

# Penn Virginia Corporation

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## FOR IMMEDIATE RELEASE

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### **PENN VIRGINIA ANNOUNCES 2005 OIL AND GAS CAPITAL BUDGET AND PRODUCTION TARGET HEDGING UPDATE ALSO ANNOUNCED**

**RADNOR, Pa., (Business Wire) January 11, 2005** – Penn Virginia Corporation (NYSE: PVA) today announced that its Board of Directors has approved an oil and gas capital expenditures budget for 2005 of \$146 million. The 2005 capital budget is approximately 15 percent higher than estimated 2004 oil and gas capital expenditures before acquisitions, which are not budgeted by the Company. Based on 2005 NYMEX prices of \$6.00 per million British Thermal Units for natural gas and \$35.00 per barrel for oil, PVA expects to fund the 2005 oil and gas capital budget from internally generated cash flows from oil and gas production.

In 2005, the Company has budgeted \$105 million or approximately 70 percent of the capital budget for development-related activities. Approximately 170 gross (120 net) development wells are scheduled to be drilled, with drilling concentrated in three core areas.

- In Appalachia, the Company expects to spend approximately \$21 million to drill 29 gross (15 net) horizontal coal bed methane (CBM) wells, with another \$11 million designated for lease acquisitions and pipeline infrastructure. The CBM drilling plan assumes the Company will use three horizontal drilling rigs throughout 2005 in its area of mutual interest with CDX Gas in southern West Virginia. The Company also expects to spend approximately \$7 million to drill 45 gross (19 net) conventional wells in Appalachia.
- In Mississippi, the Company expects to spend approximately \$23 million to expand its Selma Chalk drilling program by approximately 50 percent, from 43 gross wells in 2004 to 65 gross (64 net) wells in 2005, and an additional \$1 million for lease acquisition and infrastructure.
- In the Gulf Coast, the Company expects to spend approximately \$27 million to drill 24 gross (17 net) wells in its Cotton Valley play in east Texas and north Louisiana, as well as another \$4 million for lease acquisition and infrastructure. The Company also expects to spend approximately \$9 million to drill other development wells in the region.

The Company has budgeted \$41 million or approximately 30 percent of the capital budget for exploratory activities, including the drilling of approximately 20 gross (12 net) exploratory wells and related lease acquisition and seismic costs. Approximately 75 percent of the exploratory capital is earmarked to drill identified prospects and to obtain leasehold acreage and seismic data in south Texas and south Louisiana. The remaining exploratory capital is expected to be spent primarily to acquire leasehold acreage and to drill horizontal CBM and Devonian Shale test wells in Appalachia.

Oil and gas production for 2004 is now expected to be 24.5 billion cubic feet equivalent (Bcfe), an increase of 3 percent from 23.8 Bcfe produced in 2003. Production for 2004 is at the low end of the range of 24.5 to 25.2 Bcfe provided in the previous guidance update due primarily to lower than expected production from new horizontal CBM wells which came on line in the fourth quarter of 2004 following a pipeline-related curtailment. Production from these new wells is currently increasing as the wells experience a short-term de-watering phase, which is not expected to impact ultimate production volumes. The Company anticipates that its 2005 production will be between 25.5 and 27.5 Bcfe, an increase of between 4 percent and 12 percent over 2004 production.

A. James Dearlove, the Company's President and Chief Executive Officer said, "The 2005 oil and gas capital budget has been designed to keep capital spending equal to cash flow provided from our oil and gas operations, and our balance sheet continues to provide us with the flexibility to take advantage of future acquisition opportunities. Approximately 70 percent of the 2005 capital budget is allocated to development drilling and related infrastructure, which reflects our continuing commitment to develop relatively low risk projects in Appalachia, Mississippi and the Gulf Coast. Those three areas are expected to provide the primary contribution to the production increase forecasted for 2005. In Appalachia, we will continue to drill low risk, high return horizontal CBM wells on an ambitious schedule. The pipeline curtailment of 2004 is behind us and our new 15 mile pipeline has been completed, so we expect to see a significant increase in horizontal CBM production during 2005. In Mississippi, we expect to drill approximately 20 more Selma Chalk wells than we drilled in 2004 in order to take advantage of the current commodity price environment. We also expect an almost 50 percent increase in our low risk, moderate return Cotton Valley drilling program in east Texas and north Louisiana as we expand the size of that play.

"Our exploration program constitutes the remaining 30 percent of the 2005 capital budget, and includes an increase in exploratory drilling from 2004. In the Gulf Coast, the exploratory program is designed to convert part of our prospect inventory to proved reserves. We will also acquire additional acreage and seismic data for prospect generation. Our exploratory activities will include expanding our horizontal CBM development base in Appalachia and into new prospective CBM venues."

In conjunction with the Company's ongoing hedging program, Penn Virginia recently entered into the following additional natural gas price hedge positions in the form of costless collars:

	MMBtu	Price per MMBtu	
	Per Day	Floor	Ceiling
January 2005 through December 2005	7,000	\$ 6.00	\$ 7.43
February 2006 through June 2006	10,000	\$ 5.00	\$ 10.35

Including the new hedges described above, following is a summary of the Company's hedging positions by quarter:

<u>Natural Gas:</u>	MMBtu	Effective Price per MMBtu	
(primarily costless collars)	Per Day	Floor	Ceiling
First Quarter 2005	29,034	\$4.94	\$7.16
Second Quarter 2005	25,330	\$5.19	\$7.15
Third Quarter 2005	25,000	\$5.32	\$7.21
Fourth Quarter 2005	24,000	\$5.50	\$8.51
First Quarter 2006	15,689	\$5.32	\$9.38
Second Quarter 2006	11,648	\$5.14	\$10.04

The Company also has two crude oil swaps covering 400 barrels of oil per day for January 2005 at an effective price of \$30.13 per barrel.

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*Penn Virginia Corporation (NYSE: PVA) is an energy company engaged in the exploration, acquisition, development and production of crude oil and natural gas. Through its ownership in Penn Virginia Resource Partners, L.P. (NYSE: PVR), PVA is also in the business of managing coal properties and related assets. PVA is headquartered in Radnor, PA. For more information about PVA, visit the Company's website at [www.pennvirginia.com](http://www.pennvirginia.com).*

Forward-looking statements: Penn Virginia Corporation is including the following cautionary statement to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for any forward-looking statements made by, or on behalf of, the Company. With the exception of historical matters, any matters discussed are forward-looking and, therefore, involve risks, uncertainties and contingencies that could cause actual results to differ materially from projected results. These risks, uncertainties and contingencies include, but are not limited to, the following: market factors, including the price of natural gas and oil and projected supply and demand for natural gas and oil; exploration and drilling results; commencement dates of natural gas and oil production; projected quantities of future natural gas and oil production; non-performance by third party operators of wells in which the Company owns an interest; availability of rigs and other equipment; potential equipment malfunction and repair delays; costs and expenditures; competition from other providers of natural gas and oil; the legislative or regulatory environment; and political and economic conditions, including the impact of potential terrorist acts. Additional information concerning these and other factors can be found in the Company's press releases and public periodic filings with the Securities and Exchange Commission, including the Company's Annual Report on Form 10-K for the year ended December 31, 2003, filed on March 11, 2004, and subsequently filed interim reports. Except as required by applicable securities laws, the Company does not intend to update its forward-looking statements.