

Edgar Filing: Penn Virginia GP Holdings, L.P. - Form 425

Penn Virginia GP Holdings, L.P.
Form 425
October 28, 2010

**Filed by Penn Virginia Resource Partners, L.P. pursuant to Rule 425 under the
Securities Act of 1933 and
deemed filed pursuant to Rule 14a-12 under the Securities Exchange Act of 1934**

Subject Company: Penn Virginia GP Holdings, L.P.

Commission File No.: 001-33171

Penn Virginia Resource Partners, L.P
American Association of
Individual Investors
Philadelphia Chapter
10/26/2010
NYSE: PVR
www.pvresource.com

2

Forward-Looking Statements

Certain statements contained herein that are not descriptions of historical facts are "forward-looking" statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Because such statements include risks, uncertainties and contingencies, actual results may differ materially from those expressed or implied by such forward-looking statements. These risks, uncertainties and contingencies include, but are not limited to, the volatility of commodity prices for natural gas, NGLs and coal; our ability to access external sources of capital; any impairment or write-downs of our assets; the relationship between natural gas, NGL and coal prices; the projected demand for and supply of

gas, NGLs and coal; competition among producers in the coal industry generally and among natural gas midstream companies; extent to which the amount and quality of actual production of our coal differs from estimated recoverable coal reserves; our ability to generate sufficient cash from our businesses to maintain and pay the quarterly distribution to our general partner and our unitholders; the experience and financial condition of our coal lessees and natural gas midstream customers, including our lessees' ability to satisfy their royalty, environmental, reclamation and other obligations to us and others; operating risks, including unanticipated geological problems, incidental to our coal and natural resource management or natural gas midstream businesses; our ability to acquire new coal reserves or natural gas midstream assets and new sources of natural gas supply and connections to third-party pipelines on satisfactory terms; our ability to retain existing or acquire new natural gas midstream customers and coal lessees; the ability of our lessees to produce sufficient quantities of coal on an economic basis from our reserves and obtain favorable contracts for such production; the occurrence of unusual weather or operating conditions including force majeure events; delays in anticipated start-up dates of our lessees' mining operations and related coal infrastructure projects and new processing plants in our natural gas midstream business; environmental risks affecting the mining of coal reserves or the production, gathering and processing of natural gas; the timing of receipt of necessary governmental permits by us or our lessees; hedging results; accidents; changes in governmental regulation or enforcement practices, especially with respect to environmental, health and safety matters, including 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, interest rates and financial and credit markets) and political conditions (including the impact of potential terrorist attacks) and other risks set forth in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

Additional information concerning these and other factors can be found in our press releases and public periodic filings with the Securities and Exchange Commission, including our Annual Report on Form 10-K for the year ended December 31, 2009. Management believes that the factors that will determine our future results are beyond the ability of management to control or predict. Readers should not place undue reliance on forward-looking statements, which reflect management's views only as of the date hereof. We undertake no obligation to revise or update any forward-looking statements, or to make any other forward-looking statements, whether as a result of new information, future events or otherwise.

3

Diversified, Relatively Low-Risk Asset Base
Strategically Located Coal Reserves and Midstream Assets
Stable and Predictable Coal Royalty Business
Solid Balance Sheet and Attractive Yield
Stable Cash Flows and Distribution Coverage
Well
Positioned

to
Capitalize
on
Partnership
Momentum
&
Industry
Trends
Hedged Midstream Business with Growing Fee-Based Volumes
Key Investment Highlights

4
Current Structure
Penn Virginia
Resource Partners,
L.P.
(NYSE: PVR)
Public
Unitholders

32.7 MM

Common Units

60.4% LP interest

Penn Virginia

GP Holdings, L.P.

