

April 2011

# Investor Presentation



# Forward-Looking Statements

Statements made by representatives of Vanguard Natural Resources, LLC during the course of this presentation that are not historical facts are forward looking statements, including (but not limited to) statements about the acquisition (including its benefits, results and effects), the related financing plans, whether and when the acquisition will be consummated, the operating results of Encore Energy Partners LP following the acquisition and statements with respect to future distributions. These statements are based on certain assumptions and expectations made by the Company which reflect management's experience, estimates and perception of historical trends, current conditions, anticipated future developments and other factors believed to be appropriate. Such statements are subject to a number of assumptions, risks and uncertainties, many of which are beyond the control of the Company, which may cause actual results to differ materially from those implied or anticipated in the forward looking statements. These include risks relating to the satisfaction of the conditions to closing of the acquisition, uncertainties as to timing, financial performance and results, our indebtedness under our revolving credit facility, availability of sufficient cash to pay our distributions and execute our business plan, prices and demand for oil, natural gas and natural gas liquids, our ability to replace reserves and efficiently develop our reserves, our ability to make acquisitions on economically acceptable terms and other important factors that could cause actual results to differ materially from those anticipated or implied in the forward looking statements. See "Risk Factors" in the Company's 10-K Annual Report for 2009, Form 10-Q's for 2010 and any other public filings and press releases. Vanguard Natural Resources, LLC undertakes no obligation to publicly update any forward looking statements, whether as a result of new information or future events. This presentation has been prepared as of March 31, 2011.



# Overview of Vanguard Natural Resources

- ➔ **Upstream oil & gas LLC, headquartered in Houston, Texas**
  - Initial Public Offering - "VNR" - October 2007
  - Six strategic acquisitions totaling ~\$730MM expanded geographic profile and commodity diversity
    - The most recent acquisition totaling ~\$380MM
    - VNR is the General Partner of Encore Energy Partners LP (NYSE: ENP) and owns approximately 46% of ENP common units
  - Increased distributions 32% since IPO
- ➔ **Diverse portfolio of mature, long life gas and oil properties, combined with multi-year hedging program provide stable cash flow and support distributions**
  - \*69.3 MMboe total proved reserves, 80% proved developed and 14 year R/P
  - 55% oil / 37% gas / 8% NGLs on a VNR-ENP consolidated basis
  - Approximately 60% of expected oil production hedged through 2014 at floor price of \$85.58 per barrel
  - Approximately 50% of expected natural gas production hedged through 2013 at floor price of \$6.31 per MMbtu

\*Proved reserves as of 12/31/10 based on reserve report prepared by our independent reserve engineers, DeGolyer & MacNaughton (D&M) and 12-month average spot prices; Amounts illustrated reflect ENP's and VNR's proved reserves on a consolidated basis



# Company Profile

Company Profile (in 000's)	VNR	ENP
TOTAL SHARES OUTSTANDING	30,086	45,342 <sup>(1)</sup>
EQUITY MARKET CAP <sup>(2)</sup>	\$953,126	\$1,056,510
TOTAL DEBT	\$351,500	\$234,000
LESS CASH	<u>\$500</u>	<u>\$1,400</u>
<b>ENTERPRISE VALUE</b>	<b>\$1,304,126</b>	<b>\$1,289,110</b>

- (1) VNR owns 20,924,055 ENP common units
- (2) Market pricing as of March 30, 2011; VNR includes 420m Class B units

## ➔ Positive Cash Distribution Coverage

- Quarterly distribution of \$0.56 per unit (\$2.24 annualized) yields approximately 7.1% at current price; ENP's current quarterly distribution is \$0.50 per unit

## ➔ Diverse asset base in mature basins

- Appalachian Basin - SE Kentucky and NE Tennessee
- South Texas - Webb and LaSalle County
- Permian Basin - W Texas, SE New Mexico
- Mississippi - Jones County and Jasper County
- ENP - Four additional basins

