UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

CURRENT REPORT
Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **September 16, 2011 (June 23, 2011)**

Vanguard Natural Resources, LLC

(Exact name of registrant as specified in its charter)

DELAWARE	**001-33756**	**61-1521161**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

5847 San Felipe, Suite 3000
Houston, Texas 77057
(Address of principal executive offices) (Zip Code)

Registrant’s telephone number, including area code **(832) 327-2255**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

On June 23, 2011, Vanguard Natural Resources, LLC ("Vanguard" or the "Company") filed a Current Report on Form 8-K ("the Original 8-K") announcing that its wholly-owned subsidiary, Vanguard Permian, LLC, together with Encore Energy Partners LP, had entered into two Purchase and Sale Agreements, dated June 22, 2011, with a private seller ("Seller") (the "PSAs") to purchase producing oil and natural gas properties in the Permian Basin of West Texas (the "Properties") for approximately $42.5 million each. As reported in a Current Report on Form 8-K filed on August 3, 2011, these transactions were consummated on July 29, 2011. This current report on Form 8-K/A amends and restates Item 9.01 of the Original 8-K in its entirety to provide the information required by Item 9.01 of Form 8-K.

Item 9.01. *Financial Statements and Exhibits.*

(a) Financial Statements of Business Acquired

The audited statement of revenues and direct operating expenses for the Properties for the year ended December 31, 2010 and the unaudited statement of revenues and direct operating expenses for the Properties for the six months ended June 30, 2011 and 2010 is filed as Exhibit 99.1 hereto and incorporated herein by reference.

(b) The following unaudited combined pro forma financial information of the Company and the notes thereto are included in Exhibit 99.2 hereto and are incorporated herein by reference:

- Unaudited pro forma combined balance sheet as of June 30, 2011;
- Unaudited pro forma combined statement of operations for the six months ended June 30, 2011; and
- Unaudited pro forma combined statement of operations for the year ended December 31, 2010.

(c) The summary pro forma combined oil, natural gas and natural gas liquids reserve data is included in Exhibit 99.3 hereto and incorporated herein by reference:

(d) Exhibits.

EXHIBIT NUMBER	DESCRIPTION
Exhibit 10.1	Purchase and Sale Agreement, dated June 22, 2011 among Vanguard Permian, LLC and Encore Energy Partners Operating, LLC and EnerVest Institutional Fund X-A, L.P. and EnerVest Institutional Fund X-WI, L.P. (incorporated by reference to the Company's Current Report on Form 8-K (File No. 001-33756) filed on June 23, 2011).
Exhibit 23.1	Consent of BDO USA, LLP
Exhibit 99.1	Statements of Revenues and Direct Operating Expenses of the Oil and Gas Properties Vanguard Natural Resources, LLC purchased on July 29, 2011 from Private Seller for the year ended December 31, 2010 and for the six months ended June 30, 2011 and 2010.
Exhibit 99.2	Unaudited pro forma combined financial information of Vanguard Natural Resources, LLC as of June 30, 2011 for the six months ended June 30, 2011 and for the year ended December 31, 2010.
Exhibit 99.3	Summary Pro Forma Combined Oil, Natural Gas and Natural Gas Liquids Reserve Data

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

VANGUARD NATURAL RESOURCES, LLC

	By:	/s/ Richard A. Robert
	Name:	Richard A. Robert
	Title:	Executive Vice President and Chief Financial Officer
September 16, 2011		(Principal Financial Officer and Principal Accounting Officer)

EXHIBIT INDEX

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EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

Vanguard Natural Resources, LLC
Houston, TX

We hereby consent to the incorporation by reference in the Registration Statements of Vanguard Natural Resources, LLC (the "Company") on Form S-3 (No. 333-159911, effective August 5, 2009 and No. 333-168177 effective August 16, 2010) and Form S-8 (No. 333-152448, effective July 22, 2008) of our report dated September 16, 2011, relating to the statement of revenues and direct operating expenses of the properties acquired from a private seller for the year ended December 31, 2010, which appears in this Form 8-K/A.

/s/ BDO USA, LLP

Houston, TX
September 16, 2011

EXHIBIT 99.1

STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES
OF THE OIL AND GAS PROPERTIES VANGUARD NATURAL RESOURCES, LLC
PURCHASED ON JULY 29, 2011 FROM PRIVATE SELLER

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Members
Vanguard Natural Resources, LLC
Houston, Texas

We have audited the accompanying statement of revenues and direct operating expenses (the "financial statements") of the oil and gas properties purchased on July 29, 2011 (the "Properties") by Vanguard Permian, LLC (the "Company"), a wholly-owned subsidiary of Vanguard Natural Resources, LLC, from a private seller (the "Private Seller") for the year ended December 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Properties are not required to have, nor were we engaged to perform an audit of their internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Properties' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements were prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in Vanguard Natural Resources, LLC's Form 8-K/A and are not intended to be a complete presentation of the results of operations of the Properties.

In our opinion, the statement of revenues and direct operating expenses referred to above presents fairly, in all material respects, the revenues and direct operating expenses of the oil and gas properties purchased on July 29, 2011 by Vanguard Permian, LLC from the Private Seller for the year ended December 31, 2010, in conformity with accounting principles generally accepted in the United States of America.

/s/ BDO USA, LLP

Houston, Texas
September 16, 2011

STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES OF THE OIL AND GAS PROPERTIES VANGUARD NATURAL RESOURCES, LLC PURCHASED ON JULY 29, 2011 FROM PRIVATE SELLER

(in thousands)

	For the Six Months Ended June 30,		For the Year Ended December 31,
	2011	**2010**	**2010**
	(Unaudited)		
Revenues	$ 9,385	$ 9,079	$ 17,521
Direct operating expenses:			
Production taxes	(548)	(517)	(987)
Lease operating expense	(2,504)	(2,249)	(4,796)
Total direct operating expenses	(3,052)	(2,766)	(5,783)
Excess of revenues over direct operating expenses	$ 6,333	$ 6,313	$ 11,738

The accompanying notes are an integral part of these financial statements

STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES OF THE OIL AND GAS PROPERTIES VANGUARD NATURAL RESOURCES, LLC PURCHASED ON JULY 29, 2011 FROM PRIVATE SELLER

Notes to the Financial Statements

Note 1: THE PROPERTIES

On June 23, 2011, Vanguard Natural Resources, LLC ("Vanguard" or the "Company") filed a Current Report on Form 8-K announcing that its wholly-owned subsidiary, Vanguard Permian, LLC, together with Encore Energy Partners LP, had entered into two Purchase and Sale Agreements, dated June 22, 2011, with a private seller ("Private Seller") (the "PSAs") to purchase producing oil and natural gas properties in the Permian Basin of West Texas (the "Properties") for approximately $42.5 million in cash, each, subject to adjustment. As reported in a Current Report on Form 8-K filed on August 3, 2011, the closing of this transaction was completed on July 29, 2011 for an aggregate adjusted purchase price of $81.4 million, subject to customary post-closing adjustments.

