

# Penn Virginia Corporation

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## FOR IMMEDIATE RELEASE

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## **PENN VIRGINIA CORPORATION PROVIDES SECOND QUARTER 2008 OIL AND GAS OPERATIONAL UPDATE**

### **RECORD QUARTERLY PRODUCTION UP NINE PERCENT FROM PREVIOUS QUARTER INCREASED FULL-YEAR 2008 CAPITAL EXPENDITURES GUIDANCE INITIAL EXPLORATION SUCCESS IN MULTIPLE PLAYS**

**RADNOR, PA (BusinessWire) July 31, 2008** – Penn Virginia Corporation (NYSE: PVA) today announced record levels of quarterly production and provided an update of its oil and gas operational activities, including second quarter 2008 operational results, and full-year 2008 guidance.

#### **Second Quarter Highlights and Guidance Update**

Operational results for PVA's oil and gas segment during the second quarter of 2008 included the following:

- Record oil and gas production of 11.4 billion cubic feet of natural gas equivalent (Bcfe), or 125.7 million cubic feet of natural gas equivalent (MMcfe) per day;
- Year-over-year production growth of 14 percent from 10.1 Bcfe, or 110.5 MMcfe per day, in the second quarter of 2007; nine percent higher than the 10.5 Bcfe produced in the first quarter of 2008;
- Oil and gas capital expenditures of approximately \$126 million, including approximately \$102 million for drilling and completion activities;
- 49 (31.8 net) wells drilled, 48 (30.8 net) of which were successful and one (1.0 net) of which is under evaluation; and
- Exploratory horizontal drilling success in the Lower Bossier (Haynesville) Shale formation in East Texas and the Bakken formation in North Dakota.

Full-year 2008 guidance updates are as follows:

- Slight increase to full-year 2008 production guidance, with estimated full-year production of between 49.7 and 51.7 Bcfe, or between 135.8 and 141.3 MMcfe per day;
- Re-affirmed full-year cash operating expense guidance of between \$2.10 and \$2.30 per thousand cubic feet of natural gas equivalent (Mcfe); and
- Increased 2008 oil and gas capital expenditures guidance to range between \$625 and \$650 million from a previous range of \$490 to \$510 million, primarily due to anticipated increases in leasehold acquisition, pipeline, gathering and facility expenditures, as well as anticipated increases in drilling and completion expenditures.

## **Second Quarter 2008 Operational Results**

Production in the second quarter of 2008 was 11.4 Bcfe, or 125.7 MMcfe per day, an increase of 14 percent over the 10.1 Bcfe, or 110.5 MMcfe per day, in the second quarter of 2007. Production in the second quarter of 2008 was a quarterly production record and was three percent higher than the previous record of 11.1 Bcfe set in the third quarter of 2007 and nine percent higher than 10.5 Bcfe produced in the first quarter of 2008.

East Texas daily production averaged 38.1 MMcfe per day in the second quarter of 2008, a 26 percent increase over the first quarter of 2008 and a 112 percent increase over the second quarter of 2007. This increase was primarily due to continued success with the Cotton Valley development drilling program including natural gas liquids (NGLs) production associated with gas processing. Despite the strong increases, second quarter production in East Texas continued to be affected by delays and issues associated with the start-up of the Crossroads natural gas processing plant operated by Penn Virginia Resource Partners, L.P. (NYSE: PVR). The PVR plant was fully operational by the end of the second quarter.

Daily production in the Mid-Continent region averaged 18.2 MMcfe per day in the second quarter of 2008, a 13 percent increase over the first quarter of 2008 and a 92 percent increase over the second quarter of 2007. This increase was primarily due to the strong results of the horizontal Granite Wash drilling program in Washita County, Oklahoma and the commencement during the second quarter of 2008 of the Hartshorne horizontal coalbed methane (HCBM) drilling program in the Arkoma Basin of Oklahoma. Additional production contributions are expected during the second half of 2008 from the drilling of horizontal Bakken wells, three of which were drilled during the second quarter of 2008, and expansion of the Granite Wash and Hartshorne CBM drilling programs during the second half of 2008.