(NYSE: PVG)

Public

Unitholders

39.1 MM

Common Units

100% LP interest

Penn

Virginia

Resource

GP, LLC

100% ownership

2% GP Interest

and Incentive

Distribution Rights

37.6% LP interest

19.6 MM PVR Common Units

Notes:

1)

Chart displays simplified organizational structure

2)

Units outstanding and ownership interests are rounded

approximations

Penn Virginia

Operating Co., LLC

and its subsidiaries

5
Coal royalty
business,
not
coal
mining
Managed coal properties since 1882
Controls 829 MM tons of high quality coal

reserves (24 year R/P ratio)

Long-term leases with experienced operators

Ancillary businesses include coal services,
timber and gas royalties

Coal & Natural Resource Management

~ 2/3 of 2009 Adjusted EBITDA

(1)

Natural Gas Midstream

~ 1/3 of 2009 Adjusted EBITDA

(1)

\$185 million of 2009 Adjusted EBITDA

(1)

Traditional gathering and processing business

Assets are located in attractive natural gas

basins with long-lived reserves

4,118 miles of pipelines

6 processing facilities

400 MMcfd of capacity

Average throughput volume 332 MMcfd in

2009

(1)

Adjusted EBITDA is a non-GAAP financial measure. See Appendix for a reconciliation of Adjusted EBITDA to net income and

Overview

6
Coal & Natural Resource Management
San Juan
Basin
Northern
Appalachia
Illinois
Basin

Central

Appalachia

Coal reserves located in major supply basins

Access to major coal hauling railroads and inland waterways

Close proximity to power generation facilities

Gathering systems located in major gas basins

Reserves in Oklahoma, North Texas and East Texas are moderately declining and long-lived

Significant growth potential from Marcellus Shale

Crossroads

Arkoma

Panhandle

North Texas

Thunder Creek

Hamlin

Natural Gas Midstream

Marcellus

Crescent

Strategically Located Assets

Coal and Natural
Resource Management
7

8

~ 2/3 of 2009 Adjusted EBITDA

(1)

(1)

Adjusted EBITDA is a non-GAAP financial measure. See Appendix for a reconciliation of Adjusted EBITDA to net income and

(2)

Does not include June 2010 acquisition of 10 millions tons of Pittsburgh Seam reserves. With that acquisition, the N. Appalachia Coal & Natural Resource Management

33.0
603.9
18.3
Central
Appalachia
5.0
37.4
7.5
San Juan
Basin
34.9
163.9
4.7
Illinois Basin
6.2
23.4
3.8
Northern
Appalachia
(2)
R/P
Ratio
(years)
Proven /
Probable
Reserves
(MM tons)
2009 Lease
Production
(MM tons)
Region
24.2 years
R/P Ratio:
828.6 MM tons
Proved / Probable Reserves:
34.3 MM tons
2009 Lease Production
Coal Production & Reserves

9

Coal

Attractive Long Term Fundamentals

EIA

(1)

forecasts that coal:

usage will continue to increase for next

25 years

will continue to be the dominant fuel for
electric power generation in the U.S.
will retain its cost advantage as the
cheapest energy source

(1)
Annual Energy Outlook 2010 (March 2010), Energy Information Administration (EIA)

Coal

Liquid Fuels

Natural Gas

Other

0

20

40

60

80

100

120

140

U.S. Energy Supply Composition By Primary Source

Fuel Oil

Natural Gas

Steam Coal

0

5

10

15

20

25

Coal

Petroleum

Natural Gas

Nuclear

Other

0

1000

2000

3000

4000

5000

6000

Energy Prices

(2)

U.S. Electrical Generation By Fuel Type

(2)

Prices paid for energy by Electric Generation Sector as reported by EIA

10

Coal Royalty vs. Coal Operator

Coal royalty

not a coal mining operation

Historical Coal Prices vs. Coal Royalty Revenue

Majority of our royalty payments (82%) are based on the higher of a percentage of the gross sales price or a fixed price per ton

Our lessees generally sell their coal under long-term fixed-price contracts (1
5 years),

which provides cash flow stability

Contracts with our lessees are long-term, with an average life of 10

15 years

No direct exposure to mine operating costs and risks or reclamation costs

Minimal maintenance capital expenditure requirements

Coal Royalty Business -

Stable and Predictable

High

Low

Reclamation Exposure

High

Low

Social Costs

(e.g. benefits, black lung)

High

Medium

Reinvestment Requirements

Variable

High

Cash Flow Stability

Variable

High

Operating Margins

Coal Operator

Coal Royalty

Characteristic

0

20

40

60

80

100

120

140

0

5

10

15

20

25

30

35

40

Quarterly Coal Royalty Revenue

Central Appalachia

Illinois Basin

Consists of a combination of surface and underground mines located in KY, VA and WV
Lessees customers are primarily electric utilities
Coal is higher quality, lower sulfur
Proximity to East Coast ports make these mines an ideal source of exports
Central Appalachia (73% of Reserves)

