Supplemental Q4 2012 and Year-End 2012 Earnings Results

VANGUARD
NATURAL RESOURCES, LLC
NYSE: VNR

THE MONTHLY DISTRIBUTION MLP™

Full Year 2012 Highlights

- The annualized monthly distribution of $2.43 per unit as of December 2012 represents a 5.2% increase over the annualized quarterly distribution of $2.31 per unit as of December 2011.

- Record Adjusted EBITDA attributable to Vanguard unitholders (a non-GAAP financial measure defined below) increased 40% to $230.5 million from the $164.6 million generated in 2011.

- Record Distributable Cash Flow attributable to Vanguard unitholders (a non-GAAP financial measure defined below) increased 28% to $141.2 million from the $110.1 million generated in 2011.

- We reported net loss attributable to Vanguard unitholders for the year ended December 31, 2012 of $168.8 million or $(3.11) per basic unit compared to a net income of $62.1 million or $1.95 per basic unit in the year ended December 31, 2011. The 2012 results include net non-cash expenses of $232.9 million, the largest item of which is a $247.7 million impairment charge on our oil and natural gas properties. The 2011 results include non-cash expenses of $3.6 million and material transaction costs incurred on acquisitions and mergers of $2.0 million.

- Adjusted Net Income attributable to Vanguard unitholders (a non-GAAP financial measure defined below) was $64.1 million in 2012, or $1.18 per unit, compared to Adjusted Net Income of $74.0 million, or $2.33 per unit, in 2011.

- Reported average production of 18,298 BOE per day in 2012 was up 37% over 13,405 BOE per day produced in 2011. On a BOE basis, crude oil, natural gas and natural gas liquids (“NGLs”) accounted for 41%, 49% and 10% of our production, respectively.

VANGUARD NATURAL RESOURCES, LLC
NYSE: VNR
THE MONTHLY DISTRIBUTION MLP™

Fourth Quarter 2012 Highlights

- Record Adjusted EBITDA attributable to Vanguard unitholders (a non-GAAP financial measure defined below) increased 24% to $66.5 from $53.5 million in the fourth quarter of 2011 and remains relatively flat compared to the $66.3 million recorded in the third quarter of 2012.

- Distributable Cash Flow attributable to Vanguard unitholders (a non-GAAP financial measure defined below) increased 11% to $41.2 million from the $37.1 million generated in the fourth quarter of 2011 and increased 12% from the $36.6 million generated in the third quarter of 2012.

- We reported a net loss attributable to Vanguard unitholders for the quarter of $201.5 million or $(3.41) per basic unit compared to a reported net loss of $15.2 million or $(0.42) per basic unit in the fourth quarter of 2011. The recent quarter includes net non-cash expenses of $217.5 million, the largest item of which is a $229.7 million impairment charge on our oil and gas properties. The fourth quarter of 2011 results include net non-cash expenses of $69.7 million and material transaction costs incurred on acquisitions and mergers of $0.3 million.

- Adjusted Net Income attributable to Vanguard unitholders (a non-GAAP financial measure defined below) was $16.0 million in the fourth quarter of 2012, or $0.27 per basic unit, as compared to $27.6 million, or $0.76 per basic unit, in the fourth quarter of 2011.

- Reported average production of 22,803 BOE per day in the fourth quarter of 2012 was up 67% over 13,686 BOE per day produced in the fourth quarter of 2011 and a 6% decrease over third quarter of 2012. On a BOE basis, crude oil, natural gas and NGLs accounted for 33%, 57%, and 10% of our production, respectively.

Selected Summary Financials

	Three Months Ended December 31,		Year Ended December 31,	
	2012	**2011[1]**	**2012**	**2011[1]**
	($ in thousands, except per unit data)			
Production (BOE/d)	22,803	13,686	18,298	13,405
Oil, natural gas and natural gas liquids sales	$ 82,327	$ 86,003	$ 310,356	$ 312,842
Realized gain on commodity derivative contracts	$ 1,712	$ 5,038	$ 956	$ 7,205
Unrealized gain (loss) on commodity derivative contracts	$ 26,647	$ (69,095)	$ 35,890	$ (470)
Operating expenses	$ 27,817	$ 27,286	$ 103,735	$ 92,565
Selling, general and administrative expenses	$ 7,168	$ 3,342	$ 22,466	$ 19,779
Depreciation, depletion, amortization, and accretion	$ 30,645	$ 22,060	$ 104,542	$ 84,857
Impairment of oil and natural gas properties	$ 229,693	$ —	$ 247,722	$ —
Net income (loss) attributable to Vanguard unitholders	$ (201,511)	$ (15,208)	$ (168,815)	$ 62,063
Adjusted net income attributable to Vanguard unitholders [2]	$ 15,978	$ 27,575	$ 64,131	$ 74,046
Adjusted net income per basic unit attributable to Vanguard unitholders [2]	$ 0.27	$ 0.76	$ 1.18	$ 2.33
Adjusted EBITDA attributable to Vanguard unitholders [2]	$ 66,547	$ 53,498	$ 230,512	$ 164,603
Interest expense, including realized losses on interest rate derivative contracts	$ 15,248	$ 8,562	$ 44,406	$ 31,868
Drilling, capital workover and recompletion expenditures	$ 10,120	$ 10,367	$ 50,405	$ 34,096
Distributable cash flow [2]	$ 41,179	$ 37,083	$ 141,223	$ 110,082
Distributable cash flow per basic unit [2]	$ 0.70	$ 0.76	$ 2.60	$ 2.26
Distribution coverage [2]	1.15x	1.39x	1.08x	1.40x

