UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2004

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 1-16735

PENN VIRGINIA RESOURCE PARTNERS, L.P.
(Exact Name of Registrant as Specified in Its Charter

Virginia	23-3087517
(State or Other Jurisdiction of Incorporation of Organization)	(I.R.S. Employer Identification No.)

THREE RADNOR CORPORATE CENTER, SUITE 230
100 MATSONFORD ROAD SUITE 200
RADNOR, PA 19087

(Address of Principal Executive Offices) (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 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 ____X____ No ____________

Indicate by a check mark whether the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes ____X____ No ____________

As of November 1, 2004, 10,424,681 common and 7,649,880 subordinated limited partner units were outstanding.

PENN VIRGINIA RESOURCE PARTNERS, L.P.
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PART I. Financial Information

Item 1. Financial Statements

PENN VIRGINIA RESOURCE PARTNERS, L.P.
CONSOLIDATED STATEMENTS OF INCOME - unaudited
(in thousands, except per share data)

	Three Months Ended September 30, 2004	Three Months Ended September 30, 2003	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003
Revenues				
Coal royalties	$ 18,018	$ 11,960	$ 52,395	$ 35,658
Coal services	888	484	2,614	1,523
Timber	204	80	499	829
Minimum rentals	5	220	5	1,035
Equity earnings	165	-	165	-
Other	117	68	414	289
Total revenues	19,397	12,812	56,092	39,334
Expenses				
Royalties	1,496	533	4,907	1,263
Operating	281	220	667	1,225
Taxes other than income	239	389	753	978
General and administrative	2,077	1,661	6,036	5,199
Depreciation, depletion and amortization	4,764	3,659	14,385	12,027
Total operating costs and expenses	8,857	6,462	26,748	20,692
Operating income	10,540	6,350	29,344	18,642
Other income (expense)				
Interest expense	(1,658)	(1,380)	(4,390)	(3,536)
Interest income	265	299	789	943
Income before cumulative effect of change in accounting principle	9,147	5,269	25,743	16,049
Cumulative effect of change in accounting principle	-	-	-	(107)
Net income	$ 9,147	$ 5,269	$ 25,743	$ 15,942
General partner's interest in net income	$ 183	$ 105	$ 515	$ 319
Limited partner's interest in net income	$ 8,964	$ 5,164	$ 25,228	$ 15,623
Basic and diluted net income per limited partner unit, common and subordinated:				
Income before cumulative effect of change in accounting principle	$ 0.50	$ 0.29	$ 1.40	$ 0.88
Cumulative effect of change in accounting principle	-	-	-	(0.01)
Net income per limited partner unit	$ 0.50	$ 0.29	$ 1.40	$ 0.87
Weighted average units outstanding:				
Common	10,425	10,373	10,419	10,264
Subordinated	7,650	7,650	7,650	7,650

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

PENN VIRGINIA RESOURCE PARTNERS, L.P.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	September 30, 2004	December 31, 2003
ASSETS		
Current assets:	(unaudited)	
Cash and cash equivalents	$ 15,764	$ 9,066
Accounts receivable	8,823	6,909
Other	849	767
Total current assets	25,436	16,742
Property and equipment	271,932	269,966
Less: Accumulated depreciation, depletion and amortization	(46,128)	(31,820)
Total property and equipment	225,804	238,146
Equity investments	28,607	-
Debt issuance costs	1,687	2,065
Prepaid minimums, net and other	2,412	2,939
Total assets	$ 283,946	$ 259,892
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable	$ 671	$ 965
Accrued liabilities	1,453	2,910
Current portion of long-term debt	4,800	1,500
Deferred income	1,000	1,610
Total current liabilities	7,924	6,985
Deferred income	8,901	6,028
Other liabilities	2,654	2,793
Long-term debt	113,093	90,286
Commitments and contingencies		
Partners' capital	151,374	153,800
Total liabilities and partners' capital	$ 283,946	$ 259,892

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

PENN VIRGINIA RESOURCE PARTNERS, L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS - Unaudited
(in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2004	**2003**	**2004**	**2003**
Cash flows from operating activities				
Net income	$ 9,147	$ 5,269	$ 25,743	$ 15,942
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation, depletion and amortization	4,764	3,659	14,385	12,027
Gain on sale of property and equipment	(10)	-	(37)	(5)
Noncash interest expense	126	121	378	395
Equity earnings	(165)	-	(165)	-
Cumulative effect of change in accounting principle	-	-	-	107
Changes in operating assets and liabilities	(1,272)	(329)	(1,581)	(377)
Net cash provided by operating activities	12,590	8,720	38,723	28,089
Cash flows from investing activities				
Payments received on long-term notes	200	136	548	381
Proceeds from sale of property and equipment	10	-	37	50
Equity investments	(28,442)	-	(28,442)	-
Capital expenditures	(72)	(1,991)	(939)	(3,437)
Net cash used in investing activities	(28,304)	(1,855)	(28,796)	(3,006)
Cash flows from financing activities				
Payments for debt issuance costs	-	-	-	(1,419)
Proceeds from borrowings	28,500	-	28,500	90,000
Repayments of borrowings	(1,500)	-	(2,500)	(88,387)
Proceeds from issuance of partners' capital	-	23	-	301
Distributions to partners	(9,960)	(9,561)	(29,229)	(27,145)
Net cash provided by (used in) financing activities	17,040	(9,538)	(3,229)	(26,650)
Net increase (decrease) in cash and cash equivalents	1,326	(2,673)	6,698	(1,567)
Cash and cash equivalents beginning of period	14,438	10,726	9,066	9,620
Cash and cash equivalents end of period	$ 15,764	$ 8,053	$ 15,764	$ 8,053
Supplemental disclosures of cash flow information				
Cash paid for interest	$ 2,918	$ 2,568	$ 5,622	$ 3,195
Noncash investing and financing activities				
Issuance of partners' capital for acquisition	$ -	$ -	$ 1,060	$ 4,969

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

1. ORGANIZATION

Penn Virginia Resource Partners, L.P. (the "Partnership", "we", "our" or "us"), through our wholly owned subsidiary, Penn Virginia Operating Co., LLC, is engaged principally in the coal land management business. The Partnership does not operate any mines. Instead, we enter into leases with various third-party operators which give those operators the right to mine coal reserves on our land in exchange for royalty payments. We also provide fee-based infrastructure facilities to some of our lessees and third parties to generate coal services revenues. These facilities include coal loading facilities, preparation plants and, most recently, coal handling facilities located at end-user industrial plants (See Note 3). We also sell timber growing on our land.

The general partner of the Partnership is Penn Virginia Resource GP, LLC, a wholly owned subsidiary of Penn Virginia Corporation ("Penn Virginia").

2. BASIS OF PRESENTATION

The accompanying unaudited consolidated and combined financial statements include the accounts of Penn Virginia Resource Partners, L.P. and all wholly-owned subsidiaries. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial reporting and Securities and Exchange Commission ("SEC") regulations. 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 have been included. These 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, 2003. Accounting polices are consistent with those described in our Annual Report on Form 10-K for the year ended December 31, 2003, except as discussed below. Please refer to such Form 10-K for a further discussion of those policies. Operating results for the nine months ended September 30, 2004, are not necessarily indicative of the results that may be expected for the year ended December 31, 2004. Certain reclassifications have been made to conform to the current period's presentation.

3. COAL HANDLING JOINT VENTURE

Effective July 1, 2004, we acquired from affiliates of Massey Energy Company a 50 percent interest in a joint venture formed to own and operate end-user coal handling facilities. The purchase price was $28.4 million and was funded through our credit facility. We account for our investment in the joint venture under the equity method. Equity earnings of $0.2 million from the joint venture were classified as equity earnings on the consolidated statements of income for the three and nine months ended September 30, 2004.

