and the general partner of PVR, to receive incentive distributions is contained in PVR s partnership agreement, which provides that if a quarterly cash distribution to PVR s limited partner units exceeds a target of $0.275 per limited partner unit and PVR has distributed available cash from operating surplus on outstanding common units in an amount necessary to eliminate any cumulative arrearages in payment of the minimum quarterly distribution of $0.25 per common unit, then PVR will distribute any additional available cash from operating surplus for that quarter among the unitholders and its general partner, Penn Virginia Resource GP, LLC, in the following manner:

(1) *first,* 98% to all unitholders, and 2% to the general partner, until each unitholder has received a total of $0.275 per unit for that quarter (the first target distribution);

(2) *second,* 85% to all unitholders, and 15% to the general partner, until each unitholder has received a total of $0.325 per unit for that quarter (the second target distribution);

(3) *third,* 75% to all unitholders, and 25% to the general partner, until each unitholder has received a total of $0.375 per unit for that quarter (the third target distribution); and

(4) *thereafter,* 50% to all unitholders and 50% to the general partner.

Hypothetical Allocations of Distributions to Our Unitholders and PVR Unitholders

The table set forth below illustrates the percentage allocations among (i) the owners of PVR, other than us, and (ii) Penn Virginia GP Holdings, L.P. as a result of certain assumed quarterly distribution payments per unit made by PVR, including the target distribution levels contained in PVR s partnership agreement. This information assumes:

PVR has 42,060,974 common units and 3,741,768 Class B units outstanding; and

we own (i) 15,541,738 common units and 3,741,768 Class B units of PVR, (ii) a 2.0% general partner interest in PVR and (iii) the incentive distribution rights of PVR.

The percentage interests shown for us and the other PVR unitholders for the minimum quarterly distribution amount are also applicable to distribution amounts that are less than the minimum quarterly distribution. The amounts presented below are intended to be illustrative of the way in which we are entitled to an increasing share of distributions from PVR as total distributions from PVR increase, and are not intended to represent a prediction of future performance.

Distribution Level	PVR Quarterly Distribution Per Unit	Distributions to Owners of PVR Other Than Us as a Percentage of Total Distributions	Distribution to Penn Virginia GP Holdings, L.P. as a Percentage of Total Distributions (1)
Minimum Quarterly Distribution	$0.2500	56.7%	43.3%
First Target Distribution	$0.2750	56.7%	43.3%
Second Target Distribution	$0.3250	55.4%	44.6%
Third Target Distribution	$0.3750	53.5%	46.5%
Other Hypothetical Distributions	$0.4275	48.4%	51.6%

(1) Includes distributions with respect to our ownership of the 2.0% general partner interest in PVR, our ownership of a 41.3% limited partner interest in PVR and our ownership of the incentive distribution rights.

Table of Contents

SELECTED HISTORICAL AND PRO FORMA FINANCIAL DATA

We were formed on June 14, 2006 and, therefore, do not have any historical financial statements. Since we own and control Penn Virginia Resource GP, LLC, the general partner of PVR, the historical financial statements below are of Penn Virginia Resource GP, LLC on a combined basis, including PVR, for the periods and as of the dates indicated.

The selected historical combined statements of income and cash flow data for the years ended December 31, 2001, 2002, 2003, 2004 and 2005, and the balance sheet data as of December 31, 2004 and 2005 are derived from the audited financial statements of Penn Virginia Resource GP, LLC. The selected historical statements of income and cash flow data for the periods ended September 30, 2005 and 2006, and the balance sheet data as of September 30, 2006 are derived from the unaudited financial statements of Penn Virginia Resource GP, LLC. The unaudited financial statements include all adjustments, consisting of normal, recurring accruals, which we consider necessary for fair presentation of the financial position and results of operations for this period. On April 4, 2006, PVR completed a two-for-one split of PVR s common and subordinated units by distributing one additional common unit and one additional subordinated unit (a total of 16,997,325 common units and 3,824,940 subordinated units) for each common unit and subordinated unit, respectively, held of record at the close of business on March 28, 2006. All PVR units and per unit data have been retroactively adjusted to reflect the unit split. The subordination period with respect to 7,649,880 PVR subordinated units expired on October 1, 2006 and all of the outstanding PVR subordinated units converted into PVR common units on a one-for-one basis on November 14, 2006.

Because we own and control the general partner of PVR, we reflect our ownership interest in PVR on a consolidated basis, which means that our financial results are combined with PVR s financial results and the results of our other subsidiaries. We have no separate operating activities apart from those conducted by PVR, and our cash flows consist solely of distributions from PVR on the partnership interests, including incentive distribution rights, that we own. Accordingly, the selected historical financial data set forth in the following table primarily reflect the operating activities and results of operations of PVR. The limited partner interests in PVR not owned by our affiliates are reflected as minority interest on our balance sheet and the non-affiliated partners share of income from PVR is reflected as an expense in our results of operations.

The selected pro forma statement of income data for the year ended December 31, 2005 reflects our historical operating results as adjusted to give pro forma effect to the following transactions, as if such transactions had occurred on January 1, 2005:

- the acquisition of our midstream business and the related debt financing and common unit offering by PVR that occurred in March 2005;
- the transactions contemplated by the Contribution Agreement described in this prospectus;
- the sale of 6,300,000 common units in this offering and application of the net proceeds from this offering to make a capital contribution to PVR, purchase 416,444 PVR common units and 3,741,768 Class B units and for general partnership purposes, as described in Use of Proceeds; and
- PVR s use of the funds received from us to repay approximately $107.5 million of borrowings outstanding under its credit facility.

The selected unaudited pro forma statement of income data for the nine months ended September 30, 2006 reflects our consolidated historical operating results as adjusted to give pro forma effect to the transactions contemplated by the Contribution Agreement and this offering, as if they had occurred on January 1, 2005. The selected unaudited pro forma balance sheet data as of September 30, 2006 reflects our consolidated historical financial position as adjusted to give pro forma effect to the transactions contemplated by the Contribution Agreement and this offering, as if they had occurred on September 30, 2006.