(1) The operating results and production of the subsidiaries we acquired in the ENP Purchase through the date of the completion of the ENP Merger on December 1, 2011 were subject to a 53.4% non-controlling interest.

(2) Non-GAAP financial measures. Please see Adjusted Net Income, Adjusted EBITDA and Distributable Cash Flow tables at the end of this press release for a reconciliation of these measures to their nearest comparable GAAP measure.

2013E Guidance

	FY 2013E			FY 2012
Net Production:				
Oil (Bbls/d)	7,750	-	8,250	7,536
Natural gas (Mcf/d)	122,400	-	130,000	53,695
Natural gas liquids (Bbls/d)	3,200	-	3,400	1,813
Total (BOE/d)	31,350	-	33,317	18,298
Costs per BOE:				
Lease operating expenses	$8.25	-	$9.25	$11.10
Production taxes (% of revenue)	8.5%	-	9.5%	9.5%
G&A expenses	$1.25	-	$1.75	$2.34
Depreciation, depletion and amortization	$12.25	-	$13.25	$15.61
Cash Flow Calculation:				
Adjusted EBITDA [1]	$302,500			$230,512
Interest expense	(64,000)			(44,406)
Maintenance capital expenditures [2]:				
Operated	(32,000)			(16,544)
Non-operated	(23,000)			(33,861)
Total maintenance capital expenditures	(55,000)			(50,405)
Distributable cash flow [3]	$183,500			$141,223
Mid-point distributable cash flow per unit	$2.69			$2.60
Mid-point distribution coverage ratio [4]	1.11x			1.08x
Mid-point adjusted net income per unit [1]	$1.20			$1.18
Units outstanding (millions)	68.3			54.4

Assumed NYMEX Pricing (February 28, 2013) [5]:	**Q1 2013**	**Q2 - Q4 2013**	**FY 2012**
Oil (Bbl)	$94.03	$93.47	$94.19
Natural gas (MMBtu)	$3.34	$3.63	$2.96
Average NYMEX Differentials:			
Oil (Bbl)	$(13.85)	$(8.70)	$(9.66)
Natural gas (MMBtu)	$(0.85)	$(0.90)	$(0.55)
NGL realization of crude oil price (%)	42%	43%	48%

Maintenance Capital Expenditures:	**Q1 2013**	**Q2 2013**	**Q3 2013**	**Q4 2013**
Operated	$(5,000)	$(12,500)	$(8,500)	$(6,000)
Non-operated	$(4,500)	$(6,500)	$(3,000)	$(9,000)

(1) Adjusted EBITDA and adjusted net income (non-GAAP financial measures defined below) exclude the amortization of value on derivative contracts acquired (approximately $30.0 MM for the FY 2013).
(2) Additional detail regarding the maintenance capital breakout by quarter is listed below. Actual results for the year ended December 31, 2012 excludes the proceeds from the sale of leasehold interests.
(3) Includes $5.5 million in proceeds from the sale of leasehold interests in 2012.
(4) Assumes current monthly distribution rate of $0.2025 per unit for 2013 and no additional unit offerings.
(5) NYMEX pricing includes actual settlements for 2013.

VANGUARD NATURAL RESOURCES, LLC
NYSE: VNR
THE MONTHLY DISTRIBUTION MLP™

YE 2012 Reserve Summary

- 2012 SEC Reserve Mix
  - Does not include pending Range Permian acquisition
  - 40% liquids / 60% natural gas
  - 74% proved developed

Reserves By Area

Area	Reserves (MMBoe)	Percentage (%)
Arkoma	61.9	41%
Permian	26.2	17%
Big Horn	22.7	15%
Piceance	15.7	10%
South Texas	6.9	5%
Williston	6.2	4%
Wind River	6.0	4%
Powder River	4.0	2%
Mississippi	2.6	2%
Total	**152.2**	**100%**