4. ASSET RETIREMENT OBLIGATION

Effective January 1, 2003, we adopted Statement of Financial Accounting Standards ("SFAS") No. 143, *Accounting for Asset Retirement Obligations*, which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Standard applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development or normal use of such assets.

The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred if a reasonable estimate of fair value can be made. The fair value of the liability is also added to the carrying amount of the associated asset and is depreciated over the life of the asset. The liability is accreted through charges to accretion expense, which are recorded as additional depreciation, depletion and amortization. If the obligation is settled for other than the carrying amount of the liability, a gain or loss on settlement will be recognized.

Below is a reconciliation of the beginning and ending aggregate carrying amount of our asset retirement obligations as of September 30, 2004 (in thousands).

Balance , January 1, 2004	$ 666
Accretion expense	43
Balance, September 30, 2004	$ 709

5. HEDGING ACTIVITIES

In connection with our senior unsecured notes, we entered into an interest rate swap agreement with a notional amount of $29.5 million to hedge a portion of the fair value of those notes which mature over a ten-year period. This swap was designated as a fair value hedge and has been reflected as a decrease of long-term debt of approximately $0.6 million as of September 30, 2004, with a corresponding increase in other liabilities. Under the terms of the interest rate swap agreement, the counterparty pays us a fixed annual rate of 5.77 percent on a total notional amount of $29.5 million, and we pay the counterparty a variable rate equal to the floating interest rate which is based on the six month London Interbank Offering Rate plus 2.36 percent.

6. LONG-TERM DEBT

At September 30, 2004, and December 31, 2003, long-term debt consisted of the following (in thousands):

	September 30, 2004 (Unaudited)	December 31, 2003
Senior unsecured notes*	$ 87,893	$ 89,286
Revolving credit facility	30,000	2,500
	117,893	91,786
Less: Current maturities	(4,800)	(1,500)
	$ 113,093	$ 90,286

* Includes negative fair value adjustments of $0.6 million as of September 30, 2004, and $0.7 million as of December 31, 2003, related to interest rate swap designated as a fair value hedge .

7. COMMITMENTS AND CONTINGENCIES

Legal

We are involved, from time to time, in various legal proceedings arising in the ordinary course of business. While the ultimate results of these proceedings cannot be predicted with certainty, management believes these claims will not have a material effect on our financial position, liquidity or operations.

Environmental Compliance

The operations of our lessees are subject to environmental laws and regulations adopted by various governmental authorities in the jurisdictions in which these operations are conducted. The terms of our coal property leases impose liability for all environmental and reclamation liabilities arising under those laws and regulations on the relevant lessees. The lessees are bonded and have indemnified us against any and all future environmental liabilities. We regularly visit coal properties under lease to monitor lessee compliance with environmental laws and regulations and to review mine activities. Management believes that our lessees will be able to comply with existing regulations and does not expect any material impact on our financial condition or results of operations.

As of September 30, 2004, we had certain reclamation bonding requirements with respect to certain of our unleased and inactive properties. As of September 30, 2004, our environmental liabilities totaled $1.5 million, which represents our best estimate of these liabilities as of that date. Given the uncertainty of when the reclamation area will meet regulatory standards, a change in this estimate could occur in the future.

Mine Health and Safety Laws

There are numerous mine health and safety laws and regulations applicable to the coal mining industry. However, since we do not operate any mines and do not employ any coal miners, we are not subject to such laws and regulations. Accordingly, no related liabilities are accrued.

8. NET INCOME PER UNIT

Basic and diluted net income per unit is determined by dividing net income, after deducting the general partner's two percent interest, by the weighted average number of outstanding common units and subordinated units. At September 30, 2004, there were no dilutive units outstanding.

9. RELATED PARTY TRANSACTION

Penn Virginia charges us for certain corporate administrative expenses, which are allocable to its subsidiaries. When allocating general corporate expenses, consideration is given to property and equipment, payroll and general corporate overhead. Any direct costs are paid by the Partnership. Total corporate administrative expenses charged to the Partnership totaled $0.4 million and $0.2 million for the three months ended September 30, 2004 and 2003, respectively, and $1.1 and $0.8 million for the nine months ended September 30, 2004 and 2003, respectively. These costs are reflected in general and administrative expenses in the accompanying consolidated statements of income. Management believes the allocation methodologies used are reasonable.

10. DISTRIBUTIONS

We make quarterly cash distributions of our available cash, generally defined as consolidated cash receipts less consolidated cash disbursements and cash reserves established by the general partner at its sole discretion. According to the Partnership Agreement, the general partner receives incremental incentive cash distributions if cash distributions exceed certain target thresholds as follows:

Quarterly cash distribution per unit:	Unitholders	General Partner
First target - up to $0.55 per unit	98%	2%
Second target - above $0.55 per unit up to $0.65 per unit	85%	15%
Third target - above $0.65 per unit up to $0.75 per unit	75%	25%
Thereafter - above $0.75 per unit	50%	50%

To date, we have not paid any incentive cash distributions to the general partner. The following table reflects the allocation of total cash distributions paid during the nine months ended September 30, 2004 (in thousands, except per unit information):

Limited partner units	$ 28,644
General partner ownership interest	585
Total cash distributions	$ 29,229
Total cash distributions paid per unit	$ 1.58

In July 2004, the Partnership announced a $0.02 per unit increase in its quarterly distribution to $0.54 for the three months ended June 30, 2004, or $2.16 per unit on an annualized basis. The distribution was paid on August 13, 2004, to unitholders of record on August 4, 2004. As a result, the quarterly distribution to partners increased by approximately $0.4 million in the third quarter of 2004. This increase is expected to continue in future quarters as approved by the board of directors of the general partner. In October 2004, we announced a $0.54 per unit quarterly distribution to be paid on November 12, 2004, to unitholders of record on November 3, 2004.

11. SEGMENT INFORMATION

Segment information has been prepared in accordance with SFAS No. 131, *Disclosure about Segments of an Enterprise and Related Information.* Under SFAS No. 131, operating segments are defined as components of an enterprise about which separate financial information is available and is evaluated regularly by the chief operating decision maker, or decision-making group, in assessing performance. Our chief operating decision-making group consists of the Chief Executive Officer and other senior officials. This group routinely reviews and makes operating and resource allocation decisions among our coal royalty operations, coal services operations, and timber operations. Accordingly, our reportable segments are as follows:

Coal Royalty

The coal royalty segment includes management of our coal located in the Appalachian region of the United States and New Mexico.

Coal Services

Our coal services segment consists primarily of fee-based infrastructure facilities leased to certain lessees to generate additional coal services revenues. In July 2004, we entered into a joint venture with affiliates of Massey Energy Company and expanded our coal services business to provide coal handling facilities to end-user industrial plants.

Timber

Our timber segment consists of the selling of standing timber on our properties.

