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): **January 9, 2012 (December 1, 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))

Introductory Note

On December 1, 2011 Vanguard Natural Resources, LLC, a Delaware limited liability company ("Vanguard") announced the completion of the merger of its wholly-owned subsidiary Vanguard Acquisition Company, LLC, a Delaware limited liability company ("MergerCo") with and into Encore Energy Partners LP, a Delaware limited partnership ("Encore") with Encore continuing as the surviving entity (the "Merger"), pursuant to an Agreement and Plan of Merger (the "Merger Agreement"), dated as of July 10, 2011, by and among Vanguard, Vanguard Natural Gas, LLC, a Kentucky limited liability company ("VNG"), MergerCo, Encore and Encore Energy Partners GP LLC, a Delaware limited liability company and the general partner of Encore ("Encore GP").

The Merger was completed following approval of (i) the Merger Agreement and the Merger by holders of a majority of the outstanding common units representing limited liability partner interests in Encore and (ii) the issuance of common units representing limited liability company interests in Vanguard pursuant to the Merger Agreement by holders of a majority of the Vanguard common units voting on the proposal.

As a result of the Merger, each outstanding Encore common unit other than those owned by VNG were cancelled and converted into the right to receive 0.75 Vanguard common units, with cash in lieu of any fractional units.

Item 9.01. ***Financial Statements and Exhibits.***

(a) Financial Statements of Businesses Acquired.

The audited consolidated balance sheets of Encore as of December 31, 2010 and December 31, 2009 and the consolidated statements of operations, consolidated statements of cash flows and consolidated statements of partners' equity and comprehensive income (loss) of Encore for each of the three years in the period ended December 31, 2010, and the notes related thereto, are attached hereto as Exhibit 99.1 and incorporated herein by reference.

The Report of Independent Registered Public Accounting Firm, issued by Ernst & Young LLP, dated February 28, 2011 relating to Encore's financial statements described above, is attached hereto as Exhibit 99.2 and incorporated herein by reference.

The unaudited consolidated balance sheet of Encore Energy Partners LP as of September 30, 2011 and the related unaudited consolidated statements of operations for the three and nine months ended September 30, 2011 and September 30, 2010, consolidated statements of cash flows for the nine months ended September 30, 2011 and September 30, 2010 and consolidated statements of partners' equity and comprehensive income for the nine months ended September 30, 2011 and the notes related thereto, are attached hereto as Exhibit 99.3 and incorporated by reference herein.

(b) Pro Forma Financial Information.

The unaudited pro forma condensed combined balance sheet of Vanguard as of September 30, 2011 and the unaudited pro forma condensed combined statements of operations of Vanguard for the nine months ended September 30, 2011 and the year ended December 31, 2010 and the notes related thereto, are attached hereto as Exhibit 99.4 and incorporated herein by reference.

(c) Exhibits.

EXHIBIT NUMBER	DESCRIPTION
Exhibit 23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm for Encore Energy Partners LP.
Exhibit 99.1	The audited consolidated balance sheets of Encore Energy Partners LP as of December 31, 2010 and December 31, 2009, and the consolidated statements of operations, consolidated statements of cash flows and consolidated statements of partners' equity and comprehensive income (loss) of Encore for each of the three years in the period ended December 31, 2010, and the notes related thereto.
Exhibit 99.2	Report of Independent Registered Public Accounting Firm, issued by Ernst & Young LLP dated February 28, 2011, relating to the Encore Energy Partners LP financial statements.
Exhibit 99.3	The unaudited consolidated balance sheet of Encore Energy Partners LP as of September 30, 2011 and the related unaudited consolidated statements of operations for the three and nine months ended September 30, 2011 and September 30, 2010, consolidated statements of cash flows for the nine months ended September 30, 2011 and September 30, 2010 and consolidated statements of partners' equity and comprehensive income for the nine months ended September 30, 2011 and the notes related thereto.
Exhibit 99.4	The unaudited pro forma condensed combined balance sheet of Vanguard Natural Resources, LLC as of September 30, 2011 and the unaudited pro forma condensed combined statements of operations of Vanguard Natural Resources, LLC for the nine months ended September 30, 2011, and the year ended December 31, 2010 and the notes related thereto.