By Commodity

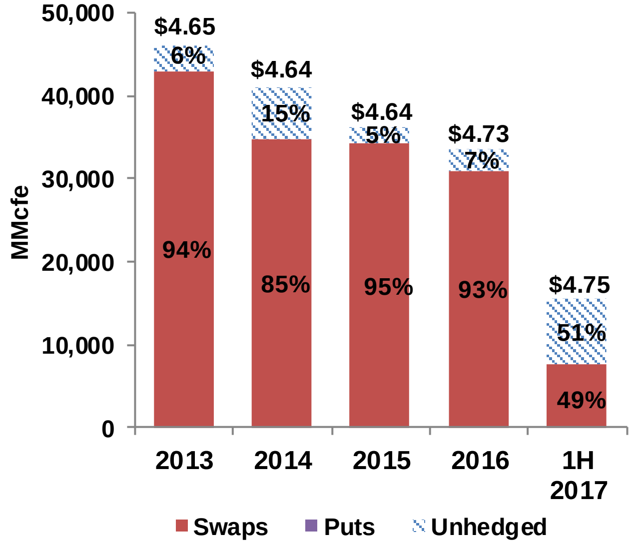
Commodity	Reserves (MMBoe)	Percentage (%)
Oil	42.2	28%
Natural Gas	91.1	60%
NGLs	18.9	12%
Total	**152.2**	**100%**

By Reserve Class

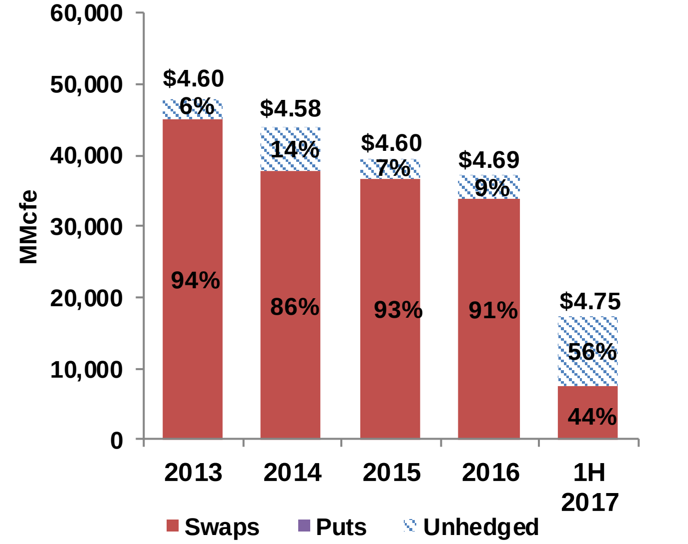
Reserve Class	Reserves (MMBoe)	Percentage (%)
PDP	108.6	71%
PDNP	4.0	3%
PUD	39.6	26%
Total	**152.2**	**100%**

Commodity Hedge Summary

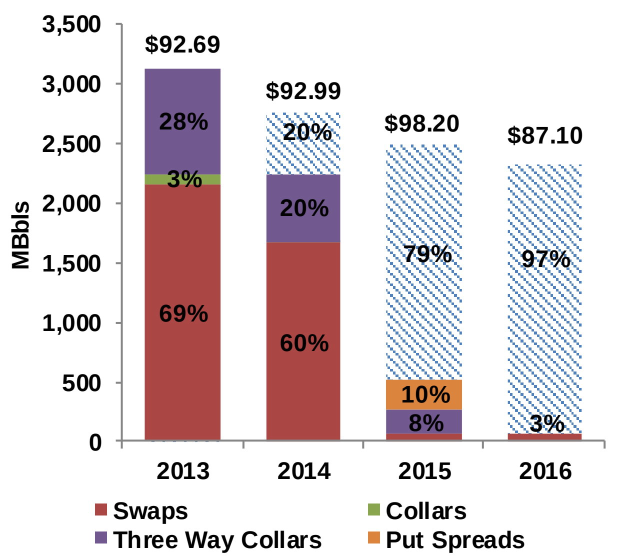
Gas Hedges (Pre-Acquisition)



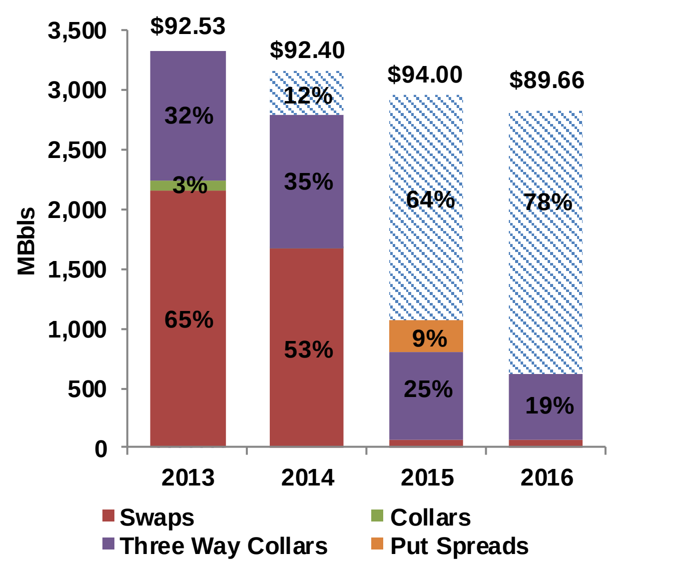
Gas Hedges (Post Acquisition)



Oil Hedges (Pre-Acquisition)



Oil Hedges (Post Acquisition)



Note: Hedge prices reflect a weighted average of swap prices, floor prices on collars and long put prices on three way collars. Excludes NGL production. Weighted average floor price includes impact from the range bonus accumulators in 2013-2014.