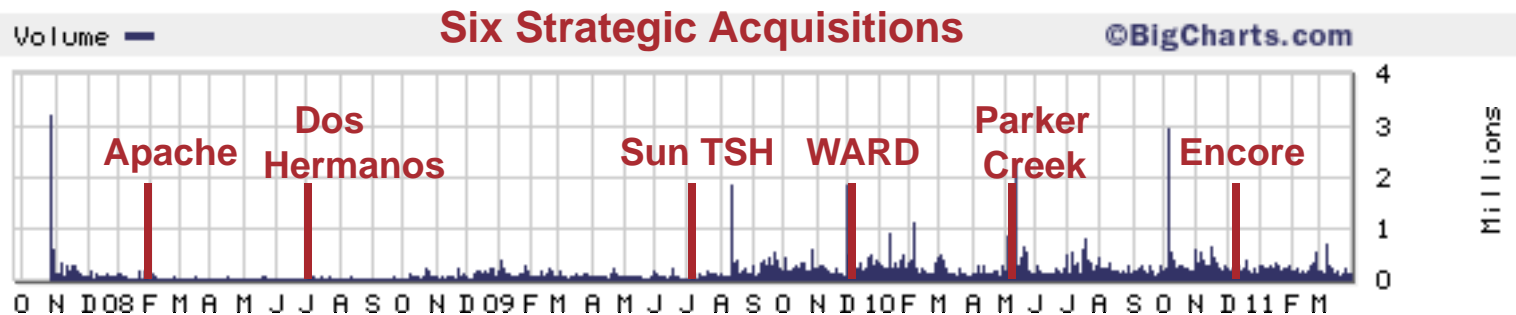
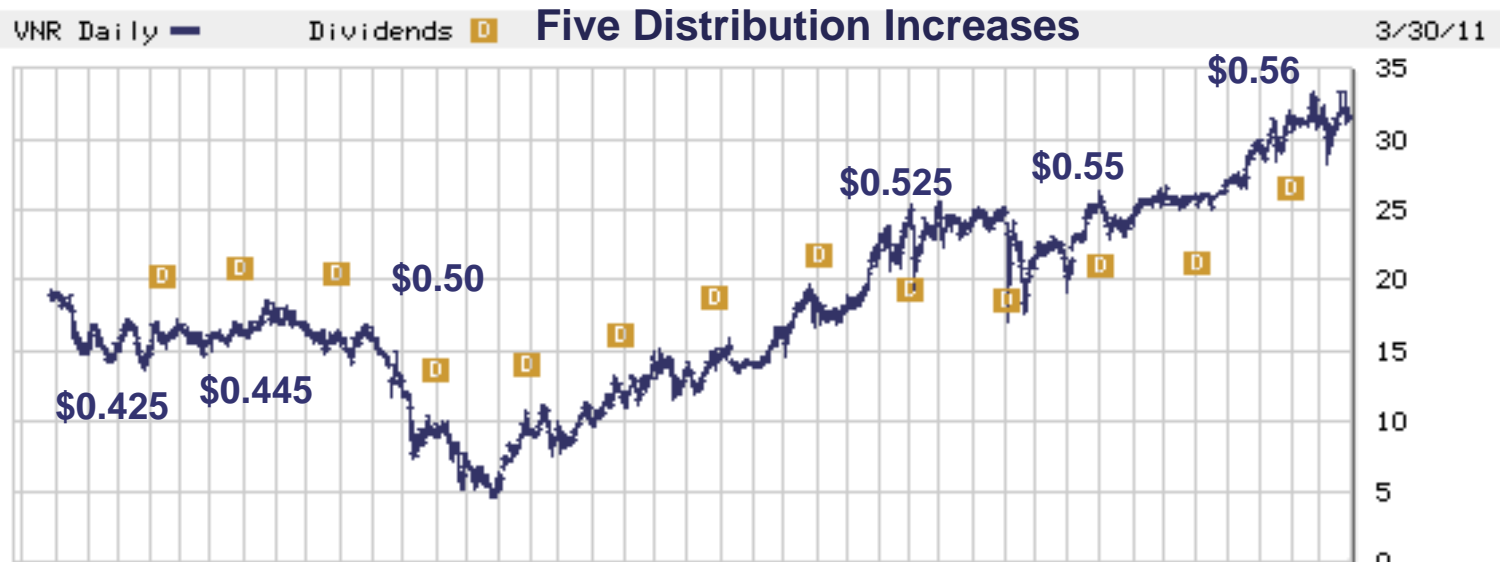


# VNR's Multiple Operating Areas



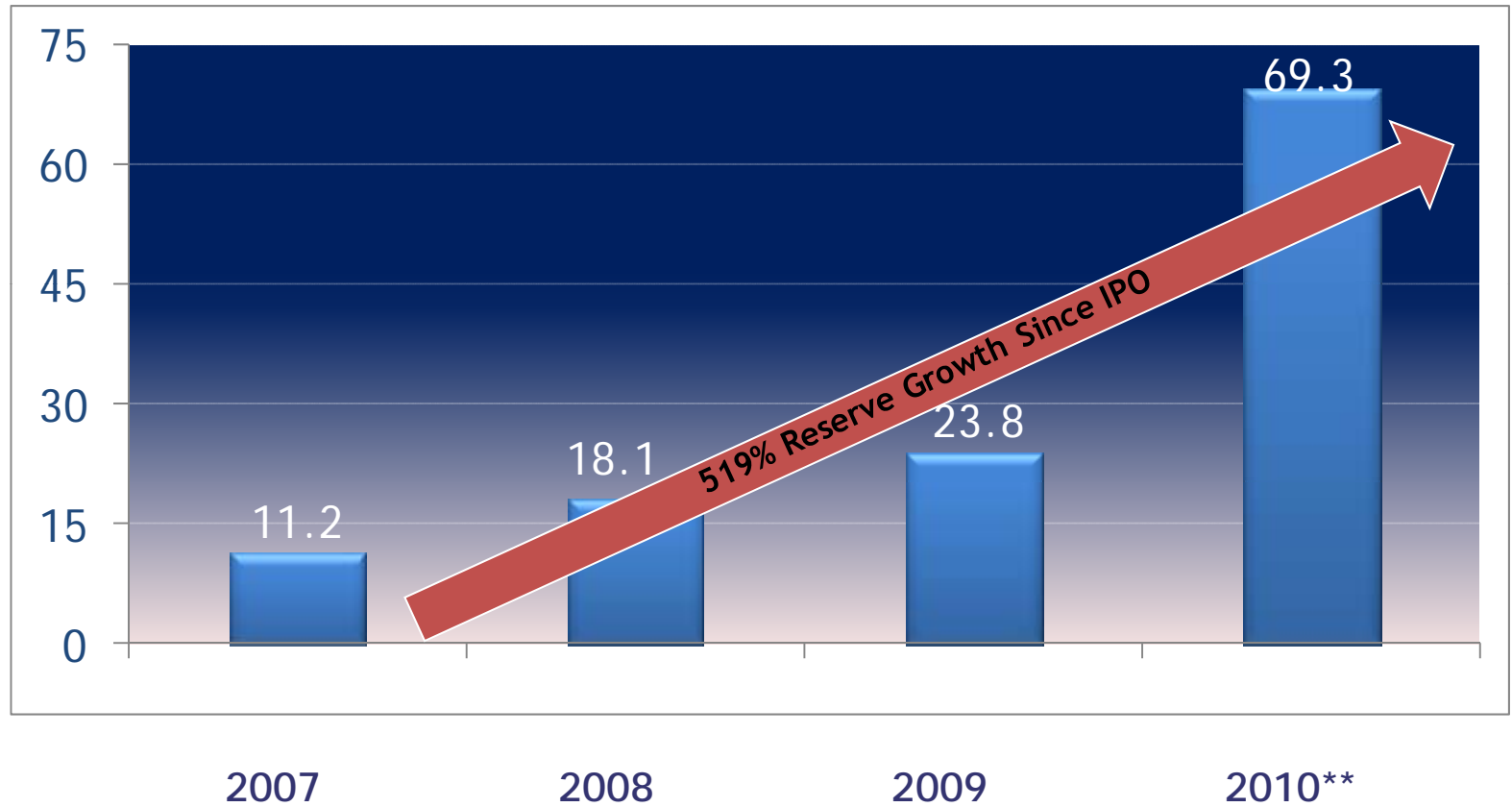
# Unit Price and Distribution History Since IPO