The following is a summary of certain financial information relating to the Partnership's segments:

	Coal Royalty	Coal Services	Timber	Consolidated
		(in thousands)		
For the Three Months Ended September 30, 2004:				
Revenues	$ 18,140	$ 1,053	$ 204	$ 19,397
Operating costs and expenses	3,751	137	205	4,093
Depreciation, depletion and amortization	4,173	585	6	4,764
Operating income (loss)	$ 10,216	$ 331	$ (7)	$ 10,540
Interest expense, net				(1,393)
Net income				$ 9,147
Total assets	$ 240,563	$ 43,026	$ 357	$ 283,946
For the Three Months Ended September 30, 2003:				
Revenues	$ 12,248	$ 484	$ 80	$ 12,812
Operating costs and expenses	2,098	549	156	2,803
Depreciation, depletion and amortization	3,287	371	1	3,659
Operating income (loss)	$ 6,863	$ (436)	$ (77)	$ 6,350
Interest expense, net				(1,081)
Net income				$ 5,269
Total assets	$ 248,748	$ 11,282	$ 167	$ 260,197

	Coal Royalty	Coal Services	Timber	Consolidated
		(in thousands)		
For the Nine Months Ended September 30, 2004:				
Revenues	$ 52,814	$ 2,779	$ 499	$ 56,092
Operating costs and expenses	11,105	716	542	12,363
Depreciation, depletion and amortization	12,624	1,754	7	14,385
Operating income (loss)	$ 29,085	$ 309	$ (50)	$ 29,344
Interest expense, net				(3,601)
Net income				$ 25,743
Total assets	$ 240,563	$ 43,026	$ 357	$ 283,946
For the Nine Months Ended September 30, 2003:				
Revenues	$ 36,982	$ 1,523	$ 829	$ 39,334
Operating costs and expenses	6,311	1,884	470	8,665
Depreciation, depletion and amortization	11,150	872	5	12,027
Operating income (loss)	$ 19,521	$ (1,233)	$ 354	$ 18,642
Interest expense, net				(2,593)
Cumulative effect of change in accounting principle				(107)
Net income				$ 15,942
Total assets	$ 248,748	$ 11,282	$ 167	$ 260,197

12. RECENT ACCOUNTING PRONOUNCEMENTS

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 141, *Business Combinations*, and SFAS No. 142, *Goodwill and Other Intangible Assets*, under which we classified our leased coal mineral rights as intangible assets. In April 2004, the FASB issued a FASB Staff Position ("FSP") that clarifies certain sections of SFAS No. 141 and No. 142 relating to the characterization of coal mineral rights. The FSP is effective for the first reporting period beginning after April 29, 2004. As allowed by the FSP, we early adopted the FSP in April 2004 and, accordingly, reclassified our leased coal mineral rights back to tangible property. We discontinued straight-line amortization upon adoption and will deplete its coal mineral rights using the units-of-production method on a prospective basis. The amount capitalized related to mineral rights represents its fair value at the time such right was acquired, less accumulated amortization. Pursuant to the FSP, for comparative presentation purposes, $4.9 million was reclassified from other noncurrent assets to net property and equipment as of December 31, 2003, on the accompanying consolidated balance sheet.

13. SUBSEQUENT EVENT

In August 2004, one of our lessees dislodged a boulder while repairing a surface mine access road. The boulder rolled down a hillside, damaging a residence and causing a fatality. On October 29, 2004, A&G Coal Corp., our lessee, Penn Virginia Operating Co., LLC, our wholly owned subsidiary, and we were named along with several other defendants in a lawsuit brought by the family of the deceased in the Circuit Court of Wise County, Virginia. The lawsuit is seeking $26.5 million in punitive and compensatory damages. While the ultimate result of the lawsuit cannot be predicted with certainty, based on the facts currently available to us, management believes that the case will not have a material adverse effect on our financial position, results of operations or cash flows.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following review of the financial condition and results of operations of Penn Virginia Resource Partners, L.P. (the "Partnership", "we", "our" or "us") should be read in conjunction with the Consolidated Financial Statements and Notes thereto.

Overview

We are a Delaware limited partnership formed by Penn Virginia Corporation ("Penn Virginia") in 2001 to primarily engage in the business of managing coal properties and related assets in the United States. Penn Virginia contributed its coal properties and related assets to the Partnership and effective with the closing of our initial public offering in October 2001, our common units began trading publicly on the New York Stock Exchange.

Both in our current limited partnership form and in our previous corporate form, we have managed coal properties since 1882. We currently conduct operations in three business segments: coal royalty, coal services and timber. For the nine months ended September 30, 2004, 94 percent of our revenues were attributable to our coal royalty operations, five percent of our revenues were attributable to our coal services operations and one percent of our revenues were attributable to our timber operations.

Our coal reserves, coal infrastructure and timber assets are located on the following six properties:

* the Wise property, located in Wise and Lee Counties, Virginia, and Letcher and Harlan Counties, Kentucky;
* the Coal River property, located in Boone, Fayette, Kanawha, Lincoln and Raleigh Counties, West Virginia;
* the New Mexico property, located in McKinley County, New Mexico;
* the northern Appalachia property, located in Barbour, Harrison, Lewis, Monongalia and Upshur Counties, West Virginia;
* the Spruce Laurel property, located in Boone and Logan Counties, West Virginia; and
* the Buchanan property, located in Buchanan County, Virginia.

In our coal royalty operations, we enter into long-term leases with experienced, third-party mine operators, giving them the right to mine our coal reserves in exchange for royalty payments. We do not operate any mines. For the nine months ended September 30, 2004, our lessees produced 23.9 million tons of coal from our properties and paid us coal royalty revenues of $52.4 million. Approximately 78 percent of our coal royalty revenues for the first three quarters of 2004 and 69 percent of our first three quarters 2003 coal royalty revenues were based on the higher of a percentage of the gross sales price or a fixed price per ton of coal sold, with pre-established minimum monthly or annual rental payments. The remainder of our coal royalty revenues for the respective periods was derived from fixed royalty rate leases, which escalate annually, with pre-established minimum monthly payments. In managing our properties, we actively work with our lessees to develop efficient methods to exploit our reserves and to maximize production from our properties. We also derive revenues from minimum rental payments. Minimum rental payments are initially deferred and are recognized as minimum rental revenues when our lessees fail to meet specified production levels for certain predetermined periods. The recoupment period on most of our leases generally ranges from one to three years.

In addition to our coal royalty revenues, we also generate coal services revenues from fees we charge to our lessees for the use of our coal preparation and transportation facilities. These facilities provide efficient methods to enhance lessee production levels and exploit our reserves. The coal service facility we purchased in November 2002 on our West Coal River property in West Virginia began operations in the third quarter of 2003. In January 2004, we completed construction of a $4.4 million coal loadout facility for another lessee in West Virginia (see "Bull Creek Loadout Facility" below). Our coal services revenues totaled $2.8 million for the nine months ended September 30, 2004. In July 2004, we entered into a joint venture with affiliates of Massey Energy Company and expanded our coal services business to provide coal handling facilities to end-user industrial plants. We recognized equity earnings of $0.2 million from the joint venture as equity earnings during the third quarter.

We also earn revenues from the sale of standing timber on our properties. The timber revenues we receive are dependent on harvest levels and the species and quality of timber harvested. Our harvest levels in any given year will depend upon a number of factors, including anticipated mining activity, timber maturation and market conditions. Any timber which would otherwise be removed due to lessee mining operations is harvested in advance to prevent loss of the resource. For the nine months ended September 30, 2004, we sold 2.0 million board feet of timber for $0.5 million.

The revenues and profitability of our coal royalty operations are largely dependent on the production of coal from our reserves by our lessees. The coal royalty revenues we receive are affected by changes in coal prices and our lessees' supply contracts and, to a lesser extent, by fluctuations in the spot market prices for coal. The prevailing price for coal depends on a number of factors, including demand, the price and availability of alternative fuels, overall economic conditions and governmental regulations.

Royalty expenses that we incur in our coal business consist primarily of lease payments on property which we lease from third parties and sublease to our lessees. Our lease payment obligations vary based on the production from our subleased properties. With respect to the properties that we lease, we are granted mining rights in exchange for per ton royalty payments. We also incur costs related to lease administration and property maintenance as well as technical and support personnel.

Economic and Industry Factors

The United States relies significantly on coal as a primary fuel source. Coal is used as a fuel source for about half of domestic electricity generation and represents approximately 85 percent of fossil fuel reserves in the United States. As environmental progress continues, we are optimistic that coal will continue to play a vital role in the generation of electricity. Many of our lessees have favorable transportation options to their customers, which are mostly major utilities.

