

NATURAL RESOURCE PARTNERS LP

Form 424B5

March 11, 2004

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Filed pursuant to Rule 424(b)(5)  
Registration No. 333-111532

**PROSPECTUS SUPPLEMENT**  
**(To Prospectus Dated February 10, 2004)**

**5,250,000 Common Units**  
**Representing Limited Partner Interests**  
**Natural Resource Partners L.P.**  
**\$39.96 per common unit**

We are selling 5,250,000 common units with this prospectus supplement and the accompanying prospectus. We have granted the underwriters a 30-day option to purchase up to 787,500 additional common units to cover over-allotments.

Our common units are listed on the New York Stock Exchange under the symbol NRP. The last reported sales price of our common units on the NYSE on March 10, 2004 was \$39.96 per common unit.

**Investing in our common units involves risks. See Risk Factors beginning on page S-11 of this prospectus supplement and page 3 of the accompanying prospectus.**

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Common Unit	Total
Public Offering Price	\$ 39.96	\$209,790,000
Underwriting Discount	\$ 1.6983	\$ 8,916,075
Proceeds to Natural Resource Partners L.P., before expenses	\$38.2617	\$200,873,925

The underwriters expect to deliver the common units on or about March 16, 2004.

**Sole Bookrunning Manager**

**Citigroup**

**Joint Lead Manager**

**Lehman Brothers**

**A.G. Edwards & Sons, Inc.**

**UBS Investment Bank**

**Wachovia Securities**

**Friedman Billings Ramsey**

**RBC Capital Markets**

**Sanders Morris Harris**

March 10, 2004

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This document is in two parts. The first part is this prospectus supplement, which describes the terms of this offering of common units. The second part is the accompanying prospectus, which gives more general information, some of which may not apply to the common units. If the description of this common unit offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus. We have not authorized anyone to provide you with additional or different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front cover of each document or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since those dates.

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**SUMMARY**

*This summary highlights information contained elsewhere in this prospectus supplement and the accompanying prospectus. You should read the entire prospectus supplement, the accompanying prospectus, the documents incorporated by reference and the other documents to which we refer for a more complete understanding of this offering. You should read Risk Factors beginning on page S-11 of this prospectus supplement and page 3 of the accompanying prospectus for more information about important factors that you should consider before buying common units in this offering. Unless otherwise indicated, the information presented in this prospectus supplement assumes that the underwriters do not exercise their over-allotment option.*

**Natural Resource Partners L.P.**

We engage principally in the business of owning and managing coal properties in the three major coal-producing regions of the United States: Appalachia, the Illinois Basin and the Western United States. We do not operate any mines. We lease coal reserves to experienced mine operators under long-term leases that grant the operators the right to mine our coal reserves in exchange for royalty payments. We control approximately 1.8 billion tons of proven and probable coal reserves in nine states, including 1.6 billion tons we controlled as of December 31, 2003 and an additional 176 million tons we acquired in January 2004. Our reserves are subject to 125 leases with 53 lessees. Our lessees are generally required to make payments to us based on the higher of a percentage of the gross sales price or a fixed price per ton of coal sold, subject to minimum payments. In 2003, our lessees produced 44.3 million tons of coal from our properties and our total revenues were \$85.5 million.

**Business Strategies**

Our primary business strategies are:

*Maximize Royalty Revenues from Our Existing Properties.* We work with our lessees to increase production and royalty revenues from our properties. We provide technical knowledge of our reserves, including information about title and geology, and also review mine plans to ensure efficient recovery of reserves. We regularly visit mines to ensure that our lessees are complying with the lease terms and approved mine plans.

*Expand and Diversify Our Coal Reserves.* We intend to continue to expand and diversify our reserves by acquiring additional coal properties that generate royalty income. We review potential reserve acquisitions in all coal-producing regions of the United States in order to acquire marketable reserves that we believe will be attractive to lessees. We expect to fund any future acquisitions with borrowings under our credit facility and proceeds from the issuance of debt or equity securities. Since our initial public offering in October 2002, we have made six significant acquisitions of coal-producing properties or overriding royalty interests, which have increased our proven and probable coal reserves by approximately 665 million tons (net of production), or approximately 58%. See Acquisitions.

