Supplemental Q2 2014 Earnings Results

VANGUARD NATURAL RESOURCES, LLC
NASDAQ: VNR

THE MONTHLY DISTRIBUTION MLP™

Second Quarter 2014 Highlights

- Adjusted EBITDA (a non-GAAP financial measure defined below) increased 22% to $97.7 million in the second quarter of 2014 from $80.3 million in the second quarter of 2013 and increased 9% from the $89.9 million recorded in the first quarter of 2014.

- Distributable Cash Flow Available to Common and Class B Unitholders (a non-GAAP financial measure defined below) decreased 5% to $46.1 million from the $48.4 million generated in the second quarter of 2013 and increased 10% from the $41.8 million generated in the first quarter of 2014.

- We reported a net loss attributable to common and Class B unitholders for the quarter of $9.3 million or $(0.12) per basic unit compared to a reported net income of $81.1 million or $1.14 per basic unit in the second quarter of 2013.

- Adjusted Net Income Attributable to Common and Class B Unitholders (a non-GAAP financial measure defined below) was $22.0 million in the second quarter of 2014, or $0.27 per basic unit, as compared to $19.1 million, or $0.27 per basic unit, in the second quarter of 2013. The second quarter of 2014 includes net non-cash losses of $31.3 million that are adjustments to arrive at Adjusted Net Income Attributable to Common and Class B Unitholders. The second quarter of 2013 results included net non-cash gains of $62.2 million.

- Reported average production of 315 MMcfe per day in the second quarter of 2014, up 44% over 219 MMcfe per day produced in the second quarter of 2013 and an 18% increase over 268 MMcfe per day produced in the first quarter of 2014. On an Mcfe basis, crude oil, natural gas and natural gas liquids (“NGLs”) accounted for 17%, 68%, and 15% of our second quarter 2014 production, respectively.