During the first three quarters of 2004, coal supply in central Appalachia was constrained due to shortages of skilled labor and railcars. Notwithstanding those constraints, general coal market conditions were very strong over that period, particularly in central Appalachia where most of our properties are located, and demand for coal increased. We benefited from those conditions in the form of increased coal tonnage mined from our properties and higher prices received by our lessees during the first three quarters of 2004, which in turn resulted in higher royalty revenues to us. We expect these general market conditions to continue through the remainder of 2004.

We are not an operating company and do not employ any coal miners. There are several key distinctions between our coal royalty business and a coal operating business which include:

* higher operating margins due to no risk in variable mining costs;
* more cash flow stability because we have a diversified lessee base;
* fewer capital reinvestment requirements because we do not maintain coal mining or preparation equipment;
* no social obligations under the numerous mine health and safety laws and regulations applicable to the coal mining industry; and
* no significant exposure to reclamation obligations because our lessees assume, and post performance bonds for, those obligations.

Our lessees are obligated to conduct mining operations in compliance with all applicable federal, state and local laws and regulations. Because of extensive and comprehensive regulatory requirements, violations during mining operations are not unusual in the industry and, notwithstanding compliance efforts, we do not believe violations by our lessees can be eliminated completely. None of our lessees' violations to date, or the monetary penalties assessed, have had a material adverse effect on us or, to our knowledge, on our lessees. We do not currently expect that future compliance will have a material adverse effect on us.

While it is not possible to quantify the costs of compliance by our lessees with all applicable federal and state laws, those costs have been and are expected to continue to be significant. The lessees post performance bonds pursuant to federal and state mining laws and regulations for the estimated costs of reclamation and mine closings, including the cost of treating mine water discharge when necessary. We do not accrue for such costs because our lessees are contractually liable for all costs relating to their mining operations, including the costs of reclamation and mine closure. Compliance with these laws has substantially increased the cost of coal mining for all domestic coal producers.

In addition, the utility industry, which is the most significant end-user of coal, is subject to extensive regulation regarding the environmental impact of its power generation activities which could affect demand for our lessees' coal. The possibility exists that new legislation or regulations may be adopted which may have a significant impact on the mining operations of our lessees or their customers' ability to use coal and may require us, our lessees or their customers to change operations significantly or incur substantial costs.

Opportunities, Challenges and Risks

Our revenues and profitability will be adversely affected in the future if we are unable to replace or increase our reserves through acquisitions. Our management continues to focus on acquisitions of assets and energy sources necessary to meet the requirements of diverse markets and environmental regulations. Personnel were added in 2003 to evaluate coal reserves, coal industry-related infrastructure and the acquisition of oil and gas mid-stream assets, such as oil and gas gathering, processing and transportation facilities. We continue to review a number of potential acquisition opportunities in that sector as well as other appropriate assets.

As the economic growth of the United States and the world continues and the need for clean, environmentally friendly energy increases, additional output from conventional energy sources will be essential. Coal represents the vast majority of energy resources in the United States, and it continues to be substantially more economical than other fossil fuel alternatives. Although coal generates about half of the nation's electricity, coal combustion emits sulfur dioxide, nitrous oxides and carbon dioxide, all of which are considered pollutants. The challenge to the industry is to continue to reduce these emissions while keeping coal as the fuel of choice.

Acquisitions and Investments in Coal Facilities

Capital expenditures, including noncash items, were as follows:

	Nine Months Ended September 30,	
	2004	**2003**
	(in thousands)	
Acquisition of coal handling joint venture interest	$ 28,442	$ -
Acquisitions of coal reserves	1,164	6,330
Coal services and land management additions	785	1,995
Other property and equipment expenditures	49	81
Total capital expenditures	$ 30,440	$ 8,406

Coal Handling Joint Venture

Effective July 1, 2004, we acquired from affiliates of Massey Energy Company a 50 percent interest in a joint venture formed to own and operate end-user coal handling facilities. The purchase price was $28.4 million and was funded through the Partnership's credit facility.

The joint venture owns coal handling facilities which unload shipments, store and transfer coal for three industrial coal consumers in the chemical, paper and lime production industries located in Tennessee, Virginia and Kentucky, respectively. A combination of fixed monthly fees and per ton throughput fees is paid by those consumers under long-term leases expiring between 2007 and 2019. We recognized equity earnings of $0.2 million related to our ownership in the joint venture in the third quarter of 2004. After adding back noncash expenses consisting primarily of depreciation, depletion and amortization ("DD&A"), we expect to receive a joint venture distribution of approximately $1.0 million during the fourth quarter of 2004 relating to third quarter operations.

Peabody Acquisition

In February 2004, we released 51,000 units, which had been held in escrow since December 2002, to affiliates of Peabody Energy Corporation. In exchange for the units, we received additional reserves on our northern Appalachia properties.

Bull Creek Loadout Facility

In January 2004, we completed the construction of a new coal loadout facility for one of our lessees on our Coal River property in West Virginia. The $4.4 million loadout facility is designed for the high-speed loading of 150-car unit trains and became operational on February 1, 2004. We expect this facility to generate revenues of approximately $0.5 million in 2004.

Critical Accounting Policies and Estimates

Depletion. Coal properties are depleted on an area-by-area basis at a rate based on the cost of the mineral properties and the number of tons of estimated proven and probable coal reserves contained therein. Our estimates of coal reserves are updated periodically and may result in adjustments to coal reserves and depletion rates that are recognized prospectively. The Partnership estimates its timber inventory using statistical information and data obtained from physical measurements, site maps, photo-types and other information gathering techniques. These estimates are updated annually and may result in adjustments of timber volumes and depletion rates, which are recognized prospectively.

Coal Royalty Revenues. Coal royalty revenues are recognized on the basis of tons of coal sold by our lessees and the corresponding revenues from those sales. Since we are not the mine operator, we do not have access to actual production and revenues information until approximately 30 days following the month of production. Therefore, our financial results include estimated revenues and accounts receivable for this 30-day period. Any differences between the actual amounts ultimately received and the original estimates are recorded in the period they become finalized.

Results of Operations

Three Months Ended September 30, 2004 Compared With Three Months Ended September 30, 2003.

The following table sets forth our revenues, operating expenses and operating statistics for the three months ended September 30, 2004, compared with the same period in 2003.

Financial Highlights	Three Months Ended September 30, 2004 (in thousands)	2003	Percentage Change
Revenues			
Coal royalties	$ 18,018	$ 11,960	51%
Coal services	888	484	83%
Timber	204	80	155%
Minimum rentals	5	220	(98%)
Equity earnings	165	-	-
Other	117	68	72%
Total revenues	19,397	12,812	51%
Operating costs and expenses			
Royalties	1,496	533	181%
Operating	281	220	28%
Taxes other than income	239	389	(39%)
General and administrative	2,077	1,661	25%
Depreciation, depletion and amortization	4,764	3,659	30%
Total operating costs and expenses	8,857	6,462	37%
Operating income	10,540	6,350	66%
Interest expense, net	(1,393)	(1,081)	29%
Net income	$ 9,147	$ 5,269	74%
Operating Statistics			
Royalty coal tons produced by lessees (tons in thousands)	7,971	6,229	28%
Average royalty per ton ($/ton)	$ 2.26	$ 1.92	18%

Revenues. Our revenues in the third quarter of 2004 were $19.4 million compared with $12.8 million for the same period in 2003, an increase of $6.6 million, or 51 percent. The increase in revenues primarily related to increased coal royalties received from our lessees.