We derived the data in the following table from, and it should be read together with and is qualified in its entirety by reference to, the historical and pro forma financial statements and the accompanying notes included in

Table of Contents

this prospectus. The table should also be read together with Management s Discussion and Analysis of Financial Condition and Results of Operations.

For a description of all of the assumptions used in preparing the unaudited pro forma financial statements, you should read the notes to the pro forma financial statements. The pro forma financial data should not be considered as indicative of the historical results we would have had or the results that we will have after this offering.

	Historical								Pro Forma	
	For the Period from January 1, 2001 through October 30,	From Commence-ment of Operations (on October 31, 2001) through December 31,	Year Ended December 31,				Nine Months Ended September 30,		Year Ended December 31,	Nine Months Ended September 30,
	2001	2001	2002	2003	2004	2005	2005	2006	2005	2006
	(Predecessor) (unaudited)	(unaudited)	(unaudited)				(unaudited)		(unaudited)	
					(in thousands)					
Income Statement Data:										
Revenues										
Natural gas midstream	$	$	$	$	$	$ 348,657	$ 213,351	$ 305,340	$ 421,099	$ 305,340
Coal royalties	26,971	5,394	31,358	50,312	69,643	82,725	60,921	73,288	82,725	73,288
Coal services	1,462	198	1,704	2,111	3,787	5,230	3,869	4,345	5,230	4,345
Other	3,144	344	5,546	3,219	2,200	9,736	6,062	7,148	9,761	7,148
Total revenues	31,577	5,936	38,608	55,642	75,630	446,348	284,203	390,121	518,815	390,121
Expenses										
Cost of gas purchased						303,912	182,278	254,615	370,494	254,615
Operating	2,546	650	2,912	4,235	7,224	15,102	10,730	13,950	17,196	13,950
Taxes other than income	522	94	895	1,256	948	2,397	1,657	1,619	2,397	1,619
General and administrative	4,533	926	6,419	7,013	8,307	16,219	10,069	15,003	16,552	15,003
Depreciation, depletion and amortization	2,436	648	3,955	16,578	18,632	30,628	22,237	27,501	33,095	27,501
Total operating costs and expenses	10,037	2,318	14,181	29,082	35,111	368,258	226,971	312,688	439,734	312,688
Operating income	21,540	3,618	24,427	26,560	40,519	78,090	57,232	77,433	79,081	77,433
Other income (expense)										
Net interest income (expense)	(2,427)	59	261	(3,763)	(6,204)	(12,908)	(9,282)	(12,857)	(7,971)	(8,019)
Derivative losses						(14,024)	(11,186)	(11,676)	(14,024)	(11,676)
Income before minority interest, income taxes and cumulative effect of change in accounting principle	19,113	3,677	24,688	22,797	34,315	51,158	36,764	52,900	57,086	57,738
Minority interest		(1,763)	(11,896)	(12,510)	(19,026)	(30,389)	(22,274)	(31,187)	(31,329)	(33,293)
Income tax expense	(6,691)									

Income before cumulative effect of change in accounting principle	12,422	1,914	12,792	10,287	15,289	20,769	14,490	21,713	25,757	24,445
Cumulative effect of change in accounting principle				(107)						
Net income (loss)	$ 12,422	$ 1,914	$ 12,792	$ 10,180	$ 15,289	$ 20,769	$ 14,490	$ 21,713	$ 25,757	$ 24,445
Other Financial Data:										
Net cash provided by operating activities	$ 15,474	$ 1,862	$ 31,579	$ 40,770	$ 53,852	$ 94,450	$ 73,144	$ 70,476		
Net cash used in investing activities	(95,624)	(94)	(48,976)	(4,711)	(28,426)	(303,621)	(299,732)	(108,446)		
Net cash provided by (used in) financing activities	81,740	119	18,683	(36,504)	(13,641)	211,376	227,808	27,065		
Consolidated adjusted EBITDA	23,976	4,266	28,380	43,031	59,151	108,718	76,166	89,529	$ 112,176	$ 89,529

64

Table of Contents

	Historical							Pro Forma
	At December 31,					At September 30,		At September 30,
	2001	2002	2003	2004	2005	2005	2006	2006
	(unaudited)	(unaudited)	(unaudited)	(dollars in thousands)		(unaudited)		(unaudited)
Balance Sheet Data:								
Current assets								
Cash and cash equivalents	$ 8,319	$ 9,604	$ 9,160	$ 20,945	$ 23,150	$ 22,165	$ 12,245	$ 14,745
Accounts receivable	1,614	4,415	6,911	8,670	76,408	75,518	68,357	68,357
Derivative assets					10,235	14,765	671	671
Other current assets	692	953	1,166	964	3,145	2,728	2,690	2,690
Total current assets	10,625	14,972	17,237	30,579	112,938	115,176	83,963	86,463
Property, plant and equipment	115,965	263,321	269,966	271,546	535,040	531,709	643,361	643,361
Accumulated depreciation, depletion and amortization	(11,471)	(15,253)	(31,820)	(49,931)	(76,258)	(68,927)	(99,872)	(99,872)
Net property, plant and equipment	104,494	248,068	238,146	221,615	458,782	462,782	543,489	543,489
Equity investments				27,881	26,672	26,395	25,069	25,069
Goodwill					7,718	8,066	7,718	7,718
Intangibles, net					38,051	37,183	34,252	34,252
Derivative assets					8,536	9,256	2,813	2,813
Restricted cash	43,387							
Other long-term assets	5,792	3,935	5,884	5,395	7,250	3,956	14,940	7,259
Total assets	$ 164,298	$ 266,975	$ 261,267	$ 285,470	$ 659,947	$ 662,814	$ 712,244	$ 707,063
Current liabilities								
Accounts payable and accrued liabilities	$ 2,303	$ 3,741	$ 4,742	$ 4,129	$ 66,942	$ 66,246	$ 55,618	$ 55,618
Current portion of long-term debt	119	17	1,500	4,800	8,108	8,105	10,826	10,826
Deferred income	1,240	2,829	1,610	1,207	5,073	2,314	6,860	6,860
Derivative liabilities					20,700	27,335	10,629	10,629
Total current liabilities	3,662	6,587	7,852	10,136	100,823	104,000	83,933	83,933
Deferred income	2,418	2,488	6,028	8,726	10,194	13,310	7,990	7,990
Other liabilities	66	4,692	2,093	2,146	4,364	3,436	4,878	4,878
Derivative liabilities			714	774	11,246	18,871	8,011	8,011
Long-term debt	43,387	90,887	90,286	112,926	246,846	249,798	315,772	208,253
Commitments and contingencies								
Minority interest	144,039	192,770	190,508	189,284	326,310	327,621	329,985	334,876
Members equity (deficiency in equity)	(29,274)	(30,449)	(36,214)	(38,522)	(39,836)	(54,222)	(38,325)	59,122
Total liabilities and partners equity	$ 164,298	$ 266,975	$ 261,267	$ 285,470	$ 659,947	$ 662,814	$ 712,244	$ 707,063
Operating Data:								
Coal owned or controlled (millions of tons)	492.8	614.8	588.2	558.1	689.1			
Coal produced by lessees (millions of tons)	15.3	14.3	26.5	31.2	30.2	22.5	24.5	
Inlet gas volumes (MMcfd)					127	126	144	