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/ Scott W. Smith
Name: Scott W. Smith
Title: President, Chief Executive Officer and Director

January 9, 2011

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
Exhibit 23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm for Encore Energy Partners LP.
Exhibit 99.1	The audited consolidated balance sheets of Encore Energy Partners LP as of December 31, 2010 and December 31, 2009, and the consolidated statements of operations, consolidated statements of cash flows and consolidated statements of partners' equity and comprehensive income (loss) of Encore for each of the three years in the period ended December 31, 2010, and the notes related thereto.
Exhibit 99.2	Report of Independent Registered Public Accounting Firm, issued by Ernst & Young LLP dated February 28, 2011, relating to the Encore Energy Partners LP financial statements.
Exhibit 99.3	The unaudited consolidated balance sheet of Encore Energy Partners LP as of September 30, 2011 and the related unaudited consolidated statements of operations for the three and nine months ended September 30, 2011 and September 30, 2010, consolidated statements of cash flows for the nine months ended September 30, 2011 and September 30, 2010 and consolidated statements of partners' equity and comprehensive income for the nine months ended September 30, 2011 and the notes related thereto.
Exhibit 99.4	The unaudited pro forma condensed combined balance sheet of Vanguard Natural Resources, LLC as of September 30, 2011 and the unaudited pro forma condensed combined statements of operations of Vanguard Natural Resources, LLC for the nine months ended September 30, 2011, and the year ended December 31, 2010 and the notes related thereto.

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-4/A No. 333-175944) of Vanguard Natural Resources, LLC,
(2) Registration Statement (Form S-3 No. 333-159911) of Vanguard Natural Resources, LLC,
(3) Registration Statement (Form S-3 No. 333-168177) of Vanguard Natural Resources, LLC, and
(4) Registration Statement (Form S-8 No. 333-152448) pertaining to the Long-Term Incentive Plan of Vanguard Natural Resources, LLC;

of our report dated February 28, 2011 with respect to the consolidated financial statements of Encore Energy Partners LP, included in this Form 8-K/A of Vanguard Natural Resources, LLC.

/s/ Ernst & Young, LLP

Fort Worth, Texas
January 9, 2012

Exhibit 99.1

ENCORE ENERGY PARTNERS LP
CONSOLIDATED BALANCE SHEETS
(in thousands, except unit amounts)

	December 31, 2010	December 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,380	$ 1,754
Accounts receivable:		
Trade	22,795	24,543
Affiliate	-	8,213
Derivatives	10,196	12,881
Other	470	857
Total current assets	34,841	48,248
Properties and equipment, at cost - successful efforts method:		
Proved properties, including wells and related equipment	857,999	851,833
Unproved properties	17	55
Accumulated depletion, depreciation, and amortization	(259,575)	(210,417)
	598,441	641,471
Other property and equipment	1,327	863
Accumulated depreciation	(613)	(419)
	714	444
Goodwill	9,290	9,290
Other intangibles, net	3,012	3,316
Derivatives	5,486	13,423
Other	1,778	3,459
Total assets	$ 653,562	$ 719,651
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Accounts payable:		
Trade	$ 2,103	$ 577
Affiliate	98	2,780
Accrued liabilities:		
Lease operating	4,550	4,157
Development capital	890	1,484
Interest	298	429
Production taxes and marketing	10,109	10,218
Derivatives	11,122	9,815
Oil and natural gas revenues payable	1,730	1,598
Other	1,278	1,632
Total current liabilities	32,178	32,690
Derivatives	25,331	13,401
Future abandonment cost, net of current portion	13,080	12,556
Long-term debt	234,000	255,000
Deferred taxes	11	-
Total liabilities	304,600	313,647
Commitments and contingencies (see Note 4)		
Partners' equity:		
Limited partners - 45,341,597 and 45,285,347 common units issued and outstanding, respectively	350,251	409,777
General partner - 504,851 general partner units issued and outstanding	(94)	(353)
Accumulated other comprehensive loss	(1,195)	(3,420)
Total partners' equity	348,962	406,004
Total liabilities and partners' equity	$ 653,562	$ 719,651

The accompanying notes are an integral part of these consolidated financial statements.

