

# Supplemental Q2 2013 Earnings Results



## Second Quarter 2013 Highlights



- Adjusted EBITDA (a non-GAAP financial measure defined below) increased 81% to \$80.3 million in the second quarter of 2013 from \$44.5 million in the second quarter of 2012 and increased 11% from the \$72.4 million recorded in the first quarter of 2013.
- Distributable Cash Flow Available to Common Unitholders (a non-GAAP financial measure defined below) increased 156% to \$48.4 million from the \$18.9 million generated in the second quarter of 2012 and increased 17% from the \$41.4 million generated in the first quarter of 2013.
- We reported net income available to common unitholders for the quarter of \$81.1 million or \$1.14 per basic unit compared to a reported net income of \$103.4 million or \$1.99 per basic unit in the second quarter of 2012. The recent quarter includes net non-cash gains of \$62.2 million that are adjustments to arrive at Adjusted Net Income available to common unitholders (a non-GAAP financial measure defined below). The second quarter of 2012 results included net non-cash gains of \$94.7 million.
- Adjusted Net Income available to common unitholders (a non-GAAP financial measure defined below) was \$19.1 million in the second quarter of 2013, or \$0.27 per basic unit, as compared to \$8.7 million, or \$0.17 per basic unit, in the second quarter of 2012.
- eported average production of 36,477 BOE per day in the second quarter of 2013, up 196% over 12,338 BOE per day produced in the second quarter of 2012 and a 10% increase over 33,122 BOE per day produced in the first quarter of 2013. On a BOE basis, crude oil, natural gas and natural gas liquids ("NGLs") accounted for 24%, 66%, and 10% of our second quarter 2013 production, respectively.



# Selected Summary Financials



	Three Months Ended June 30,					Six Months Ended June 30,			
		2013		2012		2013		2012	
		(\$	in th	nousands, exce	pt p	er unit data)			
Production (BOE/d)		36,477		12,338		34,809		12,953	
Oil, natural gas and natural gas liquids sales	\$	116,737	\$	66,441	\$	213,419	\$	149,158	
Realized gain (loss) on commodity derivative contracts	\$	(2,588)	\$	2,165	\$	3,184	\$	(1,074)	
Unrealized gain on commodity derivative contracts	\$	61,183	\$	83,309	\$	26,136	\$	60,575	
Operating expenses	\$	36,473	\$	23,932	\$	69,989	\$	49,351	
Selling, general and administrative expenses	\$	6,900	\$	4,827	\$	13,449	\$	9,799	
Depreciation, depletion, amortization, and accretion	\$	42,911	\$	20,855	\$	81,604	\$	42,652	
Net income available to common unitholders	\$	81,149	\$	103,447	\$	54,126	\$	101,423	
Adjusted net income available to common unitholders (1)	\$	19,102	\$	8,726	\$	35,990	\$	30,338	
Adjusted net income per basic common unit (1)	\$	0.27	\$	0.17	\$	0.53	\$	0.58	
Adjusted EBITDA <sup>(1)</sup>	\$	80,282	\$	44,450	\$	152,714	\$	97,689	
Interest expense, including realized losses on interest rate derivative contracts	\$	16,925	\$	10,396	\$	33,310	\$	16,301	
Drilling, capital workover and recompletion expenditures	\$	14,770	\$	15,147	\$	29,418	\$	23,360	
Distributions to preferred unitholders	\$	152	\$	_	\$	152	\$	_	
Distributable cash flow available to common unitholders (1)	\$	48,435	\$	18,907	\$	89,834	\$	63,405	
Distributable cash flow per basic common unit (1)	\$	0.65	\$	0.36	\$	1.25	\$	1.21	
Common unit distribution coverage (1)		1.05x		0.61x		1.03x		1.03x	
Weighted average common units outstanding		71,218		52,031		68,021		52,259	

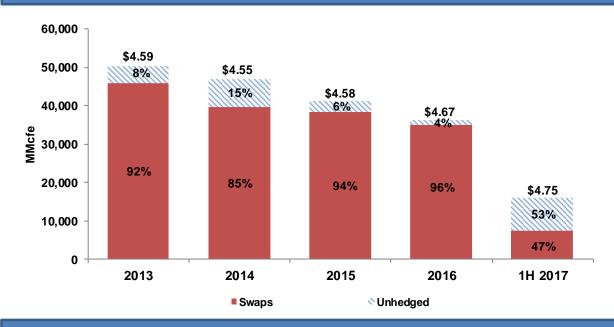


<sup>(1)</sup> Non-GAAP financial measures. Please see Adjusted Net Income, Adjusted EBITDA and Distributable Cash Flow tables at the end of this press release for a reconciliation of these measures to their nearest comparable GAAP measure.

