Supplemental Q1 2014 Earnings Results

VANGUARD NATURAL RESOURCES, LLC
NASDAQ: VNR

THE MONTHLY DISTRIBUTION MLP™

First Quarter 2014 Highlights

- Adjusted EBITDA (a non-GAAP financial measure defined below) increased 24% to $89.9 million in the first three months of 2014 from $72.4 million in the first three months of 2013 and increased 21% from $74.3 million recorded in the fourth quarter of 2013.

- Distributable Cash Flow Available to Common and Class B Unitholders (a non-GAAP financial measure defined below) for the first quarter of 2014 increased 1% to $41.8 million from the $41.4 million generated in the first quarter of 2013 and decreased 2% from $42.7 million generated in the fourth quarter of 2013.

- We reported net income attributable to common and Class B unitholders for the first quarter of 2014 of $13.2 million or $0.17 per basic unit compared to a reported net loss of $27.0 million or $(0.42) per basic unit in the first quarter of 2013.

- Adjusted Net Income Attributable to Common and Class B Unitholders (a non-GAAP financial measure defined below) was $24.6 million for the first three months of 2014, or $0.31 per basic unit, as compared to $16.9 million, or $0.26 per basic unit, in the comparable period of 2013. The 2014 results include net non-cash charges of $11.4 million that are adjustments to arrive at Adjusted Net Income Attributable to Common and Class B Unitholders. Results for the first quarter of 2013 included net non-cash charges of $43.3 million.

- Reported average production of 268 MMcfe per day in the first three months of 2014, up 35% over 199 MMcfe per day produced in the first three months of 2013. On an Mcfe basis, crude oil, natural gas and NGLs accounted for 19%, 67%, and 14% of our production for the first three months of 2014, respectively.

Selected Summary Financials

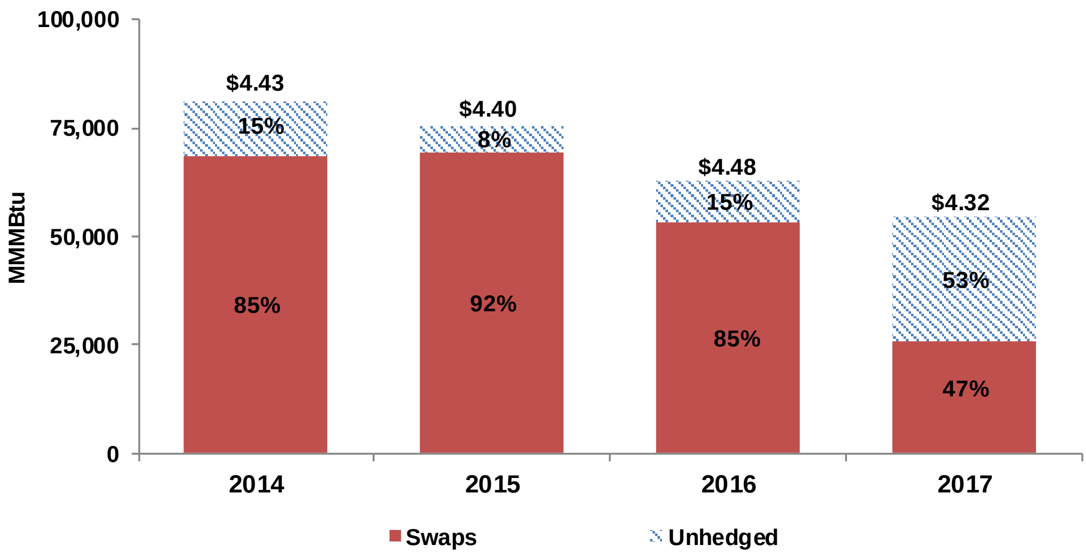
	Three Months Ended March 31,			
	2014		2013	
	($ in thousands, except per unit data) (Unaudited)			
Production (MMcfe/d)		268		199
Oil, natural gas and natural gasliquids sales	$	152,740	$	96,682
Net losses on commodity derivative contracts	$	(56,037)	$	(29,276)
Operating expenses	$	45,455	$	33,515
Selling, general and administrative expenses	$	8,038	$	6,549
Depreciation, depletion, amortization, and accretion	$	43,610	$	38,693
Net income (loss) attributable to common and Class B unitholders	$	13,159	$	(27,023)
Adjusted Net Income Attributable to Common and Class B Unitholders(1)	$	24,604	$	16,889
Adjusted Net Income Attributable to Common and Class B Unitholders, per unit(1)	$	0.31	$	0.26
Adjusted EBITDA(1)	$	89,863	$	72,433
Interest expense, including settlements paid on interest rate derivative contracts	$	17,249	$	16,385
Maintenance capital expenditures	$	28,814	$	14,648
Distributions to Preferred unitholders	$	1,962	$	—
Distributable Cash Flow Available to Common and Class B Unitholders(1)	$	41,838	$	41,400
Distributable Cash Flow per common and Class B unit(1)	$	0.52	$	0.61
Common and Class B units distribution coverage(1)		0.83x		1.00x
Weighted average common and Class B units outstanding		79,606		64,789