Non-GAAP Financial Measure Consolidated Adjusted EBITDA

We define Consolidated Adjusted EBITDA as net income (loss) before:

- net interest expense;
- income taxes;
- depreciation, depletion and amortization;
- minority interest; and
- gains and losses on derivatives.

Consolidated Adjusted EBITDA is a significant performance metric used by our management to indicate (prior to the establishment of any cash reserves by our board of managers) the cash distributions we can pay to our unitholders. Specifically, this financial measure indicates to investors whether or not we are generating cash flow at a level that can sustain or support an increase in our quarterly distribution rates. Consolidated Adjusted EBITDA is also used as a

Table of Contents

quantitative standard by our management and by external users of our financial statements such as investors, research analysts and others to assess:

- the financial performance of our assets without regard to financing methods, capital structure or historical cost basis;
- the ability of our assets to generate cash sufficient to pay interest costs and support our indebtedness; and
- our operating performance and return on capital as compared to those of other companies in our industry, without regard to financing or capital structure.

Our Consolidated Adjusted EBITDA should not be considered as an alternative to net income, operating income, cash flow from operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. Our Consolidated Adjusted EBITDA excludes some, but not all, items that affect net income and operating income and these measures may vary among other companies. Therefore, our Consolidated Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

The following table presents a reconciliation of Consolidated Adjusted EBITDA to net income, our most directly comparable GAAP performance measure, for each of the periods presented:

	Historical								Pro Forma	
	For the Period from January 1, 2001 through October 30, 2001 (Predecessor)	From Commence-ment of Operations on October 31, 2001 through December 31, 2001	Year Ended December 31, 2002	Year Ended December 31, 2003	Year Ended December 31, 2004	Year Ended December 31, 2005	Nine Months Ended September 30, 2005	Nine Months Ended September 30, 2006	Year Ended December 31, 2005	Nine Months Ended September 30, 2006
	(in thousands)									
Net income (loss)	$ 12,422	$ 1,914	$ 12,790	$ 10,180	$ 15,289	$ 20,769	$ 14,490	$ 21,713	$ 25,757	$ 24,445
Add:										
Net interest expense (income)	2,427	(59)	(261)	3,763	6,204	12,908	9,282	12,857	7,971	8,019
Income tax expense	6,691									
Depreciation, depletion and amortization	2,436	648	3,955	16,578	18,632	30,628	22,237	27,501	33,095	27,501
Minority interest		1,763	11,896	12,510	19,026	30,389	22,274	31,187	31,329	33,293
Derivative losses						14,024	11,186	11,676	14,024	11,676

Cash settlement for derivatives (1)								(15,405)		(15,405)
Consolidated adjusted EBITDA	$ 23,976	$ 4,266	$ 28,380	$ 43,031	$ 59,151	$ 108,718	$ 79,469	$ 89,529	$ 112,176	$ 89,529

(1) Reflects cash settlements and adjustments for derivatives that are accounted for using mark-to-market accounting.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF

FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of the financial condition and results of operations of PVR in conjunction with the historical and pro forma combined financial statements of PVR and the unaudited pro forma consolidated financial statements of Penn Virginia GP Holdings, L.P. included elsewhere in this prospectus. Among other things, those historical and pro forma financial statements include more detailed information regarding the basis of presentation for the following discussion. In addition, you should read Forward-Looking Statements and Risk Factors for information regarding certain risks inherent in our and PVR s business.

Overview of Our Business

General. Our only cash generating assets consist of our partnership interests in PVR, which, upon completion of this offering of our common units, will initially consist of the following:

- a 2.0% general partner interest in PVR, which we hold through our 100% ownership interest in Penn Virginia Resource GP, LLC, PVR s general partner;

- all of the incentive distribution rights in PVR, which we hold through our 100% ownership interest in Penn Virginia Resource GP, LLC; and

- 19,283,506 units of PVR, consisting of 15,541,738 common units and 3,741,768 Class B units of PVR, representing an aggregate 41.3% limited partner interest in PVR. For a description of the terms of the Class B units, please read Material Provisions of the Partnership Agreement of Penn Virginia Resource Partners, L.P. Class B Units.

Our incentive distribution rights in PVR entitle us to receive an increasing percentage of the total cash distributions made by PVR as it reaches certain target distribution levels. At PVR s current quarterly cash distribution rate of $0.40 per unit, or $1.60 per unit on an annualized basis, aggregate quarterly cash distributions to us on all of our interests in PVR will be approximately $10.3 million, representing approximately 49.2% of the total cash distributed by PVR. Based on PVR s current cash distribution and our expected ownership of PVR, we expect that our initial quarterly cash distribution to our unitholders will be $0.235 per unit, or $0.94 per unit on an annualized basis, to the extent we have sufficient cash from operations after establishment of cash reserves and payment of fees and expenses. See Our Cash Distribution Policy and Restrictions on Distributions.