PVA slightly increased its full-year 2008 production guidance to range between 49.7 and 51.7 Bcfe, or between 135.8 and 141.3 MMcfe per day, which would represent an increase of 23 to 27 percent over 2007 levels. As discussed below, increased drilling capital expenditures in East Texas, the Mid-Continent and the Gulf Coast will not impact production until late 2008, with most of the benefit occurring in 2009 and beyond. These anticipated incremental volumes in late 2008 are expected to only partially offset reduced East Texas Cotton Valley production of NGLs and natural gas during the first half of 2008 related to delays and issues associated with the start-up of the Crossroads processing plant and an expected reduction in production volumes associated with increased drilling in the Lower Bossier Shale and reduced levels of drilling in the Cotton Valley. This latter issue is due to the longer drilling and completion time associated with the drilling of a horizontal Lower Bossier Shale well as compared to a vertical Cotton Valley well. Management anticipates that the shift to a more active horizontal Bossier Shale program will result in increased production in the next few years as compared with the previous program of drilling only Cotton Valley vertical wells in East Texas.

During the second quarter of 2008, unit cash operating expenses decreased to \$2.30 per Mcfe from \$2.34 per Mcfe in the first quarter of 2008 and are expected to decline during the second half of 2008 to an average within the guidance range of \$2.10 to \$2.30 per Mcfe, which remains unchanged. PVA plans to release full financial results and additional 2008 guidance details in a separate second quarter 2008 financial results press release on August 6, 2008.

## **Capital Expenditures**

During the second quarter of 2008, oil and gas capital expenditures were approximately \$126 million, consisting of:

- \$102 million to drill 49 (31.8 net) wells, 48 (30.8 net) of which were successful and one (1.0 net) of which is under evaluation;
- \$9 million for the expansion of gathering systems and other production facilities; and
- \$15 million for leasehold acquisition, seismic data and other expenditures.

PVA's previously-announced 2008 oil and gas capital expenditures guidance range was \$490 to \$510 million, excluding any reserve acquisitions. Due to anticipated increases in leasehold acquisition,

pipeline, gathering and facility expenditures, as well as anticipated increases in drilling and completion expenditures, PVA now expects that full-year 2008 oil and gas capital expenditures will range between \$625 and \$650 million excluding any reserve acquisitions which may occur. Increased expenditures of approximately \$75 million are expected for leasehold acquisition and pipeline, gathering and other facility expansions primarily in East Texas. These expenditures are associated with additional leasehold acquisition and the expansion of pipeline and production facilities for the Bossier Shale play. There are also additional expenditures for leasehold acquisition in Appalachia for the Marcellus Shale play, for pipeline facilities in southern West Virginia and for an additional water disposal facility in Mississippi. Increased drilling and completion expenditures of between \$60 and \$65 million are expected in East Texas for the Bossier Shale play, in the Mid-Continent region for the Granite Wash, Woodford Shale and Bakken plays, and along the Gulf Coast.

### **Management Comment**

A. James Dearlove, President and Chief Executive Officer of PVA, said, "We are pleased to report nine percent sequential production growth in the second quarter of 2008 relative to the first quarter and expect additional increases in upcoming quarters. As detailed in this release, our success primarily in East Texas and the Mid-Continent during the first half of 2008 has led us to expand our capital spending plans for the remainder of 2008.

"The first half of 2008 was a period of positive developments in a number of our top areas. In East Texas, we are encouraged by the promising results of our initial Lower Bossier Shale horizontal well, the shift to exclusive 20-acre spaced development in the Cotton Valley play and the commencement of operations at PVR's new processing plant. In the Mid-Continent region, we are experiencing success in horizontal Granite Wash development and Bakken exploratory drilling in the Williston Basin. In Mississippi, we have completed the shift to primarily horizontal Selma Chalk development drilling. In Appalachia, we have made progress in securing more drilling permits and potential drilling locations for multi-lateral HCBM development drilling, and we continue to test our Devonian Shale acreage and to acquire leases prospective in the Marcellus Shale. During the second half of 2008, we plan to further expand each of these efforts as well as to continue the execution of development drilling in other plays, undertake exploratory drilling in the Woodford Shale play and further test our acreage in East Texas.