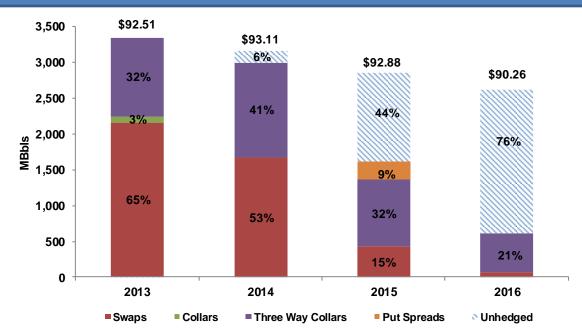
## **Commodity Hedge Summary**



## **Gas Hedges**



## Oil Hedges





# Natural Gas and NGL Hedge Positions (Full Year)



	Year 2013	Year 2014	Year 2015	Year 2016	Year 2017
Natural Gas Positions:					
Fixed Price Swaps:					
Notional Volume (MMBtu)	46,080,000	39,750,225	38,507,500	34,953,000	7,602,000
Fixed Price (\$/MMBtu)	\$4.59	\$4.55	\$4.58	\$4.67	\$4.75
Total:					
Notional Volume (MMBtu)	46,080,000	39,750,225	38,507,500	34,953,000	7,602,000
Fixed Price (\$/MMBtu)	\$4.59	\$4.55	\$4.58	\$4.67	\$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	Year	Year	Year	Year
	2013	2014	2015	2016	2017
Natural Gas Liquids:					
Fixed Price Swaps					
Mont Belviu Ethane					
Notional Volume (Bbls)	59,333	70,774	-	-	-
Fixed Price (\$/Bbl)	\$11.03	\$11.03	-	-	-
Mont Belviu Propane					
Notional Volume (Bbls)	44,355	52,907	-	-	-
Fixed Price (\$/Bbl)	\$37.91	\$37.91	-	-	-
Mont Belviu N. Butane					
Notional Volume (Bbls)	12,638	15,075	-	-	-
Fixed Price (\$/Bbl)	\$65.62	\$65.62	-	-	-
Mont Belviu Isobutane					
Notional Volume (Bbls)	13,479	16,078	-	-	-
Fixed Price (\$/Bbl)	\$70.24	\$70.24	-	-	-
Mont Belviu N. Gasoline					
Notional Volume (Bbls)	23,195	27,667	-	-	-
Fixed Price (\$/Bbl)	\$88.57	\$88.57	-	-	-
Total					
Notional Volume (Bbls)	153,000	182,500	-	-	-
Fixed Price (\$/Bbl)	\$40.30	\$40.30	-	-	-