Coal royalty revenues for the three months ended September 30, 2004, were $18.0 million compared with $12.0 million for the same period in 2003, an increase of $6.0 million, or 51 percent. Production by our lessees increased by 1.7 million tons, or 28 percent, to 8.0 million tons in the third quarter of 2004 from 6.2 million tons in the third quarter of 2003. Average royalties per ton increased to $2.26 in the third quarter of 2004 from $1.92 in the comparable 2003 period. The increase in the average royalties per ton was primarily due to stronger market conditions for coal and the resulting higher coal prices. At the property level, these variances were primarily due to the following factors:

* Production on the Coal River property increased by 0.9 million tons and revenues increased by $2.9 million. One lessee, which utilizes longwall mining, began mining on one of our subleased properties from an adjacent property during the first quarter of 2004, which resulted in an additional 0.7 million tons of coal production, or $1.7 million in revenues in the third quarter of 2004. The addition of a mine operator and a new mine by another of our lessees contributed approximately 0.1 million tons of coal production, or $0.3 million of revenue. The commencement of operations in third quarter 2003 on our West Coal River property contributed an additional 0.1 million tons, or $0.4 million of revenue. Increased demand also fueled a coal sales price increase in the region, which in turn resulted in a 12 percent increase in our average gross royalty per ton on the Coal River property, from $2.36 per ton in the third quarter of 2003 to $2.65 per ton in the third quarter of 2004.

* Production on the Wise property increased by 0.2 million tons, and revenues increased $1.7 million. The revenue increase was primarily due to increased coal sales prices fueled by a stronger demand in the region, resulting in higher price realizations by our lessees. This caused the average gross royalty per ton to increase 22 percent from $2.31 per ton in the third quarter of 2003 to $2.81 per ton in the third quarter of 2004.

* Production on the Spruce Laurel property increased by 0.1 million tons and revenues increased by $0.4 million. The revenue increase was primarily due to increased coal sales prices fueled by a stronger demand in the region. The higher royalty rates received from our lessees resulted in a 21 percent increase in the average gross royalty per ton on the Spruce Laurel property, from $1.90 per ton in the third quarter of 2003 to $2.29 per ton in the third quarter of 2004.

* Production on the New Mexico property increased by 0.5 million tons and revenues increased by $1.0 million as a result of short-term increased market demand by local utilities.

Coal services revenues were $0.9 million for the three months ended September 30, 2004, compared with $0.5 million for the three months ended September 30, 2003, an increase of $0.4 million, or 83 percent. The increase was primarily the result of start-up operations at our West Coal River and Bull Creek facilities in July 2003 and February 2004, respectively.

Timber revenues doubled from $0.1 million for the three months ended September 30, 2003, to $0.2 million for the three months ended September 30, 2004, as a result of selling species that bring higher prices in the timber market.

Minimum rental revenues decreased to less than $0.1 million for the three months ended September 30, 2004, from $0.2 million in the comparable period of 2003. Almost all lessees met or exceeded their minimum obligations during the third quarter of 2004.

We recognized equity earnings of $0.2 million in the third quarter of 2004 from our investment in a coal handling joint venture which is accounted for under the equity method. We acquired our interest in the joint venture in July 2004. See Note 3 in the Notes to Consolidated Financial Statements.

Operating Costs and Expenses. Our aggregate operating costs and expenses for the third quarter of 2004 were $8.9 million, compared with $6.5 million for the same period in 2003, an increase of $2.4 million, or 37 percent. The increase in operating costs and expenses primarily related to increases in royalty expenses and DD&A.

Royalty expenses were $1.5 million for the three months ended September 30, 2004, compared with $0.5 million for the three months ended September 30, 2003, an increase of $1.0 million. This increase was the result of higher production by lessees on subleased properties, primarily on our Coal River property. Production on these subleased properties increased to 1.0 million tons in the third quarter of 2004 from 0.3 million tons in the third quarter of 2003, representing a 0.7 million ton increase.

Taxes other than income decreased by 39% to $0.2 million in the third quarter of 2004 from $0.4 million in the third quarter of 2003. The decrease was primarily attributable to additional West Virginia property taxes in 2003 relating to the West Coal River property. We leased our West Coal River property in May 2003 and the on-going property taxes were assumed by the new lessee as of that date.

General and administrative expenses increased $0.4 million, or 25 percent, to $2.1 million in the third quarter of 2004, from $1.7 million in the same period of 2003. The increase was primarily attributable to increased consulting fees used to evaluate acquisition opportunities and increased payroll costs allocated to the Partnership by the general partner.

DD&A for the three months ended September 30, 2004, was $4.8 million compared with $3.7 million for the same period of 2003, an increase of $1.1 million, or 30 percent. This increase was the result of increased production by several of our lessees over the comparable periods and depreciation on our Bull Creek facility which began start-up operations in February 2004.

Interest Expense. Interest expense, net of interest income, was $1.4 million for the three months ended September 30, 2004, compared with $1.1 million for the same period in 2003, an increase of $0.3 million, or 29 percent. The increase was primarily due to additional borrowings of $28.5 million on our revolving credit facility in the third quarter of 2004 for our investment in a coal handling joint venture.

Nine Months Ended September 30, 2004 Compared With Nine Months Ended September 30, 2003.

The following table sets forth our revenues, operating expenses and operating statistics for the nine months ended September 30, 2004, compared with the same period in 2003.

Financial Highlights	Nine Months Ended September 30, 2004	Nine Months Ended September 30, 2003	Percentage Change
	(in thousands)		
Revenues			
Coal royalties	$ 52,395	$ 35,658	47%
Coal services	2,614	1,523	72%
Timber	499	829	(40%)
Minimum rentals	5	1,035	(100%)
Equity earnings	165	-	-
Other	414	289	43%
Total revenues	56,092	39,334	43%
Operating costs and expenses			
Royalties	4,907	1,263	289%
Operating	667	1,225	(46%)
Taxes other than income	753	978	(23%)
General and administrative	6,036	5,199	16%
Depreciation, depletion and amortization	14,385	12,027	20%
Total operating costs and expenses	26,748	20,692	29%
Operating income	29,344	18,642	57%
Interest expense, net	(3,601)	(2,593)	39%
	25,743	16,049	60%
Cumulative effect of change in accounting principle	-	(107)	(100%)
Net income	$ 25,743	$ 15,942	61%

Operating Statistics

	2004	2003	Percentage Change
Royalty coal tons produced by lessees (tons in thousands)	23,865	19,252	24%
Average royalty per ton ($/ton)	$ 2.20	$ 1.85	19%

Revenues. Our revenues in the first three quarters of 2004 were $56.1 million compared with $39.3 million for the same period in 2003, an increase of $16.8 million, or 43 percent. The increase in revenues primarily related to increased coal royalties received from our lessees.

Coal royalty revenues for the nine months ended September 30, 2004, were $52.4 million compared with $35.7 million for the same period in 2003, an increase of $16.7 million, or 47 percent. Production by our lessees increased by 4.6 million tons, or 24 percent, to 23.9 million tons in the first three quarters of 2004 from 19.3 million tons in the first three quarters of 2003. Average royalties per ton increased to $2.20 in the first three quarters of 2004 from $1.85 in the comparable 2003 period. The increase in the average royalties per ton was primarily due to stronger market conditions for coal and the resulting higher coal prices. At the property level, these variances were primarily due to the following factors:

* Production on the Coal River property increased by 3.7 million tons and revenues increased by $10.0 million. One lessee, which utilizes longwall mining, began mining on one of our subleased properties from an adjacent property during the first quarter of 2004, which resulted in an additional 2.6 million tons of coal production, or $5.7 million in revenues in the first three quarters of 2004. The addition of a mine operator and a new mine by another of our lessees contributed approximately 0.6 million tons of coal production, or $2.5 million of revenue. The commencement of operations in July 2003 on our West Coal River property also contributed an additional 0.5 million tons, or $1.2 million of revenue. Increased demand also fueled a coal sales price increase in the region, which in turn resulted in an nine percent increase in our average gross royalty per ton on the Coal River property, from $2.35 per ton in the first three quarters of 2003 to $2.56 per ton in the first three quarters of 2004.