Our primary business objective is to increase our cash distributions to our unitholders. PVR s primary business objective is to create sustainable, capital-efficient growth in distributable cash flow to maximize its cash distributions to its unitholders by expanding its coal property management and natural gas gathering and processing businesses, through both internal growth and acquisitions.

We intend to monitor the implementation of PVR s business strategies. Our business strategy includes supporting the growth of PVR by purchasing PVR units or lending funds to PVR for acquisitions or for internal growth projects. We may also provide PVR with other forms of credit support, such as guarantees related to financing a project.

All of our cash flows are generated from the cash distributions we receive with respect to the PVR partnership interests we own. PVR is required by its partnership agreement to distribute, and it has historically distributed within 45 days of the end of each quarter, all of its cash on hand at the end of each quarter, less cash reserves established by its general partner in its sole discretion to provide for the proper conduct of PVR s business or to provide for future distributions. While we, like PVR, are structured as a limited partnership, our capital structure and cash distribution policy differ materially from those of PVR. Most notably, our general partner does not have an economic interest in us and is not entitled to receive any distributions from us and our capital structure does not include incentive distribution rights. Therefore, our distributions are allocated exclusively to our common units, which is our only class of security currently outstanding.

Table of Contents

Our ownership of PVR s incentive distribution rights entitles us to receive the following percentages of cash distributed by PVR as it reaches the following target cash distribution levels:

13.0% of all incremental cash distributed in a quarter after $0.275 has been distributed in respect of each common unit and Class B unit of PVR for that quarter;

23.0% of all incremental cash distributed after $0.325 has been distributed in respect of each common unit and Class B unit of PVR for that quarter; and

the maximum sharing level of 48.0% of all incremental cash distributed after $0.375 has been distributed in respect of each common unit and Class B unit of PVR for that quarter.

Since 2001, PVR has increased its quarterly cash distribution eight times from $0.25 per unit ($1.00 on an annualized basis) to $0.40 per unit ($1.60 on an annualized basis), which is the most recently declared distribution. These increased cash distributions by PVR have placed us at the third and maximum target cash distribution level as described above. As a consequence, any increase in cash distribution level from PVR will allow us to share at the 48.0% level and the cash distributions we receive from PVR with respect to our indirect ownership of the incentive distribution rights will increase more rapidly than those with respect to our ownership of the general partner interest and limited partner interests. Because we are at the maximum target cash distribution level on the incentive distribution rights, future growth in distributions we receive from PVR will not result from an increase in the target cash distribution level associated with the incentive distribution rights.

Financial Presentation. We reflect our ownership interest in PVR on a consolidated basis, which means that our financial results are combined with PVR s financial results and the results of our other subsidiaries. The 56.7% limited partner interest in PVR that we do not own will be reflected as a minority interest in our results of operations. We have no separate operating activities apart from those conducted by PVR, and our cash flows currently consist of distributions from PVR on the partnership interests, including the incentive distribution rights, that we own. Accordingly, the discussion of our financial position and results of operations in this Management s Discussion and Analysis of Financial Condition and Results of Operations reflects the operating activities and results of operations of PVR. The historical results of our operations do not reflect the incremental expenses we expect to incur as a result of being a publicly traded partnership.

Factors That Significantly Affect Our Results and PVR s Results

Our only cash-generating assets consist of our partnership interests, including the incentive distribution rights, in PVR. Therefore, our cash flow and resulting ability to make distributions will be completely dependent upon the ability of PVR to make distributions in respect of those partnership interests. The actual amount of cash that PVR will have available for distribution will primarily depend on the amount of cash it generates from its operations.

The amount of cash PVR generates will fluctuate from quarter to quarter based on, among other things:

the amount of coal its lessees are able to produce;

the price at which its lessees are able to sell the coal;

the lessees timely receipt of payment from their customers;

the amount of natural gas transported in PVR s gathering systems;

the amount of throughput in PVR s processing plants;

the price of natural gas;

the price of natural gas liquids;

the relationship between natural gas and natural gas liquids prices;

the fees PVR charges and the margins it realizes for its midstream services; and

PVR s hedging activities.

In addition, the actual amount of cash that PVR will have available for distribution will depend on other factors, some of which are beyond PVR s control, including:

- the level of capital expenditures PVR makes;
- the cost of acquisitions, if any;
- PVR s debt service requirements;
- fluctuations in PVR s working capital needs;
- restrictions on distributions contained in PVR s debt agreements;
- prevailing economic conditions; and
- the amount of cash reserves established by Penn Virginia Resource GP, LLC, in its sole discretion, for the proper conduct of PVR s business.

Penn Virginia Resource Partners, L.P.

PVR is a publicly traded Delaware limited partnership formed by Penn Virginia Corporation in 2001 that is principally engaged in the management of coal properties and the gathering and processing of natural gas in the United States. Both in its current limited partnership form and in its previous corporate form, PVR has managed coal properties since 1882. Since the acquisition of a natural gas midstream business in March 2005, PVR conducts operations in two business segments: coal and natural gas midstream. For the twelve months ended September 30, 2006, approximately 73%, or $71.7 million, of PVR s operating income was attributable to its coal segment, and approximately 27%, or $26.6 million, of its operating income was attributable to its natural gas midstream segment.

Overview of PVR s Operations

As discussed above, we have no independent operating activities apart from those conducted by PVR. Accordingly, the overview of our operations primarily reflects the operating activities of PVR.

Coal Segment Overview

As of December 31, 2005, PVR owned or controlled approximately 689 million tons of proven and probable coal reserves in Central and Northern Appalachia, the San Juan Basin and the Illinois Basin. As of December 31, 2005, approximately 25% of PVR s proven and probable coal reserves were compliance coal and approximately 48% were low sulfur coal. PVR enters into long-term leases with experienced, third-party mine operators providing them the right to mine its coal reserves in exchange for royalty payments. PVR does not operate any mines. In 2005, PVR s lessees produced 30.2 million tons of coal from PVR s properties and paid PVR coal royalty revenues of $82.7 million, for an average gross coal royalty per ton of $2.74. Approximately 83% of PVR s coal royalty revenues in 2005 and 79% of its coal royalty revenues in 2004 were derived from coal mined on its properties under leases containing royalty rates based on the higher of a fixed base price or a percentage of the gross sales price. The balance of PVR s coal royalty revenues for the respective periods was derived from coal mined on its properties under leases containing fixed royalty rates that escalate annually.