ENCORE ENERGY PARTNERS LP
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per unit amounts)

	Year Ended December 31,		
	2010	**2009**	**2008**
Revenues:			
Oil	$ 155,367	$ 128,404	$ 227,559
Natural gas	28,109	21,635	53,864
Marketing	269	478	5,324
Total revenues	183,745	150,517	286,747
Expenses:			
Production:			
Lease operating	43,021	43,451	46,766
Production taxes and marketing	18,221	16,452	33,591
Depletion, depreciation, and amortization	50,580	57,481	58,076
Exploration	194	3,132	196
General and administrative	12,398	12,040	16,606
Derivative fair value loss (gain)	14,146	47,464	(96,880)
Total expenses	138,560	180,020	58,355
Operating income (loss)	45,185	(29,503)	228,392
Other income (expenses):			
Interest	(13,171)	(10,974)	(6,969)
Other	56	162	95
Total other expenses	(13,115)	(10,812)	(6,874)
Income (loss) before income taxes	32,070	(40,315)	221,518
Income tax benefit (provision)	-	(14)	(762)
Net income (loss)	$ 32,070	$ (40,329)	$ 220,756
Net income (loss) allocation (see Note 8):			
Limited partners' interest in net income (loss)	$ 31,722	$ (39,913)	$ 163,070
General partner's interest in net income (loss)	$ 348	$ (592)	$ 2,648
Net income (loss) per common unit:			
Basic	$ 0.70	$ (1.01)	$ 5.33
Diluted	$ 0.70	$ (1.01)	$ 5.21
Weighted average common units outstanding:			
Basic	45,331	39,366	30,568
Diluted	45,337	39,366	31,938

The accompanying notes are an integral part of these consolidated financial statements.

ENCORE ENERGY PARTNERS LP
CONSOLIDATED STATEMENTS OF PARTNERS' EQUITY AND COMPREHENSIVE INCOME (LOSS)
(in thousands, except per unit amounts)

	Limited Partners		General Partner		Accumulated Other Comprehensive Loss	Total Partners' Equity
	Units	Amount	Units	Amount		
Balance at December 31, 2007	24,187	$ 630,852	505	$ 9,214	$ -	$ 640,066
Net distributions to owner	-	(47,629)	-	(1,166)	(1)	(48,796)
Deemed distributions in connection with common control acquisition of assets	6,885	(122,083)	-	(2,944)	-	(125,027)
Issuance of common units in exchange for net profits interest in certain						
Crockett County properties	284	5,748	-	-	-	5,748
Non-cash equity-based compensation	-	5,180	-	83	-	5,263
Cash distributions to unitholders ($2.3111 per unit)	-	(73,234)	-	(1,167)	-	(74,401)
Vesting of phantom units	7	-	-	-	-	-
Conversion of management incentive units	1,715	-	-	-	-	-
Components of comprehensive income:						
Net income attributable to owner related to pre-partnership						
operations of common control acquisition of assets	-	50,420	-	1,220	-	51,640
Net income attributable to unitholders	-	166,822	-	2,294	-	169,116
Change in deferred hedge loss on interest rate swaps, net of tax of $12	-	-	-	-	(4,258)	(4,258)
Total comprehensive income						216,498
Balance at December 31, 2008	33,078	616,076	505	7,534	(4,259)	619,351
Net distributions to owner	-	(11,137)	-	(272)	-	(11,409)
Deemed distributions in connection with common control acquisition of assets	-	(245,334)	-	(5,913)	-	(251,247)
Proceeds from issuance of common units, net of offering costs	12,190	170,000	-	(114)	-	169,886
Non-cash equity-based compensation	-	560	-	5	-	565
Cash distributions to unitholders ($2.05 per unit)	-	(80,617)	-	(1,035)	-	(81,652)
Vesting of phantom units and conversion of management incentive units	17	-	-	-	-	-
Components of comprehensive loss:						
Net income attributable to owner related to pre-partnership						
operations of common control acquisition of assets	-	172	-	4	-	176
Net loss attributable to unitholders	-	(39,943)	-	(562)	-	(40,505)
Change in deferred hedge loss on interest rate swaps, net of tax of $2	-	-	-	-	839	839
Total comprehensive loss						(39,490)
Balance at December 31, 2009	45,285	409,777	505	(353)	(3,420)	406,004
Net contributions from owner	-	(2)	-	935	-	933
Non-cash equity-based						

compensation	-	1,323	-	8	-	1,331
Vesting of phantom units	57	-	-	-	-	-
Other	-	(216)	-	(3)	-	(219)
Cash distributions to unitholders ($2.0375 per unit)	-	(92,353)	-	(1,029)	-	(93,382)
Components of comprehensive income:						
Net income attributable to unitholders	-	31,722	-	348	-	32,070
Change in deferred hedge loss on interest rate swaps, net of tax of $7	-	-	-	-	2,225	2,225
Total comprehensive income						34,295
Balance at December 31, 2010	45,342	$ 350,251	505	$ (94)	$ (1,195)	$ 348,962

The accompanying notes are an integral part of these consolidated financial statements.