Note 2: BASIS OF PRESENTATION

During the periods presented, the Properties were not accounted for or operated as a separate division by the Private Seller. Certain costs, such as depreciation, depletion and amortization, interest, accretion, general and administrative expenses, and corporate income taxes were not allocated to the individual properties. Accordingly, full separate financial statements prepared in accordance with accounting principles generally accepted in the United States do not exist and are not practicable to obtain in these circumstances.

Revenues and direct operating expenses included in the accompanying financial statements represent Vanguard's net working interest in the properties acquired for the year ended December 31, 2010 and the six months ended June 30, 2011 and 2010 and are presented on the accrual basis of accounting. The revenues and direct operating expenses presented herein relate only to the interests in the producing oil and natural gas properties acquired and do not represent all the oil and natural gas operations of the Private Seller, the other owners, or other third party working interest owners. Depreciation, depletion and amortization, interest, accretion, general and administrative expenses and corporate income taxes have been excluded. The financial statements presented are not indicative of the results of operations of the properties described above going forward due to changes in the business, including new commodity derivative contracts and inclusion of the above mentioned expenses.

The statements of revenues and direct operating expenses of the acquired properties for the six months ended June 30, 2011 and 2010 are unaudited. In the opinion of the Company's management, such statements include the adjustments and accruals which are necessary for a fair presentation of results for the properties to be acquired. These interim results are not necessarily indicative of results for a full year.

The Company reviewed events occurring after the date of the latest financial statement which could affect the Properties financial position and/or results of operations for the period. The Company reviewed and evaluated events through September 16, 2011, the date these financial statements were issued.

Note 3: COMMITMENTS AND CONTINGENCIES

Pursuant to the terms of the Purchase and Sale Agreement between the Company and the Private Seller, any claims, litigation or disputes pending as of the effective date (May 1, 2011) or any matters arising in connection with ownership of the Properties prior to the effective date are retained by the Private Seller. Notwithstanding this indemnification, the Company is not aware of any legal, environmental or other commitments or contingencies that would have a material effect on the statements of revenues and direct operating expenses.

STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES
OF THE OIL AND GAS PROPERTIES VANGUARD NATURAL RESOURCES, LLC
PURCHASED ON JULY 29, 2011 FROM PRIVATE SELLER

SUPPLEMENTAL OIL AND GAS INFORMATION

(UNAUDITED)

OIL AND GAS RESERVE INFORMATION

Proved oil and gas reserve quantities are based on internal estimates prepared by Vanguard and from information provided by the Private Seller, in accordance with guidelines established by the Securities and Exchange Commission.

There are numerous uncertainties inherent in estimating quantities of proved reserves and projecting future rates of production and timing of development expenditures. The following reserve data represents estimates only and should not be construed as being exact.

(*in thousands*)

	Natural Gas	**Crude Oil**	**Natural Gas Liquids**
	(MMcf)	(Mbbl)	(Mbbl)
Total proved reserves:			
Balance, December 31, 2009	26,434	1,397	76
Revisions of previous estimates	5,583	295	(9)
Production	(1,593)	(70)	(3)
Balance, December 31, 2010	30,424	1,622	64
Proved developed	28,621	1,398	64
Proved undeveloped	1,803	224	—
Balance, December 31, 2010	30,424	1,622	64

STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES
OF THE OIL AND GAS PROPERTIES VANGUARD NATURAL RESOURCES, LLC
PURCHASED ON JULY 29, 2011 FROM PRIVATE SELLER

SUPPLEMENTAL OIL AND GAS INFORMATION

(UNAUDITED)

FUTURE NET CASH FLOWS

The standardized measure of discounted future net cash flows relating to proved oil and natural gas reserves (Standardized Measure) is a disclosure requirement under Accounting Standards Codification (ASC) 932. The Standardized Measure does not purport to be, nor should it be interpreted to present, the fair market value of the proved oil and natural gas reserves of the properties acquired by Vanguard, but does present a standardized disclosure concerning possible future net cash flows that would result under the assumptions used. An estimate of fair market value would also take into account, among other things, the recovery of reserves not presently classified as proved, the value of unproved properties, and consideration of expected future economic and operating conditions.

Future cash inflows are based on the applicable historical oil and natural gas prices.

For the December 31, 2010 calculation in the following table, estimated future cash inflows were computed using 2010 12-month unweighted average first-day-of-the-month prices of $79.43 per barrel of oil and $4.38 per MMBtu for natural gas with no escalation in future years. Operating costs, production and ad valorem taxes and future development costs are based on current costs with no escalation in future years. The estimated future net cash flows are then discounted at a rate of 10%. No deduction has been made for general and administrative expenses, interest expense, depreciation, depletion and amortization or for federal or state income taxes. Future income tax expense has not been computed as Vanguard is not a tax paying entity.

The following table sets forth unaudited information concerning future net cash flows for oil and natural gas reserves associated with the Properties.

(in thousands)	At December 31, 2010
Future cash inflows	$ 340,208
Future production costs	(139,964)
Future development costs	(7,578)
Future net cash flows	192,666
10 percent annual discount for estimated timing of cash flows	(109,945)
Discounted future net cash flows	$ 82,721

STATEMENTS OF REVENUES AND DIRECT OPERATING EXPENSES
OF THE OIL AND GAS PROPERTIES VANGUARD NATURAL RESOURCES, LLC
PURCHASED ON JULY 29, 2011 FROM PRIVATE SELLER

SUPPLEMENTAL OIL AND GAS INFORMATION

(UNAUDITED)

The following table sets forth the principal sources of change in discounted future net cash flows associated with the Properties for the year ended December 31, 2010 *(in thousands)*.