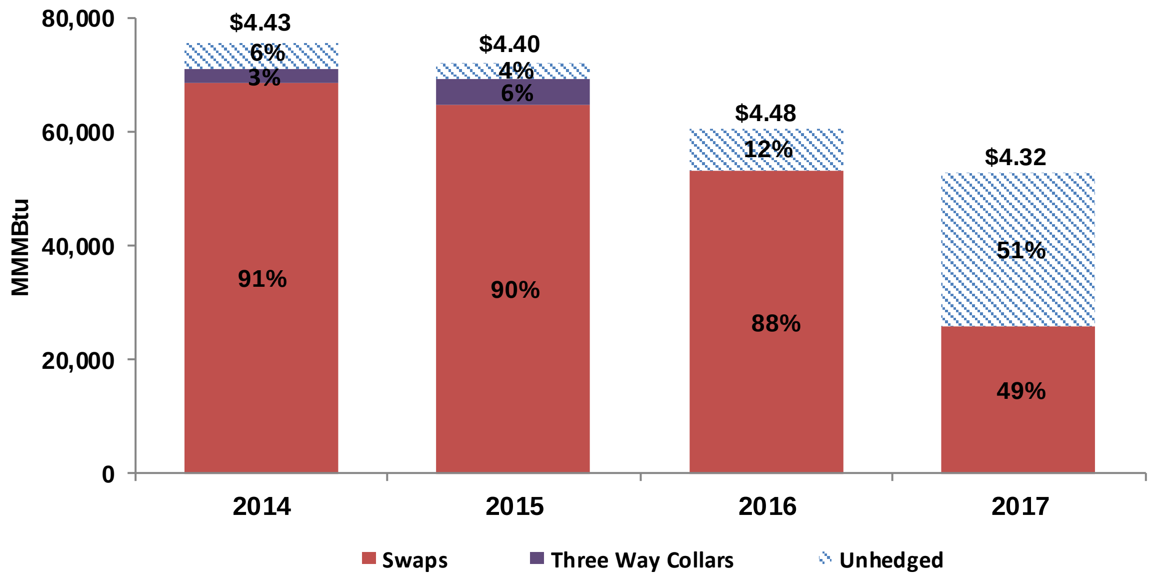
Selected Summary Financials

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	($ in thousands, except per unit data) (Unaudited)			
Production (MMcfe/d)	315	219	292	209
Oil, natural gas and natural gas liquids sales	$ 161,519	$ 116,737	$ 314,259	$ 213,419
Net gains (losses) on commodity derivative contracts	$ (38,398)	$ 58,595	$ (94,436)	$ 29,320
Operating expenses	$ 50,822	$ 36,473	$ 96,278	$ 69,989
Selling, general and administrative expenses	$ 7,864	$ 6,900	$ 15,902	$ 13,449
Depreciation, depletion, amortization, and accretion	$ 51,508	$ 42,911	$ 95,118	$ 81,604
Net Income (Loss) Attributable to Common and Class B Unitholders	$ (9,333)	$ 81,149	$ 3,825	$ 54,126
Adjusted Net Income Attributable to Common and Class B Unitholders (1)	$ 21,965	$ 19,102	$ 46,568	$ 35,990
Adjusted Net Income Attributable to Common and Class B Unitholders, per unit(1)	$ 0.27	$ 0.27	$ 0.59	$ 0.53
Adjusted EBITDA(1)	$ 97,690	$ 80,282	$ 187,552	$ 152,714
Interest expense, including settlements paid on interest rate derivative contracts	$ 17,564	$ 16,925	$ 34,813	$ 33,310
Estimated maintenance capital expenditures	$ 31,337	$ 14,770	$ 60,151	$ 29,418
Distributions to Preferred unitholders	$ 4,596	$ 152	$ 6,558	$ 152
Distributable Cash Flow Available to Common and Class B Unitholders (1)	$ 46,143	$ 48,435	$ 87,980	$ 89,834
Distributable Cash Flow per common and Class B unit(1)	$ 0.57	$ 0.65	$ 1.09	$ 1.25
Common and Class B unit distribution coverage(1)	0.90x	1.05x	0.87x	1.03x
Weighted average common and Class B units outstanding at record date attributable to distribution period	81,344	74,821	80,608	71,652

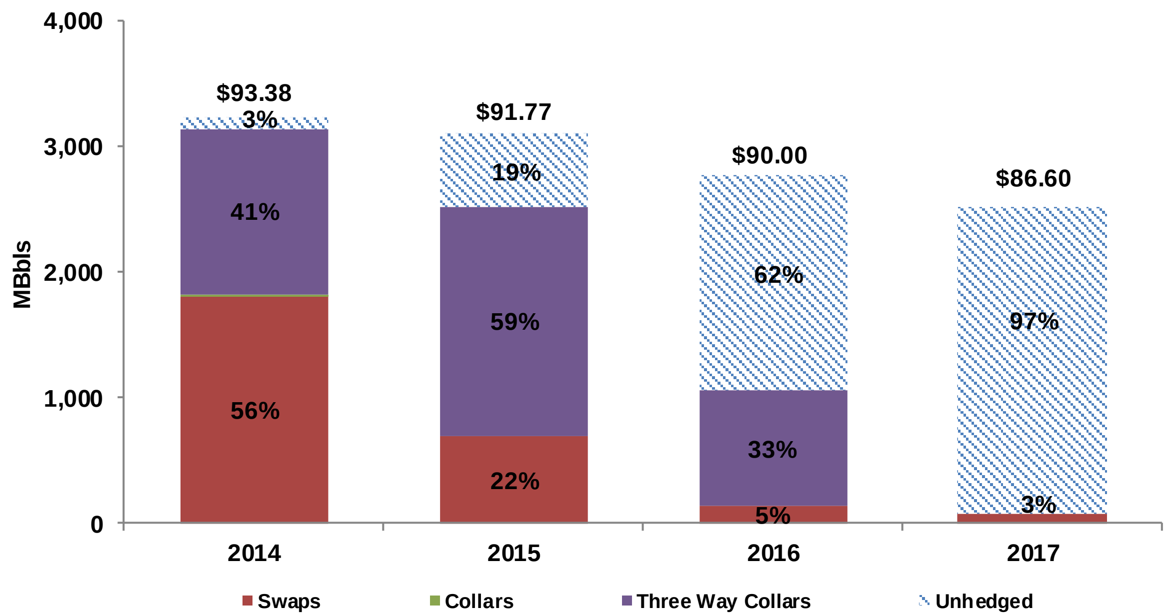
(1) Non-GAAP financial measures. Please see Adjusted Net Income Attributable to Common and Class B Unitholders, Adjusted EBITDA and Distributable Cash Flow Available to Common and Class B Unitholders tables at the end of this press release for a reconciliation of these measures to their nearest comparable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