*Explore New Opportunities with Our Existing Lessees.* Many of our lessees are subsidiaries of large coal producers that have long-term plans to expand their operations. We seek to strengthen our relationships with our current lessees in order to participate in future opportunities that our lessees may identify for acquiring or leasing new properties.

*Add New Lessees to Diversify Our Coal Mine Operator Base.* We actively search for additional public and private coal mine operators that meet our guidelines as qualified lessee candidates. Our extensive experience with our properties and our industry knowledge enables us to identify potential lessees who are best suited to develop and market our reserves. The addition of these new lessees will allow us to further diversify our coal mine operator base.

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**Competitive Strengths**

We believe we are well positioned to execute our business strategies successfully because of the following competitive strengths:

*Our Royalty Structure Generates Stable Cash Flow.* Our leases generally provide for royalty rates equal to the higher of a percentage of the gross sales price or a fixed price per ton of coal mined, subject to a minimum monthly, quarterly or annual payment. This structure is designed to make our cash flow stable and predictable in periods of low coal prices, while enabling us to benefit during periods of higher coal prices.

*We Do Not Directly Bear Operating Costs and Risks.* Because we do not operate any mines, we do not bear ordinary operating costs and have limited direct exposure to environmental compliance, permitting and labor risks. Our lessees bear all labor-related risks associated with operating the mines, such as health care legacy costs, black lung benefits and workmen's compensation costs. In addition, we are typically not responsible for property taxes, which are paid by us but reimbursed by the lessee under the terms of the lease.

*We Primarily Lease to Large Lessees That Have a Diverse Customer Base.* Our royalty income is primarily from leases to large coal companies, many of which are publicly traded. In 2003, we derived approximately 54% of our coal royalty revenues from subsidiaries of seven of the top ten coal producers in the United States. These companies have made significant capital investments in the infrastructure on our properties and have effective marketing organizations. Consequently, our reserves are produced, processed and marketed efficiently and sold to a diverse group of utilities, steel companies and industrial users.

*Our Reserves Are Diverse and Strategically Located.* Our reserves are geographically diverse and cover a broad range of heat and sulfur content. Because our reserves consist of both metallurgical and steam coal, they are marketable to a diverse customer base. This enables our lessees to adjust to changing markets and sustain sales volumes and prices.

*We Are Well Positioned to Pursue Acquisitions of Coal Reserves.* The coal royalty business is highly fragmented and characterized by numerous small entities that present potentially attractive acquisition opportunities. As the largest publicly traded coal royalty business, we are in a unique position to acquire additional coal reserves that complement our existing reserves. Our \$175 million credit facility, combined with our ability to issue debt or equity securities, provides the financial flexibility to pursue acquisitions.

*We Have Experienced, Knowledgeable Management.* Our management team has a successful record of managing, leasing and acquiring coal-producing properties. Each member of our management team responsible for operations has at least 20 years of experience in the mining industry. Our management team has a comprehensive understanding of the areas in which our lessees mine coal, the mining environment and the mining operators who serve as our lessees. Furthermore, our management team has demonstrated its skill and experience in identifying, negotiating and integrating acquisitions.

**Acquisitions**

Since our initial public offering in October 2002, we have completed six significant acquisitions for an aggregate purchase price of \$272.3 million. These acquisitions included approximately 735 million tons of coal reserves, or 665 million tons net of production, on approximately one million mineral acres. In connection with these acquisitions, we have added 22 new lessees and 63 new leases. All of the acquired properties are located in Appalachia and were integrated with our existing operations. All of the acquisitions were initially funded under our revolving credit facility. In connection with our issuance of \$175 million in senior notes in June and September 2003, we converted a portion of those borrowings to long-term debt.

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*BLC Properties.* In January 2004, we purchased all of the mineral interests of BLC Properties LLC for \$73.0 million. This acquisition included coal, oil and gas and other mineral rights on approximately 270,000 acres that contain approximately 176 million tons of coal reserves. We lease these reserves to eight different lessees. The transaction also included oil and gas and other mineral rights on approximately 205,000 additional acres. The properties are located in Kentucky, Tennessee, West Virginia, Virginia, and Alabama. BLC retained a 35% non-participating royalty interest in the oil and gas and other mineral rights.