Beginning of Year	$ 53,594
Sales, net of production costs	(11,738)
Net change in prices and production costs	22,433
Previously estimated development costs incurred during the period	11,808
Accretion of discount	5,359
Revision of quantity estimates	16,188
Change in production rates, timing and other	(14,923)
End of Year	$ 82,721

EXHIBIT 99.2

Vanguard Natural Resources, LLC and Subsidiaries

Unaudited Pro Forma Combined Financial Information

On December 31, 2010, Vanguard completed an acquisition pursuant to a purchase agreement with Denbury Resources Inc. ("Denbury"), Encore Partners GP Holdings LLC, Encore Partners LP Holdings LLC and Encore Operating, L.P. (collectively, the "Selling Parties" and, together with Denbury, the "Selling Parties") to acquire all of the member interests in Encore GP and 20,924,055 common units representing limited partner interests in Encore, representing, with the general partner interest owned by Encore GP consisting of 504,851 general partner units, a 46.7% aggregate equity interest in Encore (the "Encore Sponsor Interest Acquisition"). As consideration for the purchase, Vanguard paid $300.0 million in cash and issued 3,137,255 Vanguard common units, valued at approximately $93 million.

On July 11, 2011, Vanguard and Encore announced the execution of a definitive agreement that would result in a merger whereby Encore would become a wholly-owned subsidiary of VNG, through a unit-for-unit exchange (the "Merger"). Under the terms of the definitive merger agreement, Encore's public unitholders would receive 0.75 Vanguard common units in exchange for each Encore common unit they own at closing. The transaction would result in approximately 18.4 million additional common units being issued by Vanguard. The terms of the definitive merger agreement were unanimously approved by the members of the Encore Conflicts Committee, who negotiated the terms on behalf of Encore and is comprised solely of independent directors. The members of the Vanguard Conflicts Committee, which is also comprised solely of independent directors, negotiated the terms on behalf of Vanguard and also voted unanimously in favor of the Merger. The completion of the merger is subject to approval by a majority of the outstanding Encore common units. As of July 11, 2011,Vanguard's operating company, VNG, owns Encore's general partner and approximately 46.0% of the Encore outstanding common units and has also executed the definitive merger agreement between Vanguard and Encore. The completion of the merger is also subject to the approval of the issuance of additional Vanguard common units in connection with the merger by the affirmative vote of a majority of the votes cast by Vanguard unitholders.

On June 22, 2011, Vanguard and Encore entered into two Purchase and Sale Agreements to acquire producing oil and natural gas assets in the Permian Basin in West Texas (the "Purchased Assets") from an undisclosed seller ("the Permian Basin acquisition"). Vanguard and Encore each agreed to purchase 50% of the Purchased Assets for $42.5 million and each paid the seller a non-refundable deposit of $4.25 million. This acquisition was completed on July 29, 2011 for an aggregate adjusted purchase price of $81.4 million, subject to customary post-closing adjustments to be determined. The effective date of this acquisition is May 1, 2011. The purchase price was funded with borrowings under Vanguard's reserve-based credit facility.

The following unaudited pro forma combined financial information is based on the historical consolidated financial statements of Vanguard and Encore, adjusted to reflect the Merger of Vanguard and Encore and the Encore Sponsor Interest Acquisition, which includes the Vanguard common unit offering completed in October 2010, the issuance of Vanguard's common units to Denbury, and other financing transactions. In addition, Vanguard's historical balance sheet as of June 30, 2011 has been adjusted to include the pro forma effect of the Permian Basin acquisition as presented in Note 2 to the unaudited pro forma combined financial information. Vanguard's historical consolidated statement of operations for the year ended December 31, 2010 and the six months ended June 30, 2011 have also been adjusted to give pro forma effect to the Parker Creek acquisition completed during May 2010 and the Permian Basin acquisition completed during July 2011 as presented in Notes 3 and 4 to the unaudited pro forma combined financial information.

The unaudited pro forma combined financial statements give effect to the events set forth below:

- The December 2010 Encore Sponsor Interest Acquisition.
- The issuance of approximately 18.4 million Vanguard common units to Encore's public unitholders in exchange for each Encore common unit they own at the closing of the Merger.
- The elimination of transaction costs incurred in the Encore Sponsor Interest Acquisition.
- The elimination of certain general and administrative expenses resulting from Encore not being a separate public company after the completion of the Merger.
- Adjustments to conform the classification of revenues and expenses in Encore's historical statements of operations to Vanguard's classification of similar revenues and expenses.
- Adjustments to conform Encore's historical accounting policies related to oil and natural gas properties from successful efforts to full cost accounting.
- Adjustments to interest expense related to borrowings under Vanguard's term loan and reserve-based credit facility to fund the Encore Sponsor Interest Acquisition.
- Adjustments for the Vanguard common units issued in the October 2010 equity offering and issued to Denbury in connection with the Encore Sponsor Interest Acquisition.
- Vanguard's Permian Basin acquisition completed during July 2011 and the increase in borrowings under Vanguard's reserve-based credit facility to finance the acquisition.
- Vanguard's Parker Creek acquisition completed during May 2010 and the effect of the related equity offering.
- The elimination of a nonrecurring loss related to Vanguard's Parker Creek acquisition.

The unaudited pro forma combined balance sheet gives effect to the Merger and the Permian Basin acquisition as if they had occurred on June 30, 2011. The unaudited pro forma combined statements of operations combine the results of operations of Vanguard and Encore for the year ended December 31, 2010 and the six months ended June 30, 2011, as if the Merger, the Encore Sponsor Interest Acquisition, the Permian Basin acquisition completed during July 2011 and the Parker Creek acquisition completed during May 2010 (see Note 4) had occurred on January 1, 2010.

The unaudited pro forma combined financial information should be read in conjunction with Encore's and Vanguard's Forms 10-K for the year ended December 31, 2010 and Encore's and Vanguard's Forms 10-Q for the quarter ended June 30, 2011.

The unaudited pro forma combined financial information is for informational purposes only and is not intended to represent or to be indicative of the combined results of operations or financial position that Vanguard would have reported had the Merger, the Encore Sponsor Interest Acquisition, the Permian Basin acquisition and the Parker Creek acquisition been completed as of the dates set forth in this unaudited pro forma combined financial information and should not be taken as indicative of Vanguard's future combined results of operations or financial position. The actual results may differ significantly from that reflected in the unaudited pro forma combined financial information for a number of reasons, including, but not limited to, differences between the assumptions used to prepare the unaudited pro forma combined financial information and actual results.