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

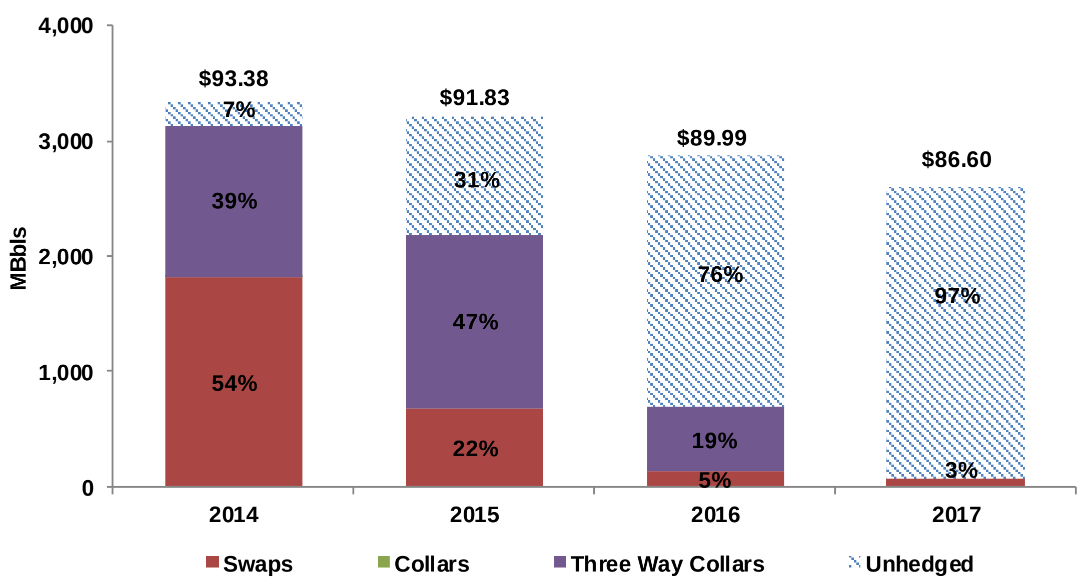
VANGUARD NATURAL RESOURCES, LLC NASDAQ: VNR

Commodity Hedge Summary (as of 4/29/14)

Gas Hedges



Oil Hedges



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. Does not assume any capital spending in 2015 and beyond.