Coal prices, especially in central Appalachia where the majority of PVR s coal is produced, have increased significantly since the beginning of 2004. The price increase stems from several causes, including increased electricity demand and decreasing coal production in central Appalachia.

Substantially all of PVR s leases require the lessee to pay minimum rental payments to PVR in monthly or annual installments. PVR actively works with its lessees to develop efficient methods to exploit its coal reserves and to maximize production from its properties. PVR also earns revenues from providing fee-based coal preparation and transportation services to its lessees, which enhance their production levels and generate additional coal royalty revenues, and from industrial third party coal end-users by owning and operating coal handling facilities through its joint venture with Massey Energy Company. Coal services revenues increased to $5.2 million in 2005 from $3.8 million in 2004. PVR believes that these types of fee-based infrastructure assets provide it with good investment and cash flow opportunities. In addition, PVR earns revenues from oil and gas royalty interests it owns, from coal transportation, or wheelage, rights and from the sale of standing timber on its properties.

PVR s management continues to focus on acquisitions that increase and diversify its sources of cash flow. PVR increased its coal reserves by 162 million tons, or 29% from its year end coal reserves as of December 31, 2004, by completing four coal reserve acquisitions in 2005, for an aggregate purchase price of approximately $101 million. These acquisitions included 94 million tons of coal reserves in the Illinois Basin, a new market area for PVR. As part of these acquisitions, PVR also acquired oil and natural gas well royalty interests and wheelage rights. In addition, on May 25, 2006, PVR acquired for $65 million the lease rights to approximately 69 million tons of coal reserves in West Virginia.

Natural Gas Midstream Segment Overview

PVR owns and operates midstream assets that include approximately 3,573 miles of natural gas gathering pipelines and three natural gas processing facilities located in Oklahoma and the panhandle of Texas, which have 148 million cubic feet per day (or MMcfd) of total capacity. PVR s midstream business derives revenues primarily from gas processing contracts with natural gas producers and from fees charged for gathering natural gas volumes and providing other related services. PVR also owns a natural gas marketing business, which aggregates third-party volumes and sells those volumes into intrastate pipeline systems and at market hubs accessed by various interstate pipelines. PVR acquired its natural gas midstream assets from Cantera Gas Resources, LLC in March 2005. PVR believes that this acquisition established a platform for future growth in the natural gas midstream sector and diversified its cash flows into another long-lived asset base. Since acquiring these assets, PVR has expanded its natural gas midstream business by adding 142 miles of new gathering lines.

For the ten months ended December 31, 2005, PVR s midstream segment generated operating income of $16.3 million. Inlet volumes at PVR s gas processing plants and gathering systems were 38.9 Bcf, or approximately 127 MMcfd, for the same ten-month period, with an operating income of $0.42 per Mcf. For the twelve months ended September 30, 2006, inlet volumes at PVR s gas processing plants and gathering systems were 51 Bcf, or approximately 141 MMcfd.

PVR continually seeks new supplies of natural gas to both offset the natural declines in production from the wells currently connected to its systems and to increase throughput volume. New natural gas supplies are obtained for all of its systems by contracting for production from new wells, connecting new wells drilled on dedicated acreage and by contracting for natural gas that has been released from competitors systems.

PVR s Recent Acquisitions and Investments

Coal Segment

Coal Handling Joint Venture. In July 2004, PVR acquired from affiliates of Massey Energy Company a 50% interest in a joint venture formed to own and operate end-user coal handling facilities. The purchase price was $28.4 million and was funded with long-term debt under PVR s revolving credit facility. The joint venture owns coal handling facilities which unload shipments and store and transfer coal for three industrial coal consumers in the chemical, paper and lime production industries located in Tennessee, Virginia and Kentucky. A combination of fixed monthly fees and per ton throughput fees is paid by those consumers under long-term leases expiring between 2007 and 2019. PVR recognized equity earnings of $1.1 million in 2005 and $0.4 million in 2004 related to its ownership in the joint venture. PVR received joint venture distributions of approximately $2.3 million in 2005 and $1.0 million in 2004.

Table of Contents

Coal River Acquisition. In March 2005, PVR acquired lease rights to approximately 36 million tons of undeveloped coal reserves and royalty interests in 73 producing oil and natural gas wells for $9.3 million in cash. The coal reserves are located in the central Appalachia region of southern West Virginia along the Coal River. The oil and gas wells are located in eastern Kentucky and southwestern Virginia. The acquisition was funded with long-term debt under PVR s revolving credit facility. The coal reserves are predominantly low sulfur and high BTU content, and development will occur in conjunction with PVR s adjacent reserves and a related loadout facility that was placed into service in 2004. The oil and gas property contains approximately 2.8 billion cubic feet equivalent (Bcfe) of net proved oil and gas reserves with current net production of approximately 0.2 Bcfe on an annualized basis.

Alloy Acquisition. In April 2005, PVR acquired fee ownership of approximately 16 million tons of coal reserves for $15.0 million in cash. The reserves, located near Alloy, West Virginia on approximately 8,300 acres in the central Appalachia region of West Virginia, will be produced from deep and surface mines. Production started in late 2005. Revenues were earned initially from wheelage fees on coal mined from an adjacent property, followed by royalty revenues as the mines on PVR s property commenced production. The seller remained on the property as the lessee and operator. The Alloy Acquisition was funded with long-term debt under PVR s revolving credit facility.