*Eastern Kentucky Reserves.* In November 2003, we acquired coal reserves and related interests in Eastern Kentucky from a number of private sellers for \$18.8 million. The acquisition included approximately 21 million tons of coal reserves, an additional royalty interest in approximately 8 million tons of coal reserves on contiguous property, and the right to collect a wheelage fee, which is a toll paid to transport coal across or through our properties, on 10 million tons of coal. We lease these reserves to Appalachian Fuels.

*PinnOak Resources.* In July 2003, we acquired approximately 79 million tons of coal reserves and an overriding royalty interest on additional coal reserves from subsidiaries of PinnOak Resources, LLC for \$58.0 million. We lease these reserves to other subsidiaries of PinnOak Resources. PinnOak Resources produces low-volatile metallurgical coal from these longwall mines and has onsite preparation plants. The properties consist of coal reserves located at two mine complexes: the Pinnacle mine in Pineville, West Virginia and the Oak Grove mine near Birmingham, Alabama. The Pinnacle mine has been idle since September 2003. Please read Risk Factors.

*Alpha Natural Resources Reserves.* In April 2003, we acquired approximately 295,000 mineral acres containing approximately 353 million tons of coal reserves from two subsidiaries of Alpha Natural Resources, LLC for \$53.6 million. We lease most of these reserves to two Alpha subsidiaries and seven other operators. The properties are located in Virginia adjacent to the coal properties that we acquired from El Paso Corporation in December 2002, which are operated by another subsidiary of Alpha Natural Resources, LLC.

*Alpha Natural Resources Royalty Interest.* In February 2003, we purchased an overriding royalty interest in the coal reserves that we purchased from El Paso Corporation in December 2002 from a subsidiary of Alpha Natural Resources LLC for \$11.9 million.

*El Paso Properties.* In December 2002, we purchased 108 million tons of coal reserves from El Paso Corporation for \$57.0 million. We lease these reserves to Alpha Natural Resources and 13 other lessees. More than half of the reserves are in Kentucky, and the remainder are located in Virginia and West Virginia. We also acquired the mineral rights in 164,000 acres that generate minor amounts of revenues from timber, oil and gas and other leases.

**Recent Developments**

*Distribution Increases.* On February 13, 2004, we paid a quarterly cash distribution of \$0.5625 per unit for the quarter ended December 31, 2003, representing an annual distribution of \$2.25 per unit. We have increased our quarterly cash distribution three times since our initial public offering in October 2002, for an approximately 10% increase in the quarterly distribution over our initial quarterly distribution.

*Purchase of Arch Coal Partnership Interests.* In December 2003, Corbin J. Robertson, Jr., our Chairman and Chief Executive Officer, and a group of investors consisting of other owners of our general partner, purchased Arch Coal, Inc.'s 42.25% general partner interest in us and 10% of our incentive distribution rights owned separately by Arch Coal for \$4.0 million. Together, Mr. Robertson and this group of investors now own 100% of our general partner. In addition, Mr. Robertson, First Reserve Corporation (a private equity firm focused on energy investments), our management and some of our original sponsors purchased all of Arch Coal's 4,796,920 subordinated units for \$111.0 million. After the transaction was completed, Arch Coal continued to own 2,895,670 common units.

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We will use a portion of the net proceeds from this offering to redeem 2,616,752 common units owned by Arch Coal for \$38.2617 per unit. We will use any net proceeds from the exercise of the underwriters' over-allotment option to redeem additional common units from Arch Coal. If the underwriters' over-allotment option is exercised in full, we will redeem all of Arch Coal's common units.

**Risk Factors**

You should carefully read the risk factors included under the caption "Risk Factors" beginning on page S-11 of this prospectus supplement and page 3 of the accompanying prospectus, as well as those risks discussed in our Annual Report on Form 10-K for the year ended December 31, 2003, which is incorporated by reference in this prospectus supplement.

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**Partnership Structure and Management**

NRP (GP) LP, our general partner, has sole responsibility for conducting our business and for managing our operations. Because our general partner is a limited partnership, its general partner, GP Natural Resource Partners LLC, conducts its business and operations, and the board of directors and officers of GP Natural Resource Partners LLC makes decisions on our behalf. Robertson Coal Management LLC, a limited liability company wholly owned by Corbin J. Robertson, Jr., owns all of the membership interest in GP Natural Resource Partners LLC. As a result, Mr. Robertson is entitled to nominate five directors, two of whom must be independent directors, to the board of directors of GP Natural Resource Partners LLC.