Accretive Acquisitions Increase Cash Flow and Distributions



# Acquisitions Drive Growth

Reserves (MMboe) \*

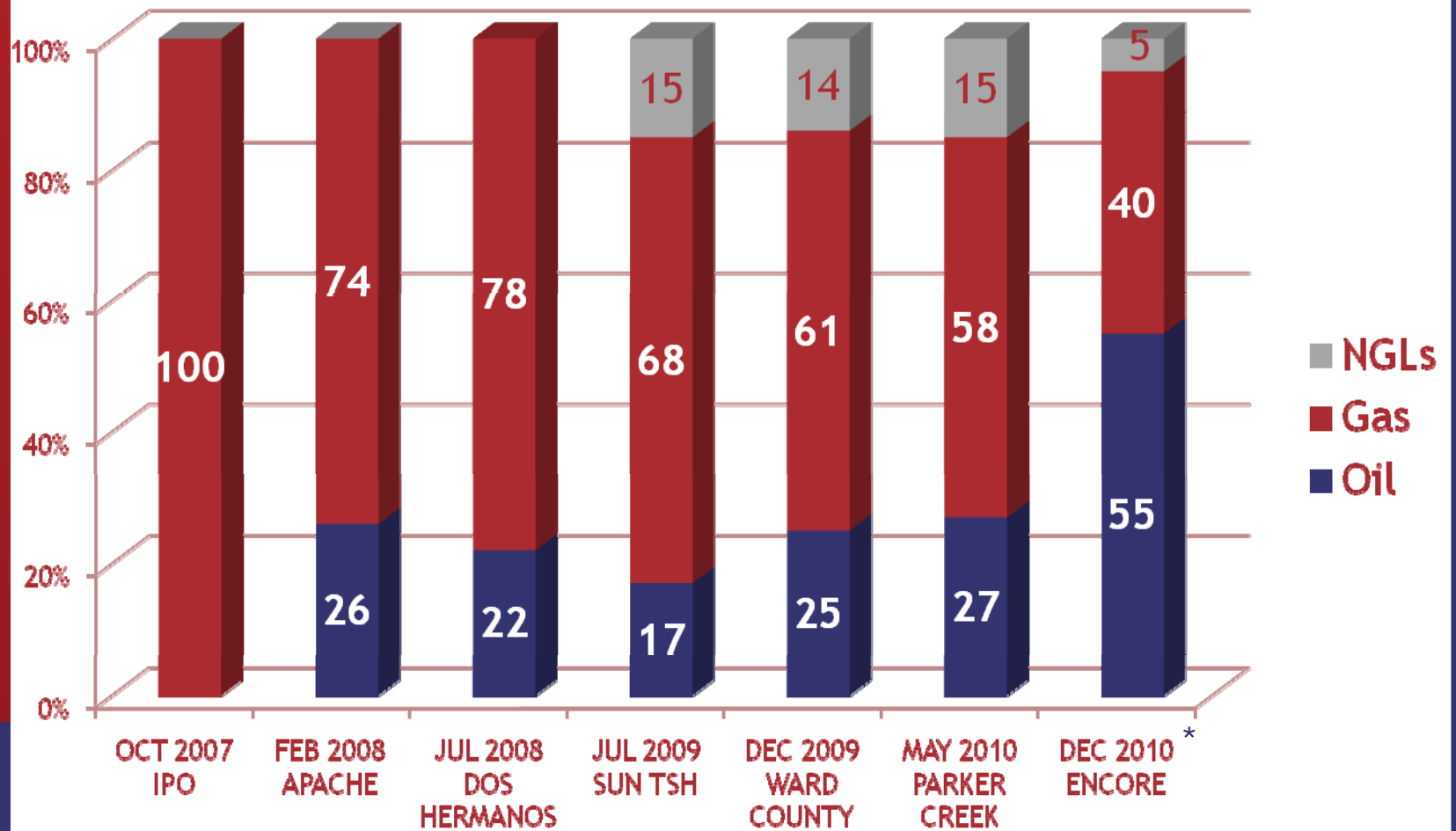


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\*\*Amounts illustrated reflect ENP and VNR proved reserves on a consolidated basis



# Acquisitions Create Commodity Diversification



\*VNR and ENP on a consolidated basis





## Snapshot of Strategic Acquisitions Since IPO

Acquisition	Date	Region	Deal Size	Proved Reserves/ PDP*	Key Features
Apache	Feb 2008	Permian Basin	\$73.4M	4.4 MMBoe 90% PDP	83% oil
Dos Hermanos	Jul 2008	South Texas	\$53.4M	20 Bcfe 65% PDP	98% natural gas
SUN TSH	Jul 2009	South Texas	\$52.3M	27 Bcfe 74% PDP	94% natural gas & NGLs
Ward County	Dec 2009	Permian Basin	\$55.0M	3.2 MMBoe 65% PDP	83% oil
Parker Creek	May 2010	Mississippi, TX & NM	\$114.6M	4.7 MMBoe 90%	96% oil
Encore	Dec 2010	Permian, Williston, Arkoma & Big Horn Basins	\$380.0M	43.4 MMBoe 91% PDP	67% oil & NGLs

(1) Proved reserves and proved developed producing (PDP) numbers are calculated as of the acquisition closing date.