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Natural Gas Hedge Positions (Full Year)

	Year 2014	Year 2015	Year 2016	Year 2017
Natural Gas Positions:				
Fixed Price Swaps:				
Notional Volume (MMBtu)	68,760,225	69,532,500	53,253,000	25,852,000
Fixed Price ($/MMBtu)	$4.43	$4.39	$4.48	$4.32
Three Way Collars:				
Notional Volume (Bbls)	2,450,000	-	-	-
Floor Price ($/Bbl)	$4.21	-	-	-
Ceiling Price ($/Bbl)	$5.00	-	-	-
Put Sold ($/Bbl)	$3.50	-	-	-
Total:				
Notional Volume (MMBtu)	71,210,225	69,532,500	53,253,000	25,852,000
Fixed Price ($/MMBtu)	$4.43	$4.40	$4.48	$4.32
Basis Swaps:				
Northwest Rockies Pipeline - NYMEX				
Notional Volume (MMBtu)	26,875,000	29,200,000	14,640,000	7,300,000
Fixed Price ($/MMBtu)	($0.20)	($0.28)	($0.26)	($0.24)
CIG Rockies - NYMEX				
Notional Volume (MMBtu)	452,500	-	-	-
Fixed Price ($/MMBtu)	($0.32)	-	-	-
Puts Sold:				
Notional Volume (MMBtu)	3,340,000	7,300,000	-	-
Fixed Price ($/MMBtu)	$3.50	$3.50	-	-
Range Bonus Accumulators:				
Notional Volume (MMBtu)	1,460,000	1,460,000	-	-
Bonus ($/MMBtu)	$0.20	$0.20	-	-
Range Ceiling ($/MMBtu)	$4.75	$4.75	-	-
Range Floor ($/MMBtu)	$3.25	$3.25	-	-

Note: Weighted average floor price includes impact from the range bonus accumulators. Hedge positions as of April 29, 2014.

Oil Hedge Positions (Full Year)

Oil Positions:	Year 2014	Year 2015	Year 2016	Year 2017
Fixed Price Swaps:				
Notional Volume (Bbls)	1,815,875	692,000	146,400	73,000
Fixed Price ($/Bbl)	$90.79	$91.18	$89.98	$86.60
Collars:				
Notional Volume (Bbls)	12,000	-	-	-
Floor Price ($/Bbl)	$100.00	-	-	-
Ceiling Price ($/Bbl)	$116.20	-	-	-
Three Way Collars:				
Notional Volume (Bbls)	1,313,850	1,498,555	549,000	-
Floor Price ($/Bbl)	$93.47	$92.14	$90.00	-
Ceiling Price ($/Bbl)	$101.25	$99.82	$95.00	-
Put Sold ($/Bbl)	$72.57	$73.40	$70.00	-
Put Spreads:				
Notional Volume (Bbl)	-	-	-	-
Floor Price ($/Bbl)	-	-	-	-
Put Sold ($/Bbl)	-	-	-	-
Total:				
Notional Volume (Bbls)	3,141,725	2,190,555	695,400	73,000
Fixed Price ($/Bbl)	$93.38	$91.83	$89.99	$86.60
Basis Swaps:				
Midland-Cushing				
Notional Volume (Bbls)	584,000	365,000	-	-
Fixed Price ($/Bbl)	($0.84)	($0.90)	-	-
WTS-Cushing				
Notional Volume (Bbls)	328,500	-	-	-
Fixed Price ($/Bbl)	($1.05)	-	-	-
LLS-Brent				
Notional Volume (Bbls)	182,500	-	-	-
Fixed Price ($/Bbl)	($3.95)	-	-	-
Swaptions and Calls:				
Notional Volume (Bbls)	492,750	508,445	622,200	-
Fixed Price ($/Bbl)	$104.80	$105.98	$125.00	-
Puts Sold:				
Notional Volume (Bbls)	73,000	692,000	146,400	73,000
Put Sold ($/Bbl)	$75.00	$72.36	$75.00	$75.00
Range Bonus Accumulators:				
Notional Volume (Bbl)	912,500	-	-	-
Bonus ($/Bbl)	$4.94	-	-	-
Range Ceiling ($/Bbl)	$103.20	-	-	-
Range Floor ($/Bbl)	$70.50	-	-	-

Note: Weighted average floor price includes impact from the range bonus accumulators. Hedge positions as of April 29, 2014.