Prior to this offering, Arch Coal had the right to designate two directors, one of whom must be an independent director, to the board of directors of GP Natural Resource Partners LLC for so long as Arch Coal continued to hold at least 10% of the common units of Natural Resource Partners. We will redeem 2,616,752 common units from Arch Coal with a portion of the net proceeds from this offering, which will result in Arch Coal owning approximately 2.0% of our outstanding common units following this offering. Upon completion of this offering, David B. Peugh, one of the directors designated by Arch Coal, will resign from the board of directors of GP Natural Resource Partners LLC. Robert B. Karn III, the other director designated by Arch Coal, will remain on the board of directors.

In connection with the purchase of Arch Coal's partnership interests in December 2003, the board of directors of GP Natural Resource Partners LLC was expanded to nine members, and FRC-WPP NRP Investment L.P., an affiliate of First Reserve Corporation, obtained the right to elect two directors, one of whom must be an independent director, to the board of GP Natural Resource Partners LLC.

Our operations are conducted through, and our operating assets are owned by, our subsidiaries. We own our subsidiaries through an operating company, NRP (Operating) LLC. Our partnership structure is as follows:

NRP (GP) LP owns the 2% general partner interest in us, as well as 65% of the incentive distribution rights, which entitle the holder to receive a higher percentage of cash distributed in excess of \$0.5625 per unit in any quarter;

the WPP Group owns 25% of the incentive distribution rights;

NRP Investment L.P. owns 10% of the incentive distribution rights; and

we own 100% of the membership interests in the operating company.

The WPP Group includes Western Pocahontas Properties Limited Partnership, New Gauley Coal Corporation and Great Northern Properties Limited Partnership, three privately held companies that are primarily engaged in owning and managing mineral properties. Corbin J. Robertson, Jr. has a significant interest in each entity in the WPP Group. Mr. Robertson owns the general partner of Western Pocahontas Properties Limited Partnership, 85% of the general partner of Great Northern Properties Limited Partnership and is the Chairman, Chief Executive Officer and controlling stockholder of New Gauley Coal Corporation.

The senior executives and other officers who currently manage members of the WPP Group also manage us. They are employees of Western Pocahontas Properties Limited Partnership and Quintana Minerals Corporation, a company controlled by Mr. Robertson, and they allocate varying percentages of their time to managing our operations. None of our general partner, GP Natural Resource Partners LLC or any of their affiliates receive any management fee or other compensation in connection with the management of our business, but they are entitled to be reimbursed for all direct and indirect expenses incurred on our behalf.

Our operational headquarters are located at P.O. Box 2827, 1035 Third Avenue, Suite 300, Huntington, West Virginia 25727 and the telephone number is (304) 522-5757. Our principal executive offices are located at 601 Jefferson Street, Suite 3600, Houston, Texas 77002 and our phone number is (713) 751-7507.

The chart on the following page depicts our organizational and ownership structure, after giving effect to this offering. The percentages reflected in the organizational chart represent the approximate ownership interests in us, including the redemption of 2,616,752 common units from Arch Coal.

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**Ownership of Natural Resource Partners L.P.**