VANGUARD NATURAL RESOURCES, LLC
NYSE: VNR
THE MONTHLY DISTRIBUTION MLP™

Oil Hedge Positions (Before Range Permian Acquisition)

Oil Positions:	Year 2013	Year 2014	Year 2015	Year 2016	Year 2017
Fixed Price Swaps:					
Notional Volume (Bbls)	2,166,900	1,669,875	73,000	73,200	-
Fixed Price ($/Bbl)	$90.61	$90.07	$87.10	$87.10	-
Collars:					
Notional Volume (Bbls)	82,125	12,000	-	-	-
Floor Price ($/Bbl)	$88.89	$100.00	-	-	-
Ceiling Price ($/Bbl)	$102.78	$116.20	-	-	-
Three Way Collars:					
Notional Volume (Bbls)	876,000	565,750	194,055	-	-
Floor Price ($/Bbl)	$95.21	$98.06	$100.00	-	-
Ceiling Price ($/Bbl)	$104.23	$108.86	$124.53	-	-
Put Sold ($/Bbl)	$72.76	$74.19	$75.00	-	-
Put Spreads:					
Notional Volume (Bbl)	-	-	255,500	-	-
Floor Price ($/Bbl)	-	-	$100.00	-	-
Put Sold ($/Bbl)	-	-	$75.00	-	-
Total:					
Notional Volume (Bbls)	3,125,025	2,247,625	522,555	73,200	-
Fixed Price ($/Bbl)	$92.69	$92.99	$98.20	$87.10	-
Basis Swaps: (1)					
Midland-Cushing					
Notional Volume (Bbls)	306,000	182,500	-	-	-
Fixed Price ($/Bbl)	($1.50)	($1.40)	-	-	-
LLS-WTI					
Notional Volume (Bbls)	84,000	-	-	-	-
Fixed Price ($/Bbl)	$9.60	-	-	-	-
Swaptions and Calls:					
Notional Volume (Bbls)	159,850	492,750	508,445	622,200	-
Fixed Price ($/Bbl)	$100.14	$117.22	$105.98	$125.00	-
Range Bonus Accumulators:					
Notional Volume (Bbl)	685,000	547,500	-	-	-
Bonus ($/Bbl)	$3.83	$3.50	-	-	-
Digital Call Sold ($/Bbl)	$104.49	$106.33	-	-	-
Put Sold ($/Bbl)	$72.63	$70.83	-	-	-

Note: Hedge prices reflect a weighted average of swap prices, floor prices on collars and long put prices on three way collars. Excludes NGL production. Vanguard sold oil puts in 2013 on 834,650 barrels at a weighted average price of $65.13. Weighted average floor price includes impact from the range bonus accumulators in 2013-2014.

(1) Oil basis swap contracts represent a weighted average differential between prices against Light Louisiana Sweet Crude (LLS) and NYMEX WTI prices and prices against WTI-Midland and WTI-Cushing.

VANGUARD NATURAL RESOURCES, LLC
NYSE: VNR
THE MONTHLY DISTRIBUTION MLP™

Natural Gas and NGL Hedge Positions (Before Range Permian Acquisition)

	Year 2013	Year 2014	Year 2015	Year 2016	Year 2017
Natural Gas Positions:					
Fixed Price Swaps:					
Notional Volume (MMBtu)	43,143,000	34,822,725	34,310,000	31,110,000	7,602,000
Fixed Price ($/MMBtu)	$4.65	$4.64	$4.64	$4.73	$4.75
Total:					
Notional Volume (MMBtu)	43,143,000	34,822,725	34,310,000	31,110,000	7,602,000
Fixed Price ($/MMBtu)	$4.65	$4.64	$4.64	$4.73	$4.75
Basis Swaps: (1)					
Notional Volume (MMBtu)	912,500	452,500	-	-	-
Fixed Price ($/MMBtu)	($0.32)	($0.32)	-	-	-
Swaptions and Calls:					
Notional Volume (MMBtu)	-	1,642,500	-	-	-
Fixed Price ($/MMBtu)	-	$5.69	-	-	-