# Snapshot of Strategic Acquisitions Since IPO

- ➔ **Apache (Feb 2008)**
  - First acquisition (3-months post-IPO); diversified commodity mix
- ➔ **DOS Hermanos (July 2008)**
  - Lewis takes 13% ownership in VNR as part of this transaction
  - Acquired from Lewis Energy, largest operator in the Olmos trend; Lewis to operate; VNR assumed natural gas swaps and collars on 85% of estimated gas production
- ➔ **SUN TSH (July 2009)**
  - Another acquisition from Lewis Energy as they monetize assets to focus on Eagle Ford Shale development
  - Lewis operates and conducts PUD drilling program thru 2015
- ➔ **Ward County (Dec 2009)**
  - Increased net oil production by more than 100% in the Permian Basin
  - Hedged approx. 90% of PDP production thru 2013 at weighted average price of \$86.35 / bbl
- ➔ **Parker Creek (May 2010)**
  - Very low operating costs (sub \$5 / bbl) and development costs (\$6.90 / bbl) equate to high margins
- ➔ **Encore (Dec 2010) largest acquisition to date; full details on next page**



# ENP Transaction Rationale

- ➔ **Largest acquisition to date at \$380 million**
- ➔ **Increased exposure to crude oil for VNR unitholders**
- ➔ **Significantly increases size and scale, overall operating reach and cash flow stability**
- ➔ **Improved ability to compete for acquisitions going forward**
- ➔ **Geographic diversification through exposure to the Big Horn Basin, Williston Basin and Arkoma / Mid-Continent**
  - Enhances existing footprint in the Permian Basin
- ➔ **Larger opportunity set for internal growth**
- ➔ **Adds complementary, high-quality asset base characterized by:**
  - Predictable production profiles
  - Low decline rates
  - Long reserve life
  - Modest capital requirements
- ➔ **Immediate accretion to VNR's distributable cash flow**



# ENP Increases Geographic Diversification



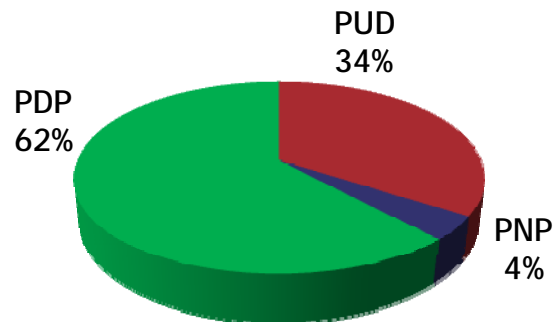
# VNR & ENP Combined Operating Areas



# Proved Reserves by Category

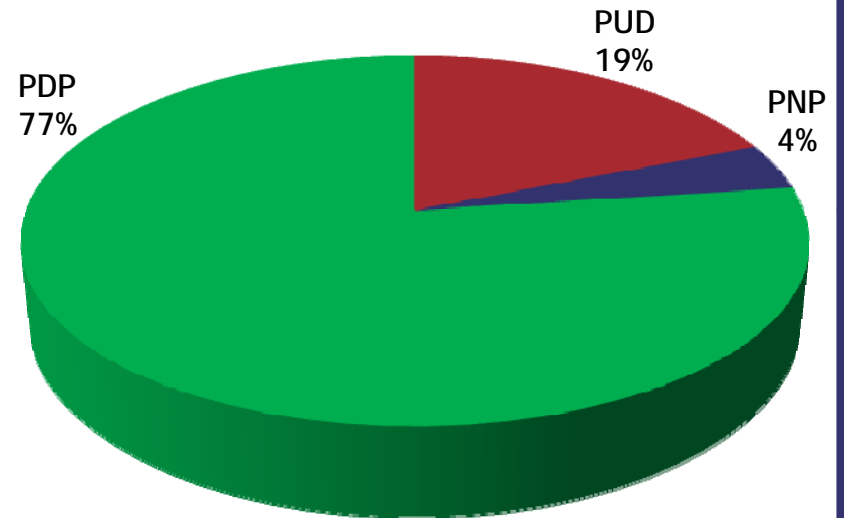
Standalone <sup>(1)</sup> - 28.2 MMBoe

## VNR



Combined <sup>(1)(2)</sup> - 69.3 MMBoe

## VNR + ENP



**Substantial Increase in Size and Scale and Large % of PDP Reserves Provides Added Cash Flow Stability**

(1) Proved reserves as of 12/31/10 based on reserve report prepared by our independent reserve engineers, DeGolyer & MacNaughton (D&M) and 12-month average spot prices