Illinois Basin (20% of Reserves)

Comprised of properties in southern Illinois and western Kentucky

Acquired 169 MM tons of reserves in the Illinois Basin beginning in 2005

The installation of scrubbers by Eastern and Midwestern utilities has increased demand for the high sulfur coal in the Illinois Basin

Primary Coal Basins

11

Northern Appalachia (3% of Reserves)

San Juan Basin (4% of Reserves)

Northern Appalachia holdings consist of the
Federal and Upshur properties

Reserves are 100% owned and 98% have been
leased to operators

Our Lee Ranch property is located in the San
Juan Basin of northwestern New Mexico and

contains only surface coal mines
Increased production from 2006 to 2007,
whereas statewide coal production dropped
Other Coal Basins

12

13
Changes
in
Coal
Reserves:
2002

2009

Coal Production

Reserves

by
Type

2009

Net
Royalties
by
Region

2009

Reserves
by
Region

2009

Coal
Operations

492.8

571.3

(235.5)

0

200

400

600

800

1000

Reserves

12/31/01

Production

2002-2009

Acquired

2003-2009

828.6

0

5

10

15

20

25

30

35

40

2004

2005

2006

2007

2008

2009

Central Appalachia
San Jaun Basin
Illinois Basin
Northern Appalachia
Central
Appalachia
69%
San Juan
Basin
14%
Illinois
Basin
11%
Northern
Appalachia 6%
Central
Appalachia
73%
San Juan
Basin
4%
Illinois
Basin
20%
Northern
Appalachia 3%
Steam
89%
Metallurgical
11%

Fees charged to lessees for
use of coal preparation and
loading facilities
JV formed in July 2004

Fee-based revenues

Predictable cash flows

Services

5% of Coal & NRM Net Revenue

(1)

Approximately 243,000 acres
of forestland in Kentucky,
Virginia and West Virginia

Premium quality hardwood
primarily used for furniture

Timber

4% of Coal & NRM Net Revenue

(1)

In October 2007, we
purchased oil and gas
royalties located on 165,000
acres in eastern Kentucky
and southwestern Virginia

Almost all of our oil and
gas royalty interests are
associated with leases of
these properties

Oil & Gas Royalties

2% of Coal & NRM Net Revenue

(1)

Services, Timber & Oil & Gas Royalties

14

Represents 2009 Coal & NRM revenue less Coal Royalty expenses

(1)

Natural Gas
Midstream
15

16

~ 1/3 of 2009 Adjusted EBITDA

(1)

(1)

Adjusted EBITDA is a non-GAAP financial measure. See Appendix for a reconciliation of Adjusted EBITDA to net income and

Natural Gas Midstream Overview

47

80

8
Crossroads
8
20
AMIs
with Range Resources
and a private E&P company
Marcellus
18
N/A
134
North
Texas
13
N/A
78
Arkoma
224
260
1,681
Panhandle
516
Hamlin
22
40
1,701
Crescent
375
N/A
588
Thunder
Creek
(25% JV)
2009
Volume
(MMcfd)
Processing
Capacity
(MMcfd)
Gathering
Pipeline
(Miles)
System
332 MMcfd
2009 Avg. System Throughput Vol:
400 MMcfd
Natural Gas Processing Capacity:
4,118 Miles
Gathering Pipeline:
Natural Gas Midstream Systems

17

Significant organic fee-based growth potential from Crossroads, Thunder Creek and Marcellus project (initial start-up in late 2010 / early 2011)

Target hedging 50-60% of remaining commodity-sensitive volumes over 2 years

Currently, 60% of 2010 and 58% of 2011 price-sensitive volumes are hedged

Additionally, many gas purchase / keep-whole contracts contain a processing fee floor

Volumes by Contract

2004

Volumes by Contract

2009

Since entering the midstream business, we have focused on reducing commodity price risk:

Acquiring fee-based businesses (North Texas and Thunder Creek)

Pursuing green field projects backed by fee-based contracts (Crossroads and Marcellus)