NGL Hedge Positions (Full Year)

	Year 2014	Year 2015	Year 2016	Year 2017
Natural Gas Liquids:				
Fixed Price Swaps				
Mont Belviu Ethane				
Notional Volume (Bbls)	70,774	-	-	-
Fixed Price ($/Bbl)	$11.0250	-	-	-
Mont Belviu Propane				
Notional Volume (Bbls)	144,157	91,250	-	-
Fixed Price ($/Bbl)	$40.4971	$42.00	-	-
Mont Belviu N. Butane				
Notional Volume (Bbls)	15,075	-	-	-
Fixed Price ($/Bbl)	$65.6208	-	-	-
Mont Belviu Isobutane				
Notional Volume (Bbls)	16,078	-	-	-
Fixed Price ($/Bbl)	$70.2366	-	-	-
Mont Belviu N. Gasoline				
Notional Volume (Bbls)	27,667	-	-	-
Fixed Price ($/Bbl)	$88.5738	-	-	-
Total				
Notional Volume (Bbls)	273,750	91,250	-	-
Fixed Price ($/Bbl)	$40.8667	$42.00	-	-

Note: Hedge positions as of April 29, 2014.

Adjusted EBITDA

Adjusted EBITDA

Adjusted EBITDA is a significant performance metric used by management and by external users of our financial statements such as investors, research analysts and others to assess the financial performance of our assets without regard to financing methods, capital structure or historical cost basis; the ability of our assets to generate cash sufficient to pay interest costs and support our indebtedness; and our operating performance and return on capital as compared to those of other companies in our industry.

Adjusted EBITDA is not intended to represent cash flows for the period, nor is it presented as a substitute for net income (loss), operating income (loss), 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 (loss) and operating income (loss) and these measures may vary among other companies. Therefore, our Adjusted EBITDA may not be comparable to similarly titled measures of other companies. For example, we fund premiums paid for derivative contracts, acquisitions of oil and natural gas properties, including the assumption of derivative contracts related to these acquisitions, and other capital expenditures primarily with proceeds from debt or equity offerings or with borrowings under our Reserve-Based Credit Facility. For the purposes of calculating Adjusted EBITDA, we consider the cost of premiums paid for derivatives and the fair value of derivative contracts acquired as part of a business combination as investments related to our underlying oil and natural gas properties; therefore, they are not deducted in arriving at our Adjusted EBITDA. Our Consolidated Statements of Cash Flows, prepared in accordance with GAAP, present cash settlements on matured derivatives and the initial cash outflows of premiums paid to enter into derivative contracts as operating activities. When we assume derivative contracts as part of a business combination, we allocate a part of the purchase price and assign them a fair value at the closing date of the acquisition. The fair value of the derivative contracts acquired is recorded as a derivative asset or liability and presented as cash used in investing activities in our Consolidated Statements of Cash Flows. As the volumes associated with these derivative contracts, whether we entered into them or we assumed them, are settled, the fair value is recognized in operating cash flows. Whether these cash settlements on derivatives are received or paid, they are reported as operating cash flows which may increase or decrease the amount we have available to fund distributions.

However, for purposes of calculating Adjusted EBITDA, we consider both premiums paid for derivatives and the fair value of derivative contracts acquired as part of a business combination as investing activities. This is similar to the way the initial acquisition or development costs of our oil and natural gas properties are presented in our Consolidated Statements of Cash Flows; the initial cash outflows are presented as cash used in investing activities, while the cash flows generated from these assets are included in operating cash flows. The consideration of premiums paid for derivatives and the fair value of derivative contracts acquired as part of a business combination as investing activities for purposes of determining our Adjusted EBITDA differs from the presentation in our consolidated financial statements prepared in accordance with GAAP which (i) presents premiums paid for derivatives entered into as operating activities and (ii) the fair value of derivative contracts acquired as part of a business combination as investing activities.

