

Penn Virginia GP Holdings, L.P.

Form 10-Q

August 06, 2009

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended June 30, 2009

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from _____ to _____

Commission File Number: 1-33171

PENN VIRGINIA GP HOLDINGS, L.P.

(Exact name of registrant as specified in its charter)

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Delaware
(State or other jurisdiction)

20-5116532
(I.R.S. Employer

of incorporation or organization)

Identification No.)

THREE RADNOR CORPORATE CENTER, SUITE 300
100 MATSONFORD ROAD
RADNOR, PA

(Address of principal executive offices)

19087
(Zip Code)

(610) 687-8900

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 ("Exchange Act") during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). ☐ Yes ☐ No "

Indicate by a check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐

Accelerated filer ☒

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

As of August 5, 2009, 39,074,500 common limited partner units were outstanding.

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PENN VIRGINIA GP HOLDINGS, L.P. AND SUBSIDIARIES

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1 *Financial Statements*****PENN VIRGINIA GP HOLDINGS, L.P. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME *unaudited*****(in thousands, except per unit data)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenues				
Natural gas midstream	\$ 113,060	\$ 234,797	\$ 230,439	\$ 359,845
Coal royalties	29,997	31,641	60,627	55,603
Coal services	1,745	1,841	3,633	3,703
Other	4,617	8,226	11,479	14,168
 Total revenues	 149,419	 276,505	 306,178	 433,319
Expenses				
Cost of midstream gas purchased	92,154	202,819	192,774	302,516
Operating	9,018	8,719	17,908	15,512
Taxes other than income	980	976	2,203	2,048
General and administrative	8,819	7,305	16,952	14,439
Depreciation, depletion and amortization	17,617	12,919	34,120	24,419
 Total expenses	 128,588	 232,738	 263,957	 358,934
 Operating income	 20,831	 43,767	 42,221	 74,385
Other income (expense)				
Interest expense	(6,365)	(5,374)	(11,981)	(10,306)
Other	347	501	676	1,046
Derivatives	(2,034)	(29,942)	(9,195)	(22,166)
 Net income	 \$ 12,779	 \$ 8,952	 \$ 21,721	 \$ 42,959
Less net income attributable to noncontrolling interests	(4,440)	(2,890)	(6,533)	(20,095)
 Net income attributable to Penn Virginia GP Holdings, L.P.	 \$ 8,339	 \$ 6,062	 \$ 15,188	 \$ 22,864
 Net income per unit attributable to Penn Virginia GP Holdings, L.P., basic and diluted	 \$ 0.21	 \$ 0.16	 \$ 0.39	 \$ 0.59
Weighted average number of units outstanding, basic and diluted	39,075	39,075	39,075	39,075

The accompanying notes are an integral part of these condensed consolidated financial statements.

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PENN VIRGINIA GP HOLDINGS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS unaudited
(in thousands)

	June 30, 2009	December 31, 2008
Assets		
Current assets		
Cash and cash equivalents	\$ 17,093	\$ 18,338
Accounts receivable, net of allowance for doubtful accounts	62,449	73,267
Derivative assets	11,478	30,431
Other current assets	4,797	4,263
Total current assets	95,817	126,299
Property, plant and equipment	1,121,838	1,093,526
Accumulated depreciation, depletion and amortization	(228,894)	(198,407)
Net property, plant and equipment	892,944	895,119
Equity investments	79,512	78,442
Intangible assets, net	88,962	92,672
Other long-term assets	42,652	35,142
Total assets	\$ 1,199,887	\$ 1,227,674
Liabilities and Partners' Capital		
Current liabilities		
Accounts payable	\$ 50,008	\$ 60,442
Accrued liabilities	8,914	11,039
Deferred income	2,987	4,842
Derivative liabilities	12,278	13,585
Total current liabilities	74,187	89,908
Deferred income	5,662	6,150
Other liabilities	17,484	18,078
Derivative liabilities	3,949	6,915
Long-term debt	597,100	568,100
Partners' capital:		
Penn Virginia GP Holdings, L.P. partners' capital	256,071	269,542
Noncontrolling interests of subsidiaries	245,434	268,981
	501,505	538,523
Total liabilities and partners' capital	\$ 1,199,887	\$ 1,227,674

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**PENN VIRGINIA GP HOLDINGS, L.P. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS unaudited****(in thousands)**