ENCORE ENERGY PARTNERS LP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Year Ended December 31,		
	2010	**2009**	**2008**
Cash flows from operating activities:			
Net income (loss)	$ 32,070	$ (40,329)	$ 220,756
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depletion, depreciation, and amortization	50,580	57,481	58,076
Deferred taxes	(70)	(286)	322
Non-cash equity-based compensation expense	1,331	565	5,232
Non-cash derivative loss (gain)	26,092	117,685	(92,286)
Other	2,450	4,483	486
Changes in operating assets and liabilities, net of effects from acquisitions:			
Accounts receivable	9,921	(10,591)	12,437
Current derivatives	-	(2,020)	(9,586)
Other current assets	177	(221)	(176)
Long-term derivatives	-	(9,072)	(6,881)
Other assets	33	(3)	578
Accounts payable	(1,157)	(2,555)	(1,748)
Other current liabilities	(76)	(167)	2,025
Net cash provided by operating activities	121,351	114,970	189,235
Cash flows from investing activities:			
Purchases of other property and equipment	(464)	(88)	(315)
Acquisition of oil and natural gas properties	(280)	(31,960)	(215)
Development of oil and natural gas properties	(6,375)	(9,037)	(41,803)
Net cash used in investing activities	(7,119)	(41,085)	(42,333)
Cash flows from financing activities:			
Proceeds from issuance of common units, net of issuance costs	-	170,089	-
Proceeds from long-term debt, net of issuance costs	15,000	227,061	243,310
Payments on long-term debt	(36,000)	(125,000)	(141,000)
Deemed distributions in connection with common control acquisition of assets	-	(251,247)	(125,027)
Cash distributions to unitholders	(93,382)	(81,652)	(74,401)
Other	(224)	(12,001)	(49,168)
Net cash used in financing activities	(114,606)	(72,750)	(146,286)
Increase (decrease) in cash and cash equivalents	(374)	1,135	616
Cash and cash equivalents, beginning of period	1,754	619	3
Cash and cash equivalents, end of period	$ 1,380	$ 1,754	$ 619

The accompanying notes are an integral part of these consolidated financial statements

---

ENCORE ENERGY PARTNERS LP

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Description of Business

Encore Energy Partners LP (together with its subsidiaries, "ENP"), a Delaware limited partnership formed in February of 2007 by Encore Acquisition Company ("EAC"), is engaged in the acquisition, exploitation, and development of oil and natural gas reserves from onshore fields in the United States. Encore Energy Partners GP LLC (the "General Partner"), a Delaware limited liability company and indirect wholly owned subsidiary of Vanguard Natural Resources, LLC (together with its subsidiaries, "Vanguard"), a publicly traded Delaware limited liability company, serves as ENP's general partner and Encore Energy Partners Operating LLC ("OLLC"), a Delaware limited liability company and wholly owned subsidiary of ENP, owns and operates ENP's properties. ENP's properties and oil and natural gas reserves are located in four core areas:

- the Big Horn Basin in Wyoming and Montana;
- the Permian Basin in West Texas and New Mexico;
- the Williston Basin in North Dakota and Montana; and
- the Arkoma Basin in Arkansas and Oklahoma.

On March 9, 2010, EAC, a former parent of the General Partner, was merged with and into Denbury (the "Merger"), with Denbury Resources Inc. (together with its subsidiaries, "Denbury"), a publicly traded Delaware corporation, surviving the Merger. As part of the Merger, Denbury became the then owner of the General Partner and approximately 46.1 percent of ENP's outstanding common units. The Merger did not impact the accompanying Consolidated Financial Statements.

On November 17, 2010, Denbury announced that it had entered into an agreement to sell its ownership interests in ENP to Vanguard Natural Gas ("VNG"), a wholly-owned subsidiary of Vanguard and the parent of the General Partner, for $300 million in cash and approximately 3.14 million Vanguard common units (the "Vanguard Acquisition"). The transaction closed on December 31, 2010. Denbury sold its interest in the entity which owns 100 percent of the General Partner and approximately 20.9 million ENP common units, or approximately 46.1 percent of ENP's outstanding common units. The Vanguard Acquisition did not impact the accompanying Consolidated Financial Statements.

