

# Penn Virginia Corporation

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## FOR IMMEDIATE RELEASE

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### **PENN VIRGINIA REPORTS INCREASED SECOND QUARTER EARNINGS Pivotal Actions Taken During the Period Position the Company For Continued Growth**

**RADNOR, PA, August 1, 2001** -- Penn Virginia Corporation (NYSE:PVA) today reported second quarter 2001 net income of \$43.0 million or \$4.79 per share (diluted). Results included a gain of \$35.5 million (\$54.7 million pre-tax) on the sale of the Company's 3.3 million shares of Norfolk Southern Corporation common stock, which was completed in April 2001. Excluding this transaction, net income for the second quarter of 2001 was \$7.5 million or \$0.83 per share (diluted), up 21 percent from the \$6.2 million or \$0.74 per share (diluted) reported in the second quarter of 2000. Second quarter 2001 revenues of \$23.9 million were 24 percent ahead of year earlier revenues of \$19.3 million. Cash flow from operations (before changes in working capital and taxes related with the gain on sale of securities) rose 32 percent to \$13.5 million or \$1.50 per share (diluted). These increases were largely due to improved natural gas prices and increased revenues from coal royalties.

Oil and gas production during the second quarter of 2001 was 2,956 million cubic feet equivalent (MMcfe), compared to 2,895 MMcfe in the second quarter 2000. The two percent increase was achieved despite the loss of 489 MMcfe of production from dispositions (net of acquisitions) during the period. Excluding these net dispositions, underlying production grew 15 percent during the second quarter. The average natural gas price received by Penn Virginia during the second quarter of 2001 was \$4.95 per Mcf compared with \$3.66 per Mcf a year ago. During the second quarter of 2001, Penn Virginia participated in the drilling of 45 gross (31.8 net) wells compared to 35 gross (30.3 net) wells in the second quarter of 2000. All of these wells were drilled in the Company's fields in Appalachia and Mississippi.

Second quarter revenues for the coal land management segment were \$9.3 million in 2001 compared with \$7.8 million in 2000, an increase of 19 percent. Second quarter operating income for this segment was \$7.0 million in 2001 compared with \$5.6 million in 2000, an increase of 25 percent. Lessee production of coal on Penn Virginia lands rose 16 percent during the period, from 3.2 million tons in 2000 to 3.7 million tons in 2001.

Penn Virginia President and Chief Executive Officer, A. James Dearlove, stated, "The second quarter of 2001 was a pivotal one for Penn Virginia. In addition to continued solid growth in revenues, earnings and cash flow, the Company took four significant actions to advance its strategic plan to grow our onshore U.S. oil and gas and Appalachian coal royalty businesses. First, we announced the \$112 million acquisition of Synergy Oil and Gas, Inc. This acquisition, which closed last week, will increase Penn Virginia's second half oil and gas production by approximately

50 to 60 percent and its net proved oil and gas reserves at year-end 2000 by 34 percent. More importantly, however, Synergy adds to the Company's critical mass and provides a solid new area with outstanding growth potential. Second, we completed the \$33 million Fork Creek coal acquisition, which added 53 million tons of high quality proved and probable Appalachian coal reserves. Third, Penn Virginia announced that it is considering transferring its coal reserves and related assets to a master limited partnership and issuing units to the public. (The S-1 registration statement was filed on July 19, 2001.) While no final decision has been made, the creation of a MLP would provide additional financing flexibility and unlock what we believe is substantial unrecognized value in our coal land management business. Finally, we completed the sale of our Norfolk Southern common share holdings, fulfilling our commitment to redeploy the value in these shares into our growth businesses."

"Penn Virginia enters the second half of 2001 with considerable momentum," Mr. Dearlove continued. "Our businesses are strong, our natural gas and coal royalty volumes should continue to increase and we have several new opportunities to continue the Company's growth for years to come. Our financial position is strong and the coal MLP now under consideration could add to our financial flexibility and create additional shareholder value. Penn Virginia remains well positioned to benefit from the strong secular fundamentals in the domestic natural gas and electricity markets."

In the first half of 2001, Penn Virginia reported net income of \$53.7 million or \$6.09 per share (diluted). Excluding the gain on the sale of Norfolk Southern common stock, the Company earned \$18.2 million or \$2.06 per share (diluted), 58 percent more than the \$11.5 million or \$1.40 per share (diluted) reported in the first half of 2000. First half 2001 revenues of \$51.0 million were 42 percent above year earlier revenues of \$35.9 million. Cash flow from operations (before changes in working capital and taxes relating to the gain on sale of securities) rose 69 percent to \$31.4 million or \$3.56 per share (diluted). These increases were largely due to improved natural gas prices and increased revenues from coal royalties.

#### Guidance for 2001

Penn Virginia is providing the following guidance regarding the financial and operational expectations for the Company for the year 2001.