Unaudited Pro Forma Combined
Balance Sheet as of June 30, 2011
(In thousands)

	Vanguard historical	Pro forma adjustments Permian Basin Acquisition (Note 2)	Vanguard pro forma	Pro forma adjustments Encore merger (Note 2)	Vanguard pro forma combined
Current assets					
Cash and cash equivalents	$ 5,460	$ 66,000[a]			
		9,965[a]			
		(81,425)[b]	$ —	$ —	$ —
Trade accounts receivables, net	37,664	—	37,664	—	37,664
Derivative assets	6,146	—	6,146	—	6,146
Other current assets	1,681	562[b]	2,243	—	2,243
Total current assets	50,951	(4,898)	46,053		46,053
Oil and natural gas properties, at cost	1,327,202	84,579[b]	1,411,781	—	1,411,781
Accumulated depletion, amortization and accretion	(289,444)	—	(289,444)	—	(289,444)
Oil and natural gas properties evaluated, net (see Note 1)	1,037,758	84,579	1,122,337	—	1,122,337
Other assets					
Goodwill	420,955	—	420,955	—	420,955
Other intangible assets, net	8,927	—	8,927	—	8,927
Deferred financing costs	3,772	—	3,772	—	3,772
Other assets	12,952	—	12,952	—	12,952
Total assets	$1,535,315	$ 79,681	$1,614,996	$ —	$1,614,996
Liabilities and members' equity					
Current liabilities					
Accounts payable:					
Trade	$ 2,524	$ 9,965[a]	$ 12,489	$ —	$ 12,489
Affiliate	1,402	—	1,402	—	1,402
Accrued liabilities:					
Lease operating	5,718	—	5,718	—	5,718
Developmental capital	1,395	—	1,395	—	1,395
Interest	509	—	509	—	509
Production taxes and marketing	13,480	409[b]	13,889	—	13,889
Derivative liabilities	11,935	—	11,935	—	11,935
Deferred swap premium liability	1,127	—	1,127	—	1,127
Oil and natural gas revenue payable	973	—	973	—	973
Other	4,228	—	4,228	—	4,228
Current portion, long-term debt	405,000	—	405,000	—	405,000
Total current liabilities	448,291	10,374	458,665	—	458,665
Long-term debt	185,000	66,000[a]	251,000	—	251,000
Derivative liabilities	55,684	—	55,684	—	55,684
Asset retirement obligations	29,992	3,964[b]	33,956	—	33,956
Other long-term liabilities	847	—	847	—	847
Total liabilities	719,814	80,338	800,152	—	800,152
Members' equity					
Members' capital	287,329	(481)[b]	286,848	524,704[c]	811,552
Class B units	4,691	—	4,691	—	4,691
Accumulated other comprehensive loss	(1,399)	—	(1,399)	—	(1,399)
Total Vanguard members' equity	290,621	(481)[b]	290,140	524,704	814,844
Non-controlling interest	524,880	(176)[b]	524,704	(524,704)[c]	—
Total members' equity	815,501	(657)[b]	814,844	—	814,844
Total liabilities and members' equity	$1,535,315	$ 79,681	$1,614,996	$ —	$1,614,996

Unaudited Pro Forma Combined
Statement of Operations
for the Six Months Ended June 30, 2011

	Vanguard historical	Pro forma adjustments Permian Basin Acquisition (Note 3)	Vanguard pro forma	Pro forma adjustments Encore merger (Note 3)	Vanguard pro forma combined
	(In thousands, except per unit amounts)				
Revenues:					
Oil, natural gas and natural gas liquids sales	$ 152,410	$ 9,385[(a)]	$ 161,795	$ —	$ 161,795
Loss on commodity cash flow hedges	(1,672)	—	(1,672)	—	(1,672)
Realized gain on other commodity derivative contracts	2,572	—	2,572	—	2,572
Unrealized loss on other commodity derivative contracts	(41,014)	—	(41,014)	—	(41,014)
Total revenues	112,296	9,385	121,681	—	121,681
Costs and Expenses					
Production:					
Lease operating expenses	28,567	3,052[(b)]	31,619	—	31, 619
Production and other taxes	13,626	—	13,626	—	13,626
Depreciation, depletion, amortization and accretion	41,378	2,873[(c)]	44,251	—	44,251
Selling, general and administrative expenses	11,107	—	11,107	(869)[(e)]	10,238
Total costs and expenses	94,678	5,925	100,603	(869)	99,734
Income from operations	17,618	3,460	21,078	869	21,947
Other income and (expense)	—	—	—	—	—
Interest expense	(13,628)	(950)[(d)]	(14,578)	—	(14,578)
Realized loss on interest rate derivative contracts	(1,505)	—	(1,505)	—	(1,505)
Unrealized gain on interest rate derivative contracts	299	—	299	—	299
Loss on acquisition of oil and natural gas properties	(870)	—	(870)	—	(870)
Other income	6	—	6	—	6
Total other expense	(15,698)	(950)	(16,648)	—	(16,648)
Net income	1,920	2,510	4,430	869	5,299
Net income attributable to non-controlling interest	533	670	1,203	(1,203)[(f)]	—
Net income attributable to Vanguard unitholders	$ 1,387	$ 1,840	$ 3,227	$ 2,072	$ 5,299
Net income per Common and Class B unit					
Basic & diluted	$ 0.05		$ 0.11		$ 0.11
Weighted average units outstanding					
Common units – basic	29,768	—	29,768	18,424[(g)]	48,192
Common units – diluted	29,834	—	29,834	18,424[(g)]	48,258
Class B units – basic & diluted	420	—	420	—	420

Unaudited Pro Forma Combined
Statement of Operations
for the Year Ended December 31, 2010