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Cash flows from operating activities				
Net income	\$ 12,779	\$ 8,952	\$ 21,721	\$ 42,959
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation, depletion and amortization	17,617	12,919	34,120	24,419
Commodity derivative contracts:				
Total derivative losses	2,951	31,459	10,566	24,791
Cash settlements of derivatives	1,613	(9,703)	4,449	(19,225)
Non-cash interest expense	1,242	204	1,733	368
Equity earnings, net of distributions received	489	354	(1,070)	(6)
Other	(425)	(223)	(632)	(441)
Changes in operating assets and liabilities	2,610	500	1,648	(424)
Net cash provided by operating activities	38,876	44,462	72,535	72,441
Cash flows from investing activities				
Acquisitions	(606)	(96,220)	(1,862)	(96,240)
Additions to property, plant and equipment	(15,208)	(21,190)	(32,258)	(38,840)
Other	307	334	572	675
Net cash used in investing activities	(15,507)	(117,076)	(33,548)	(134,405)
Cash flows from financing activities				
Distributions to partners	(29,986)	(25,220)	(59,974)	(49,392)
Proceeds from borrowings	14,000	99,800	41,000	124,800
Repayments of borrowings	(12,000)	(132,400)	(12,000)	(155,400)
Net proceeds from issuance of partners' capital		138,015		138,015
Other		(620)	(9,258)	(620)
Net cash provided by (used in) financing activities	(27,986)	79,575	(40,232)	57,403
Net increase (decrease) in cash and cash equivalents	(4,617)	6,961	(1,245)	(4,561)
Cash and cash equivalents beginning of period	21,710	18,981	18,338	30,503
Cash and cash equivalents end of period	\$ 17,093	\$ 25,942	\$ 17,093	\$ 25,942
Supplemental disclosure:				
Cash paid for interest	\$ 5,846	\$ 4,249	\$ 12,002	\$ 10,372

The accompanying notes are an integral part of these condensed consolidated financial statements.

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PENN VIRGINIA GP HOLDINGS, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS *unaudited*

June 30, 2009

1. Organization

Penn Virginia GP Holdings, L.P. (the Partnership, we, us or our) is a publicly traded Delaware limited partnership formed in June 2006 that owns three types of equity interests in Penn Virginia Resource Partners, L.P. (PVR), a publicly traded Delaware limited partnership. As of June 30, 2009, the equity interests are (1) a 2% general partner interest in PVR, which we hold through our 100% ownership interest in Penn Virginia Resource GP, LLC, PVR's general partner, (2) all of the incentive distribution rights (IDRs) in PVR, which we hold through our 100% ownership interest in PVR's general partner and (3) an approximately 37% limited partner interest in PVR. With the IDRs, we receive an increasing percentage of PVR's quarterly distributions of available cash from operating surplus after certain levels of cash distributions have been achieved. Our only cash generating assets consist of our equity interests in PVR. Due to our control of the general partner of PVR, the financial results of PVR are included in our condensed consolidated financial statements. However, PVR functions with a capital structure that is independent of ours, consisting of its own debt instruments and publicly traded common units.

Our general partner is an indirect wholly owned subsidiary of Penn Virginia Corporation (Penn Virginia). As of June 30, 2009, Penn Virginia and its subsidiaries owned an approximately 77% limited partner interest in us.

PVR currently conducts operations in two business segments: (i) coal and natural resource management and (ii) natural gas midstream.

We, through our ownership of the general partner of PVR, manage the operations and activities of PVR. Most of PVR's personnel are employees of Penn Virginia or its affiliates. PVR's general partner is liable for all of PVR's debts, to the extent not paid from PVR's assets, except for indebtedness or other obligations that are made specifically non-recourse to us.

We do not receive any management fee or other compensation for the management of PVR. We and our affiliates are reimbursed for expenses incurred on PVR's behalf. These expenses include the costs of employee, officer and director compensation and benefits properly allocable to PVR and all other expenses necessary or appropriate to conduct the business of, and allocable to, PVR. PVR's partnership agreement provides that PVR's general partner will determine the expenses that are allocable to PVR in any reasonable manner determined by PVR in its sole discretion.

2. Basis of Presentation

Unless otherwise indicated, for the purposes of our condensed consolidated financial statements, the Partnership, we, us or our refers to Penn Virginia GP Holdings, L.P. and subsidiaries.