"The approximate \$135 to \$140 million increase in full-year 2008 capital spending is primarily for the acquisition of additional acreage to support future drilling and the installation of gathering and production facilities, which must be built to handle the increased production that is expected in various areas. To a lesser extent, capital spending will increase due to increased drilling in a number of plays. The production benefits from our enhanced drilling efforts, along with our expanded acreage base and production facilities, are expected to become apparent in late 2008 and early 2009."

### **Operational Updates by Geographical Region**

East Texas – During the second quarter of 2008, PVA drilled 28 (20.5 net) wells in East Texas, including: 27 (19.5 net) Cotton Valley vertical wells and one (1.0 net) Lower Bossier Shale horizontal well. All of the wells were successful.

East Texas production in the second quarter averaged 38.1 MMcfe per day, 112 percent higher than the 17.9 MMcfe per day produced in the second quarter of 2007 and 26 percent higher than the 30.3 MMcfe per day produced in the first quarter of 2008. The production increases resulted primarily from the Cotton Valley development program. In addition, NGL production volumes increased during the second quarter of 2008 due to the commencement of processing by PVR and are expected to continue to increase during the remainder of the year as the drilling program progresses.

In March 2008, PVA spud its first horizontal Lower Bossier Shale test well, the Fogle #5-H, in which PVA has a 100 percent working interest. In a May 30, 2008 news release, PVA announced an initial production (IP) rate, which was restricted, of approximately 8.0 MMcfe per day. After approximately 50 days of production and despite initial curtailments due to pipeline restrictions, the well has cumulatively produced nearly 250 MMcfe. A 10-inch pipeline has been constructed and placed into service, thereby allowing us to flow gas on an unrestricted basis not only for this well but also for subsequent

development wells in the area. It is still too early to predict the ultimate reserves of this well, but we remain encouraged by the performance of the well to date given the constraints it has faced. Additional wells will need to be drilled and additional production histories will need to be obtained in order to more accurately predict the reserves of a typical Lower Bossier Shale well.

PVA is currently drilling the Brown #8-H well, which is approximately a two-mile offset to the Fogle #5-H, and expects to complete the well by the end of August. In addition, PVA spud in mid-July the McKenzie #1-H well, which is approximately 25 miles to the north of the Fogle #5-H. A third drilling rig targeting the Bossier Shale is expected to commence drilling in early August. Four rigs continue to drill Cotton Valley vertical wells. In total, PVA will have seven drilling rigs in East Texas by the end of the third quarter with a minimum of three rigs committed to drilling Bossier Shale wells going forward.

PVA has also added approximately 6,500 net Bossier Shale acres since the beginning of the year at an average cost of approximately \$8,400 per acre, bringing its total acreage position to approximately 60,000 net acres.

Mid-Continent – During the second quarter, PVA drilled 12 (5.2 net) wells in the Mid-Continent region, including two (0.4 net) horizontal Granite Wash wells, four (3.2 net) Hartshorne HCBM wells, three (1.0 net) horizontal Bakken wells and two (0.3 net) non-operated horizontal Woodford Shale wells. All of the wells were successful.

Mid-Continent production in the second quarter averaged 18.2 MMcfe per day, 92 percent higher than the 9.5 MMcfe per day produced in the second quarter of 2007 and 13 percent higher than the 16.1 MMcfe per day produced in the first quarter of 2008. The production increases resulted from successful development programs in the horizontal Granite Wash play in the Anadarko Basin and the Hartshorne HCBM play in the Arkoma Basin.