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**The Offering**

Common units offered by us	5,250,000 common units.  6,037,500 common units if the underwriters exercise their over-allotment option in full.
Units outstanding after this offering	13,986,906 common units and 11,353,658 subordinated units, or 13,986,906 common units and 11,353,658 subordinated units if the underwriters exercise their over-allotment option in full.
Use of proceeds	We will use the proceeds from this offering to repay debt we borrowed under our credit facility and to redeem common units owned by Arch Coal, Inc.
Cash distributions	Under our partnership agreement, we must distribute all of our cash on hand as of the end of each quarter, less reserves established by our general partner. We refer to this cash as available cash, and we define it in our partnership agreement.  On February 13, 2004, we paid a cash distribution of \$0.5625 for the fourth quarter of 2003.  If cash distributions per unit exceed \$0.5625 in any quarter, the holders of the incentive distribution rights will receive, on a pro rata basis, a higher percentage of the cash we distribute in excess of that amount in increasing percentages up to an aggregate of 48%. We refer to these distributions as incentive distributions. For a description of our cash distribution policy, please read Cash Distributions in the accompanying prospectus.
Subordination period	During the subordination period, common units are entitled to receive a minimum quarterly distribution of \$0.5125 per unit, plus arrearages from prior quarters before any distributions are made on our subordinated units. The subordination period will end once we meet the financial tests in the partnership agreement, but it generally cannot end before September 30, 2007. When the subordination period ends, all remaining subordinated units will convert into common units on a one-for-one basis, and the common units will no longer be entitled to arrearages.
Early conversion of subordinated units	If we meet the financial tests in the partnership agreement for any quarter ending on or after September 30, 2005, 25% of the subordinated units will convert into common units. If we meet these tests for any quarter ending on or after September 30, 2006, an additional 25% of the subordinated units will convert into common units. The early conversion of the second 25% of the subordinated units may not occur until at least one year after the early conversion of the first 25% of the subordinated units.
Estimated ratio of taxable income to distributions	If you own the common units you purchase in this offering through the record date for the distribution for the fourth quarter of 2006, we estimate that you will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be less than 30% of the cash distributed to you with respect

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to that period. A substantial portion of the income that will be allocated to you is expected to be long-term capital gain, which for individuals is subject to a significantly lower maximum federal income tax rate (currently 15%) than ordinary income (currently taxable at a maximum rate of 35%). If you are an individual taxable at the maximum rate of 35% on ordinary income, the effect of this lower capital gains rate is to produce an after-tax return to you that is the same as if the amount of federal ordinary taxable income allocated to you for that period were less than 25% of the cash distributed to you for that period. Please read "Tax Considerations" in this prospectus supplement for the basis of this estimate.

New York Stock Exchange symbol      NRP

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We derived the summary selected historical financial data for Natural Resource Partners L.P. as of December 31, 2002 and 2003 and for the period of operations from October 17, 2002 through December 31, 2002 and the year ended December 31, 2003 from our audited financial statements.

The following table should be read together with, and is qualified in its entirety by reference to, the historical financial statements and the accompanying notes incorporated by reference in this prospectus supplement.

	From Commencement of Operations (October 17, 2002) Through December 31, 2002	For the Year Ended December 31, 2003
(In thousands, except price data)		
<b>Income Statement Data:</b>		
<b>Revenues:</b>		
Coal royalties	\$ 11,532	\$ 73,770
Property taxes	1,047	5,069
Minimums recognized as revenue	872	2,033
Override royalties	226	1,022
Other	216	3,572
	<hr/>	<hr/>
Total revenues	13,893	85,466
<b>Expenses:</b>		
Depletion and amortization	4,526	25,365
General and administrative	1,059	8,923
Taxes other than income	1,296	5,810
Override payments	226	386
Coal royalty payments	171	913
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Total expenses	7,278	41,397
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Income from operations	6,615	44,069
Interest expense	(200)	(6,814)
Interest income		206
Loss from sale of oil and gas properties		(55)
Loss from interest rate hedge		(499)
	<hr/>	<hr/>
Net income	\$ 6,415	\$ 36,907
	<hr/>	<hr/>
<b>Balance Sheet Data (at period end):</b>		
Total assets	\$ 392,719	\$ 531,676
Deferred revenue	13,252	15,054
Long-term debt	57,500	192,650
Total liabilities	74,085	223,518
Partners' capital	318,634	308,158
<b>Cash Flow Data:</b>		
Net cash flow provided by (used in):		
Operating activities	\$ 6,738	\$ 64,528
Investing activities	(57,449)	(142,511)
Financing activities	58,463	94,550
<b>Other Data:</b>		
Royalty coal tons produced by lessees	7,314	44,344
Average gross coal royalty per ton	\$ 1.58	\$ 1.66

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Distributable cash flow(1)

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\$ 6,738

\$ 59,828

- (1) Distributable cash flow represents cash flow from operations less actual principal payments and cash reserves for scheduled principal payments on our senior notes.

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Distributable cash flow is a non-GAAP financial measure that is presented because management believes it is a useful adjunct to net cash provided by operating activities under GAAP. Distributable cash flow is a significant liquidity metric that indicates NRP's ability to generate cash flows at a level that can sustain or support an increase in quarterly cash distributions paid to its partners. Distributable cash flow is also the quantitative standard used throughout the investment community with respect to publicly traded partnerships. Distributable cash flow is not a measure of financial performance under GAAP and should not be considered as an alternative to cash flows from operating, investing or financing activities. We believe that net cash provided by operating activities is the most comparable financial measure to distributable cash flow.