Converting a portion of existing keep-whole contracts to fee-based or POP

Hedged Midstream Business with

Growing Fee-Based Volumes

Fee-

Based

14%

Keep-

Whole

52%

Percent-of-

Proceeds

34%

Fee-Based

19%

Keep-

Whole

28%

Percent-of-

Proceeds

53%

18

Gas Rig Count vs. Natural Gas Production

Lower 48 State On-Shore Gas Production

Oil-to-Natural Gas Price Ratio

Source: Energy Information Administration, Baker Hughes, and Bloomberg

Our assets are well positioned to benefit from increasing activity in emerging resource plays:

Granite Wash

Marcellus Shale

Haynesville Shale / Horizontal Cotton Valley

Attractive processing economics are expected to persist

Well Positioned Asset Base

0
200
400
600
800
1000
1200
1400
1600
1800
50
52
54
56
58
60
62
64
66

Rig Count

Production

0
2
4
6
8
10
12
14
16
18
20

Shale gas drives future production growth

0.0x
5.0x
10.0x
15.0x
20.0x
25.0x
1990
1995

2000

2005

2010

2015

2020

2025

2030

2035

Conventional

Shale Gas

Coalbed

Methane

Oil Associated

19

Gathering system in the Anadarko Basin of
Texas and Oklahoma

Comprised of a number of major gathering
systems and compressor stations

Beaver / Spearman plants

200 MMcfd of

inlet capacity

Sweetwater plant

Acquired in July

2009,

60 MMcfd of inlet capacity

Approximately 203 producers pursuant to

332 contracts

Positioned to capitalize on the development

of the Granite Wash

Overview

Operating Statistics

Processing Plants

3

Processing Capacity (MMcfd)

260

Gathering System Length (miles)

1,681

Panhandle System

20

Crossroads

Gathering system in Oklahoma

Sooner Trend

Consists of 1,701 miles of pipeline
and 15 related compressor stations

Crescent

processing
plant

NGL
recovery plant with capacity of
40 MMcfd
Wells are generally low-volume and
long-lived with large NGL quantities
Crescent
Thunder Creek Gas Services
Hamlin
Arkoma
North Texas
Gathering system stretching over
West Central Texas with the Hamlin
processing plant located in Fisher
County, Texas
Consists of 500+ miles of pipeline
and 8 related compressor stations

Hamlin plant
20 MMcfd capacity
Consists of three separate stand-
alone gathering systems in
southeastern Oklahoma's Arkoma
Basin

Two systems are 100% owned,
third system is 49% owned

Average 2009 throughput volume
of 13 MMcfd
Purchased 25% JV interest in
Thunder Creek from Kinder Morgan
Energy Partners (April 08) in
Wyoming's Powder River Basin

Devon Energy owns the other
75% interest
100% fee-based model
Average 2009 throughput volume of
375 MMcfd
Located in the southeast portion of
Harrison County, Texas
Anchored by a long-term
commitment under a fee-based
arrangement
80 MMcfd of inlet capacity
Centered around 5 major producers
Positioned for growth from

Haynesville Shale
Acquired gas gathering and
transportation assets in the Barnett
Shale play in the Fort Worth Basin

134 miles of gathering pipeline

Approximately 240,000 acres
100% fee-based revenues

Potential to increase revenues
through addition of processing,
treating and other services
Natural Gas Midstream
Other Systems

21

AMI with Range Resources in Lycoming, Bradford and Tioga Counties, PA

PVR to provide gathering, compression and related services

Range to initially dedicate over 75,000 acres with ongoing active lease acquisition program within the Area of Mutual Interest (AMI)

Gathering system will have over 700 MMcfd of throughput capacity

Total capital investment:

Expect \$170

\$200 million

between 2010 and 2015

(approx. \$60 million in

2010)

100% fee-based:

Firm reservation charges

that provide a floor on

returns

Additional volumetric fees

based upon delivered

volumes

Area Infrastructure and Range Positions

Tennessee 300 Line

Connects Gulf coast and

Rockies supply with

northeastern markets

Capability to move 400 MMcfd

of Marcellus production

Transco Leidy Lateral

Connects Leidy storage facility

with northeastern markets

Capability to move 1.5 Bcfd of

Marcellus production through

physical or backhaul transport

Columbia Gas Transmission / Columbia Gulf

Marcellus Fairway

Areas under development

Texas Eastern Transmission

Tennessee Gas Pipeline

Dominion Transmission

Transcontinental Gas Pipeline

Marcellus Project Provides Significant Fee-Based Growth

22
Distributable Cash Flow
(1)
vs. Distributions
Annual Adjusted EBITDA
(1)
\$0
\$40

\$80
\$120
\$160
\$200
2005
2006
2007
2008
2009

\$0
\$35
\$70
\$105
\$140
\$175
2005
2006
2007
2008
2009

Distributions

DCF

(1)

