Penn Virginia GP Holdings, L.P.
Form 424B4
December 05, 2006
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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. Upon completion of this offering, we will own a 2% general partner interest, all of the incentive distribution rights and an approximate 41.1% 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 $17.04 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	$ 18.50	$ 116,550,000
Underwriting discount (1)	$ 1.11	$ 6,993,000
Proceeds to us (before expenses)	$ 17.39	$ 109,557,000

(1) Excludes structuring fee payable to Lehman Brothers Inc. and UBS Securities LLC in the aggregate amount of $582,750.

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 December 8, 2006.

LEHMAN BROTHERS **UBS INVESTMENT BANK**

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

December 4, 2006

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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 41.1% 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.

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Until December 29, 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.

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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 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

- 19,152,121 units of PVR, consisting of 15,541,738 common units and 3,610,383 Class B units of PVR, representing an aggregate 41.1% 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 $10.2 million, representing approximately 49.1% 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

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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 45,671,357 limited partner units (consisting of 42,060,974 common units and 3,610,383 Class B units) outstanding; and our ownership of:

- the 2% general partner interest in PVR,
- 100% of the incentive distribution rights in PVR, and
- 19,152,121 units of PVR consisting of 15,541,738 common units and 3,610,383 Class B units.

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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 3,610,383 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 21.9% 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 21.0% immediately following the offering.

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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 19,152,121 units of PVR, consisting of 15,541,738 common units and 3,610,383 Class B units representing an aggregate 41.1% 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.

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Penn Virginia GP Holdings, L.P.

Ownership and Organizational Chart After This Offering

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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.

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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 $17.04 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.

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.

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 $107.1 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 $102.5 million to purchase from PVR 416,444 common units and 3,610,383 Class B units representing limited partner interests in PVR; and
- approximately $2.1 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 price we will pay per common unit and Class B unit is $25.45, which is the volume weighted average market price per PVR common unit for the ten trading days ended December 4, 2006. 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

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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.

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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 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.

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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.

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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.

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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 3,610,383 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 $104.6 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.

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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)	(8,124)	(8,151)
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	56,933	57,606
Minority interest	(12,510)	(19,026)	(30,389)	(22,274)	(31,187)	(31,174)	(33,254)
Income before cumulative effect of change in accounting principle	10,287	15,289	20,769	14,490	21,713	25,759	24,352
Cumulative effect of change in accounting principle	(107)						

Net income (loss)	$ 10,180	$ 15,289	$ 20,769	$ 14,490	$ 21,713	$ 25,759	$ 24,352
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

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	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	211,198
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)	56,177
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	

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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						