PVA commenced its initial horizontal exploratory drilling efforts in the Bakken formation in Dunn County, North Dakota during the second quarter of 2008. The first operated well (0.5 net, Sickler #22-1H) is testing at approximately 50 barrels of oil per day (BOPD) and is waiting on the installation of a pump jack. The second operated well (0.5 net, Dvorak #10-1H) tested at 666 BOPD, while a third, non-operated (0.02 net) well tested at 544 BOPD. Dependent upon rig availability, PVA plans to drill up to four additional Bakken horizontal wells in 2008 and will continue with the development program into 2009.

The latest two horizontal Granite Wash wells drilled in Washita County, Oklahoma had IP rates of approximately 12.0 and 4.0 MMcfe per day. These IP rates, along with other recent higher-rate wells, contributed significantly to the solid sequential growth in the second quarter of 2008. As a result of the strong early results in this play, PVA now anticipates drilling 20 (9.4 net) horizontal Granite Wash wells during 2008. Currently, two PVA-operated and two outside-operated rigs are drilling in this area.

Thus far in 2008, PVA has participated in three (0.3 net) non-operated horizontal Woodford Shale wells in the Arkoma Basin, with first month average production rates of approximately 1.6, 4.0 and 3.3 MMcfe per day. The results of these wells are encouraging and PVA plans additional drilling on its Arkoma Basin acreage, both operated and non-operated, for the balance of 2008 and into 2009. In addition, PVA expects to commence exploratory drilling of horizontal Woodford Shale wells in the Anadarko Basin by the fourth quarter of 2008.

PVA commenced its 2008 Hartshorne HCBM drilling program in April, added a second rig during the second quarter and expects a third rig to be deployed in August. Despite a late start to the 2008 drilling program, PVA continues to anticipate the drilling of 49 (34.0 net) Hartshorne HCBM wells during the year.

Selma Chalk / Mississippi – During the second quarter, PVA drilled two (2.0 net) horizontal Selma Chalk wells in Mississippi. Both wells were successful.

Mississippi production in the second quarter averaged 20.0 MMcfe per day, one percent lower than the 20.2 MMcfe per day produced in the second quarter of 2007 and one percent higher than the 19.8 MMcfe per day produced in the first quarter of 2008. The relative flatness of production resulted from the lack of vertical drilling activity in the second quarter of 2008, which was more than offset by increasing contributions related to a shift to predominantly horizontal drilling. In addition, there have been some gathering pipeline restrictions that are in the process of being remedied with the installation of additional compression.

By the end of the third quarter of 2008, PVA expects to have two rigs dedicated to horizontal drilling in the Baxterville and Gwinville Fields and expects greater production increases during the second half of 2008. A third rig will be delivered in the second quarter of 2009. The results of recent horizontal Selma Chalk wells continue to be strong, with restricted rates of production greater than 1.0 MMcfe per day in each well.

Appalachia – During the second quarter, PVA drilled seven (4.3 net) wells in Appalachia, including six (3.3 net) multi-lateral HCBM development wells and one (1.0 net) Marcellus Shale exploratory well located in southern West Virginia. All of the wells were successful, except the Marcellus Shale well which is currently being tested following completion.

Appalachian production in the second quarter averaged 31.9 MMcfe per day, seven percent lower than the 34.3 MMcfe per day produced in the second quarter of 2007 and two percent higher than the 31.2 MMcfe per day produced in the first quarter of 2008. The year-over-year decrease was largely attributable to reduced drilling activity in the second quarter as compared to the prior year quarter, while the sequential increase was largely attributable to the initiation in the second quarter of 2008 of production from third-party operated HCBM wells drilled in late 2007 and early 2008.

A horizontal development program in the Lower Huron Shale commenced in Mason County, West Virginia with two additional wells expected to be drilled later in 2008 as part of a longer term program. The right-of-way for a ten-mile pipeline has been acquired with construction expected to commence later this year. Additional drilling and testing of PVA's Boone County, West Virginia acreage in the second half of 2008 is planned after the two wells in Mason County are drilled. Two wells will be drilled in Boone County, one horizontally in the Lower Huron Shale and the other vertically to the Marcellus Shale.