# Oil Hedge Positions (Full Year)



	Year	Year	Year	Year	Year
Oil Positions:	2013	2014	2015	2016	2017
Fixed Price Swaps:					
Notional Volume (Bbls)	2,166,900	1,669,875	438,000	73,200	-
Fixed Price (\$/Bbl)	\$90.61	\$90.07	\$90.38	\$92.25	-
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)	1,100,650	1,313,850	924,055	549,000	_
Floor Price (\$/Bbl)	\$94.15	\$93.47	\$92.10	\$90.00	_
Ceiling Price (\$/Bbl)	\$102.41	\$101.26	\$101.55	\$95.00	-
Put Sold (\$/Bbl)	\$72.28	\$72.57	\$72.04	\$70.00	_
Put Spreads:					
Notional Volume (Bbl)	-	-	255,500	-	_
Floor Price (\$/Bbl)	-	-	\$100.00	-	_
Put Sold (\$/Bbl)	-	-	\$75.00	-	-
Total:					
Notional Volume (Bbls)	3,349,675	2,995,725	1,617,555	622,200	-
Fixed Price (\$/Bbl)	\$92.51	\$93.11	\$92.88	\$90.26	-
Basis Swaps:					
Midland-Cushing					
Notional Volume (Bbls)	471,000	584,000	365,000	-	-
Fixed Price (\$/Bbl)	(\$1.00)	(\$0.84)	(\$0.90)	-	_
WTS-Cushing		, ,			
Notional Volume (Bbls)	247,500	328,500	-	-	-
Fixed Price (\$/Bbl)	(\$1.05)	(\$1.05)	-	-	_
LLS-WTI					
Notional Volume (Bbls)	84,000	-	-	-	-
Fixed Price (\$/Bbl)	\$9.60	-	-	-	-
LLS-Brent					
Notional Volume (Bbls)	-	182,500	-	-	-
Fixed Price (\$/Bbl)	-	(\$3.95)	-	-	-
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	912,500	-	-	-
Bonus (\$/Bbl)	\$3.83	\$4.94	-	-	-
Range Ceiling (\$/Bbl)	\$104.49	\$103.20	-	-	-
Range Floor (\$/Bbl)	\$72.63	\$70.50	-	-	-
Puts Sold:					
Notional Volume (Bbls)	834,650	-	438,000	73,200	-
Put Sold (\$/Bbl)	\$65.13	-	\$70.83	\$75.00	-
Hedge prices reflect a weighted average	of swap prices, floo	r nrices on collars :	and long put prices	on three way	A



# Adjusted EBITDA / Distributable Cash Flow and Adjusted Net Income



#### 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, 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.

#### Distributable Cash Flow

Distributable Cash Flow Available to Common 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 common 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 rate to our common unitholders. While Distributable Cash Flow Available to Common Unitholders is measured on a quarterly basis for reporting purposes, management must consider the timing and size of its planned capital expenditures in determining the sustainability of its monthly distribution to common unitholders. Capital expenditures are typically not spent evenly throughout the year due to a variety of factors including weather, rig availability, and the commodity price environment. As a result, there will be some volatility in Distributable Cash Flow Available to Common Unitholders measured on a quarterly basis. Distributable Cash Flow Available to Common Unitholders is not intended to be a substitute for net income, operating income, cash flows from operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP.

#### Adjusted Net Income

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 unrealized changes in the fair value of our derivative contracts. Adjusted Net Income is not intended to represent cash flows for the period, nor is it presented as a substitute for net income, operating income, 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,					Six Mont Jun	ths E e 30,	
		2013		2012		2013		2012
Net income	\$	81,301	\$	103,447	\$	54,278	\$	101,423
Plus:								
Interest expense, including realized losses on interest rate derivative contracts		16,925		10,396		33,310		16,301
Depreciation, depletion, amortization and accretion		42,911		20,855		81,604		42,652
Amortization of premiums paid on derivative contracts		55		3,725		109		6,959
Amortization of value on derivative contracts acquired		7,504		_		15,428		_
Unrealized gains on commodity and interest rate derivative contracts		(64,557)		(80,686)		(30,172)		(57,531)
Gain on acquisition of oil and natural gas properties, net		(5,827)		(14,126)		(5,827)		(13,796)
Taxes		76		(67)		(241)		(137)
Compensation related items		1,775		906		3,503		1,818
Material transaction costs incurred on acquisitions		119				722		_
Adjusted EBITDA	\$	80,282	\$	44,450	\$	152,714	\$	97,689
Less:								
Interest expense, net		(16,925)		(10,396)		(33,310)		(16,301)
Drilling, capital workover and recompletion expenditures		(14,770)		(15,147)		(29,418)		(23,360)
Distributions to Preferred unitholders		(152)		_		(152)		_
Proceeds from sale of leasehold interests		_		_		_		5,377
Distributable cash flow available to common unitholders	\$	48,435	\$	18,907	\$	89,834	\$	63,405
						<u> </u>		<u> </u>
Distributable cash flow per common unit	\$	0.65	\$	0.36	\$	1.25	\$	1.21
Common unit distribution coverage		1.05x		0.61x		1.03x		1.03x



<sup>(</sup>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.