* Production on the Wise property increased by 0.6 million tons and revenues increased by $4.4 million, of which approximately $2.8 million related to the average royalty rate received from our lessees. Increased coal prices fueled by stronger demand in the region resulted in higher price realizations by our lessees. This caused a 18 percent increase in the average gross royalty per ton from $2.27 per ton in the first three quarters of 2003 to $2.67 per ton in the first three quarters of 2004. Production increased primarily due to additional mining equipment being added by two of our lessees.

* Production on the Spruce Laurel property increased by 0.3 million tons and revenues increased by $1.3 million. The revenue increase was primarily the result of increased coal sales prices fueled by stronger demand in the region. The higher royalty rates received from our lessees resulted in a 27 percent increase in the average gross royalty per ton on the Spruce Laurel property, from $1.90 per ton in the first three quarters of 2003 to $2.42 per ton in the first three quarters of 2004.

Coal services revenues were $2.6 million for the nine months ended September 30, 2004, compared with $1.5 million for the nine months ended September 30, 2003, an increase of $1.1 million, or 72 percent. This increase was primarily the result of start-up operations at our West Coal River and Bull Creek facilities in July 2003 and February 2004, respectively.

Timber revenues decreased to $0.5 million for the nine months ended September 30, 2004, compared with $0.8 million in the first three quarters of 2003, a decrease of $0.3 million, or 40 percent. The decrease was due to the timing of a parcel sale of our standing timber in 2003 and poor weather conditions in the second quarter of 2004.

Minimum rental revenues decreased to less than $0.1 million for the nine months ended September 30, 2004, from $1.0 million in the comparable period of 2003. Almost all lessees met their minimum obligations during the first nine months of 2004. The $1.0 million recognized in the first three quarters of 2003 primarily related to four leases. Each of these leases was assigned to a new lessee approved by us. The leases were amended at the time of assignment to allow the new lessees additional time to offset actual production against minimum rental payments.

We recognized equity earnings of $0.2 million in the third quarter of 2004 from our investment in a coal handling joint venture which is accounted for under the equity method. We acquired our interest in the joint venture in July 2004. See Note 3 in the Notes to Consolidated Financial Statements.

Operating Costs and Expenses. Our aggregate operating costs and expenses for the first three quarters of 2004 were $26.7 million, compared with $20.7 million for the same period in 2003, an increase of $6.0 million, or 29 percent. The increase in operating costs and expenses primarily related to increases in royalty expenses, general and administrative expenses and DD&A, offset by decreases in operating expenses and taxes other than income.

Royalty expenses were $4.9 million for the nine months ended September 30, 2004, compared with $1.3 million for the nine months ended September 30, 2003, an increase of $3.6 million. This increase was the result of an increase in production by lessees on subleased properties, primarily on our Coal River property. Production on these subleased properties increased to 3.4 million tons in the first three quarters of 2004 from 0.8 million tons in the first three quarters of 2003, representing a 2.6 million ton increase.

Operating expenses decreased by 46 percent, to $0.7 million in the first three quarters of 2004 compared with $1.2 million in the same period of 2003. The decrease was due to the assumption by a new lessee of costs incurred after May 2003 to maintain idled mines on our West Coal River property, which is part of our Coal River property. We paid these costs through May 2003.

Taxes other than income decreased by 23 percent to $0.8 million for the nine months ended September 30, 2004, from $1.0 million for the nine months ended September 30, 2003. The decrease was attributable to property taxes in 2003 resulting from the assumption of the property tax obligation on our West Coal River property upon re-acquiring the lease from the bankrupt lessee.

General and administrative expenses increased $0.8 million, or 16 percent, to $6.0 million in the first three quarters of 2004, from $5.2 million in the same period of 2003. Approximately $0.2 million was attributable to costs related to a secondary public offering for the sale of common units held by an affiliate of Peabody Energy Corporation. The remainder is primarily attributable to increased consulting fees used to evaluate acquisition opportunities and increased payroll costs allocated to the Partnership by the general partner.

DD&A for the nine months ended September 30, 2004, was $14.4 million compared with $12.0 million for the same period of 2003, an increase of $2.4 million, or 20 percent. This increase was a result of increased production by several of our lessees over the comparable periods and depreciation on our West Coal River and Bull Creek facilities which began start-up operations in July 2003 and February 2004, respectively.

Interest Expense. Interest expense, net of interest income, was $3.6 million for the nine months ended September 30, 2004, compared with $2.6 million for the same period in 2003, an increase of $1.0 million, or 39 percent. The increase was primarily due to our closing in March 2003 of a private placement of $90 million ten-year senior unsecured notes payable (the "Notes"), which bear interest at a fixed rate of 5.77 percent. Prior to the private placement, the $90 million was included on our revolving credit facility, which bears interest at a generally lower rate based on the Eurodollar rate plus an applicable margin, which ranges from 1.25 to 2.25 percent. Also, we borrowed an additional $28.5 million on our revolving credit facility in the third quarter of 2004 for our investment in a coal handling joint venture.

Liquidity and Capital Resources

Since the Partnership's inception in 2001, cash generated from operations and our borrowing capacity, supplemented with the issuance of new common units, have been sufficient to meet our scheduled cash distributions, working capital requirements and capital expenditures. Our primary cash requirements consist of distributions to our general partner and unitholders, normal operating and administrative expenses, interest and principal payments on our long-term debt capital investment in fee-based coal handling facilities and acquisitions of new assets or businesses.

Cash Flows. Net cash provided by operating activities was $38.7 million in the first three quarters of 2004 compared with $28.1 million in first three quarters of 2003. The increase was largely due to increased production by our lessees and higher average gross royalties per ton.

Net cash used in investing activities was $28.8 million in the first three quarters of 2004 compared with $3.0 million in first three quarters of 2003. Cash used in investing activities for the nine months ended September 30, 2004, primarily related to a $28.4 million equity investment in a coal handling joint venture as well as the completion of a new coal loading facility on our Coal River property in West Virginia and two smaller infrastructure projects. Net cash used in investing activities for the nine months ended September 30, 2003 primarily related to additional expenditures to complete the close of an acquisition in December 2002.

Net cash used in financing activities was $3.2 million in the first three quarters of 2004 compared with $26.7 million in first three quarters of 2003. Distributions to partners increased to $29.2 million for the first nine months of 2004 from $27.1 million in the same period of 2003. Changes in borrowings, primarily to fund the equity investment, and debt issuance costs accounted for the remainder of the decrease.

In July 2004, we announced a $0.02 per unit increase in our quarterly distribution to $0.54, or $2.16 per unit on an annualized basis, which was paid on August 13, 2004 to unitholders of record August 4, 2004. The increased rate will also apply to a quarterly distribution announced in October 2004 payable on November 12, 2004, to unitholders of record on November 3, 2004.

Long-Term Debt. As of September 30, 2004, we had outstanding borrowings of $117.9 million, consisting of $30.0 million borrowed under our revolving credit facility and $88.5 million of the Notes, partially offset by $0.6 million fair value of the interest rate swap described below. The current portion of the Notes as of September 30, 2004, was $4.8 million.

Hedging Activities. In March 2003, we entered into an interest rate swap agreement with a notional amount of $29.5 million, to hedge a portion of the fair value of the Notes. This swap is designated as a fair value hedge and has been reflected as a decrease in long-term debt of $0.6 million as of September 30, 2004, with a corresponding increase in other liabilities. Under the terms of the interest rate swap agreement, the counterparty pays us a fixed annual rate of 5.77 percent on a total notional amount of $29.5 million, and we pay the counterparty a variable rate equal to the floating interest rate, which is determined semi-annually and is based on the six month London Interbank Offering Rate ("LIBOR") plus 2.36 percent.