PVA continues its leasing effort in the Marcellus Shale, primarily in Pennsylvania, having acquired approximately 21,000 net acres to date at an average cost of approximately \$400 per acre. Additional increases are expected during the balance of 2008 and beyond. Initial exploratory drilling is expected during 2009, subject to rig availability, takeaway capacity and other potential constraints.

Gulf Coast – No wells were drilled in the Gulf Coast during the second quarter of 2008.

Gulf Coast production in the second quarter averaged 17.6 MMcfe per day, 39 percent lower than the 28.7 MMcfe per day produced in the second quarter of 2007 and four percent lower than the 18.2 MMcfe per day produced in the first quarter of 2008. The decreases were attributable to successful exploration in late 2006 and early 2007, primarily in Bayou Postillion in South Louisiana, and natural declines, as well as a lack of exploratory drilling since the third quarter of 2007. In addition, approximately 0.2 Bcfe of production was disrupted in Bayou Postillion due to flooding in the Atchafalaya Basin, which was resolved in mid-May. PVA will commence the drilling of a development well in Bayou Postillion in the third quarter of 2008.

## **Second Quarter 2008 Financial and Operational Results Conference Call**

A conference call and webcast, during which management will discuss second quarter 2008 financial and operational results for PVA, is scheduled for Thursday, August 7, 2008 at 3:00 p.m. ET. Prepared remarks by A. James Dearlove, President and Chief Executive Officer, will be followed by a question and answer period. Investors and analysts may participate via phone by dialing 1-877-407-9205 five to ten minutes before the scheduled start of the conference call, or via webcast by logging on to PVA's website at [www.pennvirginia.com](http://www.pennvirginia.com) at least 20 minutes prior to the scheduled start of the call to download and install any necessary audio software. A telephonic replay of the call will be available until August 21, 2008 at 11:59 p.m. ET by dialing 1-877-660-6853 and using the following replay pass codes: account #286, conference ID #290768. An on-demand replay of the conference call will be available at PVA's website beginning shortly after the call.

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*Headquartered in Radnor, PA and a member of the S&P SmallCap 600 Index, Penn Virginia Corporation (NYSE: PVA) is an independent natural gas and oil company focused on the exploration, acquisition, development and production of reserves in onshore regions of the U.S., including the Cotton Valley play in East Texas, the Selma Chalk play in Mississippi, the Mid-Continent region, the Appalachian Basin and the Gulf Coast of Louisiana and Texas. PVA also owns approximately 77 percent of Penn Virginia GP Holdings, L.P. (NYSE: PVG), the owner of the general partner and the largest unit holder of Penn Virginia Resource Partners, L.P. (NYSE: PVR), a manager of coal and natural resource properties and related assets and the operator of a midstream natural gas gathering and processing business.*

*For more information, please visit PVA's website at [www.pennvirginia.com](http://www.pennvirginia.com).*

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 following: the volatility of commodity prices for natural gas, NGLs and crude oil; our ability to develop and replace oil and gas reserves and the price for which such reserves can be acquired; the relationship between natural gas, NGL and crude oil prices; the projected demand for and supply of natural gas, NGLs and crude oil; the availability and costs of required drilling rigs, production equipment and materials; our ability to obtain adequate pipeline transportation capacity for our oil and gas production; competition among producers in the oil and natural gas coal industry generally; the extent to which the amount and quality of actual production of our oil and natural gas differs from estimated proved oil and gas reserves; the occurrence of unusual weather or operating conditions including force majeure events; delays in anticipated start-up dates of our oil and natural gas production; environmental risks affecting the drilling and producing of oil and gas wells, gathering and processing of natural gas; the timing of receipt of necessary governmental permits by us; hedging results; accidents; changes in governmental regulation or enforcement practices, especially with respect to environmental, health and safety matters; uncertainties relating to the outcome of current and future litigation; risks and uncertainties relating to general domestic and international economic (including inflation, interest rates and financial market) and political conditions (including the impact of potential terrorist attacks).

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, 2007. Many of 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 the result of new information, future events or otherwise.