What is it you want to run on your virtual machine(s)?

Check out this link: http://en.wikipedia.org/wiki/Operating_system-level_virtuali zation

Basically, OS Virtualization offers a much lighter footprint per virtual machine than Machine Virtualization does. How much lighter? Well, in OpenVZ... a VPS/VE/VM (whatever you want to call it) only takes up the resources needed to run the services you want... so a simple VPS with only basic services and Apache (static pages, no PHP) takes up about 24MB or so in approximately 16 processes. That means that you can fit a lot of VPSes on a physical machine (density)... and they actually scale well... because they only add the overhead needed to run the additional processes.

Someone else already mentioned there are quite a few pre-created OS Templates for a number of distributions beyond Fedora and CentOS. Me? I prefer CentOS... as it is what I run on the HN and most VPSes... but that is a personal preference.

Regarding GUI environments within your VPS, I've successfully installed XFCE4, GNOME and KDE inside of both Fedora 7 and CentOS 5. There is a little trick involved to make sure you don't accidentally install udev... but other than that, it is doable... and you can access it via vncserver/vncviewer... but that is only if you want to run a complete desktop environment.

If you just want to occationally run a GUI app, as previously mentioned, you can do so over ssh with the -X flag.