Investment in Joint Venture. In July 2004, we acquired from affiliates of Massey Energy Company a 50 percent interest in a joint venture formed to own and operate end-user coal handling facilities. The purchase price was $28.4 million and was funded through the Partnership's credit facility.

The joint venture owns coal handling facilities which unload shipments, store and transfer coal for three industrial coal consumers in the chemical, paper and lime production industries located in Tennessee, Virginia and Kentucky, respectively. A combination of fixed monthly fees and per ton throughput fees are paid by those consumers under long-term leases expiring between 2007 and 2019. We recognized equity earnings of $0.2 million in the third quarter. After adding back noncash expenses consisting primarily of depreciation, depletion and amortization ("DD&A"), we expect to receive a joint venture distribution of approximately $1.0 million during the fourth quarter of 2004 relating to third quarter operations.

Future Capital Needs and Commitments. For the remainder of 2004, we anticipate making additional capital expenditures, excluding acquisitions, of up to approximately $0.4 million for coal services related projects and other property and equipment. Part of our strategy is to make acquisitions which increase cash available for distribution to our unitholders. Our ability to make these acquisitions in the future will depend in part on the availability of debt financing and on our ability to periodically use equity financing through the issuance of new units. Since completing a large acquisition in late 2002 and the coal handling joint venture in July 2004, our ability to incur additional debt has been restricted due to limitations in our debt instruments. At September 30, 2004, we have approximately $32 million of borrowing capacity available under our revolving credit facility. This limitation may necessitate the issuance of new units, as opposed to using debt, to provide a large part of the funding for acquisitions in the future.

We believe that we will continue to have adequate liquidity to fund future recurring operating and investing activities. Short-term cash requirements, such as operating expenses and quarterly distributions to our general partner and unitholders, are expected to be funded through operating cash flows. Long-term cash requirements for asset acquisitions are expected to be funded by several sources, including cash flows from operating activities, borrowings under credit facilities and the issuance of additional equity and debt securities. Our ability to complete future debt and equity offerings will depend on various factors, including prevailing market conditions, interest rates and our financial condition and credit rating at the time.

Environmental

Surface Mining Valley Fills. Over the course of the last several years, opponents of surface mining have filed three lawsuits challenging the legality of permits authorizing the construction of valley fills for the disposal of coal mining overburden under federal and state laws applicable to surface mining activities. Although two of these challenges were successful in the United States District Court for the Southern District of West Virginia (the "District Court"), the United States Court of Appeals for the Fourth Circuit overturned both of those decisions in Bragg v. Robertson in 2001 and in Kentuckians For The Commonwealth v. Rivenburgh in 2003.

A ruling on July 8, 2004, which was made by the District Court in connection with a third lawsuit, may impair our lessees' ability to obtain permits that are needed to conduct surface mining operations. In this case, Ohio Valley Environmental Coalition v. Bulen, the District Court determined that the Army Corps of Engineers (the "Corps") violated the Clean Water Act and other federal statutes when it issued Nationwide Permit 21 ("NWP21"). Section 404 of the Clean Water Act authorizes the Corps to issue general permits to allow parties to construct in navigable waters surface impoundments, valley fills and other structures that are needed for surface mining without having to obtain an individual Section 404 permit.

The District Court's order prohibits the Corps from issuing any new permits under NWP21 in areas subject to the District Court's jurisdiction, which are a number of counties in West Virginia. The ruling only voided such permits where work has not yet commenced, and the decision thus leaves some ambiguity about its potential applicability to permits that have already been issued under NWP 21 where the work has already begun. Unless this decision is overturned on appeal, companies seeking to construct surface mining impoundments or valley fills in navigable waters in the areas covered by this decision will need to apply for and obtain individual permits under Section 404 of the Clean Water Act. Obtaining individual Section 404 permits for surface mining activities is likely to substantially increase both the time for and the costs of our lessees obtaining permits. These increased permitting costs, and any delay or inability to obtain Section 404 permits, could impair our lessees' ability to produce coal and adversely affect our coal royalty revenues.

Mine Health and Safety Laws. The operations of our lessees are subject to stringent health and safety standards that have been imposed by federal legislation since the adoption of the Mine Health and Safety Act of 1969. However, since we do not operate any mines and do not employ any coal miners, we are not subject to such laws and regulations. The Mine Health and Safety Act of 1969 resulted in increased operating costs and reduced productivity. The Mine Safety and Health Act of 1977, which significantly expanded the enforcement of health and safety standards of the Mine Health and Safety Act of 1969, imposes comprehensive health and safety standards on all mining operations. In addition, as part of the Mine Health and Safety Acts of 1969 and 1977, the Black Lung Acts require payments of benefits by all businesses conducting current mining operations to coal miners with black lung and to some beneficiaries of a miner who dies from this disease.

Environmental Compliance. The operations of our lessees are subject to environmental laws and regulations adopted by various governmental authorities in the jurisdictions in which these operations are conducted. The terms of the Partnership's coal property leases impose liability for all environmental and reclamation liabilities arising under those laws and regulations on the relevant lessees. The lessees are bonded and have indemnified the Partnership against any and all future environmental liabilities. The Partnership regularly visits coal properties under lease to monitor lessee compliance with environmental laws and regulations and to review mining activities.

Management believes that the Partnership's lessees will be able to comply with existing regulations and does not expect any material impact on the Partnership's financial condition or results of operations.

We have certain reclamation bonding requirements with respect to certain of our unleased and inactive properties. As of September 30, 2004, the Partnership's environmental liabilities totaled $1.5 million. Given the uncertainty of when the reclamation area will meet regulatory standards, a change in this estimate could occur in the future.

Recent Accounting Pronouncements

See Note 12 in the Notes to Consolidated Financial Statements for a description of recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market risk is the risk of loss arising from adverse changes in market rates and prices. The principal market risks to which we are exposed are interest rate risk and coal price risks.

We are also indirectly exposed to the credit risk of our lessees. If our lessees become financially insolvent, our lessees may not be able to continue operating or meeting their minimum lease payment obligations. As a result, our coal royalty revenues could decrease due to lower production volumes.

As of September 30, 2004, $88.5 million of our borrowings were financed with debt which has a fixed interest rate throughout its term. In connection with this financing, we executed an interest rate derivative transaction to effectively convert the interest rate on one-third of the amount financed from a fixed rate of 5.77 percent to a floating rate of LIBOR plus 2.36 percent. The interest rate swap has been accounted for as a fair value hedge in compliance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*, as amended by SFAS No. 137 and SFAS No. 138.

Forward-Looking Statements

Statements included in this report which are not historical facts (including any statements concerning plans and objectives of management for future operations or economic performance, or assumptions related thereto) are forward-looking statements. In addition, the Partnership and its representatives may from time to time make other oral or written statements which are also forward-looking statements.

Such forward-looking statements include, among other things, statements regarding development activities, capital expenditures, acquisitions and dispositions, expected commencement dates of coal mining, projected quantities of future coal production by the Partnership's lessees, costs and expenditures as well as projected demand or supply for coal and coal handling joint venture operations, which will affect sales levels, prices, royalties and distributions realized by the Partnership.

These forward-looking statements are made based upon management's current plans, expectations, estimates, assumptions and beliefs concerning future events impacting the Partnership and, therefore, involve a number of risks and uncertainties. The Partnership cautions that forward-looking statements are not guarantees and that actual results could differ materially from those expressed or implied in the forward-looking statements.