Wayland Acquisition. In July 2005, PVR acquired a combination of fee ownership and lease rights to approximately 16 million tons of coal reserves for $14.5 million. The reserves are located near Wayland, Kentucky in the eastern Kentucky portion of central Appalachia. The acquisition was funded with $4.0 million of cash and the issuance of approximately 209,000 of PVR s common units. In addition, PVR assumed $0.7 million of liabilities related to the acquired property. During the third quarter of 2005, PVR began constructing a new 600-ton per hour coal processing plant and rail loading facility on the acquired property and expects to complete construction in the third quarter of 2006 at an estimated total capital expenditure of approximately $14 million to $15 million. Since acquiring fee ownership and lease rights to the property s coal reserves in July 2005, PVR has made cumulative capital expenditures of $15.4 million related to the construction of the plant as of September 30, 2006. The reserves have been leased to an operator who will commence the mining of raw coal on a limited basis during construction of the preparation and loading facility. After completion of the plant, PVR expects the operator s production from the property to increase to approximately one million tons of coal per year in 2007. PVR also expect to earn fees from third party operators for coal processed from adjacent properties.

Green River Acquisition. In July 2005, PVR also acquired fee ownership of approximately 94 million tons of coal reserves located along the Green River in the western Kentucky portion of the Illinois Basin for $62.4 million in cash and the assumption of $3.3 million of deferred income. This coal reserve acquisition was PVR s first in the Illinois Basin and was funded with long-term debt under PVR s revolving credit facility. Currently, approximately 43 million tons of these coal reserves are leased to affiliates of Peabody Energy Corporation. PVR expects the remaining coal reserves to be leased over the next several years, with a gradual increase in coal production and related cash flow from the property.

Huff Creek Acquisition. In May 2006, PVR acquired from Huff Creek Energy Company and Appalachian Coal Holdings, Inc. the lease rights to approximately 69 million tons of coal reserves located on approximately 20,000 acres in Logan, Boone and Wyoming Counties, West Virginia. The purchase price was $65.0 million and was funded with long-term debt under PVR s revolving credit facility.

Natural Gas Midstream Segment

Cantera Acquisition. On March 3, 2005, PVR completed its acquisition of Cantera Gas Resources, LLC, a midstream gas gathering and processing company with primary locations in the mid-continent area of Oklahoma and the panhandle of Texas. Cash paid in connection with the acquisition was $199.2 million, net of cash received and including capitalized acquisition costs, which PVR funded with a $110 million term loan and with long-term debt under its revolving credit facility. PVR used the proceeds from its sale of common units in a subsequent public offering in March 2005 to repay its term loan in full and to reduce outstanding indebtedness under its revolving credit facility.

Table of Contents

Transwestern Acquisition. On June 30, 2006 PVR completed its acquisition of 115 miles of pipelines and related compression facilities in Texas and Oklahoma from Transwestern Pipeline Company. These assets complement PVR s existing midstream systems in the area. PVR paid approximately $15 million cash for the acquisition. Subsequently, PVR borrowed $15 million under its revolving credit facility to replenish the cash used for this transaction.

Results of PVR s Operations

The following table sets forth a summary of certain financial data for the periods indicated.

	For the Fiscal Year Ended December 31,			For the Fiscal Year Ended December 31,		For the Nine Months Ended September 30,		
	2005 (a)	2004 (a)	% Change 2004 to 2005	2003	% Change 2003 to 2004	2006 (a)	2005 (a)	% Change 2005 to 2006
	(in millions, except per unit data)							
Revenues	$ 446.3	$ 75.6	490%	$ 55.6	36%	$ 390.1	$ 284.2	37%
Expenses	$ 368.3	$ 35.1	949%	$ 29.1	21%	$ 312.7	$ 227.0	38%
Operating income	$ 78.1	$ 40.5	93%	$ 26.6	52%	$ 77.4	$ 57.2	35%
Net income (loss)	$ 51.2	$ 34.3	49%	$ 22.7	51%	$ 52.9	$ 36.8	44%
Net income (loss) per limited partner unit, basic and diluted	$ 2.43	$ 1.86	31%	$ 1.24	50%	$ 1.15	$ 0.90	28%
Cash flows provided by operating activities	$ 93.7	$ 54.8	71%	$ 41.1	33%	$ 75.4	$ 71.7	5%

(a) The significant increases in revenues, expenses and operating income were primarily due to operations from our natural gas midstream segment which PVR acquired in March 2005.

The increase in net income for the nine months ended September 30, 2006 compared to the same period in 2005 was primarily attributable to a $20.2 million increase in operating income which was partially offset by a $3.6 million increase in interest expense for borrowings used to fund acquisitions. Operating income increased in the nine months ended September 30, 2006, primarily due to the contribution of the natural gas midstream business that PVR acquired in March 2005 and increased coal royalty revenue resulting from higher coal prices and increased coal production.

The increase in 2005 net income compared to 2004 net income was primarily attributable to increased operating income, which was partially offset by a $14.0 million noncash net charge to earnings for unrealized losses on derivatives in PVR s natural gas midstream segment and a $6.7 million increase in interest expense. Operating income increased in 2005 primarily due to increased coal royalty revenues resulting from higher commodity prices and related services income and the contribution of the natural gas midstream business that was acquired in March 2005.

Coal Segment

Nine Months Ended September 30, 2006 Compared to Nine Months Ended September 30, 2005

The following table sets forth a summary of certain financial and other data for PVR s coal segment and the percentage change for the periods indicated:

	Nine Months Ended September 30,		
	2006	2005	% Change
	(dollars in thousands, except per ton amounts)		
Revenues:			
Coal royalties	$ 73,288	$ 60,921	20%
Coal services	4,345	3,869	12%
Other	5,482	4,638	18%
Total revenues	83,115	69,428	20%
Expenses:			
Operating	5,561	4,104	36%
Taxes other than income	565	727	(22%)
General and administrative	6,796	5,962	14%
Depreciation, depletion and amortization	15,050	13,440	12%
Total expenses	27,972	24,233	15%
Operating income	$ 55,143	$ 45,195	22%
Operating Statistics:			
Royalty coal tons produced by lessees (tons in thousands)	24,467	22,496	9%
Average royalty per ton ($/ton)	$ 3.00	$ 2.71	11%

Revenues. Coal royalty revenues increased to $73.3 million for the nine months ended September 30, 2006 from $60.9 million, or 20%, for the same period in 2005, due to a higher average royalty per ton and increased production. The average royalty per ton increased to $3.00 for the nine months ended September 30, 2006 from $2.71 for the nine months ended September 30, 2005. The increase in the average royalty per ton was primarily due to a greater percentage of coal being produced from certain price-sensitive leases and stronger market conditions for coal resulting in higher prices. Coal production by PVR s lessees increased primarily due to production on its Illinois Basin property, which PVR acquired in the third quarter of 2005, and production on our central Appalachian property due to the Huff Creek acquisition in May 2006.