Adjusted EBITDA and Distributable Cash Flows are non-GAAP financial measures. See Appendix for a reconciliations of the

Relatively moderate maintenance capital

expenditure requirements

Target distribution coverage ratio of 1.2x

Target long-term debt / EBITDA ratio of < 3.5x

Growth financed 50% debt / 50% equity

Debt / Adjusted EBITDA

(1)

Average: 2.7x

0.0x
1.0x
2.0x
3.0x
4.0x
2005
2006
2007
2008
2009

Financial Overview

23

Conservative Pro Forma Leverage with Strong Liquidity Profile
Balance Sheet as of June 30, 2010

(1)

Adjusted EBITDA is a non-GAAP financial measure. See Appendix for a reconciliation of Adjusted EBITDA to operating income.

(2)

On August 13, 2010, PVR closed on an amended 5 year credit facility of \$850 million

(3)

Revolver availability includes adjustment for \$1.6 million in letters of credit

Conservative Capitalization

Total Debt

646.5

\$

Partners' Capital

459.4

Total Capitalization

1,105.9

\$

LTM Adjusted EBITDA

(1)

190.6

Debt / Adjusted EBITDA

3.4x

Debt / Capitalization

58%

Revolver Capacity

(2)

850.0

Revolver Availability

(3)

501.9

Diversified, Relatively Low-Risk Asset Base
Strategically Located Coal Reserves and Midstream Assets
Stable and Predictable Coal Royalty Business
Solid Balance Sheet and Attractive Yield
Stable Cash Flows and Distribution Coverage
Well
Positioned
to

Capitalize
on
Partnership
Momentum
&
Industry
Trends
Hedged Midstream Business with Growing Fee-Based Volumes
Conclusion: Key Investment Highlights
24

25

Appendix

PVR / PVG Merger

Hedging Strategy

Financial Information

26

PVR and PVG will file a joint proxy statement/prospectus and other documents with the SEC in relation to the merger. Investors are urged to read these documents carefully when they become available because they will contain important information regarding PVR, PVG, and the transaction. A definitive joint proxy statement/prospectus will be sent to unitholders of PVR and PVG seeking their approvals as contemplated by the merger agreement. Once available, investors may obtain a free copy of the joint proxy statement/prospectus and other documents containing information about PVR and PVG, without charge, at the SEC website at www.sec.gov. Copies of the joint proxy statement/prospectus and the SEC filings that will be incorporated by reference in the joint proxy statement/prospectus may also be obtained free of charge by contacting investor relations at 610-975-8204, or

by accessing www.pyresource.com
or www.pvgpholdings.com. PVR, PVG, and the officers and directors of the general partner of
each partnership may be deemed to be participants in the solicitation of proxies from their security holders. Information about
these
entities
and
persons
can
be
found
in
PVR's
and
PVG's
Annual
Reports
on
Form 10-K
for
the
year
ended
December
31,
2009.
Additional
information
about
such
entities
and
persons
may
also
be
obtained
from
the
joint
proxy
statement/prospectus
when it becomes available.

PVR / PVG Merger Legal Notices

Certain statements by PVR and PVG contained herein that are not descriptions of historical facts are forward-looking
statements by PVR and PVG within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of
the Securities Exchange Act of 1934, as amended. Words such as may, will, could, should, expect, plan, propose,
intend, anticipate, believe, estimate, predict, potential, pursue, target, continue, and similar expressions
intended to identify such forward-looking statements. These forward-looking statements include, without limitation, the
anticipated benefits and other aspects of the proposed merger, future financial and operating results and expectations and
intentions with respect to future operations and services, approval of the proposed transaction by PVR and PVG unitholders, the

