

# Penn Virginia Corporation

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## FOR IMMEDIATE RELEASE

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### **PENN VIRGINIA ANNOUNCES 2004 OIL AND GAS CAPITAL BUDGET AND PRODUCTION TARGET NEW CREDIT FACILITY AND HEDGING UPDATE ALSO ANNOUNCED**

**RADNOR, Pa., (PR Newswire) January 7, 2004** – Penn Virginia Corporation (NYSE: PVA) today announced that its Board of Directors has approved an oil and gas capital expenditures budget for 2004 of \$98 million. The 2004 capital budget is approximately equal in size to 2003 capital expenditures before acquisitions, which are not budgeted by the Company. Based on 2004 NYMEX prices of \$4.50 per million British Thermal Units for natural gas and \$27.00 per barrel for oil, PVA expects to fund the 2004 capital budget entirely from internally generated cash flows from oil and gas production.

In 2004 the Company expects to allocate approximately 50 percent of the capital budget to drill approximately 110 gross (75 net) development wells, including funds for horizontal coalbed methane (HCBM) and to develop 2003 exploratory successes. Spending for infrastructure to build pipelines and other facilities comprises another 10 percent of the budget. Of the approximate \$58 million allocated to development drilling and infrastructure, the Company expects to spend approximately \$15 million to drill 30 gross (17 net) HCBM wells in Appalachia and \$5 million to upgrade the pipeline for increased HCBM production. Also included in the development spending plan is approximately \$10 million to drill 33 gross (32 net) conventional wells in Mississippi and approximately \$14 million to drill 18 gross (9 net) wells in various Cotton Valley exploitation plays in east Texas and north Louisiana. The balance of the capital budget is allocated to several other projects including development of the Company's 2003 discovery in the South Creole field of south Louisiana. The Company has not budgeted any funds in 2004 for its CBM project in the Cherokee Basin in southeast Kansas. The ten wells drilled there during 2003 are currently being tested and de-watered and, if results so merit, budget funds may be re-allocated to a development program in that basin during the second half of 2004.

Approximately 25 percent of the capital budget has been allocated to drill 22 gross (12 net) exploratory wells. A total of eight gross (four net) wells are expected to be drilled in the Company's higher risk, higher impact Fannett, Bayou Sale, Kingsville and Esperanza prospects in south Texas and south Louisiana. Lower and moderate risk projects comprise the remainder of the 2004 exploratory drilling budget and include six gross (two net) wells planned on new prospects in the South Creole and Stella areas following 2003 exploratory successes in those south Louisiana fields, three gross (three net) wells in a southeastern Louisiana Miocene play and two gross (one net) wells on a new CBM prospect in northern West Virginia. The remaining 15 percent of the budget has been allocated to the acquisition of seismic data, the drilling of CBM core holes and leasehold acquisition, to support the Company's active HCBM and exploration efforts.

Penn Virginia Resource Partners, L.P. (NYSE: PVR) has approved a 2004 capital expenditures budget of \$0.3 million excluding acquisitions, which are not budgeted. Detail on

capital expenditures and other items related to PVR will be provided separately in a future news release.

### 2004 Oil and Gas Production Target

Based on the 2004 capital budget, the Company anticipates that its 2004 production will be between 25.5 and 27.5 billion cubic feet equivalent (Bcfe), an increase of between 6 percent and 15 percent over the midpoint of the Company's most recent 2003 production guidance of 23.5 to 24.5 Bcfe.

A. James Dearlove, the Company's President and Chief Executive Officer said "Approximately 60 percent of the 2004 capital budget is allocated to development drilling and related infrastructure. This budget reflects an increased commitment to develop our coalbed methane position in Appalachia. Along with continuing development of our properties in Mississippi and the development of a recently-acquired acreage position in east Texas, these projects should provide a significant part of our targeted production increase. The Company's progress in increasing its exploration prospect inventory in south Texas and south Louisiana is reflected in a more than 70 percent increase in the exploration drilling budget for 2004 over 2003. We believe the mix of exploration projects in the 2004 budget will expose the Company to a number of opportunities for meaningful reserve and production increases. The 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 opportunities."

### New PVA Credit Facility

The Company also announced the closing of a new four-year, \$300 million secured revolving credit facility with a \$200 million borrowing base and a \$150 million initial commitment. As of December 31, 2003, \$64 million was outstanding on the facility. The new facility, which is subject to semi-annual borrowing base redeterminations, replaced the previous \$150 million facility on December 4, 2003 and matures in December 2007. Syndication of the facility increased from nine to ten banks, with Bank One serving as administrative agent and co-lead arranger and Wachovia Bank serving as syndication agent and co-lead arranger of the over-subscribed issue.

### Hedging Update

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 <u>Per Day</u>	<u>Price per MMBtu</u>	
		<u>Floor</u>	<u>Ceiling</u>
January 2004 through October 2004	3,000	\$ 4.50	\$ 6.95
November 2004 through December 2004	6,000	\$ 4.50	\$ 6.95

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

<u>Natural Gas:</u> (Costless Collars and one swap)	MMBtu <u>Per Day</u>	<u>Effective Price per MMBtu</u>	
		<u>Floor</u>	<u>Ceiling</u>
First Quarter 2004	24,300	\$3.71	\$5.59
Second Quarter 2004	23,027	\$3.80	\$5.98
Third Quarter 2004	21,867	\$4.08	\$6.02
Fourth Quarter 2004	21,071	\$4.16	\$6.43
First Quarter 2005	14,034	\$4.02	\$6.47
Second Quarter 2005 (April)	14,000	\$4.00	\$6.40

<u>Oil swap:</u>	<u>Barrels</u>	<u>Price per</u>
	<u>Per Day</u>	<u>barrel</u>
First Quarter 2004	207	\$26.73
Second Quarter 2004	193	\$26.71
Third Quarter 2004	63	\$26.93
Fourth Quarter 2004	57	\$26.93
First Quarter 2005 (January)	50	\$26.93

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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.*

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 and uncertainties that could cause actual results to differ materially from projected results. These risks, uncertainties and contingencies include, but are not limited to, the following: development activities, capital expenditures, acquisitions and dispositions, drilling and exploration programs, expected commencement dates of oil and natural gas production, projected quantities of future oil and natural gas production by the Company, expected commencement dates and projected quantities of future coal production by lessees producing coal from reserves leased from PVR, costs and expenditures, as well as projected demand or supply, for coal and oil and natural gas, which will affect sales levels, prices and royalties realized by the Company and PVR. 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, 2002 filed on March 11, 2003 and its Quarterly Report on Form 10-Q for the period ended September 30, 2003 filed on November 7, 2003. Except as required by applicable securities laws, the Company does not intend to update its forward-looking statements.