	Vanguard pro forma (Note 4)	Encore historical	Pro forma reclassification adjustments (Note 3)	Pro forma adjustments (Note 3)	Vanguard pro forma combined
	(In thousands, except per unit amounts)				
Revenues:					
Oil, natural gas and natural gas liquids sales	$ 109,356	$ —	$ 183,476(h)	$ —	
			269(i)	—	$ 293,101
Loss on commodity cash flow hedges	(2,832)	—	—	—	(2,832)
Realized gain on other commodity derivative contracts	24,774	—	11,946(n)	—	
			(9,816)(r)	—	26,904
Unrealized loss on other commodity derivative contracts	(14,145)	—	(26,087)(n)	—	
			9,816(r)	—	(30,416)
Oil revenue	—	155,367	(155,367)(h)	—	—
Natural gas revenue	—	28,109	(28,109)(h)	—	—
Marketing revenue	—	269	(269)(i)	—	—
Total revenues	117,153	183,745	(14,141)	—	286,757
Costs and Expenses					
Lease operating expenses	25,099	43,021	1,336(l)	—	
			(2,036)(k)	—	
			124(i)	—	67,544
Depreciation, depletion, amortization and accretion	29,344	50,580	—	11,086(t)	91,010
Production, ad valorem and severance taxes	—	18,221	(16,761)(j)	—	
			(1,336)(l)	—	
			(124)(i)	—	—
Selling, general and administrative expenses	10,134	12,398	(13)(m)	(934)(v)	
				(3,853)(w)	17,732
Production and other taxes	6,840	—	16,761(j)	—	
			2,036(k)	—	
			13(m)	—	
			(70)(p)	—	
			70(p)	—	25,650
Derivative fair value loss	—	14,146	(14,146)(n)	—	—
Exploration	—	194	—	(194)(s)	—
Total costs and expenses	71,417	138,560	(14,146)	6,105	201,936
Income from operations	45,736	45,185	5	(6,105)	84,821
Other income and (expense)					
Interest income	1		12(o)	—	13
Interest expense	(8,069)	(13,171)	3,918(q)	(12,850)(u)	(30,172)
Realized loss on interest rate derivative contracts	(1,799)	—	(3,918)(q)	—	(5,717)
Unrealized gain on interest rate derivative contracts	(349)	—	(5)(n)	—	(354)
Other income	—	56	(12)(o)	—	44
Total other income (expense)	(10,216)	(13,115)	(5)	(12,850)	(36,186)
Current income tax benefit (provision)	—	(70)	70(p)	—	—
Deferred income tax benefit (provision)	—	70	(70)(p)	—	—
Total income taxes	—	—	—	—	—
Net income	$ 35,520	$ 32,070	$ —	$ (18,955)	$ 48,635
Net income per Common and Class B unit					
Basic	$ 1.54				$ 1.01
Diluted	$ 1.53				$ 1.01
Weighted average units outstanding					
Common units – basic	22,720			25,152(x)	47,872

Common units – diluted	22,758	25,152 [x]	47,910
Class B units – basic & diluted	420		420

NOTES TO UNAUDITED PRO FORMA
COMBINED FINANCIAL INFORMATION

Note 1 Basis of Presentation

On December 31, 2010, Vanguard completed the Encore Sponsor Interest Acquisition, whereby Vanguard acquired all of the member interest in Encore GP (which owns 504,851 general partner units in Encore) and 20,924,055 common units representing limited partner interests in Encore, representing, together with the general partner units, a 46.7% aggregate equity interest in Encore. As consideration for the purchase, Vanguard paid $300.0 million in cash and issued 3,137,255 Vanguard common units, valued at approximately $93 million.

On July 11, 2011, Vanguard and Encore announced the execution of a definitive merger agreement that would result in a merger whereby Encore would become a wholly-owned subsidiary of VNG, through a unit-for-unit exchange. Under the terms of the definitive merger agreement, Encore's public unitholders would receive 0.75 Vanguard common units in exchange for each Encore common unit they own at closing. The transaction would result in approximately 18.4 million additional common units being issued by Vanguard. The terms of the definitive merger agreement were unanimously approved by the members of the Encore Conflicts Committee, who negotiated the terms on behalf of Encore and is comprised solely of independent directors. The members of the Vanguard Conflicts Committee, which is also comprised solely of independent directors, negotiated the terms on behalf of Vanguard and also voted unanimously in favor of the Merger. The completion of the merger is subject to approval by a majority of the outstanding Encore common units. As of July 11, 2011, Vanguard's operating company, Vanguard Natural Gas, LLC, owns Encore's general partner and approximately 46% of the Encore outstanding common units and has also executed the definitive merger agreement between Vanguard and Encore. The completion of the merger is also subject to the approval of the issuance of additional Vanguard common units in connection with the merger by the affirmative vote of a majority of the votes cast by Vanguard unitholders.

On June 22, 2011, Vanguard and Encore entered into two Purchase and Sale Agreements to acquire producing oil and natural gas assets in the Permian Basin in West Texas (the "Purchased Assets") from an undisclosed seller ("the Permian Basin acquisition"). Vanguard and Encore each agreed to purchase 50% of the Purchased Assets for $42.5 million and each paid the seller a non-refundable deposit of $4.25 million. This acquisition was completed on July 29, 2011 for an aggregate adjusted purchase price of $81.4 million, subject to customary post-closing adjustments to be determined. The effective date of this acquisition is May 1, 2011. The purchase price was funded with borrowings under Vanguard's reserve-based credit facility.

The proposed Merger will be accounted for in accordance with Financial Accounting Standards Board Accounting Standards Codification 810, Consolidations — Overall — Changes in Parent's Ownership Interest in a Subsidiary, which is referred to as FASB ASC 810. Since Encore is a consolidated subsidiary of Vanguard, the changes in Vanguard's ownership interest in Encore will be accounted for as an equity transaction and no gain or loss will be recognized as a result of the Merger.

The accompanying unaudited pro forma combined balance sheet at June 30, 2011 has been prepared to give effect to the Merger and the Permian Basin acquisition, as if they had occurred on June 30, 2011 and the unaudited pro forma combined statements of operations have been prepared to give effect to the Merger and the Encore Sponsor Interest Acquisition, including the Vanguard common unit offering completed in October 2010, the issuance of Vanguard's common units to Denbury, and other financing transactions, as if they had occurred on January 1, 2010. Vanguard's unaudited pro forma statements of operations, which is included in the unaudited pro forma combined statements of operations, also includes the pro forma effects of the Permian Basin acquisition completed during July 2011 and Parker Creek acquisition completed during May 2010 and the related equity financings as if they had occurred on January 1, 2010. Vanguard's Permian Basin acquisition and Parker Creek acquisition are both unrelated to the Merger. The pro forma effects of the Permian Basin acquisition and Parker Creek acquisition are presented in Notes 2, 3 and 4 to the unaudited pro forma combined financial information.