Note 2. Summary of Significant Accounting Policies

Principles of Consolidation

ENP's consolidated financial statements include the accounts of its wholly owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

Preparing financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make certain estimations and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and the disclosure of contingent assets and liabilities in the consolidated financial statements. Actual results could differ materially from those estimates.

Estimates made in preparing these consolidated financial statements include, among other things, estimates of the proved oil and natural gas reserve volumes used in calculating depletion, depreciation, and amortization ("DD&A") expense; the estimated future cash flows and fair value of properties used in determining the need for any impairment write-down; operating costs accrued; volumes and prices for revenues accrued; estimates of the fair value of unit-based compensation awards; and the timing and amount of future abandonment costs used in calculating asset retirement obligations. Changes in the assumptions used could have a significant impact on reported results in future periods.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks, money market accounts, and all highly liquid investments with an original maturity of three months or less. On a bank-by-bank basis and considering legal right of offset, cash accounts that are overdrawn are reclassified to current liabilities and any change in cash overdrafts is included in "Other" in the "Financing activities" section of ENP's Consolidated Statements of Cash Flows.

The following table sets forth supplemental disclosures of cash flow information for the periods indicated:

	Year ended December 31,		
	2010	2009	2008
		(In thousands)	
Cash paid during the period for:			
Interest	$ 9,253	$ 9,761	$ 6,614
Income taxes	178	297	-
Non-cash investing and financing activities:			
Issuance of common units in connection with acquisition of net profits interest in certain Crockett County properties (a)	-	-	5,748
Issuance of common units in connection with acquisition of the Permian and Williston Basin Assets (a)	-	-	125,027

____

(a) Please read "Note 3. Acquisitions" for additional discussion.

Accounts Receivable

Trade accounts receivable, which are primarily from oil and natural gas sales, are recorded at the invoiced amount and do not bear interest. ENP routinely reviews outstanding accounts receivable balances and assesses the financial strength of its customers and records a reserve for amounts not expected to be fully recovered. Actual balances are not applied against the reserve until substantially all collection efforts have been exhausted. At December 31, 2010 and 2009, ENP had no allowance for doubtful accounts.

Properties and Equipment

Oil and Natural Gas Properties. ENP uses the successful efforts method of accounting for its oil and natural gas properties. ENP applies the provisions of the "*Financial Accounting and Reporting by Oil and Gas Producing Companies*" topic of the Financial Accounting Standards Board Accounting Standards Codification (the "FASC"). Under this method, all costs associated with productive and nonproductive development wells are capitalized. Exploration expenses, including geological and geophysical expenses and delay rentals, are charged to expense as incurred. Costs associated with drilling exploratory wells are initially capitalized pending determination of whether the well is economically productive or nonproductive.

If an exploratory well does not find reserves or does not find reserves in a sufficient quantity as to make them economically producible, the previously capitalized costs would be expensed in ENP's Consolidated Statements of Operations and shown as an adjustment to net income (loss) in the "Operating activities" section of ENP's Consolidated Statements of Cash Flows in the period in which the determination was made. If an exploratory well finds reserves but they cannot be classified as proved, ENP continues to capitalize the associated cost as long as the well has found a sufficient quantity of reserves to justify its completion as a producing well and ENP is making sufficient progress in assessing the reserves and the operating viability of the project. If subsequently it is determined that these conditions do not continue to exist, all previously capitalized costs associated with the exploratory well would be expensed and shown as an adjustment to net income (loss) in the "Operating activities" section of ENP's Consolidated Statements of Cash Flows in the period in which the determination was made. Re-drilling or directional drilling in a previously abandoned well is classified as development or exploratory based on whether it is in a proved or unproved reservoir. Costs for repairs and maintenance to sustain or increase production from the existing producing reservoir are charged to expense as incurred. Costs to recomplete a well in a different unproved reservoir are capitalized pending determination that economic reserves have been added. If the recompletion is unsuccessful, the costs would be charged to expense. All capitalized costs associated with both development and exploratory wells are shown as "Development of oil and natural gas properties" in the "Investing activities" section of ENP's Consolidated Statements of Cash Flows.