Our condensed consolidated financial statements include the accounts of the Partnership and all of our wholly owned subsidiaries. Investments in non-controlled entities over which we exercise significant influence are accounted for using the equity method. Intercompany balances and transactions have been eliminated in consolidation. Our condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. These statements involve the use of estimates and judgments where appropriate. In the opinion of management, all adjustments, consisting of normal recurring accruals, considered necessary for a fair presentation of our condensed consolidated financial statements have been included. Our condensed consolidated financial statements should be read in conjunction with our consolidated financial statements and footnotes included in our Annual Report on Form 10-K for the year ended December 31, 2008. Operating results for the three and six months ended June 30, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009. Certain reclassifications have been made to conform to the current period's presentation. In preparing the accompanying condensed consolidated financial statements, we have evaluated subsequent events through August 5, 2009.

Table of Contents**3. Fair Value Measurements**

Effective January 1, 2009, Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*, applies to both our financial and nonfinancial assets and liabilities that are measured and reported on a fair value basis. Our financial instruments that are subject to fair value disclosures consist of cash and cash equivalents, accounts receivable, accounts payable, derivative instruments and PVR's long-term debt. We have followed consistent methods and assumptions to estimate the fair values as more fully described in our Annual Report on Form 10-K for the year ended December 31, 2008. At June 30, 2009, the carrying values of all of these financial instruments approximated fair value.

The following table summarizes the valuation of certain assets and liabilities by category as of June 30, 2009 (in thousands):

Description	Fair Value Measurements at June 30, 2009	Fair Value Measurements at June 30, 2009, Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Interest rate swap - noncurrent	\$ 900	\$	\$ 900	\$
Interest rate swap liabilities - current	(6,478)		(6,478)	
Interest rate swap liabilities - noncurrent	(3,949)		(3,949)	
Commodity derivative assets - current	11,478		11,478	
Commodity derivative liabilities - current	(5,800)		(5,800)	
Total	\$ (3,849)	\$	\$ (3,849)	\$

See Note 4 Derivative Instruments, for the effects of derivative instruments on our condensed consolidated financial statements.

4. Derivative Instruments***PVR Natural Gas Midstream Segment Commodity Derivatives***

PVR determines the fair values of its derivative agreements based on discounted cash flows based on quoted forward prices for the respective commodities as of June 30, 2009, using discount rates adjusted for the credit risk of the counterparties if the derivative is in an asset position and PVR's own credit risk if the derivative is in a liability position. The following table sets forth PVR's positions as of June 30, 2009 for commodities related to natural gas midstream revenues and cost of midstream gas purchased:

	Average Volume Per Day (in barrels)	Weighted Average Price Collars			Fair Value (in thousands)
		Additional Put Option	Put	Call	
Crude Oil Three-Way Collar					
Third Quarter 2009 through Fourth Quarter 2009	1,000	\$ 70.00	\$ 90.00	\$ 119.25	\$ 2,634
Frac Spread Collar	(in MMBtu)				
Second Quarter 2009 through Fourth Quarter 2009	6,000		\$ 9.09	\$ 13.94	1,235
Crude Oil Collar	(in barrels)				
Second Quarter 2010 through Fourth Quarter 2010	750		\$ 70.00	\$ 81.25	28
Settlements to be received in subsequent period					1,781
Natural gas midstream segment commodity derivatives - net asset					\$ 5,678

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See the *Financial Statement Impact of Derivatives* section below for the impact of the natural gas midstream commodity derivatives on our condensed consolidated financial statements.

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PVR has entered into interest rate swaps (the "PVR Interest Rate Swaps") to establish fixed rates on a portion of the outstanding borrowings under its revolving credit facility (the "PVR Revolver"). The following table sets forth PVR's Interest Rate Swap positions at June 30, 2009:

Dates	Notional Amounts (in millions)	Weighted-Average Fixed Rate
Until March 2010	\$ 310.0	3.54%
March 2010 - December 2011	\$ 250.0	3.37%
December 2011 - December 2012	\$ 100.0	2.09%

During the first quarter of 2009, PVR discontinued cash flow hedge accounting for all of the PVR Interest Rate Swaps. Accordingly, subsequent fair value gains and losses for the PVR Interest Rate Swaps are recognized in the derivative line item of our condensed consolidated statements of income. At June 30, 2009, a \$3.0 million loss remained in accumulated other comprehensive income ("AOCI") related to these discontinued PVR Interest Rate Swap hedges. The \$3.0 million loss will be recognized in interest expense as the originally forecasted transactions settle.

PVR reported a (i) net derivative liability of \$9.5 million at June 30, 2009 and (ii) loss in AOCI of \$3.0 million at June 30, 2009 related to the PVR Interest Rate Swaps. In connection with periodic settlements, PVR reclassified a total of \$1.7 million of net hedging losses on the PVR Interest Rate Swaps to interest expense during the six months ended June 30, 2009. See the *Financial Statement Impact of Derivatives* section below for the impact of the PVR Interest Rate Swaps on our condensed consolidated financial statements.