Other revenues increased primarily due to the following factors. In the nine months ended September 30, 2006 and 2005, PVR earned approximately $1.3 million and $0.3 million, respectively, in revenues for the management of certain coal properties. In the nine months ended September 30, 2006, PVR recognized approximately $0.7 million of forfeiture income from lessees with rolling recoupment periods. There was virtually no forfeiture income in the same period of 2005. In the nine months ended September 30, 2006 and 2005, PVR recognized approximately $0.6 million and $0.2 million, respectively, in railcar rental income related to railcars purchased in June 2005. In the nine months ended September 30, 2006 and 2005, PVR recognized approximately $1.3 million and $1.0 million of wheelage fees, respectively, primarily as a result of the Alloy Acquisition. In the nine months ended September 30, 2005, PVR received $1.5 million from the sale of a bankruptcy claim filed against a former lessee in 2004 for lost future rents.

Expenses. Operating expenses increased to $5.6 million, or 37%, for the nine months ended September 2006 compared to $4.1 million for the nine months ended September 30, 2005 due to production on PVR s subleased central Appalachian property acquired in the Huff Creek Acquisition in May 2006. This increase was partially offset by a decrease in production from other subleased properties primarily resulting from the movement of longwall mining operations at one of these properties. Fluctuations in production on subleased properties have a direct impact on royalty expense. General and administrative expenses increased due to absorbing operations related to PVR s 2005 and 2006 acquisitions, increased professional fees and payroll costs relating to evaluating acquisition

Table of Contents

opportunities and increased reimbursement to PVR s general partner for shared corporate overhead costs. Depreciation, depletion and amortization expense increased due to the increase in production and a higher depletion rate on recently acquired reserves.

Fiscal Year Ended December 31, 2005 Compared to Fiscal Year Ended December 31, 2004

The following table sets forth a summary of certain financial and other data for PVR s coal segment and the percentage change for the periods indicated:

	Fiscal Year Ended December 31,		
	2005	**2004**	**% Change**
	(dollars in thousands, except per ton amounts)		
Revenues:			
Coal royalties	$ 82,725	$ 69,643	19%
Coal services	5,230	3,787	38%
Other	7,800	2,200	255%
Total revenues	95,755	75,630	27%
Operating costs and expenses:			
Operating	$ 5,755	$ 7,224	(20%)
Taxes other than income	1,129	948	19%
General and administrative	9,237	8,307	11%
Depreciation, depletion and amortization	17,890	18,632	(4%)
Total operating expenses	34,011	35,111	(3%)
Operating income	$ 61,744	$ 40,519	52%
Operating Statistics:			
Royalty coal tons produced by lessees (tons in thousands)	30,227	31,181	(3%)
Average royalty per ton ($/ton)	$ 2.74	$ 2.23	23%

Revenues. Coal royalty revenues increased to $82.7 million in 2005 from $69.6 million in 2004, or 19%, due to a higher average royalty per ton despite a 3% decrease in production. The average royalty per ton increased 23% to $2.74 in 2005 from $2.23 in 2004. The increase in the average royalty per ton was primarily due to a greater percentage of coal being produced from certain price-sensitive leases and stronger market conditions for coal resulting in higher prices. Coal production by PVR s lessees decreased primarily due to a loss of production resulting from one lessee s longwall mining operation moving off of PVR s property and onto an adjacent third party property in the first quarter of 2005. Production also decreased due to the inability of one lessee s customer to receive shipments because of an operating problem at the customer s power generation facility. These decreases were partially offset by production from property PVR acquired in July 2005 in the Illinois Basin.

Coal service revenues increased 38% to $5.2 million in 2005 from $3.8 million in 2004. The increase in coal services revenues was primarily related to increased equity earnings from the coal handling joint venture in which PVR acquired a 50% interest in July 2004. Increased revenues from two coal handling facilities that began operating in July 2003 and February 2004 also contributed to the increase.

Other revenues increased 255% to $7.8 million in 2005 from $2.2 million in 2004 primarily due to the following factors. PVR received approximately $1.3 million of additional wheelage fees primarily as a result of the Alloy Acquisition in April 2005. PVR also received $1.5 million during the second quarter of 2005 from the sale of a bankruptcy claim filed against a former lessee in 2004 for lost future rents. PVR received approximately $1.4 million of royalty income in 2005 from the oil and natural gas royalty interests acquired in the March 2005 Coal River Acquisition, approximately $0.8 million in fees for the management of certain coal properties and approximately $0.4 million of rental income from railcars purchased in the second quarter of 2005.

Expenses. Operating expenses decreased to $5.8 million in 2005 from $7.2 million in 2004, or 20%, due to a decrease in production from subleased properties, partially offset by new wheelage expenses incurred as a result of the April 2005 Alloy Acquisition. Production from subleased properties decreased by 32% to 4.6 million tons in 2005 from 6.8 million tons in 2004. General and administrative expenses increased primarily due to increased accounting and tax related fees and increased payroll costs due to new personnel and wage increases. The decrease in depreciation, depletion and amortization expense is consistent with the decrease in production.