	Year 2013	Year 2014	Year 2015	Year 2016	Year 2017
Natural Gas Liquids:					
Fixed Price Swaps					
Mont Belviu Ethane					
Notional Volume (Bbls)	59,333	70,774	-	-	-
Fixed Price ($/Bbl)	$11.0250	$11.0250	-	-	-
Mont Belviu Propane					
Notional Volume (Bbls)	44,355	52,907	-	-	-
Fixed Price ($/Bbl)	$37.9050	$37.9050	-	-	-
Mont Belviu N. Butane					
Notional Volume (Bbls)	12,638	15,075	-	-	-
Fixed Price ($/Bbl)	$65.6208	$65.6208	-	-	-
Mont Belviu Isobutane					
Notional Volume (Bbls)	13,479	16,078	-	-	-
Fixed Price ($/Bbl)	$70.2366	$70.2366	-	-	-
Mont Belviu N. Gasoline					
Notional Volume (Bbls)	23,195	27,667	-	-	-
Fixed Price ($/Bbl)	$88.5738	$88.5738	-	-	-
Total					
Notional Volume (Bbls)	153,000	182,500	-	-	-
Fixed Price ($/Bbl)	$40.3001	$40.3001	-	-	-

(1) Natural gas basis swap contracts represent a weighted average differential between prices against Rocky Mountains (CIGC) and NYMEX Henry Hub prices.

Oil Hedge Positions (After Range Permian Acquisition)

Oil Positions:	Year 2013	Year 2014	Year 2015	Year 2016	Year 2017
Fixed Price Swaps:					
Notional Volume (Bbls)	2,166,900	1,669,875	73,000	73,200	-
Fixed Price ($/Bbl)	$90.61	$90.07	$87.10	$87.10	-
Collars:					
Notional Volume (Bbls)	82,125	12,000	-	-	-
Floor Price ($/Bbl)	$88.89	$100.00	-	-	-
Ceiling Price ($/Bbl)	$102.78	$116.20	-	-	-
Three Way Collars:					
Notional Volume (Bbls)	1,082,250	1,113,250	741,555	549,000	-
Floor Price ($/Bbl)	$94.22	$94.10	$92.62	$90.00	-
Ceiling Price ($/Bbl)	$102.47	$102.04	$102.73	$95.00	-
Put Sold ($/Bbl)	$72.23	$72.13	$71.31	$70.00	-
Put Spreads:					
Notional Volume (Bbl)	-	-	255,500	-	-
Floor Price ($/Bbl)	-	-	$100.00	-	-
Put Sold ($/Bbl)	-	-	$75.00	-	-
Total:					
Notional Volume (Bbls)	3,331,275	2,795,125	1,070,055	622,200	-
Fixed Price ($/Bbl)	$92.53	$92.40	$94.00	$89.66	-
Basis Swaps: (1)					
Midland-Cushing					
Notional Volume (Bbls)	306,000	182,500	-	-	-
Fixed Price ($/Bbl)	($1.50)	($1.40)	-	-	-
LLS-WTI					
Notional Volume (Bbls)	84,000	-	-	-	-
Fixed Price ($/Bbl)	$9.60	-	-	-	-
Swaptions and Calls:					
Notional Volume (Bbls)	159,850	492,750	508,445	622,200	-
Fixed Price ($/Bbl)	$100.14	$117.22	$105.98	$125.00	-
Range Bonus Accumulators:					
Notional Volume (Bbl)	685,000	547,500	-	-	-
Bonus ($/Bbl)	$3.83	$3.50	-	-	-
Digital Call Sold ($/Bbl)	$104.49	$106.33	-	-	-
Put Sold ($/Bbl)	$72.63	$70.83	-	-	-

Note: Hedge prices reflect a weighted average of swap prices, floor prices on collars and long put prices on three way collars. Excludes NGL production. Vanguard sold oil puts in 2013 on 834,650 barrels at a weighted average price of $65.13. Weighted average floor price includes impact from the range bonus accumulators in 2013-2014.

(1) Oil basis swap contracts represent a weighted average differential between prices against Light Louisiana Sweet Crude (LLS) and NYMEX WTI prices and prices against WTI-Midland and WTI-Cushing.

Natural Gas and NGL Hedge Positions (After Range Permian Acquisition)

	Year 2013	Year 2014	Year 2015	Year 2016	Year 2017
Natural Gas Positions:					
Fixed Price Swaps:					
Notional Volume (MMBtu)	45,068,000	37,742,725	36,865,000	33,855,000	7,602,000
Fixed Price ($/MMBtu)	$4.60	$4.58	$4.60	$4.69	$4.75
Total:					
Notional Volume (MMBtu)	45,068,000	37,742,725	36,865,000	33,855,000	7,602,000
Fixed Price ($/MMBtu)	$4.60	$4.58	$4.60	$4.69	$4.75
Basis Swaps: (1)					
Notional Volume (MMBtu)	912,500	452,500	-	-	-
Fixed Price ($/MMBtu)	($0.32)	($0.32)	-	-	-
Swaptions and Calls:					
Notional Volume (MMBtu)	-	1,642,500	-	-	-
Fixed Price ($/MMBtu)	-	$5.69	-	-	-