Commodity Hedge Summary (as of 8/1/14)

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. Does not include recent acquisition announced on August 4, 2014.

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	64,970,000	53,253,000	25,852,000
Fixed Price ($/MMBtu)	$4.43	$4.41	$4.48	$4.32
Three Way Collars:				
Notional Volume (Bbls)	2,450,000	4,562,500	-	-
Floor Price ($/Bbl)	$4.21	$4.15	-	-
Ceiling Price ($/Bbl)	$5.00	$5.00	-	-
Put Sold ($/Bbl)	$3.50	$3.44	-	-
Total:				
Notional Volume (MMBtu)	71,210,225	69,532,500	53,253,000	25,852,000
Fixed Price ($/MMBtu)	$4.43	$4.40	$4.48	$4.32
Basis Swaps:				
Northwest Rockies Pipeline - NYMEX				
Notional Volume (MMBtu)	26,875,000	29,200,000	18,300,000	10,950,000
Fixed Price ($/MMBtu)	($0.20)	($0.28)	($0.24)	($0.22)
CIG Rockies - NYMEX				
Notional Volume (MMBtu)	452,500	-	-	-
Fixed Price ($/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 updated as of August 1, 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)	$116.20	-	-	-
Three Way Collars:				
Notional Volume (Bbls)	1,313,850	1,838,055	915,000	-
Floor Price ($/Bbl)	$93.47	$91.99	$90.00	-
Ceiling Price ($/Bbl)	$101.25	$99.75	$96.25	-
Put Sold ($/Bbl)	$72.57	$74.16	$73.00	-
Total:				
Notional Volume (Bbls)	3,141,725	2,530,055	1,061,400	73,000
Fixed Price ($/Bbl)	$93.38	$91.77	$90.00	$86.60
Basis Swaps:				
Midland-Cushing				
Notional Volume (Bbls)	584,000	365,000	-	-
Fixed Price ($/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)	($3.95)	-	-	-
Swaptions and Calls:				
Notional Volume (Bbls)	492,750	598,945	622,200	-
Fixed Price ($/Bbl)	$104.80	$104.32	$125.00	-
Puts Sold:				
Notional Volume (Bbls)	73,000	692,000	146,400	73,000
Put Sold ($/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 updated as of August 1, 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)	$11.03	-	-	-
Mont Belviu Propane				
Notional Volume (Bbls)	144,157	91,250	-	-
Fixed Price ($/Bbl)	$40.50	$42.00	-	-
Mont Belviu N. Butane				
Notional Volume (Bbls)	15,075	-	-	-
Fixed Price ($/Bbl)	$65.62	-	-	-
Mont Belviu Isobutane				
Notional Volume (Bbls)	16,078	-	-	-
Fixed Price ($/Bbl)	$70.24	-	-	-
Mont Belviu N. Gasoline				
Notional Volume (Bbls)	27,667	-	-	-
Fixed Price ($/Bbl)	$88.57	-	-	-
Total				
Notional Volume (Bbls)	273,750	91,250	-	-
Fixed Price ($/Bbl)	$40.87	$42.00	-	-

Note: Hedge positions updated as of August 1, 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.