satisfaction of the closing conditions to the proposed transaction, and the timing of the completion of the proposed transaction. Because such statements include risks, uncertainties and contingencies, actual results may differ materially from those expressed or implied by such forward-looking statements. Many of the factors that will determine PVR's and PVG's future results are beyond the ability of management to control or predict. Readers should not place undue reliance on forward-looking statements, which reflect management's views only as of the date hereof. PVR and PVG undertake no obligation to revise or update any forward-looking statements, or to make any other forward-looking statements, whether as the result of new information, future events or otherwise. These risks as well as other risks, uncertainties and contingencies are discussed in more detail in PVR's and PVG's joint press release and public periodic filings with the Securities and Exchange Commission (SEC) including PVR's and PVG's Annual Reports on Form 10-K for the year ended December 31, 2009 and most recent Quarterly Reports on Form 10-Q.

27

PVR / PVG Merger -
Transaction Summary

The boards of directors of PVR and PVG have agreed to a merger of the two partnerships in a tax-free, 100% equity exchange

Terms of the merger were approved by the conflicts committees and boards of PVR and

PVG

The merger is subject to approval by a majority of each of PVR's and PVG's unitholders

PVG has agreed to vote its approximate 37.6% interest in PVR units in favor of the merger

PVG unitholders will receive 0.98 PVR limited partnership (LP) units in exchange for each PVG LP unit they own

The merger would result in 38.3 million additional PVR units being issued and the cancellation of the approximate 19.6 million PVR LP units currently owned by PVG

Following the merger, the former PVG unitholders will own approximately 54% of PVR's LP units

The merger would result in PVR owning its General Partner and the cancellation of PVG's incentive distribution rights (IDRs)

The PVR management team will continue in their current roles

PVR's unitholders will elect all of the directors of its general partner's board of directors beginning in 2011

All three of PVG's independent directors are expected to join PVR's board of directors

The transaction is expected to result in dilution of PVR's distributable cash flow per unit of approximately 1.0% in 2011

(a)

Thereafter, the transaction is expected to be accretive as the economic benefits of the merger are realized

(a)

Accretion

/

dilution

calculations

are

based

on

management

assumptions

see

PVR/PVG

merger

presentation

dated

9/22/2010

28
Current Structure
Penn Virginia
Resource Partners, L.P.
(NYSE: PVR)
Public
Unitholders
32.7 MM

Common Units

60.4% LP interest

Penn Virginia

GP Holdings, L.P.

(NYSE: PVG)

Public

Unitholders

39.1 MM

Common Units

100% LP interest

Penn

Virginia

Resource

GP, LLC

100% ownership

2% GP Interest

and Incentive

Distribution Rights

37.6% LP interest

19.6 MM PVR Common Units

Notes:

1)

Chart displays simplified organizational structure

2)

Units outstanding and ownership interests are rounded approximations

Penn Virginia

Operating Co., LLC

and its subsidiaries

29
Post-Transaction Structure
Penn Virginia
Resource Partners, L.P.
(NYSE: PVR)
Public
Unitholders
71.0 Million

Common Units

100% LP interest

Penn Virginia

Operating Co., LLC

and its subsidiaries

Penn Virginia

Resource GP, LLC

100% (Indirect)

Non-economic GP interest

Notes:

1)

Chart displays simplified organizational structure

2)

Units outstanding and ownership interests are rounded approximations

30

Expected Merger Benefits

The merger is expected to provide benefits to both PVR and PVG unitholders, including:

Lower Cost of Capital

Elimination of the IDRs

will reduce PVR's cost of capital

Lower cost of capital enhances the cash accretion from investments in internal growth projects and acquisitions

Strengthens PVR's overall competitive position when pursuing growth opportunities

Simplified Structure

Provides a capital structure more easily understood by the investing public

Streamlines governance of PVR

Eliminates the potential for conflicts of interest from dual management roles

Reduces
G&A
costs
associated
with
the
elimination
of
one
publicly
traded
entity

Enhanced Investor and Market Profile

Improves transparency for debt and equity investors

Attracts a broader investor base by increasing the public float and trading liquidity of the market for PVR's LP units

Provides PVR's unitholders the right to elect all of the directors of its general partner's board of directors

Based on the exchange ratio and upon closing of the merger, PVG unitholders quarterly cash distributions will increase 18%