The following table reconciles distributable cash flow to net cash provided by operating activities.

	From Commencement of Operations (October 17, 2002) Through December 31, 2002	For the Year Ended December 31, 2003
(In thousands)		
<i>Reconciliation of GAAP Net cash provided by operating activities to Non-GAAP Distributable Cash Flow :</i>		
Cash flow from operating activities	\$6,738	\$64,528
Less actual principal payments		
Less reserves for scheduled principal payments		(4,700)
Distributable cash flow	\$6,738	\$59,828

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**RISK FACTORS**

*An investment in our common units involves risks. You should carefully consider the following risk factors, together with all of the other information included in, or incorporated by reference into, this prospectus supplement, when evaluating an investment in our common units. If any of these risks were to occur, our business, financial condition or results of operations could be materially adversely affected. In that case, the trading price of our common units could decline and you could lose all or part of your investment. For information concerning the other risks related to our business, please read the risk factors included under the caption "Risk Factors" beginning on page 3 of the accompanying prospectus.*

**Arch Coal may sell additional common units in the trading market in the future, which could reduce the market price of the common units.**

Arch Coal will own 278,918 common units immediately after completion of this offering, representing approximately 2.0% of the total number of common units outstanding. Under a registration rights agreement we entered into with Arch Coal, we will register all of these common units for sale prior to August 1, 2004. In the future, Arch Coal may dispose of some or all of its common units. Sales of a substantial number of these units in the market, whether in a single transaction or series of transactions, or the possibility that these sales may occur, could cause a decline in the market price of our outstanding common units. In addition, these sales, or the possibility that these sales may occur, could make it more difficult for us to sell our common units in the future.

**A large mine operated by one of our lessees will not generate coal royalty revenues until it is reopened.**

In September 2003, the Pinnacle mine in West Virginia, which mines coal from the reserves we acquired from PinnOak Resources in July 2003, was idled following a ventilation disruption believed to have been caused by a lightning strike. On December 10, 2003, we received a force majeure notice from Pinnacle Mining Company, LLC regarding the mine. The notice allows Pinnacle to forego payment of the minimum royalties due under the lease terms until the mine is again in production. The Pinnacle mine produces metallurgical coal, for which we receive higher prices than steam coal. Although we expected this mine to generate coal royalty revenues of about \$6.5 million per year, we have not received any coal royalty revenues or minimum royalties from the operator of this mine since it was idled and will not until mining operations resume. If the mine does not reopen, we would lose our investment in the mine.

In February 2004, a team of mine-rescue personnel, consisting of trained Pinnacle employees and representatives from the U.S. Mining Safety and Health Administration and the West Virginia Office of Miners Health Safety & Training, entered the mine to examine and assess the conditions. However, on March 5, 2004, Pinnacle withdrew its personnel from the mine as a result of increased levels of methane in the mine. As of the date of this prospectus supplement, the mine remains idle, and Pinnacle's personnel have not been permitted to reenter the mine. Pinnacle's management is continuing to work with government officials and the United Mine Workers to reopen the mine.



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**USE OF PROCEEDS**

We will receive net proceeds of approximately \$200.5 million from the sale of the 5,250,000 common units we are offering after deducting underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters exercise their over-allotment option in full, we will receive net proceeds of approximately \$230.6 million. In connection with the offering, we will also receive a capital contribution of \$2.1 million from our general partner to maintain its 2% general partner interest (\$2.1 million if the underwriters exercise their over-allotment option in full).

Assuming no exercise of the over-allotment option, we will use the net proceeds of this offering and our general partner's capital contribution to:

repay the approximately \$102.5 million of debt outstanding under our credit facility; and

redeem 2,616,752 common units from Arch Coal for \$38.2617 per unit.

We will use the net proceeds from any exercise of the underwriters' over-allotment option to redeem up to the remaining 278,918 common units held by Arch Coal following this offering and then to redeem up to 508,582 common units owned by Great Northern Properties Limited Partnership, an affiliate of our general partner.