# Adjusted Net Income



	Three Months Ended June 30,					-	onths Ended une 30,				
		2013		2012		2013		2012			
Net income available to common unitholders	\$	81,149	\$	103,447	\$	54,126	\$	101,423			
Plus (less):											
Unrealized gain on commodity derivative											
contracts		(61,183)		(83,309)		(26, 136)		(60,575)			
Unrealized (gain) loss on interest rate derivative contracts		(3,374)		2,623		(4,036)		3,044			
Unrealized fair value on phantom units granted to officers		714		91		1,713		242			
Amortization of value on derivative contracts acquired		7,504		_		15,428		_			
Gain on acquisition of oil and natural gas properties, net		(5,827)		(14,126)		(5,827)		(13,796)			
Material transaction costs incurred on acquisitions		119		_		722		_			
Adjusted net income available to common unitholders	\$	19,102	\$	8,726	\$	35,990	\$	30,338			
Net income available to common unitholders, per unit	\$	1.14	\$	1.99	\$	0.80	\$	1.94			
Plus (less):											
Unrealized gain on commodity derivative contracts		(0.86)		(1.60)		(0.38)		(1.16)			
Unrealized (gain) loss on interest rate derivative contracts		(0.05)		0.05		(0.06)		0.06			
Unrealized fair value on phantom units granted to officers		0.01		_		0.02		_			
Amortization of value on derivative contracts acquired		0.11				0.23		_			
Gain on acquisition of oil and natural gas properties, net		(0.08)		(0.27)		(0.09)		(0.26)			
Material transaction costs incurred on acquisitions		_		_		0.01					
Adjusted net income per basic common unit	\$	0.27	\$	0.17	\$	0.53	\$	0.58			



## 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**

	3/31/13	6/30/13
Adjusted EBITDA	\$72,433	\$80,282
Interest expense, net	(16,385)	(16,925)
Capital expenditures	(14,648)	(14,770)
Distributions to preferred unitholders	_	(152)
Distributable cash flow	\$41,400	\$48,435
Distributable cash flow per unit	\$0.61	\$0.65
Distribution per unit	\$0.6075	\$0.6150
Units outstanding (millions)	68.4	74.8
Distribution coverage ratio	1.00x	1.05x



# Production and Realized Pricing



	 Three Months Ended June 30,			Six Months Ended Jun 30,			
	2013 <sup>(a)</sup>		2012 <sup>(a)</sup>	2013 <sup>(a)</sup>		2	012 <sup>(a)(b)</sup>
Average realized prices, excluding hedges:							
Oil (Price/Bbl)	\$ 87.38	\$	81.69	\$	84.19	\$	87.39
Natural Gas (Price/Mcf)	\$ 2.73	\$	2.49	\$	2.52	\$	3.45
NGLs (Price/Bbl)	\$ 33.85	\$	44.47	\$	37.17	\$	52.00
Average realized prices, including hedges (c):							
Oil (Price/Bbl)	\$ 86.31	\$	82.67	\$	82.96	\$	84.67
Natural Gas (Price/Mcf)	\$ 3.17	\$	5.32	\$	3.34	\$	5.71
NGLs (Price/Bbl)	\$ 34.23	\$	44.47	\$	37.41	\$	52.00
Total production volumes:							
Oil (MBbls)	798		687		1,523		1,379
Natural Gas (MMcf)	13,176		1,839		25,167		4,267
NGLs (MBbls)	326		129		583		267
Combined (MBOE)	3,319		1,123		6,300		2,358
Average daily production volumes:							
Oil (Bbls/day)	8,765		7,549		8,414		7,578
Natural Gas (Mcf/day)	144,795		20,203		139,043		23,443
NGLs (Bbls/day)	3,579		1,422		3,220		1,469
Combined (BOE/day)	36,477		12,338		34,809		12,953

- (a) During 2013 and 2012, 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) 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) Excludes amortization of premiums paid and amortization on derivative contracts acquired.