Distributable Cash Flow

Distributable Cash Flow Available to Common and Class B Unitholders

Distributable Cash Flow Available to Common and Class B Unitholders is used by management as a tool to measure (prior to the establishment of any cash reserves by our board of directors) the cash distributions we could pay our unitholders. Specifically, this financial measure indicates to investors whether or not we are generating cash flow at a level that can sustain or support an increase in our monthly distribution rates. However, Distributable Cash Flow Available to Common and Class B Unitholders should not be viewed as indicative of the amount that we plan to distribute for a given period. Distributable Cash Flow Available to Common and Class B Unitholders is not intended to be a substitute for net income (loss), operating income (loss), cash flows from operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. Distributable Cash Flow Available to Common and Class B Unitholders is a metric commonly used by investors and the analyst community to assess our financial performance from period to period.

The amount of cash that we have available for distribution depends primarily on our cash flow, including cash from reserves and working capital or other borrowings, and not solely on our GAAP net income, which is affected by non-cash items. As a result, we may be unable to pay distributions even when we record net income, and we may be able to pay distributions during periods when we incur net losses. Our board of directors determines the appropriate level of distributions on a periodic basis in accordance with the provisions of our limited liability company agreement. Management considers the timing and size of capital expenditures and long-term views about expected results in determining the amount of distributions. Capital spending and the resulting production and net cash provided by operating activities do not typically occur evenly throughout the year due to a variety of factors which are difficult to predict, including rig availability, weather, well performance, the timing of completions and the commodity price environment. Consistent with practices common to publicly traded partnerships, our board of directors historically has not varied the distribution it declares period to period based on uneven available distributable cash flow. Our board of directors reviews historical financial results and forecasts for future periods, including development activities, as well as considers the impact of significant acquisitions in making a determination to increase, decrease or maintain the current level of distribution. In instances following acquisitions and development activities, our board of directors reviews any excess in distributable cash flows after distributions to unitholders in those periods, as well as forecasts of expected future net cash flows to determine if increases in distributions could be made. If shortfalls are sustained over time and forecasts demonstrate expectations for continued future shortfalls, our board of directors may determine to reduce, suspend or discontinue paying distributions. Our board of directors may decide to retain the excess in distributable cash flows after distributions to unitholders for our future operations, future capital expenditures, future debt service or other future obligations. Any shortfalls are funded with cash on hand and/or with borrowings under our reserve-based credit facility.

Adjusted Net Income

Adjusted Net Income Available to Common and Class B Unitholders

This information is provided because management believes exclusion of the impact of these items will help investors compare results between periods and identify operating trends that could otherwise be masked by these items and to highlight the significant fluctuations that commodity price volatility has on our results, particularly as it relates to changes in the fair value of our derivative contracts. Adjusted Net Income Attributable to Common and Class B Unitholders is not intended to represent cash flows for the period, nor is it presented as a substitute for net income (loss), operating income (loss), cash flows from operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP.

VANGUARD NATURAL RESOURCES, LLC
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Adjusted EBITDA and Distributable Cash Flow (a)

	Three Months Ended March 31,	
	2014	2013
Net income (loss)	$ 15,121	$ (27,023)
Plus:		
Interest expense	16,259	15,438
Depreciation, depletion, amortization, and accretion	43,610	38,693
Net losses on commodity derivative contracts	56,037	29,276
Cash settlements on matured commodity derivative contracts[(b)(c)]	(11,969)	13,749
Net losses on interest rate derivative contracts[(d)]	458	286
Gain on acquisition of oil and natural gas properties	(32,114)	—
Texas margin taxes	(411)	(317)
Compensation related items	2,872	1,728
Material transaction costs incurred on acquisitions	—	603
Adjusted EBITDA	$ 89,863	$ 72,433
Less:		
Interest expense, including settlements paid on interest rate derivatives	(17,249)	(16,385)
Maintenance capital expenditures	(28,814)	(14,648)
Distributions to Preferred unitholders	(1,962)	—
Distributable Cash Flow Available to Common and Class B unitholders	**$ 41,838**	**$ 41,400**
Distributions to Common and Class B unitholders	50,118	41,580
Shortfall of distributable cash flow after distributions to unitholders	**$ (8,280)**	**$ (180)**
Distributable Cash Flow per Common and Class B unit	$ 0.52	$ 0.61
Common and Class B unit Distribution Coverage	0.83x	1.00x