The unaudited pro forma combined financial information includes adjustments to conform Encore's accounting for oil and natural gas properties to the full cost method. Vanguard follows the full cost method of accounting for oil and natural gas properties while Encore follows the successful efforts method of accounting for oil and natural gas properties. Certain costs that are capitalized under the full cost method are expensed under the successful efforts method. These costs consist primarily of unsuccessful exploration drilling costs, geological and geophysical costs, delay rental on leases, abandonment costs and general and administrative expenses directly related to exploration and development activities. Under the successful efforts method of accounting, proved property acquisition costs are amortized on a unit-of-production basis over total proved reserves and costs of wells, related equipment and facilities are depreciated over the life of the proved developed reserves that will utilize those capitalized assets on a field-by-field basis. Under the full cost method of accounting, property acquisition costs, costs of wells, related equipment and facilities and future development costs are included in a single full cost pool, which is amortized on a unit-of-production basis over total proved reserves.

The unaudited pro forma combined financial statements and underlying pro forma adjustments are based upon currently available information and certain estimates and assumptions made by the management of Vanguard and Encore; therefore, actual results could differ materially from the pro forma information. However, management believes the assumptions provide a reasonable basis for presenting the significant effects of the Merger. Vanguard and Encore believe the pro forma adjustments give appropriate effect to those assumptions and are properly applied in the pro forma information.

Note 2 Unaudited Pro forma Combined Balance Sheet

Pro Forma Adjustment to the Unaudited Pro Forma Combined Balance Sheet

Adjustments (a) – (b) to the unaudited pro forma combined balance sheet as of June 30, 2011 are to reflect Vanguard's Permian Basin acquisition completed on July 29, 2011 as follows:

(a) To record the financing of the acquisition with borrowings under the Company's reserve-based credit facility and to reclassify negative cash to current liabilities.

(b) To record the acquisition of certain producing oil and natural gas properties, oil inventory ($0.6 million asset), accrued ad valorem taxes ($0.4 million liability) and asset retirement obligation ($4.0 million liability) associated with the oil and natural gas properties acquired.

Total cash consideration was $81.4 million. The measurement of the fair value at acquisition date of the assets acquired as compared to the fair value of consideration transferred, adjusted for purchase price adjustments, resulted in goodwill of $0.7 million, calculated in the following table, which was immediately impaired and recorded as a loss. The loss resulted from the changes in oil and natural gas prices used to value the reserves.

Fair value of assets and liabilities acquired:	(in thousands)
Oil and natural gas properties	$ 84,579
Other assets	562
Accrued liability	(409)
Asset retirement obligations	(3,964)
Total fair value of assets and liabilities acquired	80,768
Fair value of consideration transferred	81,425
Loss on acquisition	$ (657)

(c) Adjustment to eliminate the non-controlling interests in Encore. As provided for in FASB ASC 810, the Merger is treated as an equity transaction, with no resulting gain or loss. Each Encore public unitholder will be issued 0.75 Vanguard common units for each Encore common unit held at closing. The number of Vanguard common units to be issued to effect the Merger is calculated as follows:

Encore common units held by public unitholders at June 30, 2011	24,565,529
Exchange ratio(1)	0.75
Vanguard common units to be issued to Encore public unitholders	18,424,147

(1) Established in the Agreement and Plan of Merger dated July 10, 2011.

Note 3 Unaudited Pro Forma Combined Statements of Operations

The Encore Sponsor Interest Acquisition was accounted for under the acquisition method of accounting in accordance with ASC 805 relating to "Business Combinations". The acquisition method requires the assets and liabilities acquired to be recorded at their fair values at the date of acquisition. The estimate of fair values as of December 31, 2010 is as follows (in thousands):

Consideration and non-controlling interest	
Cash payment to acquire Encore Interests	$ 300,000
Market value of Vanguard's common units issued to Denbury (1)	93,020
Market value of non-controlling interest of Encore (2)	548,662
Consideration and non-controlling interest of Encore	$ 941,682
Add: fair value of liabilities assumed	
Accounts payable and accrued liabilities	$ 18,048
Oil and natural gas payable	1,730
Current derivative liabilities	11,122
Other current liabilities	1,228
Long-term debt	234,000
Asset retirement obligations	24,385
Long-term derivative liabilities	25,331
Long-term deferred tax liability	11
Amount attributable to liabilities assumed	$ 315,855
Less: fair value of assets acquired	
Cash	$ 1,380
Trade and other receivables	22,795
Current derivative assets	10,196
Other current assets	470
Oil and natural gas properties – proved	786,524
Long-term derivative assets	5,486
Other long-term assets	9,731
Amount attributable to assets acquired	$ 836,582
Goodwill	$ 420,955

(1) Approximately 3.1 million Vanguard common units at $29.65 per unit were issued to Denbury in the Encore Sponsor Interest Acquisition. The per unit price is the closing price of Vanguard's common units at December 31, 2010.

(2) Represents approximate market value of the non-controlling interest of Encore (based on 24.4 million Encore common units outstanding as of December 31, 2010) at $22.47 per Encore common unit (closing price as of December 31, 2010).

The unaudited pro forma combined statement of operations for the six month period ended June 30, 2011 includes adjustments to reflect the following:

(a) Represents the increase in oil, natural gas and natural gas liquids sales resulting from the Permian Basin acquisition completed during 2011.
(b) Represents the increase in lease operating expenses resulting from the Permian Basin acquisition completed during 2011.
(c) Represents the increase in depreciation, depletion, amortization and accretion resulting from the Permian Basin acquisition completed during 2011.
(d) Represents the pro forma interest expense related to borrowings under Vanguard's and Encore's credit facilities to fund the Permian Basin acquisition completed during 2011.
(e) Elimination of certain general and administrative expenses resulting from Encore not being a separate public company after the completion of the Merger, including director-related expenses, directors' and officers' liability insurance premiums, NYSE listing fees, SEC filing fees and costs incurred related to the merger.
(f) Elimination of the allocation of net income to non-controlling interest as a result of the Merger.
(g) Adjustment for the weighted average number of units from the issuance of approximately 18.4 million Vanguard common units under the terms of the Merger, whereby Encore's public unitholders will receive 0.75 Vanguard common units for each Encore common unit held at closing.

Adjustments (h) – (r) to the unaudited pro forma combined statement of operations for the year ended December 31, 2010 include reclassifications required to conform Encore's revenue and expense items to Vanguard's presentation as follows:

(h) Represents the reclassification of Encore's oil and natural gas product sales to conform to Vanguard's presentation.
(i) Represents the reclassification of marketing revenue and marketing expenses to conform to Vanguard's presentation.
(j) Represents the reclassification of production and severance taxes to "Production and other taxes" to conform to Vanguard's presentation.
(k) Represents the reclassification of ad valorem taxes to "Production and other taxes" to conform to Vanguard's presentation.
(l) Represents the reclassification of transportation costs to "Lease operating expenses" to conform to Vanguard's presentation.
(m) Represents the reclassification of annual income taxes to "Production and other taxes" to conform to Vanguard's presentation.