	Year 2013	Year 2014	Year 2015	Year 2016	Year 2017
Natural Gas Liquids:					
Fixed Price Swaps					
Mont Belviu Ethane					
Notional Volume (Bbls)	59,333	70,774	-	-	-
Fixed Price ($/Bbl)	$11.0250	$11.0250	-	-	-
Mont Belviu Propane					
Notional Volume (Bbls)	44,355	52,907	-	-	-
Fixed Price ($/Bbl)	$37.9050	$37.9050	-	-	-
Mont Belviu N. Butane					
Notional Volume (Bbls)	12,638	15,075	-	-	-
Fixed Price ($/Bbl)	$65.6208	$65.6208	-	-	-
Mont Belviu Isobutane					
Notional Volume (Bbls)	13,479	16,078	-	-	-
Fixed Price ($/Bbl)	$70.2366	$70.2366	-	-	-
Mont Belviu N. Gasoline					
Notional Volume (Bbls)	23,195	27,667	-	-	-
Fixed Price ($/Bbl)	$88.5738	$88.5738	-	-	-
Total					
Notional Volume (Bbls)	153,000	182,500	-	-	-
Fixed Price ($/Bbl)	$40.3001	$40.3001	-	-	-

(1) Natural gas basis swap contracts represent a weighted average differential between prices against Rocky Mountains (CIGC) and NYMEX Henry Hub prices.

Adjusted EBITDA and Distributable Cash Flow (a)

	Three Months Ended December 31,		Year Ended December 31,	
	2012	2011 (b)	2012	2011 (b)
Net income (loss) attributable to Vanguard unitholders	$ (201,511)	$ (15,208)	$ (168,815)	$ 62,063
Net income (loss) attributable to non-controlling interest	—	(24,527)	—	26,067
Net income (loss)	(201,511)	(39,735)	(168,815)	88,130
Plus:				
Interest expense, including realized losses on interest rate derivative contracts	15,248	8,562	44,406	31,868
Depreciation, depletion, amortization and accretion	30,645	22,060	104,542	84,857
Impairment of oil and natural gas properties	229,693	—	247,722	—
Amortization of premiums paid on derivative contracts	1,125	1,845	11,641	11,346
Amortization of value on derivative contracts acquired	12,409	15	26,505	169
Unrealized (gains) losses on commodity and interest rate derivative contracts	(27,677)	69,543	(31,413)	2,558
Net (gain) loss on acquisitions of oil and natural gas properties	2,685	(16)	(11,111)	367
Taxes	392	(154)	239	261
Compensation related items	3,538	895	6,796	3,026
Material transaction costs incurred on acquisitions and mergers	—	274	—	2,019
Adjusted EBITDA before non-controlling interest	66,547	63,289	230,512	224,601
Non-controlling interest attributable to adjustments above	—	(10,382)	—	(62,838)
Administrative services fees eliminated in consolidation	—	591	—	2,840
Adjusted EBITDA attributable to Vanguard unitholders	**$ 66,547**	**$ 53,498**	**$ 230,512**	**$ 164,603**
Less:				
Interest expense, net	(15,248)	(8,562)	(44,406)	(31,868)
Drilling, capital workover and recompletion expenditures	(10,120)	(10,367)	(50,405)	(34,096)
Proceeds from sale of leasehold interests	—	—	5,522	—
Non-controlling interest	—	2,514	—	11,443
Distributable cash flow	**$ 41,179**	**$ 37,083**	**$ 141,223**	**$ 110,082**
Distributable cash flow per unit	**$ 0.70**	**$ 0.76**	**$ 2.60**	**$ 2.26**
Distribution coverage	**1.15x**	**1.39x**	**1.08x**	**1.40x**

(a) Our Adjusted EBITDA should not be considered as an alternative to net income, operating income, cash flows from operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. Our Adjusted EBITDA excludes some, but not all, items that affect net income and operating income and these measures may vary among other companies. Therefore, our Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

(b) Results of operations from oil and gas properties acquired in the ENP Purchase through the date of the completion of the ENP Merger were subject to a 53.4% non-controlling interest.

Adjusted Net Income

	Three Months Ended December 31, 2012	Three Months Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2011
Net income (loss) attributable to Vanguard unitholders	$ (201,511)	$ (15,208)	$ (168,815)	$ 62,063
Net income (loss) attributable to non-controlling interest	—	(24,527)	—	26,067
Net income (loss)	$ (201,511)	$ (39,735)	$ (168,815)	$ 88,130
Plus (less):				
Unrealized (gain) loss on other commodity derivative contracts	(26,647)	69,095	(35,890)	470
Unrealized (gain) loss on interest rate derivative contracts	(1,030)	448	4,477	2,088
Unrealized fair value of phantom units granted to officers	379	159	1,243	469
Amortization of value of derivative contracts acquired	12,409	15	26,505	169
Net (gain) loss on acquisition of oil and natural gas properties	2,685	(16)	(11,111)	367
Impairment of oil and natural gas properties	229,693	—	247,722	—
Material transaction costs incurred on acquisitions and mergers	—	274	—	2,019
Total adjustments	217,489	69,975	232,946	5,582
Adjusted net income before non-controlling interest	15,978	30,240	64,131	93,712
Non-controlling interest attributable to items above	—	(3,256)	—	(22,506)
Administrative services fees eliminated in consolidation	—	591	—	2,840
Adjusted Net Income attributable to Vanguard unitholders	$ 15,978	$ 27,575	$ 64,131	$ 74,046