(a) Our Adjusted EBITDA should not be considered as an alternative to net income (loss), operating income (loss), 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 (loss) and operating income (loss) and these measures may vary among other companies. Therefore, our Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

	2014	2013
(b) Excludes premiums paid, whether at inception or deferred, for derivative contracts that settled during the period. We consider the cost of premiums paid for derivatives as an investment related to our underlying oil and natural gas properties.	$ —	$ 54
(c) Excludes the fair value of derivative contracts acquired as part of prior period business combinations that apply to contracts settled during the period. We consider the amounts paid to sellers for derivative contracts assumed with business combinations a part of the purchase price of the underlying oil and natural gas properties.	$ 4,882	$ 7,924
(d) Includes settlements paid on interest rate derivatives	$ 990	$ 947

VANGUARD NATURAL RESOURCES, LLC NASDAQ: VNR

Adjusted Net Income

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Net income (loss) attributable to common and Class B unitholders	$ 13,159	$ (27,023)
Plus (less):		
Change in fair value of commodity derivative contracts	39,186	35,047
Change in fair value of interest rate derivative contracts	(532)	(661)
Unrealized fair value on phantom units granted to officers	23	999
Fair value of derivative contracts acquired that apply to contracts settled during the period	4,882	7,924
Gain on acquisition of oil and natural gas properties	(32,114)	—
Material transaction costs incurred on acquisitions	—	603
Adjusted Net Income Attributable to Common and Class B Unitholders	$ 24,604	$ 16,889
Net income (loss) attributable to common and Class B unitholders, per unit	$ 0.17	$ (0.42)
Plus (less):		
Change in fair value of commodity derivative contracts	0.49	0.54
Change in fair value of interest rate derivative contracts	(0.01)	(0.01)
Unrealized fair value on phantom units granted to officers	—	0.02
Fair value of derivative contracts acquired that apply to contracts settled during the period	0.06	0.12
Gain on acquisition of oil and natural gas properties	(0.40)	—
Material transaction costs incurred on acquisitions	—	0.01
Adjusted Net Income Attributable to Common and Class B Unitholders, per unit	$ 0.31	$ 0.26

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 3/31/14
Adjusted EBITDA	$89,863
Interest expense, net	(17,249)
Maintenance capital expenditures	(28,814)
Distributions to preferred unitholders	(1,962)
Distributable cash flow	$41,838
Distributable cash flow per unit	$0.52
Distribution per unit	$0.6275
Units outstanding (millions)	79.9
Distribution coverage ratio	0.83x

Production and Realized Pricing

	Three Months Ended March 31, 2014[a]	Three Months Ended March 31, 2013[a]	Percentage Increase / (Decrease)
Average realized prices, excluding hedges:			
Oil (Price/Bbl)	$ 87.99	$ 80.67	9 %
Natural Gas (Price/Mcf)	$ 3.96	$ 2.30	72 %
NGLs (Price/Bbl)	$ 36.72	$ 41.38	(11)%
Average realized prices, including hedges[b]:			
Oil (Price/Bbl)	$ 84.32	$ 79.29	6 %
Natural Gas (Price/Mcf)	$ 3.42	$ 3.52	(3)%
NGLs (Price/Bbl)	$ 35.87	$ 41.44	(13)%
Average NYMEX prices:			
Oil Price (Price/Bbl)	$ 98.69	$ 94.32	5 %
Natural Gas Price (Price/Mcf)	$ 5.10	$ 3.34	53 %
Total production volumes:			
Oil (MBbls)	775	725	7 %
Natural Gas (MMcf)	16,040	11,990	34 %
NGLs (MBbls)	572	257	123 %
Combined (MMcfe)	24,121	17,886	35 %
Average daily production volumes:			
Oil (Bbls/day)	8,612	8,060	7 %
Natural Gas (Mcf/day)	178,218	133,227	34 %
NGLs (Bbls/day)	6,354	2,858	123 %
Combined (MMcfe/day)	268	199	35 %

(a) During 2014 and 2013, we acquired certain oil and natural gas properties and related assets. The operating results of these properties are included with ours from the closing date of the acquisition forward.