(n) Represents the reclassification of (1) settlements of oil and natural gas derivatives to "Realized gain on other commodity derivative contracts," (2) the change in fair value of oil and natural gas derivatives to "Unrealized loss on other commodity derivative contracts" and (3) the change in fair value of interest rate derivatives to "Unrealized loss on interest rate derivative contracts" to conform to Vanguard's presentation.
(o) Represents the reclassification of interest income to "Interest income" to conform to Vanguard's presentation.
(p) Represents the reclassification of current and deferred income tax benefit (provision) to "Production and other taxes" to conform to Vanguard's presentation.
(q) Represents the reclassification of settlements of interest rate derivatives to "Realized loss on interest rate derivative contracts" to conform to Vanguard's presentation.
(r) Represents the reclassification of amortization of premiums paid on derivative contracts to "Realized gain on other commodity derivative contracts" to conform to Vanguard's presentation.

Adjustments (s) – (x) to the unaudited pro forma combined statements of operations for the year ended December 31, 2010 are to reflect the Encore Sponsor Interest Acquisition and the conversion of Encore's method of accounting for oil and natural gas properties from the successful efforts method of accounting to the full cost method of accounting.

(s) Represents the capitalization of unsuccessful exploration costs, geological and geophysical costs and delay rentals attributable to the development of oil and natural gas properties in accordance with the full cost method of accounting for oil and natural gas properties.
(t) Represents the change in depreciation, depletion and amortization primarily resulting from the pro forma calculation of the combined entity's depletion expense under the full cost method of accounting for oil and natural gas properties.
(u) Represents the adjustment to interest expense arising from the related borrowings under Vanguard's Term Loan and reserve-based credit facility to fund the Encore Sponsor Interest Acquisition.
(v) Represents the elimination of certain general and administrative expenses resulting from Encore not being a separate public company after the completion of the Merger, including director-related expenses, directors' and officers' liability insurance premiums, NYSE listing fees and SEC filing fees.
(w) Represents the elimination of transaction costs incurred in the Encore Sponsor Interest Acquisition.
(x) Represents the adjustment for the weighted average number of units from the issuance of approximately 18.4 million Vanguard common units under the terms of the Merger, whereby Encore's public unitholders will receive 0.75 Vanguard common units for each Encore common unit held at closing. The adjustment also includes the weighted average number of units from the issuance of 3.1 million Vanguard common units to Denbury in connection with Encore Sponsor Interest Acquisition in December 31, 2010 and the 4.6 million Vanguard common units issued in the October 2010 offering.

Note 4 Vanguard's Unaudited Pro Forma Consolidated Statement of Operations

On April 30, 2010, Vanguard entered into a definitive agreement with a private seller for the acquisition of certain oil and natural gas properties located in Mississippi, Texas and New Mexico. Vanguard refers to this acquisition as the "Parker Creek acquisition." The purchase price for said assets was $113.1 million with an effective date of May 1, 2010. Vanguard completed this acquisition on May 20, 2010. The adjusted purchase price of $114.3 million considered final purchase price adjustments of approximately $1.2 million. The purchase price was funded from the approximate $71.5 million in net proceeds from Vanguard's May 2010 equity offering and with borrowings under Vanguard's existing reserve-based credit facility. Vanguard's unaudited pro forma consolidated statement of operations included in the unaudited pro forma combined statement of operations give effect to the Parker Creek acquisition and the Permian Basin acquisition as if they had occurred on January 1, 2010.

Vanguard Unaudited Pro Forma
Consolidated Statement of Operations
for the Year Ended December 31, 2010

	Vanguard historical	Pro forma Adjustments	Vanguard pro forma
	(In thousands, except per unit amounts)		
Revenues:			
Oil, natural gas and natural gas liquids sales	$ 85,357	$ 6,478 (a)	
		17,521 (g)	$ 109,356
Loss on commodity cash flow hedges	(2,832)	—	(2,832)
Realized gain on other commodity derivative contracts	24,774	—	24,774
Unrealized loss on other commodity derivative contracts	(14,145)	—	(14,145)
Total revenues	93,154	23,999	117,153
Costs and Expenses			
Lease operating expenses	18,471	845 (b)	
		5,783 (h)	25,099
Depreciation, depletion, amortization and accretion	22,231	1,180 (c)	
		5,933 (i)	29,344
Selling, general and administrative expenses	10,134	—	10,134
Production and other taxes	6,840	—	6,840
Total costs and expenses	57,676	13,741	71,417
Income from operations	35,478	10,258	45,736
Other expense			
Interest income	1		1
Interest expense	(5,766)	(448) (d)	
		(1,855) (j)	(8,069)
Realized loss on interest rate derivative contracts	(1,799)	—	(1,799)
Unrealized loss on interest rate derivative contracts	(349)	—	(349)
Loss on acquisition of oil and natural gas properties	(5,680)	5,680 (e)	—
Total other expense	(13,593)	3,377	(10,216)
Net income	$ 21,885	$ 13,635	$ 35,520
Net income per Common and Class B unit – basic & diluted	$ 1.00		$ 1.53
Weighted average units outstanding			
Common units – basic	21,500	1,220 (f)	22,720
Common units – diluted	21,538	1,220 (f)	22,758
Class B units – basic & diluted	420		420

Vanguard's unaudited pro forma consolidated statements of operations include the following adjustments:

(a) Represents the increase in oil, natural gas and natural gas liquids sales resulting from the Parker Creek acquisition completed during 2010.
(b) Represents the increase in lease operating expenses resulting from the Parker Creek acquisition completed during 2010.
(c) Represents the increase in depreciation, depletion, amortization and accretion resulting from the Parker Creek acquisition completed during 2010.
(d) Represents the pro forma interest expense related to borrowings under Vanguard's reserve-based credit facility to fund the Parker Creek acquisition completed during 2010.
(e) Represents the nonrecurring loss on acquisition of natural gas and oil properties related to the Parker Creek acquisition completed during 2010.
(f) Represents the pro forma adjustment for the Vanguard common units sold in connection with the funding of the Parker Creek acquisition completed during 2010.
(g) Represents the increase in oil, natural gas and natural gas liquids sales resulting from the Permian Basin acquisition completed during 2011.
(h) Represents the increase in lease operating expenses resulting from the Permian Basin acquisition completed during 2011.
(i) Represents the increase in depreciation, depletion, amortization and accretion resulting from the Permian Basin acquisition completed during 2011.
(j) Represents the pro forma interest expense related to borrowings under Vanguard's and Encore's credit facilities to fund the Permian Basin acquisition completed during 2011.