Adjusted EBITDA and Distributable Cash Flow (a)

	Three Months Ended June 30, 2014	Three Months Ended June 30, 2013	Six Months Ended June 30, 2014	Six Months Ended June 30, 2013
Net income (loss)	$ (4,737)	$ 81,301	$ 10,383	$ 54,278
Plus:				
Interest expense	16,549	15,963	32,808	31,401
Depreciation, depletion, amortization, and accretion	51,508	42,911	95,118	81,604
Net (gains) losses on commodity derivative contracts	38,398	(58,595)	94,436	(29,320)
Cash settlements on matured commodity derivative contracts[(b)(c)]	(7,410)	4,971	(19,380)	18,721
Net (gains) losses on interest rate derivative contracts[(d)]	1,121	(2,412)	1,579	(2,127)
Gain on acquisition of oil and natural gas properties	—	(5,827)	(32,114)	(5,827)
Texas margin taxes	130	76	(281)	(241)
Compensation related items	2,131	1,775	5,003	3,503
Material transaction costs incurred on acquisitions	—	119	—	722
Adjusted EBITDA	$ 97,690	$ 80,282	$ 187,552	$ 152,714
Less:				
Interest expense, including settlements paid on interest rate derivatives	(17,564)	(16,925)	(34,813)	(33,310)
Estimated maintenance capital expenditures[(e)]	(31,337)	(14,770)	(60,151)	(29,418)
Distributions to Preferred unitholders	(4,596)	(152)	(6,558)	(152)
Proceeds from sale of leasehold interests	1,950	—	1,950	—
Distributable Cash Flow Available to Common and Class B Unitholders	**$ 46,143**	**$ 48,435**	**$ 87,980**	**$ 89,834**
Distributions to Common and Class B unitholders	51,247	46,015	101,365	87,595
Excess (shortfall) of distributable cash flow after distributions to unitholders	**$ (5,104)**	**$ 2,420**	**$ (13,385)**	**$ 2,239**
Distributable Cash Flow per Common and Class B unit	$ 0.57	$ 0.65	$ 1.09	$ 1.25
Common and Class B unit Distribution Coverage	0.90x	1.05x	0.87x	1.03x

(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.

	Three Months 2014	Three Months 2013	Six Months 2014	Six Months 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.	$ —	$ 55	$ —	$ 109
(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.	$ 5,983	$ 7,504	$ 10,864	$ 15,428
(d) Includes settlements paid on interest rate derivatives	$ 1,015	$ 962	$ 2,005	$ 1,909

(e) Estimated maintenance capital expenditures are intended to represent the amount of capital required to offset the decrease in cash flow from the prior year due to the change in natural gas, oil and NGLs prices and the decline in proved developed producing production. These costs, which are incorporated in our annual capital budget as approved by the board of directors, include development drilling, recompletions, workovers and various other procedures to generate new or improve existing cash flow on both operated and non-operated properties. Actual production decline rates and capital efficiency may materially differ from our projections and such estimated maintenance capital expenditures may not maintain our cash flow. Further, because estimated maintenance capital expenditures are not intended to target specific levels of reserves, if we do not acquire new proved or unproved reserves, our total reserves will decrease over time and we would be unable to sustain cash flow at current levels, which could adversely affect our ability to pay a distribution at the current level or at all.