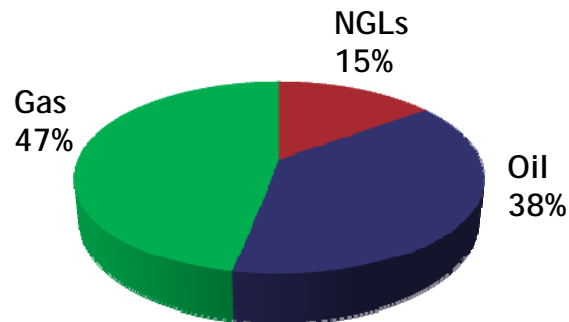
(2) Amounts illustrated reflect ENP's and VNR's proved reserves on a consolidated basis; includes the non-controlling interest of approximately 53.2% as of December 31, 2010



# Proved Reserves by Commodity

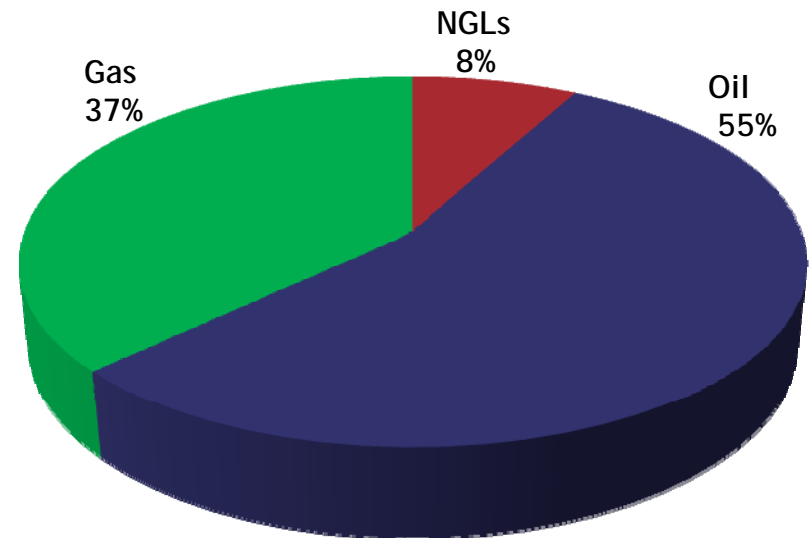
Standalone <sup>(1)</sup> - 28.2 MMBoe

VNR



Combined <sup>(1)(2)</sup> - 69.3 MMBoe

VNR + ENP



Increased Exposure to Crude Oil for VNR Unitholders

(1) Proved reserves as of 12/31/10 based on reserve report prepared by our independent reserve engineers, DeGolyer & MacNaughton (D&M) and 12-month average spot prices

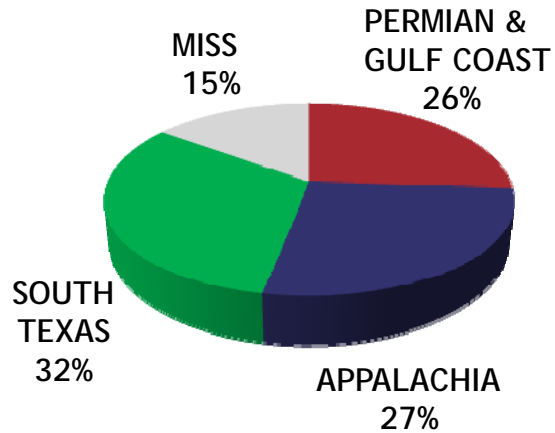
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# Proved Reserves by Area

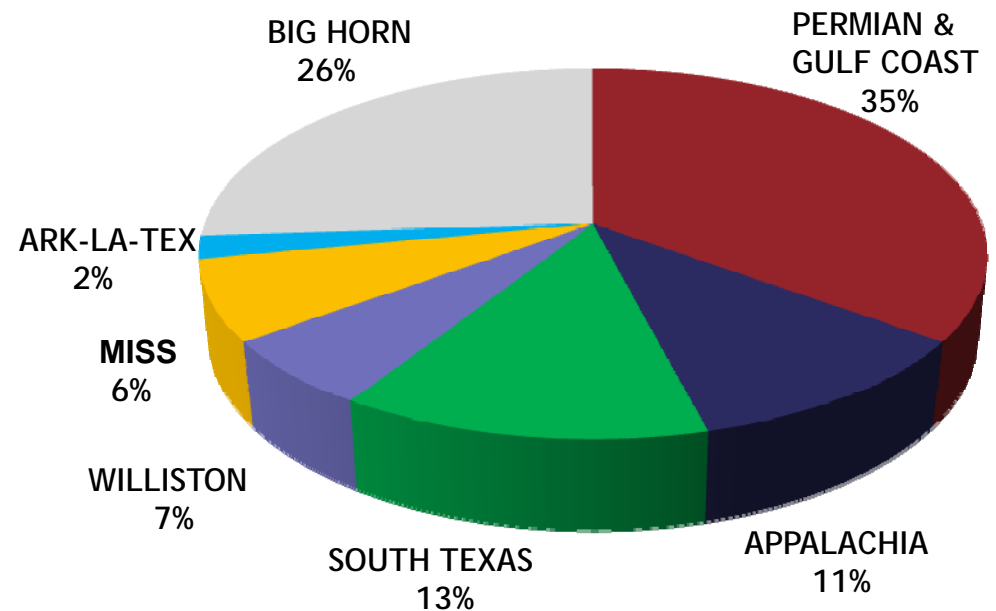
Standalone <sup>(1)</sup> - 28.2 MMBoe

## VNR



Combined <sup>(1)(2)</sup> - 69.3 MMBoe

## VNR + ENP



Adds Significant Geographic Diversification along with Enhanced Presence in the Permian Basin

(1) Proved reserves as of 12/31/10 based on reserve report prepared by our independent reserve engineers, DeGolyer & MacNaughton (D&M) and 12-month average spot prices