Financial Statement Impact of Derivatives

The following table summarizes the effects of PVR's derivative activities, as well as the location of the gains and losses, on our condensed consolidated statements of income for the three and six months ended June 30, 2009 (in thousands):

	Location of gain (loss) on derivatives recognized in income	Three Months Ended June 30, 2009	Six Months Ended June 30, 2009
Derivatives de-designated as hedging instruments:			
Interest rate contracts (1)	Interest expense	\$ (918)	\$ (1,743)
Decrease in net income resulting from derivatives de-designated as hedging instruments		\$ (918)	\$ (1,743)
Derivatives not designated as hedging instruments:			
Interest rate contracts	Derivatives	\$ 1,810	\$ 696
Commodity contracts	Derivatives	(3,843)	(9,890)
Decrease in net income resulting from derivatives not designated as hedging instruments		\$ (2,033)	\$ (9,194)
Total decrease in net income resulting from derivatives		\$ (2,951)	\$ (10,937)
Realized and unrealized derivative impact:			
Cash received for commodity and interest rate contract settlements	Derivatives	1,613	4,449
Cash paid for interest rate contract settlements	Interest expense	(370)	(370)
Unrealized derivative losses (2)		(4,564)	(15,016)
Total decrease in net income resulting from derivatives		\$ (2,951)	\$ (10,937)

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- (1) This represents amounts reclassified out of AOCI and into earnings. At June 30, 2009, a \$3.0 million loss remained in AOCI related to the PVR Interest Rate Swaps on which PVR discontinued hedge accounting.
- (2) This activity represents net unrealized gains (losses) in the natural gas midstream, cost of midstream gas purchased, interest expense and derivative line items on our condensed consolidated statements of income. For the three months ended June 30, 2009, the net unrealized derivative losses were composed of a \$2.6 million unrealized gain on PVR's Interest Rate Swaps and a \$7.2 million unrealized loss on PVR's commodity derivatives. For the six months ended June 30, 2009, the net unrealized derivative losses were composed of a \$2.0 million unrealized gain on PVR's Interest Rates Swaps and a \$17.0 million unrealized loss on PVR's commodity derivatives.

The following table summarizes the fair value of PVR's derivative instruments, as well as the locations of these instruments, on our condensed consolidated balance sheets as of June 30, 2009 and December 31, 2008 (in thousands):

Balance Sheet Location		Fair values as of June 30, 2009		Fair values as of December 31, 2008	
		Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Derivatives de-designated as hedging instruments:					
Interest rate contracts	Derivative liabilities - current	\$	\$	\$	\$ 1,228
Interest rate contracts	Derivative liabilities - noncurrent				1,842
Total derivatives de-designated as hedging instruments					
		\$	\$	\$	\$ 3,070
Derivatives not designated as hedging instruments:					
Interest rate contracts	Derivative liabilities - current	\$	\$ 6,478	\$	\$ 4,663
Interest rate contracts	Derivative assets/liabilities - noncurrent	900	3,949		5,073
Commodity contracts	Derivative assets/liabilities - current	11,478	5,800	30,431	7,694
Total derivatives not designated as hedging instruments					
		\$ 12,378	\$ 16,227	\$ 30,431	\$ 17,430
Total fair values of derivative instruments					
		\$ 12,378	\$ 16,227	\$ 30,431	\$ 20,500

See Note 3, Fair Value Measurements, for a description of how the above financial instruments are valued in accordance with SFAS No. 157.

The following table summarizes our interest expense for the three and six months ended June 30, 2009 and 2008, including the effect of the PVR Interest Rate Swaps (in thousands):

Source	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Borrowings	\$ 5,596	\$ 4,935	\$ 10,464	\$ 10,622
Capitalized interest	(149)	(187)	(226)	(675)
Interest rate swaps	918	626	1,743	359
Total interest expense	\$ 6,365	\$ 5,374	\$ 11,981	\$ 10,306

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At June 30, 2009, we reported a commodity derivative asset related to PVR's natural gas midstream segment of \$5.7 million that is with three counterparties, which are investment grade financial institutions, and is substantially concentrated with one of those counterparties. This concentration may impact our overall credit risk, either positively or negatively, in that these counterparties may be similarly affected by changes in economic or other conditions. PVR neither paid nor received collateral with respect to its derivative positions. The maximum amount of loss due to credit risk if counterparties to PVR's derivative asset positions fail to perform according to the terms of the contracts would be equal to the fair value of the contracts as of June 30, 2009. No significant uncertainties related to the collectability of amounts owed to PVR exist with regard to these counterparties.