	Three Months Ended December 31, 2012	Three Months Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2011
Net income (loss) per basic unit attributable to Vanguard unitholders	$ (3.41)	$ (0.42)	$ (3.11)	$ 1.95
Net income (loss) attributable to non-controlling interest	—	(0.67)	—	0.82
Net income (loss) per basic unit:	$ (3.41)	$ (1.09)	$ (3.11)	$ 2.77
Plus (less):				
Unrealized (gain) loss on other commodity derivative contracts	(0.45)	1.89	(0.66)	0.02
Unrealized (gain) loss on interest rate derivative contracts	(0.02)	0.01	0.08	0.07
Unrealized fair value of phantom units granted to officers	—	0.01	0.02	0.01
Amortization of value of derivative contracts acquired	0.21	—	0.49	0.01
Net (gain) loss on acquisition of oil and natural gas properties	0.05	—	(0.21)	0.01
Impairment of oil and natural gas properties	3.89	—	4.57	—
Material transaction costs incurred on acquisitions and mergers	—	0.01	—	0.06
Non-controlling interest attributable to items above	—	(0.09)	—	(0.71)
Administrative services fees eliminated in consolidation	—	0.02	—	0.09
Adjusted net income per basic unit attributable to Vanguard unitholders	$ 0.27	$ 0.76	$ 1.18	$ 2.33

VANGUARD NATURAL RESOURCES, LLC
NYSE: VNR
THE MONTHLY DISTRIBUTION MLP™

Coverage Ratio Calculation

Distribution Coverage Ratio

The coverage ratio is used to determine the amount of actual cash distributions the company makes, relative to the amount it could potentially pay out. The amount of distribution which could be paid out is referred to as Distributable Cash Flow. The coverage ratio is then calculated by dividing Distributable Cash Flow by the actual cash distribution.

	Three Months Ended				
	3/31/12	**6/30/12**	**9/30/12**	**12/31/12**	**FY 2012**
Adjusted EBITDA	$53,238	$44,450	$66,277	$66,547	$230,511
Interest expense, net	(5,905)	(10,396)	(12,857)	(15,248)	(44,406)
Drilling, capital workover and recompletion expenditures	(8,213)	(15,147)	(16,925)	(10,120)	(50,405)
Proceeds from the sale of leasehold interests	5,377	-	145	-	5,522
Distributable cash flow	$44,497	$18,907	$36,640	$41,179	$141,222
Distributable cash flow per unit	$0.86	$0.36	$0.67	$0.70	$2.60
Distribution per unit	$0.5925	$0.6000	$0.6000	$0.6075	$2.40
Units outstanding (millions)	52.0	52.0	54.4	59.1	54.4
Distribution coverage ratio	1.44x	0.61x	1.12x	1.15x	1.08x

Production and Realized Pricing

	Three Months Ended December 31, [a]		Year Ended December 31, [a]	
	2012	2011 [c]	2012 [b]	2011 [c]
Average realized prices, excluding hedging:				
Oil (Price/Bbl)	$ 80.98	$ 93.70	$ 84.53	$ 86.52
Natural Gas (Price/Mcf)	$ 2.37	$ 4.12	$ 2.41	$ 4.59
NGLs (Price/Bbl)	$ 42.74	$ 80.19	$ 45.11	$ 66.88
Average realized prices, including hedging [d]:				
Oil (Price/Bbl)	$ 84.13	$ 90.66	$ 84.00	$ 82.45
Natural Gas (Price/Mcf)	$ 4.19	$ 7.54	$ 4.47	$ 7.45
NGLs (Price/Bbl)	$ 42.74	$ 80.19	$ 45.11	$ 66.88
Total production volumes:				
Oil (MBbls)	697	675	2,758	2,726
Natural Gas (MMcf)	7,147	2,618	19,652	10,413
NGLs (MBbls)	210	148	664	432
Combined (MBOE)	2,098	1,259	6,697	4,893
Average daily production volumes:				
Oil (Bbls/day)	7,575	7,336	7,536	7,468
Natural Gas (Mcf/day)	77,688	28,461	53,695	28,529
NGLs (Bbls/day)	2,279	1,606	1,813	1,183
Combined (BOE/day)	22,803	13,686	18,298	13,405

(a) During 2011 and 2012, we acquired certain oil and natural gas properties and related assets as well as additional interests in these properties. The operating results of these properties are included with ours from the closing date of acquisition forward.