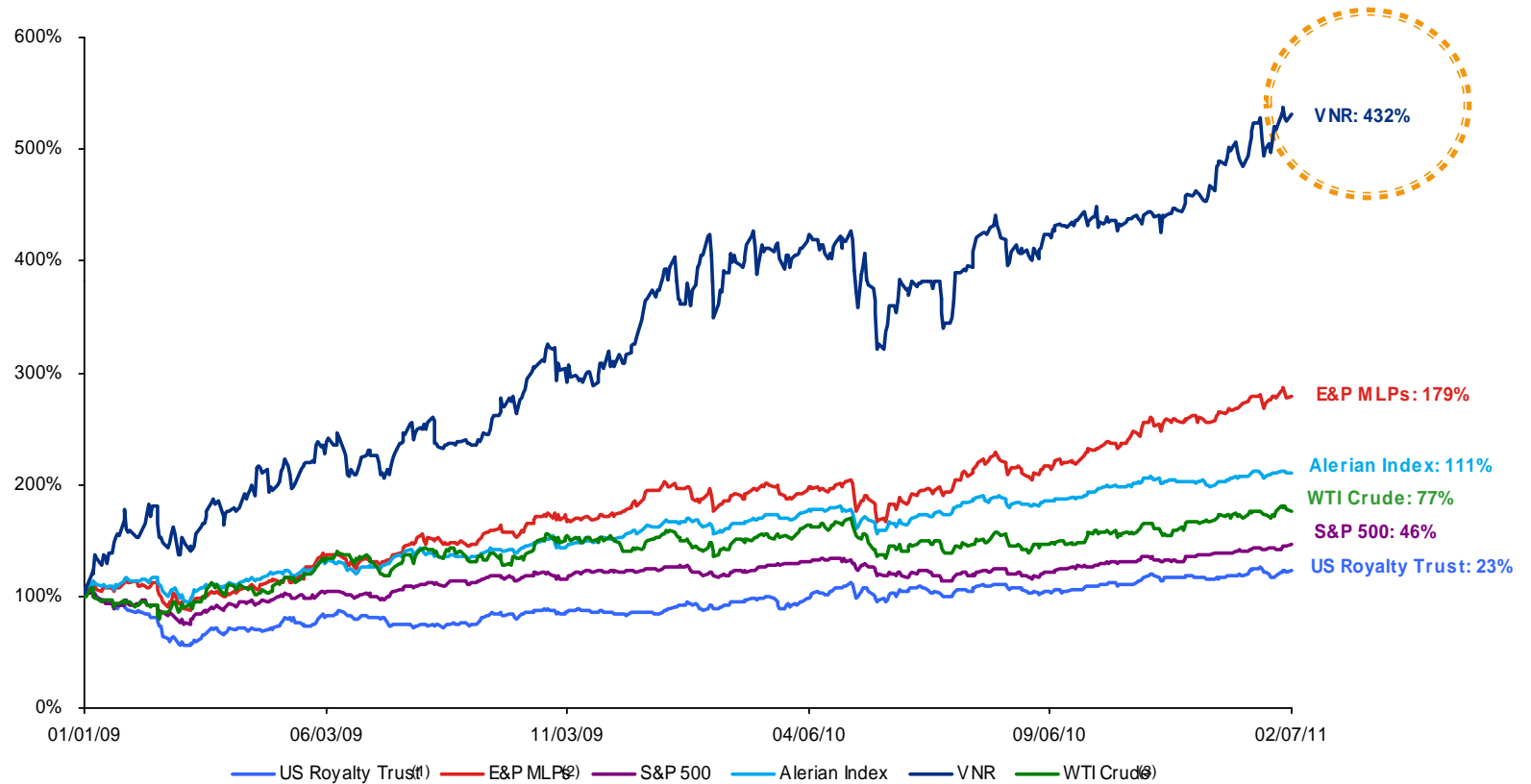
(2) Amounts illustrated reflect ENP's and VNR's proved reserves on a consolidated basis; includes the non-controlling interest of approximately 53.2% as of December 31, 2010





# Price Performance Since 2009

The results have been good. VNR has outperformed US Royalty Trusts, C-Corps and other E&P MLPs. The strategy works.



Note: Market data as of 2/7/2011.

(1) US Royalty Trust Index includes: CRT, HGT, MTR, PBT, SBR and SJT.

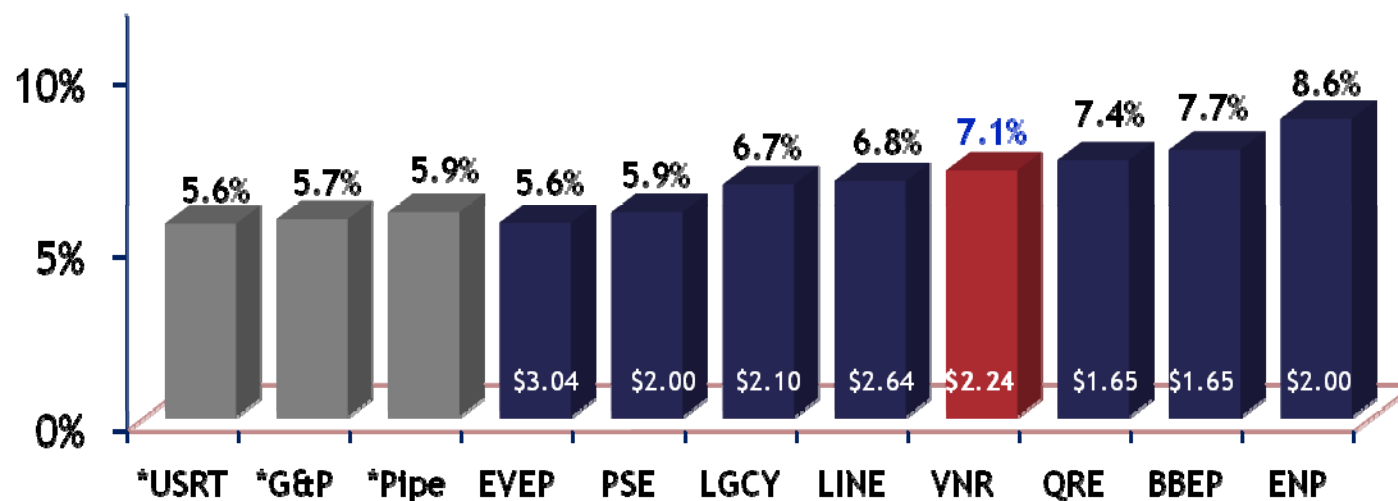
(2) E&P MLP Index includes: BBEP, CEP, EVEP, LGCY, LINE and VNR.