Fiscal Year Ended December 31, 2004 Compared to Fiscal Year Ended December 31, 2003

The following table sets forth a summary of certain financial and other data for PVR s coal segment and the percentage change for the periods indicated:

	Fiscal Year Ended December 31,		
	2004	2003	% Change
	(dollars in thousands, except per ton amounts)		
Revenues:			
Coal royalties	$ 69,643	$ 50,312	38%
Coal services	3,787	2,111	79%
Other	2,200	3,219	(32%)
Total revenues	75,630	55,642	36%
Expenses:			
Operating	$ 7,224	$ 4,235	71%
Taxes other than income	948	1,256	(25%)
General and administrative	8,307	7,013	18%
Depreciation, depletion and amortization	18,632	16,578	12%
Total expenses	35,111	29,082	21%
Operating income	$ 40,519	$ 26,560	53%
Operating Statistics:			
Royalty coal tons produced by lessees (tons in thousands)	31,181	26,463	18%
Average royalty per ton ($/ton)	$ 2.23	$ 1.90	17%

Revenues. Coal royalty revenues increased to $69.6 million in 2004 from $50.3 million in 2003, or 38%, principally due to increased production by PVR s lessees and higher royalty rates. The increase in the average gross royalty per ton accounted for 54% of the increase in coal royalty revenues and was primarily due to stronger market conditions for coal and the resulting higher coal prices. The increase in production accounted for the remaining 46% of the overall increase in coal royalty revenues. Production increased when, in the first quarter of 2004, one lessee s longwall mining operation moved onto one of PVR s subleased central Appalachia properties from an adjacent third party property. The addition of a new mine operator and new mines in PVR s central Appalachia properties also contributed to increased production.

Coal services revenues increased primarily as a result of start-up operations at two coal handling facilities that began operating in July 2003 and February 2004. Equity earnings from a coal handling joint venture in which PVR acquired a 50% interest in July 2004 also contributed to the increase.

Other revenues decreased primarily due to decreases in minimum rentals and timber revenues. Minimum rental revenues decreased primarily due to the timing of expiring recoupments from PVR s lessees. The amount recognized in 2003 primarily related to four leases. Each of these leases was assigned to a new lessee approved by PVR. The leases were amended at the time of assignment to allow the new lessees additional time to offset actual production against minimum rental payments. Timber revenues decreased due to the timing of a parcel sale of PVR s standing timber in 2003 and poor weather conditions in the second quarter of 2004. These decreases were partially offset by a gain on the 2004 sale of surface property in Virginia.

Table of Contents

Expenses. Operating expenses increased to $7.2 million in 2004 from $4.2 million in 2003, or 71%, due to an increase in production by lessees on PVR s subleased properties. Production from subleased properties increased by 74% to 6.8 million tons in 2004 from 3.9 million tons in 2003. The decrease in taxes other than income was attributable to the assumption by a new lessee of the property tax obligation on PVR s Coal River property for which it had been responsible since the bankruptcy of the initial Coal River lessee. General and administrative expenses increased due to costs related to a secondary public offering for the sale of common units held by an affiliate of Peabody Energy Corporation and increased professional fees and payroll costs relating to evaluating acquisition opportunities and compliance with the Sarbanes-Oxley Act of 2002. Depreciation, depletion and amortization expense increased primarily as a result of increased production and depreciation on PVR s coal services facilities which began operations in July 2003 and February 2004.

Natural Gas Midstream Segment

PVR began operating in its natural gas midstream segment on March 3, 2005 with the acquisition of Cantera s natural gas midstream business. The results of operations of the natural gas midstream segment since that date are discussed below.

Nine Months Ended September 30, 2006 Compared to Nine Months Ended September 30, 2005

The following table sets forth a summary of certain financial and other data for PVR s natural gas midstream segment and the percentage change for the periods indicated:

	Nine Months Ended September 30,		
	2006	**2005 (a)**	**% Change**
	(dollars in thousands)		
Revenues:			
Residue gas	$ 199,096	$ 132,245	51%
Natural gas liquids	97,591	74,235	31%
Condensate	7,165	5,386	33%
Gathering and transportation fees	1,488	1,485	0%
Total natural gas midstream revenues	305,340	213,351	43%
Marketing revenue, net	1,666	1,424	17%
Total revenues	307,006	214,775	43%
Expenses:			
Cost of gas purchased	$ 254,615	$ 182,278	40%
Operating	8,388	6,626	27%
Taxes other than income	1,054	930	13%
General and administrative (b)	8,209	4,107	100%
Depreciation and amortization	12,451	8,797	42%
Total operating expenses	284,717	202,738	40%
Operating income	$ 22,289	$ 12,037	85%

Operating Statistics:			
Inlet volumes (MMcf)	39,431	26,963	46%
Midstream processing margin (c)	$ 50,725	$ 31,073	63%

(a) Represents the results of operations of the natural gas midstream segment since March 3, 2005, the closing date of the purchase of the natural gas midstream business.

(b) Amounts include approximately $1.9 million for the nine months ended September 30, 2006 and approximately $0.3 million for the same period in 2005 as reimbursements to PVR s general partner for management and administrative services provided to PVR.

(c) Midstream processing margin consists of total natural gas midstream revenues minus the cost of natural gas purchased.

Table of Contents

The financial and other data presented in the table above for the nine months ended September 30, 2005 include seven months of operations of PVR s midstream business. One of the primary reasons for the significant differences in PVR s results of operations for the nine months ended September 30, 2006 as compared to the same period in 2005 is that the 2006 data includes nine full months of operations of the midstream business.

Revenues. Revenues included residue gas sold from processing plants after NGLs were removed, NGLs sold after being removed from inlet volumes received, condensate collected and sold, gathering and other fees primarily from natural gas volumes connected to PVR s gas processing plants and the purchase and resale of natural gas not connected to its gathering systems and processing plants. The increase in natural gas midstream revenues was primarily a result of an additional two months of operations in the first nine months of 2006 and market changes in NGL and natural gas prices. Average pricing for both NGLs and natural gas increased for the comparative periods.

Expenses. Operating costs and expenses primarily consisted of the cost of gas purchased and also included operating expenses, taxes other than income, general and administrative expenses and depreciation and amortization.

Cost of natural gas purchased consisted of amounts payable to third-party producers for natural gas purchased under percentage of proceeds and keep-whole contracts. The increase in the average purchase price for natural gas was primarily due to overall market increases in natural gas prices. Included in cost of natural gas purchased for the nine months ended September 30, 2006, was a $4.6 million non-cash charge to reserve for amounts related to balances assumed as part of the a