31
Derivative Hedging Strategy

PVR is long NGLs
and short natural gas

Active hedge strategy to mitigate commodity price risk

Exposed to frac
spread
risk through wellhead purchase
contract and to direct commodity price risk through percent-
of-proceeds contracts

Current and future hedges

2010 hedges are 60% of current price-sensitive volumes

2011 hedges are 58% of current price-sensitive volumes

Target hedging 50-60% of price sensitive exposure out 2 years

Sensitivity to commodity price changes is expected to
decrease as a result of increasing fixed-fee volumes
from the Marcellus Shale, Thunder Creek and
Crossroads

32
\$51.2
30.6
-
13.0
(4.8)
1.3
-

(4.6)
 \$86.7
 \$104.5
 58.2
 31.8
 (11.4)
 (38.5)
 (0.2)
 -
 (14.5)
 \$129.9
 (\$ in millions)
 Year Ended December 31,
 2009
 2008
 2007
 2006
 2005
 2004
 Net Income
 DD&A
 Impairments
 Total derivative losses (gains)
 Cash settlements of derivatives
 Equity earnings from jv s, net of distributions.
 Other
 Other CAPEX
 Distributable Cash Flow
 \$34.3
 18.6
 -
 -
 -
 0.6
 -
 (0.1)
 \$53.4
 \$73.9
 37.5
 -
 13.2
 (19.4)
 1.3
 4.6
 (9.5)
 \$101.6
 \$56.6
 41.5
 -
 50.2

(17.8)

(0.3)

-

(9.8)

\$120.5

\$65.2

70.2

1.5

22.7

3.0

(2.5)

-

(8.4)

\$151.7

PVR -

Historical Distributable Cash Flow Summary

Distributable Cash Flow Reconciliation

33
(in thousands)
2009
2008
2007
2006
2005

Reconciliation of net income to Adjusted EBITDA:

Net income	
\$ 65,215	
\$ 104,500	
\$ 56,623	
\$ 73,928	
\$ 51,161	
Depreciation, depletion and amortization	
70,235	
58,166	
41,512	
37,493	
30,628	
Interest expense	
24,653	
24,672	
17,338	
18,821	
14,054	
EBITDA	
160,103	
187,338	
115,473	
130,242	
95,843	
Impairments	
1,511	
31,801	
-	
-	
-	
Equity earnings, net of distributions received	
(2,537)	
(224)	
(285)	
1,317	
1,269	
Derivative losses (gains)	
22,700	
(11,357)	
50,163	
13,213	
13,036	
Net cash settlements of derivatives	
3,000	
(38,466)	
(17,779)	
(19,436)	
(4,752)	
Adjusted EBITDA	
\$ 184,777	

\$	169,092
\$	147,572
\$	125,336
\$	105,396
Reconciliation of cash flows from operating activities to Adjusted EBITDA:	
Cash flows from operating activities	
\$	159,972
\$	139,176
\$	127,824
\$	107,344
\$	93,712
Changes in operating assets and liabilities	
	5,308
	6,529
	2,243
	(60)
	(635)
Non-cash interest expense	
	(4,391)
	(2,693)
	(678)
	(769)
	(1,735)
Interest expense	
	24,653
	24,672
	17,338
	18,821
	14,054
Equity earnings, net of distributions received	
	2,537
	224
	285
	(1,317)
	(1,269)
Derivative gains (losses)	
	(22,700)
	11,357
	(50,163)
	(13,213)
	(13,036)
Cash settlement on derivatives	
	(3,000)
	38,466
	17,779
	19,436
	4,752
Impairments	
	(1,511)

	(31,801)
	-
	-
	-
Other	(765)
	1,408
	845
	-
	-
EBITDA	
	160,103
	187,338
	115,473
	130,242
	95,843
Impairments	
	1,511
	31,801
	-
	-
	-
Equity earnings, net of distributions received	
	(2,537)
	(224)
	(285)
	1,317
	1,269
Derivative losses (gains)	
	22,700
	(11,357)
	50,163
	13,213
	13,036
Net cash settlements of derivatives	
	3,000
	(38,466)
	(17,779)
	(19,436)
	(4,752)
Adjusted EBITDA	
\$	184,777
\$	169,092
\$	147,572
\$	125,336
\$	105,396
Year Ended December 31,	
PVR -	
Historical Adjusted EBITDA Summary	
Reconciliation of Adjusted EBITDA	