The weighted average interest rate on the debt we will repay was 4.4% on March 3, 2004. This indebtedness was incurred under our credit facility during the past year in connection with our acquisitions of coal reserves and other mineral rights and matures in October 2005. Please read Summary Acquisitions. Affiliates of some of the underwriters for this offering are lenders to us under our credit facility and will be repaid in full with the proceeds from this offering. See Underwriting.

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As of March 1, 2004, there were 11,353,658 common units outstanding, held by approximately 4,550 holders, including common units held in street name. Our common units are traded on the NYSE under the symbol NRP. An additional 11,353,658 subordinated units are outstanding. These subordinated units are held by the WPP Group and FRC-WPP NRP Investment L.P. and are not publicly traded.

The following table sets forth, for the periods indicated, the high and low sales price ranges for our common units, as reported on the NYSE Composite Transaction Tape, and quarterly declared cash distributions per common unit. The last reported sale of common units on the NYSE on March 10, 2004 was \$39.96 per unit.

	Price Ranges		Cash Distributions Per Unit(1)
	High	Low	
<b>2004</b>			
First Quarter (through March 10, 2004)	\$43.53	\$35.67	(2)
<b>2003</b>			
Fourth Quarter	\$41.49	\$28.25	\$0.5625
Third Quarter	37.00	29.60	\$0.5375
Second Quarter	31.84	22.90	\$0.5225
First Quarter	23.98	20.45	\$0.5225
<b>2002</b>			
Fourth Quarter	\$20.70	\$18.35	\$0.4234(3)

- (1) Distributions declared associated with each respective quarter.
- (2) We expect to declare and pay a cash distribution for the first quarter of 2004 within 45 days following the end of the quarter.
- (3) The prorated cash distribution relates to the period from October 17, 2002, the closing date of our initial public offering, to December 31, 2002.

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The following table sets forth our historical capitalization as of December 31, 2003, and our capitalization as adjusted to give effect to (1) our acquisitions in 2004 and (2) the combined effect of our acquisitions, this offering of common units, our general partner's proportionate capital contribution and the application of the net proceeds from this offering. The net proceeds from this offering will be \$200.5 million, which represent 5,250,000 common units sold at \$39.96 per common unit, net of the underwriting discounts and estimated offering expenses. In connection with this offering, we will also receive a capital contribution of \$2.1 million from our general partner to maintain its 2% general partner interest. Please read Use of Proceeds.

	As of December 31, 2003		
	Actual	As Adjusted for 2004 Acquisitions(1)	As Adjusted for 2004 Acquisitions and Common Unit Offering
	(in thousands)		
Cash and cash equivalents	\$ 24,320	\$ 24,320	\$ 24,320
Current portion of long-term debt	\$ 9,350	\$ 9,350	\$ 9,350
Long-term debt:			
Senior notes	165,650	165,650	165,650
Credit facility	27,000	102,500	
Total debt	202,000	277,500	175,000
Partners' capital:			
Common unitholders	143,956	143,956	244,309
Subordinated unitholders	158,633	158,633	158,633
General partner	6,474	6,474	8,621
Other accumulated comprehensive loss	(905)	(905)	(905)
Total partners' capital	308,158	308,158	410,658
Total capitalization	\$510,158	\$585,658	\$585,658

- (1) In January 2004, we acquired coal reserves from BLC Properties LLC for \$73.0 million. In February 2004, we acquired a small block of reserves adjacent to those acquired in the BLC acquisition from Appolo Fuels, Inc. for \$2.5 million. Both acquisitions were funded with our revolving credit facility.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Executive Overview**

We lease coal reserves to experienced mine operators under long-term leases that grant the operators the right to mine our coal reserves in exchange for royalty payments. As of December 31, 2003, our reserves were subject to 109 leases with 48 lessees. For the year ended December 31, 2003, approximately 64% of the coal produced from our properties came from underground mines and approximately 36% came from surface mines. As of December 31, 2003, approximately 66% of our reserves were low sulfur coal. Included in our low sulfur reserves is compliance coal, which constitutes approximately 36% of our reserves. Coal produced from our properties is burned in electric power plants located east of the Mississippi River and in Montana and Minnesota. In the year ended December 31, 2003, our lessees produced 44.3 million tons of coal