#### Penn Virginia Corporation Guidance Estimates

	Third Qtr 2001	Full Year 2001
Natural gas production (Bcf):	3.5 - 4.0	14.0 – 16.0
Oil production (MBbls):	125 - 135	250 - 300
Coal royalties (in millions):	\$8.5 – 9.5	\$32.0 – 34.0

Expenses (in millions):		
Operating expenses	\$2.5 – 3.0	\$8.5 – 10.5
Exploration expenses	\$3.8 – 4.8	\$10.0 – 11.0
Taxes other than income	\$1.2 – 1.7	\$5.5 – 6.5
General and administrative	\$4.2 – 4.7	\$14.5 – 15.5
Depreciation and depletion	\$6.5 – 7.5	\$23.0 – 24.0
Income tax rate	35%	35%

Capital expenditures (in millions):		
Development drilling	\$9.0 – 10.0	\$28.0 – 30.0
Exploratory drilling	\$10.0 – 11.0	\$23.0 – 25.0
Seismic	\$0.5 – 1.0	\$4.0 – 4.5
Lease acquisitions and field projects	\$2.5 – 3.0	\$4.0 – 5.0
Coal land management projects	\$0.1 – 0.3	\$2.5 – 3.0

For the remainder of 2001, the Company has in place costless collars, based on Henry Hub, with a weighted average floor of \$4.29 per MMBtu and a ceiling of \$7.84 per MMBtu on 7,255 MMBtu/d. For July through October 2001, the Company has two basis hedges in place for 9,000 MMBtu/d at a weighted average differential of \$0.26 above Henry Hub. In addition, the Company has in place costless collars, based on West Texas Intermediate, for the remainder of 2001 for 424 Bbls/d at a weighted average floor of \$22.92 per Bbl and a ceiling of \$27.77 per Bbl.

For January 2002 through December 2002, the Company has costless collars, based on Henry Hub, with a weighted average floor of \$4.02 per MMBtu and a ceiling of \$5.92 per MMBtu on 3,616 MMBtu/d. For the same period, costless collars, based on West Texas Intermediate, for oil and condensate totaled 460 Bbls/d at a weighted average floor of \$20.86 per Bbl and a ceiling of \$25.40 per Bbl.

These estimates are meant to provide guidance only and are subject to change as the operating environment of the Company changes.

Penn Virginia Corporation is an energy company engaged primarily in the exploration, development and production of natural gas and oil, leasing of mineral rights and collection of royalties. Penn Virginia is headquartered in Radnor, PA.

*This release includes forward-looking statements within the meaning of the federal securities laws with respect to development activities, capital expenditures, acquisitions and dispositions, drilling and exploration programs, expected commencement dates of coal mining or oil and gas production, projected quantities of future oil and gas production by Penn Virginia, projected quantities of future coal production by the Company's lessees producing coal from reserves leased from Penn Virginia, costs and expenditures, as well as projected demand or supply for coal and oil and gas, which will affect sales levels, prices and royalties realized by Penn Virginia. Certain factors discussed herein and in the Company's filings with the Securities and Exchange Commission could cause actual results to differ from those in these forward-looking statements, and reference is made to such filings. Penn Virginia Corporation is an energy company engaged primarily in the exploration, development and production of oil and gas, leasing of mineral rights and collection of royalties. Penn Virginia is headquartered in Radnor, PA.*

**OPERATIONS SUMMARY**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
<b>Production</b>				
Natural gas (MMcf)	2,932	2,835	5,695	5,332
Oil and condensate (MBbls)	4	10	7	17
Coal royalty tons (000)	3,716	3,221	7,551	6,216
Timber (Mbf)	2,124	3,134	3,974	4,992
<b>Prices</b>				
Natural gas (\$/Mcf)	\$ 4.95	\$ 3.66	\$ 5.54	\$ 3.28
Oil and condensate (\$/Bbl)	\$ 19.25	\$ 23.70	\$ 22.71	\$ 24.76
Coal royalties (\$/ton)	\$ 2.13	\$ 1.90	\$ 2.02	\$ 1.94
Timber (\$/Mbf)	\$ 154	\$ 237	\$ 157	\$ 250

