The entire /vz directory should be on it's own partition which preferrably should be an LVM partition. This partition should make up the majority of your available hard drive space.

The detailed OpenVZ document originally put out by swsoft has these recommendations for installation/partioning. You can also look on the Parallels site and download their newer install documents.

It's all very well documented IMHO.

On my Raid 1 500Gig hard drives I do the following.

100MB (ext3) /boot (cannot be LVM partition)

8GB (LVM) /
2xRAM size (LVM) swap
Remainder of hard drive space (LVM) /vz