Important factors that could cause the actual results of operations or financial condition of the Partnership to differ materially from those expressed or implied in the forward-looking statements include, but are not necessarily limited to:

* the ability to acquire new coal reserves on satisfactory terms;
* the price for which such reserves can be sold;
* the volatility of commodity prices for coal;
* the projected demand for coal;
* the projected supply of coal;
* the ability to lease new and existing coal reserves;
* the ability of lessees to produce sufficient quantities of coal on an economic basis from the Partnership's reserves;
* the ability of lessees to obtain favorable contracts for coal produced from the Partnership's reserves;
* competition among producers in the coal industry generally;
* the extent to which the amount and quality of actual production differs from estimated recoverable proved coal reserves;
* unanticipated geological problems;

* availability of required materials and equipment;
* the occurrence of unusual weather or operating conditions including force majeure events;
* the failure of equipment or processes to operate in accordance with specifications or expectations;
* delays in anticipated start-up dates of lessees' mining operations and related coal infrastructure projects;
* environmental risks affecting the mining of coal reserves;
* the timing of receipt of necessary governmental permits by the Partnership's lessees;
* the risks associated with having or not having price risk management programs;
* labor relations and costs;
* accidents;
* changes in governmental regulation or enforcement practices, especially with respect to environmental, health and safety matters, including with respect to emissions levels applicable to coal-burning power generators;
* uncertainties relating to the outcome of litigation regarding permitting of the disposal of coal overburden;
* risks and uncertainties relating to general domestic and international economic (including inflation and interest rates) and political conditions;
* the experience and financial condition of lessees, including their ability to satisfy their royalty, environmental, reclamation and other obligations to the Partnership and others;
* coal handling joint venture operations;
* changes in financial market conditions; and
* other risk factors as detailed in the Partnership's Securities and Exchange Commission filings on Annual Report on Form 10-K.

Many of such factors are beyond the Partnership's ability to control or predict. Readers are cautioned not to put undue reliance on forward-looking statements.

While the Partnership periodically reassesses material trends and uncertainties affecting the Partnership's results of operations and financial condition in connection with the preparation of Management's Discussion and Analysis of Results of Operations and Financial Condition and certain other sections contained in the Partnership's quarterly, annual or other reports filed with the Securities and Exchange Commission, the Partnership does not undertake any obligation to review or update any particular forward-looking statement, whether as a result of new information, future events or otherwise.

Item 4. Controls and Procedures

(a) Disclosure of Controls and Procedures.

The Partnership, under the supervision, and with the participation, of its management, including its principal executive officer and principal financial officer, performed an evaluation of the design and operation of the Partnership's disclosure controls and procedures (as defined Exchange Act Rules 13a-15(e) and 15(d)-15(e)) as of the end of the period covered by this report. Based on that evaluation, the general partner's principal executive officer and principal financial officer concluded that such disclosure controls and procedures are effective to ensure that material information relating to the Partnership, including its consolidated subsidiaries, is accumulated and communicated to the Partnership's management and made known to the principal executive officer and principal financial officer, particularly during the period for which this periodic report was being prepared.

(b) Changes in Internal Control Over Financial Reporting.

No changes were made in the Partnership's internal control over financial reporting during the quarter ended September 30, 2004, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

However, in connection with our ongoing evaluation of the effectiveness of our internal control over financial reporting, we discovered a material weakness in the user access controls related to our accounting system. Although we are unaware of any misstatement of financial position, results of operations or cash flows resulting from this control deficiency, management has determined that there is more than a remote likelihood that a material misstatement could occur as a result of such control deficiency. We have updated our software and implemented stricter user access controls which took effect during the fourth quarter of 2004.

PART II. Other Information

Items 2, 3, 4 and 5 are not applicable and have been omitted.

Item 1. Legal Proceedings

In August 2004, one of our lessees dislodged a boulder while repairing a surface mine access road. The boulder rolled down a hillside, damaging a residence and causing a fatality. On October 29, 2004, A&G Coal Corp., our lessee, Penn Virginia Operating Co., LLC, our wholly owned subsidiary, and we were named along with several other defendants in a lawsuit brought by the family of the deceased in the Circuit Court of Wise County, Virginia. The lawsuit is seeking $26.5 million in punitive and compensatory damages. While the ultimate result of the lawsuit cannot be predicted with certainty, based on the facts currently available to us, management believes that the case will not have a material adverse effect on our financial position, results of operations or cash flows.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

12 Statement of Computation of Ratio of Earnings to Fixed Charges Calculation.

31.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Reports on Form 8-K

The Partnership furnished a Form 8-K on August 4, 2004, announcing that it issued a press release regarding its financial results for the three and six months ended June 30, 2004.

On July 20, 2004, the Partnership furnished a Form 8-K announcing the acquisition from affiliates of Massey Energy Company of a 50 percent interest in a joint venture formed to own and operate end-user coal handling facilities. The purchase price was $28.4 million and was funded through the Partnership's credit facility. The purchase agreement was attached to the Form 8-K as Exhibit 10.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

PENN VIRGINIA RESOURCE PARTNERS, L.P.

Date:	November 4, 2004	By:	/s/ Frank A. Pici Frank A. Pici, Vice President and Chief Financial Officer
Date:	November 4, 2004	By:	/s/ Forrest W. McNair Forrest W. McNair, Vice President and Controller

Penn Virginia Resource Partners, L.P.
Statement of Computation of Ratio of Earnings to Fixed Charges Calculation
(in thousands, except ratios)

	Year Ended December 31, 2000	January 1, 2001 through October 30, 2001	October 30, 2001 through December 31, 2001	2002	2003	Nine Months Ended September 30, 2004
Earnings						
Pre-tax income	$ 16,842	$ 19,113	$ 3,677	$ 24,686	$ 22,690	$ 25,743
Equity earnings	-	-	-	-	-	(165)
Fixed charges	7,670	7,027	274	1,786	5,048	4,436
Total earnings	**$ 24,512**	**$ 26,140**	**$ 3,951**	**$ 26,472**	**$ 27,738**	**$ 30,014**
Fixed charges						
Interest expense	$ -	$ -	$ 269	$ 1,758	$ 4,986	$ 4,390
Interest expense - affiliate	7,670	7,003	-	-	-	-
Rental interest factor	29	24	5	28	62	46
Total fixed charges	**$ 7,699**	**$ 7,027**	**$ 274**	**$ 1,786**	**$ 5,048**	**$ 4,436**
Ratio of earnings to fixed charges	**3.2x**	**3.7x**	**14.4x**	**14.8x**	**5.5x**	**6.8x**

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, A. James Dearlove, Chief Executive Officer of Penn Virginia Resource GP, LLC, general partner of Penn Virginia Resource Partners, L.P. (the "Registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the Registrant;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and we have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors:

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 4, 2004

/s/ A. James Dearlove
A. James Dearlove
Chief Executive Officer

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Frank A. Pici, Vice President and Chief Financial Officer of Penn Virginia Resource GP, LLC, general partner of Penn Virginia Resource Partners, L.P. (the "Registrant"), certify that:

1. I have reviewed this report on Form 10-Q of the Registrant;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and we have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of Registrant's board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 4, 2004

/s/ Frank A. Pici
Frank A. Pici
Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Penn Virginia Resource Partners, L.P. (the "Partnership") on Form 10-Q for the period ended September 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, A. James Dearlove, Chief Executive Officer of the general partner of the Partnership, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

November 4, 2004

/s/ A. James Dearlove
A. James Dearlove
Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Penn Virginia Resource Partners, L.P. (the "Partnership") on Form 10-Q for the period ended September 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Frank A. Pici, Vice-President and Chief Financial Officer of the general partner of the Partnership, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to the best of my knowledge, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

November 4, 2004

/s/ Frank A. Pici
Frank A. Pici
Vice President and Chief Financial Officer