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Adjusted Net Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net Income (Loss) Attributable to Common and Class B Unitholders	$ (9,333)	$ 81,149	$ 3,825	$ 54,126
Plus (less):				
Change in fair value of commodity derivative contracts	25,005	(61,183)	64,192	(26,136)
Change in fair value of interest rate derivative contracts	106	(3,374)	(426)	(4,036)
Unrealized fair value on phantom units granted to officers	204	714	227	1,713
Fair value of derivative contracts acquired that apply to contracts settled during the period	5,983	7,504	10,864	15,428
Gain on acquisition of oil and natural gas properties	—	(5,827)	(32,114)	(5,827)
Material transaction costs incurred on acquisitions	—	119	—	722
Adjusted Net Income Attributable to Common and Class B Unitholders	$ 21,965	$ 19,102	$ 46,568	$ 35,990
Net Income (Loss) Attributable to Common and Class B Unitholders, per unit	$ (0.12)	$ 1.14	$ 0.05	$ 0.80
Plus (less):				
Change in fair value of commodity derivative contracts	0.31	(0.86)	0.80	(0.38)
Change in fair value of interest rate derivative contracts	—	(0.05)	(0.01)	(0.06)
Unrealized fair value on phantom units granted to officers	—	0.01	—	0.02
Fair value of derivative contracts acquired that apply to contracts settled during the period	0.08	0.11	0.15	0.23
Gain on acquisition of oil and natural gas properties	—	(0.08)	(0.40)	(0.09)
Material transaction costs incurred on acquisitions	—	—	—	0.01
Adjusted Net Income Attributable to Common and Class B Unitholders, per unit	$ 0.27	$ 0.27	$ 0.59	$ 0.53
Weighted average common and Class B units outstanding	80,956	71,218	80,285	68,021

VANGUARD NATURAL RESOURCES, LLC NASDAQ: VNR

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	**6/30/14**
Adjusted EBITDA	$89,863	$97,690
Interest expense, net	(17,249)	(17,564)
Maintenance capital expenditures	(28,814)	(31,337)
Distributions to preferred unitholders	(1,962)	(4,596)
Proceeds from the sale of leasehold interests	-	1,950
Distributable cash flow	$41,838	$46,143
Distributable cash flow per unit	$0.52	$0.57
Distribution per unit	$0.6275	$0.6300
Units outstanding (millions)	79.9	81.3
Distribution coverage ratio	0.83x	0.90x

VANGUARD NATURAL RESOURCES, LLC NASDAQ: VNR

Production and Realized Pricing

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Average realized prices, excluding hedges:				
Oil (Price/Bbl)	$ 91.74	$ 87.38	$ 89.90	$ 84.19
Natural Gas (Price/Mcf)	$ 3.55	$ 2.73	$ 3.74	$ 2.52
NGLs (Price/Bbl)	$ 25.49	$ 33.85	$ 30.55	$ 37.17
Average realized prices, including hedges[b]:				
Oil (Price/Bbl)	$ 84.40	$ 86.31	$ 84.36	$ 82.96
Natural Gas (Price/Mcf)	$ 3.48	$ 3.17	$ 3.45	$ 3.34
NGLs (Price/Bbl)	$ 25.37	$ 34.23	$ 30.10	$ 37.41
Average NYMEX prices:				
Oil Price (Price/Bbl)	$ 103.01	$ 94.20	$ 100.89	$ 94.26
Natural Gas Price (Price/Mcf)	$ 4.67	$ 4.09	$ 4.86	$ 3.73
Total production volumes:				
Oil (MBbls)	806	798	1,581	1,523
Natural Gas (MMcf)	19,649	13,176	35,689	25,167
NGLs (MBbls)	696	326	1,268	583
Combined (MMcfe)	28,664	19,916	52,786	37,802
Average daily production volumes:				
Oil (Bbls/day)	8,860	8,765	8,737	8,414
Natural Gas (MMcf/day)	216	145	197	139
NGLs (Bbls/day)	7,652	3,579	7,007	3,220
Combined (MMcfe/day)	315	219	292	209