Summary Pro Forma Combined
Oil, Natural Gas and Natural Gas Liquids
Reserve Data

The following tables set forth summary pro forma information with respect to Vanguard's, Encore's, Parker Creek's and the Permian Basin Acquisition's pro forma combined estimated net proved and proved developed oil, natural gas and natural gas liquids reserves as of December 31, 2010. This pro forma information gives effect to the Encore, Parker Creek and Permian Basin acquisitions as if they had occurred on January 1, 2010. Future exploration, exploitation and development expenditures, as well as future commodity prices and service costs, will affect the reserve volumes attributable to the acquired properties and the standardized measure of discounted future net cash flows.

Estimated quantities of oil, natural gas and natural gas liquids reserves as of December 31, 2010

	Gas (MMcf)					
	Vanguard historical [(a)]	Encore historical	Parker Creek Acquisition	Permian Basin Acquisition	Proforma Adjustments	Vanguard pro forma combined [(b)]
Net proved reserves						
January 1, 2010	83,149	84,699	1,385	26,434	–	195,667
Revisions of previous estimates	(7)	(4,484)	–	5,583	–	1,092
Extensions, discoveries and other	76	–	–	–	–	76
Purchases of reserves in place	75,715	148	–	–	(75,384)	479
Production	(4,990)	(5,836)	(528)	(1,593)		(12,947)
December 31, 2010	153,943	74,527	857	30,424	(75,384)	184,367

	Oil and Natural Gas Liquids (MBls)					
	Vanguard historical [(a)]	Encore historical	Parker Creek Acquisition	Permian Basin Acquisition	Proforma Adjustments	Vanguard pro forma combined [(b)]
Net proved reserves						
January 1, 2010	9,963	28,930	5,216	1,473	–	45,582
Revisions of previous estimates	1,290	1,940	–	286	–	3,516
Extensions, discoveries and other	17	–	–	–	–	17
Purchases of reserves in place	33,251	10	–	–	(32,846)	415
Production	(892)	(2,227)	(1,023)	(73)	–	(4,215)
December 31, 2010	43,629	28,653	4,193	1,686	(32,846)	45,315

(a) Includes the non-controlling interest in the Encore reserves of approximately 53.3% at December 31, 2010.
(b) Includes Vanguard's, Encore's, Parker Creek's and the Permian Basin Acquisition's estimated net proved and proved developed oil, natural gas and natural gas liquids reserves as of December 31, 2010.

	Vanguard historical (a)	Permian Basin Acquisition	Vanguard pro forma combined (b)
Estimated proved reserves:			
Natural Gas (MMcf)	153,943	30,424	184,367
Oil and Natural Gas Liquids (MBbls)	43,629	1,686	45,315
MBOE	69,286	6,757	76,043
Estimated proved developed reserves:			
Natural Gas (MMcf)	119,313	28,621	147,934
Oil and Natural Gas Liquids (MBbls)	35,788	1,462	37,250
MBOE	55,673	6,232	61,905

(a) Includes the non-controlling interest in the Encore reserves of approximately 53.3% at December 31, 2010.
(b) Includes Vanguard's, Encore's, Parker Creek's and the Permian Basin Acquisition's estimated net proved and proved developed oil, natural gas and natural gas liquids reserves as of December 31, 2010.

The standardized measure of discounted future net cash flows relating to the combined proved oil, natural gas and natural gas liquids reserves at December 31, 2010 is as follows (in thousands):

	Vanguard historical (a)	Permian Basin Acquisition	Vanguard pro forma combined (b)
Future cash inflows	$ 3,670,000	$ 340,208	$ 4,010,208
Future production costs	(1,266,940)	(139,964)	(1,406,904)
Future development costs	(156,714)	(7,578)	(164,292)
Future net cash flows	2,246,346	192,666	2,439,012
10% annual discount for estimated timing of cash flows	(1,127,898)	(109,945)	(1,237,843)
Standardized measure of discounted future net cash flows	$ 1,118,448	$ 82,721	$1,201,169

(a) The standardized measure includes approximately $596.1 million attributable to the non-controlling interest of Encore.
(b) The pro forma standardized measure includes Vanguard, Encore, Parker Creek and the Permian Basin Acquisition.

For the December 31, 2010 calculations in the preceding table, estimated future cash inflows from estimated future production of proved reserves were computed using the average natural gas and oil price based upon the 12-month average price of $4.38 and $4.45 per MMBtu for natural gas for Vanguard historical and $79.40 and $79.43 per barrel of crude oil for Vanguard historical and Permian Basin Acquisition, respectively, adjusted for quality, transportation fees and a regional price differential.

The following are the principal sources of change in the combined standardized measure of discounted future net cash flows (in thousands):

	Vanguard historical (a)	Encore historical	Parker Creek Acquisition	Permian Basin Acquisition	Proforma Adjustments	Vanguard pro forma combined (b)
Sales and transfers, net of production costs	$ (60,046)	$ (125,869)	$ (15,355)	$ (11,738)	$ –	$ (213,008)
Net changes in prices and production costs	91,799	206,058	–	22,433	–	320,290
Extensions discoveries and improved recovery, less related costs	891	–	–	–	–	891
Changes in estimated future development costs	(9,476)	(10,818)	–	–	–	(20,294)
Previously estimated development costs incurred during the period	15,662	2,264	–	11,808	–	29,734
Revision of previous quantity estimates	16,728	42,576	–	16,188	–	75,492
Accretion of discount	17,867	49,450	–	5,359	–	72,676
Purchases of reserves in place	856,299	619	–	–	(831,748)	25,170
Change in production rates, timing and other	10,051	36,797	30,278	(14,923)	–	62,203
Net change in standardized measure	939,775	201,077	14,923	29,127	(831,748)	353,154
Standardized measure, January 1, 2010	178,673	494,501	121,247	53,594		848,015
Standardized measure, December 31, 2010	$ 1,118,448	$ 695,578	$ 136,170	$ 82,721	$ (831,748)	$ 1,201,169

(a) The standardized measure includes approximately $596.1 million attributable to the non-controlling interest of Encore.
(b) The pro forma standardized measure includes Vanguard, Encore, Parker Creek and the Permian Basin Acquisition.