**CONSOLIDATED STATEMENT OF EARNINGS - unaudited**  
(in thousands, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
<b>Revenues</b>				
Natural gas	\$ 14,506	\$ 10,374	\$ 31,547	\$ 17,463
Oil and condensate	77	236	159	421
Coal royalties	7,928	6,127	15,261	12,042
Timber	397	808	758	1,340
Dividends	-	662	198	1,323
Other	1,026	1,070	3,105	3,262
	<u>23,934</u>	<u>19,277</u>	<u>51,028</u>	<u>35,851</u>
<b>Expenses</b>				
Operating expenses	1,792	1,878	3,571	3,581
Exploration and development	1,948	871	2,655	1,395
Taxes other than income	1,238	956	2,615	1,869
General and administrative	2,927	2,446	5,963	5,042
Depreciation, depletion and amortization	3,474	2,903	6,761	5,468
	<u>11,379</u>	<u>9,054</u>	<u>21,565</u>	<u>17,355</u>
<b>Operating Income</b>	12,555	10,223	29,463	18,496
<b>Other Income (Expense)</b>				
Interest expense	(289)	(1,765)	(1,096)	(3,264)
Gain on the sale of property and equipment	807	-	834	98
Gain on the sale of securities	54,688	-	54,688	-
Interest income and other, net	457	352	844	708
	<u>68,218</u>	<u>8,810</u>	<u>84,733</u>	<u>16,038</u>
Income tax expense	25,200	2,628	31,005	4,513
<b>Net income</b>	<u>\$ 43,018</u>	<u>\$ 6,182</u>	<u>\$ 53,728</u>	<u>\$ 11,525</u>
Net income per share, basic	<u>\$ 4.88</u>	<u>\$ 0.75</u>	<u>\$ 6.19</u>	<u>\$ 1.41</u>
Net income per share, diluted	<u>\$ 4.79</u>	<u>\$ 0.74</u>	<u>\$ 6.09</u>	<u>\$ 1.40</u>
Weighted average shares outstanding, basic	8,820	8,193	8,679	8,147
Weighted average shares outstanding, diluted	8,982	8,325	8,827	8,208

**CONSOLIDATED BALANCE SHEET**  
(in thousands)

	June 30, <u>2001</u> (unaudited)	December 31, <u>2000</u>
<b>Assets</b>		
Current assets	\$ 18,337	\$ 15,294
Investments	-	44,080
Net property, plant & equipment	251,461	205,116
Other assets, including long-term notes	<u>3,894</u>	<u>4,276</u>
Total assets	<u>\$ 273,692</u>	<u>\$ 268,766</u>
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities	\$ 33,722	\$ 17,935
Long-term debt	12,000	47,500
Other liabilities and deferred taxes	21,427	32,169
Shareholders' equity	<u>206,543</u>	<u>171,162</u>
Total liabilities and shareholders' equity	<u>\$ 273,692</u>	<u>\$ 268,766</u>

**CONSOLIDATED STATEMENTS OF CASH FLOWS - unaudited**  
(in thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
<b>Operating Activities</b>				
Net income	\$ 43,018	\$ 6,182	\$ 53,728	\$ 11,525
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation, depletion and amortization	3,474	2,903	6,761	5,468
Gain on sale of property and equipment	(807)	-	(834)	(98)
Gain on sale of securities	(54,688)	-	(54,688)	-
Deferred income taxes	840	708	3,023	1,266
Dry hole and unproved leasehold expense	1,344	402	1,454	409
Tax benefit from exercise of stock options	1,148	-	2,716	-
Other	<u>36</u>	<u>10</u>	<u>84</u>	<u>5</u>
	(5,635)	10,205	12,244	18,575
Changes in operating assets and liabilities	<u>15,914</u>	<u>(1,279)</u>	<u>13,956</u>	<u>(794)</u>
Net cash provided by (used in) operating activities	<u>10,279</u>	<u>8,926</u>	<u>26,200</u>	<u>17,781</u>
<b>Investing activities:</b>				
Proceeds from sale of property and equipment	1,181	7	1,246	107
Proceeds from sale of securities	57,525	-	57,525	-
Proceeds from notes receivable	246	266	491	508
Capital expenditures	<u>(47,747)</u>	<u>(43,349)</u>	<u>(54,971)</u>	<u>(46,350)</u>
Net cash used in investing activities	<u>11,205</u>	<u>(43,076)</u>	<u>4,291</u>	<u>(45,735)</u>
<b>Financing Activities:</b>				
Dividends paid	(1,997)	(1,830)	(3,932)	(3,678)
Debt borrowings (payments), net	(22,297)	35,036	(35,722)	35,030
Purchase of treasury stock	-	-	-	(5,056)
Issuance of stock	<u>3,388</u>	<u>944</u>	<u>9,025</u>	<u>1,001</u>
Net cash provided by (used in) financing activities	<u>(20,906)</u>	<u>34,150</u>	<u>(30,629)</u>	<u>27,297</u>
Net increase (decrease) in cash and cash equivalents	578	-	(138)	(657)
Cash and cash equivalents-beginning balance	<u>19</u>	<u>-</u>	<u>735</u>	<u>657</u>
Cash and cash equivalents-ending balance	<u>\$ 597</u>	<u>\$ -</u>	<u>\$ 597</u>	<u>\$ -</u>