(b) On March 30, 2012, we divested oil and natural gas properties in the Appalachian Basin. As such, there are no operating results from these properties included in our operating results from the closing date of the divestiture forward.

(c) On December 31, 2010, Vanguard acquired a 46.7% aggregate interest in Encore Energy Partners, LP or "ENP" ("ENP Purchase") and on December 1, 2011, Vanguard acquired the remaining 53.4% interest in the ENP units through a merger ("ENP Merger") with one of Vanguard's subsidiaries. Production results for oil and natural gas properties acquired in the ENP Purchase through the date of the completion of the ENP Merger were subject to a 53.4% non-controlling interest.

(d) Excludes amortization of premiums paid and amortization on derivative contracts acquires.

Statement of Operations

	Three Months Ended December 31, 2012	Three Months Ended December 31, 2011	Year Ended December 31, 2012	Year Ended December 31, 2011
Revenues:				
Oil, natural gas and NGLs sales	$ 82,327	$ 86,003	$ 310,356	$ 312,842
Loss on commodity cash flow hedges	—	(764)	—	(3,071)
Realized gain on commodity derivative contracts	1,712	5,802	956	10,276
Unrealized gain (loss) on commodity derivative contracts	26,647	(69,095)	35,890	(470)
Total revenues	110,686	21,946	347,202	319,577
Costs and expenses:				
Production:				
Lease operating expenses	19,612	19,984	74,366	63,944
Production and other taxes	8,205	7,302	29,369	28,621
Depreciation, depletion, amortization and accretion	30,645	22,060	104,542	84,857
Impairment of oil and natural gas properties	229,693	—	247,722	—
Selling, general and administrative expenses	7,168	3,342	22,466	19,779
Total costs and expenses	295,323	52,688	478,465	197,201
Income (loss) from operations	(184,637)	(30,742)	(131,263)	122,376
Other income (expense):				
Other income	29	1	220	77
Interest expense	(14,343)	(7,857)	(41,891)	(28,994)
Realized loss on interest rate derivative contracts	(905)	(705)	(2,515)	(2,874)
Unrealized gain (loss) on interest rate derivative contracts	1,030	(448)	(4,477)	(2,088)
Net gain (loss) on acquisition of oil and natural gas properties	(2,685)	16	11,111	(367)
Total other expense	(16,874)	(8,993)	(37,552)	(34,246)
Net income (loss)	(201,511)	(39,735)	(168,815)	88,130
Less: Net income (loss) attributable to non-controlling interest	—	24,527	—	(26,067)
Net income (loss) attributable to Vanguard unitholders	$ (201,511)	$ (15,208)	$ (168,815)	$ 62,063
Net income (loss) per Common and Class B units - basic & diluted	$ (3.41)	$ (0.42)	$ (3.11)	$ 1.95
Weighted average units outstanding:				
Common units – basic	58,668	36,053	53,777	31,370
Common units – diluted	58,668	36,104	53,777	31,430
Class B units – basic & diluted	420	420	420	420

VANGUARD NATURAL RESOURCES, LLC
NYSE: VNR
THE MONTHLY DISTRIBUTION MLP™

Balance Sheet

	December 31,			
	2012		2011	
Assets	(Unaudited)			
Current assets				
Cash and cash equivalents	$	11,563	$	2,851
Trade accounts receivable, net		51,880		48,046
Derivative assets		46,690		2,333
Other currents assets		3,858		3,462
Total current assets		113,991		56,692
Oil and natural gas properties, at cost		2,126,268		1,549,821
Accumulated depletion, amortization and impairment		(550,032)		(331,836)
Oil and natural gas properties evaluated, net – full cost method		1,576,236		1,217,985
Other assets				
Goodwill		420,955		420,955
Derivative assets		53,240		1,105
Other assets		35,712		19,626
Total assets	$	2,200,134	$	1,716,363
Liabilities and members' equity				
Current liabilities				
Accounts payable:				
Trade	$	8,417	$	7,867
Affiliates		32		718
Accrued liabilities:				
Lease operating		7,884		5,828
Developmental capital		4,754		563
Interest		11,573		103
Production and other taxes		12,852		12,768
Derivative liabilities		5,366		12,774
Oil and natural gas revenue payable		8,226		505
Distributions payable		11,919		—
Other		8,479		4,712
Total current liabilities		79,502		45,838
Long-term debt		1,247,631		771,000
Derivative liabilities		11,996		20,553
Asset retirement obligations		60,096		34,776
Other long-term liabilities		3,445		275
Total liabilities		1,402,670		872,442
Commitments and contingencies				
Members' equity				
Members' capital, 58,706,282 and 48,320,104 common units issued and outstanding at December 31, 2012 and 2011, respectively		794,426		839,714
Class B units, 420,000 issued and outstanding at December 31, 2012 and 2011		3,038		4,207
Total members' equity		797,464		843,921
Total liabilities and members' equity	$	2,200,134	$	1,716,363