(b) Excludes the premiums paid, whether at inception or deferred, for derivative contracts that settled during the period and the fair value of derivative contracts acquired as part of prior period business combinations that apply to contracts settled during the period.

Statements of Operations

	Three Months Ended March 31, 2014	Three Months Ended March 31, 2013
Revenues:		
Oil sales	$ 68,199	$ 58,516
Natural gas sales	63,543	27,524
NGLs sales	20,998	10,642
Net losses on commodity derivative contracts	(56,037)	(29,276)
Total revenues	96,703	67,406
Costs and expenses:		
Production:		
Lease operating expenses	30,421	24,172
Production and other taxes	15,034	9,343
Depreciation, depletion, amortization, and accretion	43,610	38,693
Selling, general and administrative expenses	8,038	6,549
Total costs and expenses	97,103	78,757
Loss from operations	(400)	(11,351)
Other income (expense):		
Interest expense	(16,259)	(15,438)
Net losses on interest rate derivative contracts	(458)	(286)
Gain on acquisition of oil and natural gas properties	32,114	—
Other	124	52
Total other income (expense)	15,521	(15,672)
Net income (loss)	$ 15,121	$ (27,023)
Distributions to Preferred unitholders	(1,962)	—
Net income (loss) attributable to Common and Class B unitholders	$ 13,159	$ (27,023)
Net income (loss) per Common and Class B units		
Basic	$ 0.17	$ (0.42)
Diluted	$ 0.16	$ (0.42)
Weighted average common units outstanding		
Common units – basic	79,186	64,369
Common units – diluted	79,472	64,369
Class B units – basic & diluted	420	420

Balance Sheets

	March 31, 2014 (Unaudited)	December 31, 2013
Assets		
Current assets		
Cash and cash equivalents	$ 20,905	$ 11,818
Trade accounts receivable, net	88,581	70,109
Derivative assets	8,310	21,314
Other current assets	3,103	2,916
Total current assets	120,899	106,157
Oil and natural gas properties, at cost	3,155,180	2,523,671
Accumulated depletion, amortization and impairment	(755,145)	(713,154)
Oil and natural gas properties evaluated, net– full cost method	2,400,035	1,810,517
Other assets		
Goodwill	420,955	420,955
Derivative assets	48,140	60,474
Other assets	29,458	91,538
Total assets	$ 3,019,487	$ 2,489,641
Liabilities and members' equity		
Current liabilities		
Accounts payable:		
Trade	$ 12,830	$ 9,824
Affiliates	274	249
Accrued liabilities:		
Lease operating	13,732	12,882
Development capital	23,269	10,543
Interest	22,331	11,989
Production and other taxes	19,190	16,251
Derivative liabilities	28,930	10,992
Oil and natural gas revenue payable	20,814	23,245
Distribution payable	17,680	16,499
Other	11,283	12,929
Total current liabilities	170,333	125,403
Long-term debt	1,308,944	1,007,879
Derivative liabilities	4,345	4,085
Asset retirement obligations, net of current portion	95,704	82,208
Other long-term liabilities	1,012	1,731
Total liabilities	1,580,338	1,221,306
Commitments and contingencies		
Members' equity		
Series A Preferred units,2,559,769 units issued and outstanding at March31, 2014 and 2,535,927 at December 31, 2013	61,634	61,021
Series B Preferred units, 7,000,000 units issued and outstanding at March 31, 2014	169,413	—
Common units, 79,746,386 units issued and outstanding at March31, 2014 and 78,337,259 at December 31, 2013	1,206,361	1,205,311
Class B units, 420,000 issuedand outstanding at March31, 2014 and December 31, 2013	1,741	2,003
Total members' equity	1,439,149	1,268,335
Total liabilities and members' equity	$ 3,019,487	$ 2,489,641