# Statement of Operations



	Three Months Ended June 30,					x Months Ended June 30,			
		2013		2012		2013		2012	
Revenues:									
Oil, natural gas and NGLs sales	\$	116,737	\$	66,441	\$	213,419	\$	149,158	
Realized gain (loss) on commodity derivative contracts		(2,588)		2,165		3,184		(1,074	
Unrealized gain on commodity derivative contracts		61,183		83,309		26,136		60,575	
Total revenues		175,332	_	151,915		242,739		208,659	
Costs and expenses:									
Production:									
Lease operating expenses		26,509		16,681		50,682		35,240	
Production and other taxes		9,964		7,251		19,307		14,111	
Depreciation, depletion, amortization, and accretion		42,911		20,855		81,604		42,652	
Selling, general and administrative expenses		6,900		4,827		13,449		9,799	
Total costs and expenses		86,284		49,614		165,042		101,802	
Income from operations		89,048		102,301		77,697		106,857	
Other income (expense):									
Interest expense		(15,963)		(9,830)		(31,401)		(15,159	
Realized loss on interest rate derivative contracts		(962)		(566)		(1,909)		(1,142	
Unrealized gain (loss) on interest rate derivative contracts		3,374		(2,623)		4,036		(3,044	
Gain on acquisition of oil and natural gas properties, net		5,827		14,126		5,827		13,796	
Other		(23)		39		28		115	
Total other income (expense)		(7,747)		1,146		(23,419)		(5,434	
Net income	\$	81,301	\$	103,447	\$	54,278	\$	101,423	
Distributions to Preferred unitholders		(152)				(152)		_	
Net income available to Common and Class B unitholders	\$	81,149	\$	103,447	\$	54,126	\$	101,423	
	Ф	1 1 /	¢	1.00	Φ	0.00	¢.	1.04	
Net income per Common and Class B units – basic	\$	1.14	\$	1.99	\$	0.80	\$	1.94	
Net income per Common and Class B units – diluted	\$	1.14	\$	1.98	\$	0.80	\$	1.94	
Weighted average common units outstanding:									
Common units – basic		70,798		51,611	_	67,601	_	51,839	
Common units – diluted		70,798		51,781		67,601		51,892	
Class B units – basic & diluted		420	_	420	_	420	_	420	



## Balance Sheet



		June 30, 2013	D	ecember 31, 2012
	(	Unaudited)		
Assets				
Current assets	Φ.	21 -11	Φ.	44 7 60
Cash and cash equivalents	\$	24,611	\$	11,563
Trade accounts receivable, net		72,270		51,880
Derivative assets		41,674		46,690
Other current assets	_	3,957	_	3,858
Total current assets	_	142,512		113,991
Oil and natural gas properties, at cost		2,476,504		2,126,268
Accumulated depletion, amortization and impairment		(629,643)		(550,032)
Oil and natural gas properties evaluated, net – full cost method		1,846,861		1,576,236
Other assets				
Goodwill		420,955		420,955
Derivative assets		65,303		53,240
Other assets		34,117		35,712
Total assets	\$	2,509,748	\$	2,200,134
Liabilities and mambane's equity				
Liabilities and members' equity  Current liabilities				
Accounts payable:				
Trade	\$	5,682	\$	8,417
Affiliates	Ψ	266	Ψ	32
Accrued liabilities:		200		32
Lease operating		14,069		7,884
Developmental capital		12,496		4,754
Interest		11,627		11,573
Production and other taxes		18,100		12,852
Derivative liabilities		5,378		5,366
Oil and natural gas revenue payable		12,031		8,226
Distribution payable		16,072		11,919
Other		12,022		8,479
Total current liabilities		107,743		79,502
I one town dobt		997,752		1,247,631
Long-term debt Derivative liabilities		4,394		11,996
Asset retirement obligations, net of current portion		70,452		60,096
Other long-term liabilities		1,345		3,445
Total liabilities	_	1,181,686	_	1,402,670
Total natimites	_	1,101,000		1,402,070
Commitments and contingencies				
Members' equity				
Preferred units, 2,520,000 units issued and outstanding at June 30, 2013		60,880		_
Common units, 77,090,911 units issued and outstanding at June 30, 2013 and 58,706,282 at December 31, 2012		1,264,656		794,426
Class B units, 420,000 issued and outstanding at June 30, 2013 and December 31, 2012		2,526		3,038
Total members' equity		1,328,062		797,464