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The above hedging activity represents cash flow hedges. As of June 30, 2009, PVR did not own derivative instruments that were classified as fair value hedges or trading securities. In addition, as of June 30, 2009, PVR did not own derivative instruments containing credit risk contingencies.

5. Long-Term Debt

In March 2009, PVR increased the size of the PVR Revolver from \$700.0 million to \$800.0 million, which resulted in \$9.3 million of debt issuance costs that will be amortized over the remaining life of the PVR Revolver. The PVR Revolver is secured with substantially all of PVR's assets. The December 2011 maturity date for the PVR Revolver did not change. Interest is payable at a base rate plus an applicable margin of up to 1.25% if PVR selects the base rate borrowing option under the PVR Revolver or at a rate derived from the London Interbank Offered Rate (LIBOR) plus an applicable margin ranging from 1.75% to 2.75% if PVR selects the LIBOR-based borrowing option. As of June 30, 2009 and 2008, the weighted average interest rate on borrowings outstanding under the PVR Revolver was approximately 2.5% and 4.6%.

6. Noncontrolling Interests

We adopted SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements*, effective January 1, 2009. SFAS No. 160 requires that the noncontrolling interests in PVR be reported in our condensed consolidated balance sheets as a separate item within partners' capital. Net income attributable to the noncontrolling interests in PVR is separately presented on the face of the condensed consolidated statements of income. Our consolidated financial statements have been retroactively adjusted to reflect this adoption. Comprehensive income attributable to the noncontrolling interests in PVR is separately presented in our schedule of comprehensive income. SFAS No. 160 also requires that gains from the sales of subsidiary units be recorded directly to partners' capital. If we sell sufficient controlling interests in our subsidiaries to require deconsolidation of those subsidiaries, then we expect to record a gain or loss on our condensed consolidated statements of income.

The following is a reconciliation of the carrying amount of total partners' capital, partners' capital attributable to us and partners' capital attributable to the noncontrolling interests in PVR:

	Penn Virginia GP Holdings, L.P. Unitholders	Noncontrolling Interests (in thousands)	Total	Comprehensive Income (Loss)
Balance at December 31, 2008	\$ 269,542	\$ 268,981	\$ 538,523	
Distributions paid	(29,696)	(30,280)	(59,976)	
Comprehensive income:				
Net income	15,188	6,533	21,721	21,721
Unrealized losses on derivative activities	(196)	(310)	(506)	(506)
Reclassification adjustments for derivative activities	1,233	510	1,743	1,743
Balances at June 30, 2009	\$ 256,071	\$ 245,434	501,505	\$ 22,958
Balance at December 31, 2007	\$ 224,502	\$ 156,957	381,459	
Distributions paid	(25,789)	(23,602)	(49,391)	
PVR issuance of units		138,015	138,015	
Recognition of SAB 51 gain	39,495	(39,495)		
Comprehensive income:				
Net income	22,864	20,095	42,959	42,959
Unrealized losses on derivative activities	(542)	(282)	(824)	(824)
Reclassification adjustments for derivative activities	1,217	1,767	2,984	2,984
Balances at June 30, 2008	\$ 261,747	\$ 253,455	\$ 515,202	\$ 45,119

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7. Cash Distributions

The following table reflects the allocation of total cash distributions paid by us during the three and six months ended June 30, 2009 and 2008:

Unitholders	Three Months Ended June 30, 2009 (in thousands, except per unit data)		Six Months Ended June 30, 2009 (in thousands, except per unit data)	
	2009	2008	2009	2008
Publicly held unitholders	\$ 3,419	\$ 2,375	\$ 6,838	\$ 4,611
Penn Virginia Corporation	11,429	10,910	22,858	21,178
Total cash distributions paid	\$ 14,848	\$ 13,285	\$ 29,696	\$ 25,789
Total cash distributions paid per unit	\$ 0.38	\$ 0.34	\$ 0.76	\$ 0.66

On August 20, 2009, we will pay a \$0.38 per unit quarterly distribution to unitholders of record on August 3, 2009. This per unit distribution will remain unchanged from the previous distribution paid on May 20, 2009.

8. Related-Party Transactions

General and Administrative

Penn Virginia charges us for certain corporate administrative expenses which are allocable to us and our subsidiaries. When allocating general corporate expenses, consideration is given to property and equipment, payroll and general corporate overhead. Any direct costs are paid by us. Total corporate administrative expenses charged to us and our subsidiaries totaled \$1