(3) 12 month strip pricing.



# Comparable Company Distribution Yields

## CURRENT DISTRIBUTION YIELDS OF PEER GROUP



\*Pipe - Average Yield of Large Pipeline Companies (BWP, EEP, EPB, EPD, ETP, OKS, SEP, TCLP)

\*G&P - Average Yield of Gathering & Processing Companies (APL, DPM, CPNO, EROC, MWE, NGLS, RGNC, WES, WPZ)

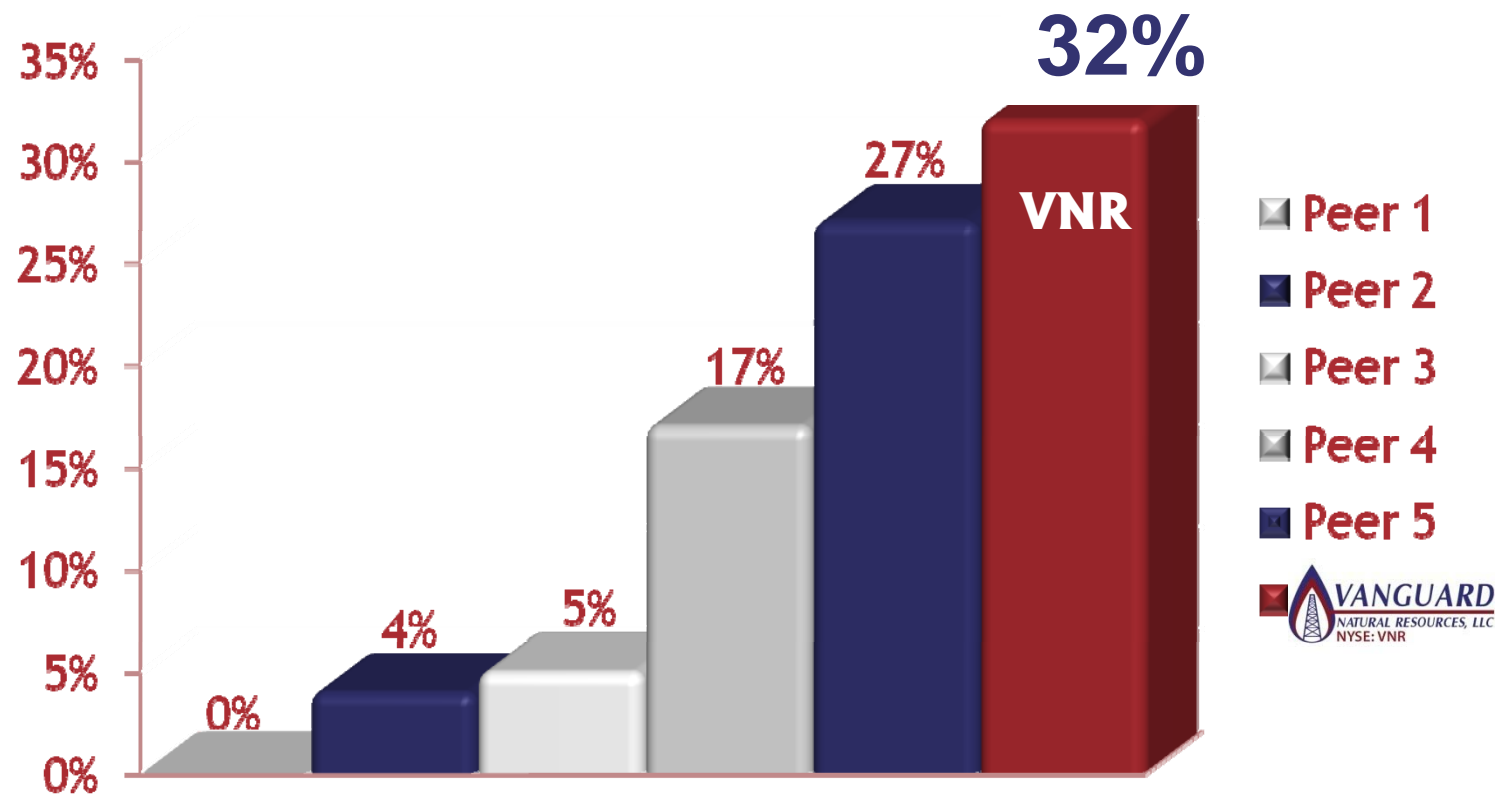
\*USRT - Average Yield of U.S. Royalty Trusts (CRT, HGT, MTR, PBT, SBR and SJT)

Yield calculated using the closing unit price on 3/30/11.