(a) During 2014 and 2013, we acquired certain oil and natural gas properties and related assets. The operating results of these properties are included 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 June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Revenues:				
Oil sales	$ 73,963	$ 69,701	$ 142,163	$ 128,217
Natural gas sales	69,806	36,010	133,348	63,534
NGLs sales	17,750	11,026	38,748	21,668
Net gains (losses) on commodity derivative contracts	(38,398)	58,595	(94,436)	29,320
Total revenues	123,121	175,332	219,823	242,739
Costs and expenses:				
Production:				
Lease operating expenses	34,293	26,509	64,715	50,682
Production and other taxes	16,529	9,964	31,563	19,307
Depreciation, depletion, amortization, and accretion	51,508	42,911	95,118	81,604
Selling, general and administrative expenses	7,864	6,900	15,902	13,449
Total costs and expenses	110,194	86,284	207,298	165,042
Income from operations	12,927	89,048	12,525	77,697
Other income (expense):				
Interest expense	(16,549)	(15,963)	(32,808)	(31,401)
Net gains (losses) on interest rate derivative contracts	(1,121)	2,412	(1,579)	2,127
Gains on acquisitions of oil and natural gas properties	—	5,827	32,114	5,827
Other	6	(23)	131	28
Total other income (expense)	(17,664)	(7,747)	(2,142)	(23,419)
Net income (loss)	$ (4,737)	$ 81,301	$ 10,383	$ 54,278
Distributions to Preferred unitholders	(4,596)	(152)	(6,558)	(152)
Net income (loss) attributable to Common and Class B unitholders	$ (9,333)	$ 81,149	$ 3,825	$ 54,126
Net income (loss) per Common and Class B unit – basic and diluted	$ (0.12)	$ 1.14	$ 0.05	$ 0.80
Weighted average Common units outstanding				
Common units – basic & diluted	80,536	70,798	79,865	67,601
Class B units – basic & diluted	420	420	420	420

Balance Sheets

	June 30, 2014	December 31, 2013
	(Unaudited)	
Assets		
Current assets		
Cash and cash equivalents	$ 22,113	$ 11,818
Trade accounts receivable, net	91,337	70,109
Derivative assets	9,432	21,314
Other current assets	3,597	2,916
Total current assets	126,479	106,157
Oil and natural gas properties, at cost	3,213,473	2,523,671
Accumulated depletion, amortization and impairment	(804,814)	(713,154)
Oil and natural gas properties evaluated, net– full cost method	2,408,659	1,810,517
Other assets		
Goodwill	420,955	420,955
Derivative assets	25,030	60,474
Other assets	29,196	91,538
Total assets	$ 3,010,319	$ 2,489,641
Liabilities and members' equity		
Current liabilities		
Accounts payable:		
Trade	$ 18,051	$ 9,824
Affiliates	401	249
Accrued liabilities:		
Lease operating	14,905	12,882
Development capital	19,894	10,543
Interest	11,646	11,989
Production and other taxes	23,371	16,251
Derivative liabilities	35,794	10,992
Oil and natural gas revenue payable	21,627	23,245
Distribution payable	17,996	16,499
Other	13,882	12,929
Total current liabilities	177,567	125,403
Long-term debt	1,273,011	1,007,879
Derivative liabilities	7,931	4,085
Asset retirement obligations, net of current portion	106,775	82,208
Other long-term liabilities	—	1,731
Total liabilities	1,565,284	1,221,306
Commitments and contingencies		
Members' equity		
Series A Preferred units, 2,561,661 units issued and outstanding at June 30, 2014 and 2,535,927 at December 31, 2013	61,682	61,021
Series B Preferred units, 7,000,000 units issued and outstanding at June 30, 2014	169,265	—
Common units, 82,017,879 units issued and outstanding at June30, 2014 and 78,337,259 at December 31, 2013	1,206,473	1,199,699
Class B units, 420,000 issued and outstanding at June30, 2014 and December 31, 2013	7,615	7,615
Total members' equity	1,445,035	1,268,335
Total liabilities and members' equity	$ 3,010,319	$ 2,489,641

VANGUARD NATURAL RESOURCES, LLC NASDAQ: VNR