# Comparable Company Distribution Increases

VNR Leads Peer Group in Overall Distribution Growth



Calculations include all quarterly distributions from 2008 thru Feb 2011; distributions for 2011 are annualized





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# FINANCIAL OVERVIEW



## Hedges Mitigate Distribution Risk

- ➔ Approximately 60% of expected **crude oil** production (total proved) through 2014 is hedged via a combination of swaps and collars at a weighted average floor price of \$85.58 per barrel:

	2011	2012	2013	2014
% Hedged	60%	67%	62%	52%
Swaps	35%/\$85.06	48%/\$85.62	60%/\$89.20	52%/\$89.78
Collars	25%/\$80-96.49	19%/\$74.74-\$91.79	2%/\$80-\$100.25	-

- ➔ Approximately 50% of expected **natural gas** production (total proved) through 2013 is hedged via a combination of swaps, collars and puts at a weighted average floor price of \$6.31 per MMBtu:

	2011	2012	2013
% Hedged	85%	40%	25%
Swaps	59%/\$6.89	37%/\$5.69	25%/\$5.10
Collars	16%/\$7.34-\$8.44	-	-
Puts	10%/\$6.31	3%/\$6.76	-

All figures shown includes both VNR and ENP on a 100% consolidated basis.



## Hedged Cash Flow=Stable Distribution Coverage

		2011 Natural Gas Prices (\$/MMBtu)				
		\$2.00	\$3.00	\$4.00	\$5.00	\$6.00
2011 Crude Oil Prices WTI (\$/Barrel)	\$70.00	1.13x	1.14x	1.15x	1.16x	1.17x
	\$80.00	1.25x	1.26x	1.27x	1.28x	1.29x
	\$90.00	1.38x	1.39x	1.40x	1.41x	1.42x
	\$100.00	1.49x	1.50x	1.51x	1.52x	1.53x
	\$110.00	1.56x	1.58x	1.59x	1.60x	1.61x

Existing oil and gas hedges support the distributions in a period of volatile commodity prices



# 2011 Calendar Year Guidance

	VNR 2011 Guidance <sup>(1)</sup>	VNR 2010 Actual	ENP 2011 Guidance <sup>(1)</sup>	ENP 2010 Actual
AVERAGE DAILY PRODUCTION	12,500 to 13,200 <sup>(2)</sup> BOE/day	4,721 BOE/day	7,930 to 8,350 BOE/day	8,766 BOE/day
LEASE OPERATING EXPENSES	\$12.85 to \$13.50 per BOE	\$10.72 per BOE	\$12.85 to \$13.50 per BOE	\$13.45 per BOE
G&A	\$3.00 to \$3.30 per BOE	\$5.88 per BOE	\$3.70 to \$4.00 per BOE	\$3.87 per BOE
CAPITAL EXPENDITURES (in millions)	\$27.0 to \$28.5	\$15.3	\$19.5 to \$21.0	\$6.2
ADJUSTED EBITDA (in millions)	\$140 to \$147	\$80.4	\$120 to \$127	\$124.3

(1) Forecast based on an average WTI Sweet oil price of \$93.51/bbl, an average natural gas NYMEX price of \$4.27 per MMBtu, and an average composite NGL price of \$42.00 per barrel for 2011. No new acquisitions included in forecast.

(2) Includes activity applicable to the non-controlling interest of approximately 53.3% in Encore Energy Partners LP



# Conservative Balance Sheet

(\$ in millions) All figures shown as of 12/31/10

	<u>VNR</u>	<u>ENP</u>
Facility Size	\$400	\$475
Borrowing Base	\$225	\$375
Amount Outstanding	\$177	\$234
<b>Borrowing Availability</b>	<b>\$ 48</b>	<b>\$141</b>
Maturity Date	October 1, 2012	March 7, 2012
Interest Rate Pricing	L + 225-300 bps	L + 225-300 bps
<u>Interest Rate Hedges</u> as of 1/31/11		
2011 Notional Amount	\$60	\$50
Weighted Average Fixed Rate	2.80%	2.42%
2012 Notional Amount	\$115 <sup>(1)</sup>	\$50 <sup>(2)</sup>
Weighted Average Fixed Rate	2.63%	2.42%
2013 and later Notional Amounts	\$55 <sup>(3)</sup>	-
Weighted Average Fixed Rate	2.21%	-

(1) \$60 million January through August 2012; additional \$55 million starts August 2012

(2) Expires March 2012

(3) \$25 million expires August 2014





## Advantages of Vanguard's LLC Structure

Characteristics	VNR	ENP	Typical MLP	Typical Corporation
Non-Taxable Entity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No
Tax Shields on Distributions/ Dividends	<input checked="" type="checkbox"/> Distribution	<input checked="" type="checkbox"/> Distribution	<input checked="" type="checkbox"/> Distribution	Taxable Dividend
Tax Reporting	Schedule K-1	Schedule K-1	Schedule K-1	Form 1099
General Partner	No	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No
Incentive Distribution Rights (IDRs)	No	No	<input checked="" type="checkbox"/> Up to 50%	No
Attractive Estate Planning Tool	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	No

# Key Investor Considerations

- ➔ **Management and unitholders are well aligned**
- ➔ **High quality, long lived reserves**
- ➔ **Asset base generates stable cash flow**
- ➔ **Multi-year hedge program mitigates commodity risk**
- ➔ **Geographic and commodity diversity**
- ➔ **LLC structure gives unitholders a voice**
- ➔ **Attractive distribution yield**
- ➔ **Profitably grow company and increase distribution**