Significant tangible equipment added or replaced that extends the useful or productive life of the property is capitalized. Costs to construct facilities or increase the productive capacity from existing reservoirs are capitalized. Capitalized costs are amortized on a unit-of-production basis over the remaining life of proved developed reserves or total proved reserves, as applicable. Natural gas volumes are converted to barrels of oil equivalent ("BOE") at the rate of six thousand cubic feet ("Mcf") of natural gas to one barrel ("Bbl") of oil. This convention is not an equivalent price basis and there may be a large difference in value between an equivalent volume of oil versus an equivalent volume of natural gas.

The costs of retired, sold, or abandoned properties that constitute part of an amortization base are charged or credited, net of proceeds received, to accumulated DD&A.

Independent petroleum engineers estimate ENP's reserves annually on December 31. This results in a new DD&A rate which ENP uses for the preceding fourth quarter after adjusting for fourth quarter production. ENP internally estimates reserve additions and reclassifications of reserves from proved undeveloped to proved developed at the end of the first, second, and third quarters for use in determining a DD&A rate for the respective quarter.

ENP applies the provisions of the "*Accounting for the Impairment or Disposal of Long-Lived Assets* " topic of the FASC, which requires us to assess the need for an impairment of long-lived assets to be held and used, including proved oil and natural gas properties, whenever events and circumstances indicate that the carrying value of the asset may not be recoverable. If impairment is indicated based on a comparison of the asset's carrying value to its undiscounted expected future net cash flows, then an impairment charge is recognized to the extent the asset's carrying value exceeds its fair value. Expected future net cash flows are based on existing proved reserves (and appropriately risk-adjusted probable reserves), forecasted production information, and management's outlook of future commodity prices. Any impairment charge incurred is expensed and reduces the net basis in the asset. Management aggregates proved property for impairment testing the same way as for calculating DD&A. The price assumptions used to calculate undiscounted cash flows is based on judgment. ENP uses prices consistent with the prices it believes a market participant would use in bidding on acquisitions and/or assessing capital projects. These price assumptions are critical to the impairment analysis as lower prices could trigger impairment.

Unproved properties, the majority of which relate to the acquisition of leasehold interests, are assessed for impairment on a property-by-property basis for individually significant balances and on an aggregate basis for individually insignificant balances. If the assessment indicates impairment, a loss is recognized by providing a valuation allowance at the level at which impairment was assessed. The impairment assessment is affected by economic factors such as the results of exploration activities, commodity price outlooks, remaining lease terms, and potential shifts in business strategy employed by management. In the case of individually insignificant balances, the amount of the impairment loss recognized is determined by amortizing the portion of these properties' costs which ENP believes will not be transferred to proved properties over the remaining life of the lease.

Amounts shown in the accompanying Consolidated Balance Sheets as "Proved properties, including wells and related equipment" consisted of the following as of the dates indicated:

	December 31,	
	2010	**2009**
	(in thousands)	
Proved leasehold costs	$ 609,910	$ 609,692
Wells and related equipment - Completed	248,017	241,953
Wells and related equipment - In process	72	188
Total proved properties	$ 857,999	$ 851,833

Other Property and Equipment. Other property and equipment is carried at cost. Depreciation is expensed on a straight-line basis over estimated useful lives, which range from three to seven years. Gains or losses from the disposal of other property and equipment are recognized in the period realized and included in "Other" in the accompanying Consolidated Statements of Operations.

Goodwill and Other Intangible Assets

ENP accounts for goodwill and other intangible assets under the provisions of the " *Goodwill and Other Intangible Assets*" topic of the FASC. Goodwill represents the excess of the purchase price over the estimated fair value of the net assets acquired in business combinations. Goodwill is tested for impairment annually on December 31 or whenever indicators of impairment exist. The goodwill test is performed at the reporting unit level. ENP has determined that it has only one reporting unit, which is oil and natural gas production in the United States. If indicators of impairment are determined to exist, an impairment charge is recognized for the amount by which the carrying value of goodwill exceeds its implied fair value.

ENP utilizes both a market capitalization and an income approach to determine the fair value of its reporting unit. The primary component of the income approach is the estimated discounted future net cash flows expected to be recovered from the reporting unit's oil and natural gas properties. ENP's analysis concluded that there was no impairment of goodwill as of December 31, 2010. Significant decreases in the prices of oil and natural gas or significant negative reserve adjustments from the December 31, 2010 assessment could change ENP's estimates of the fair value of its reporting units and could result in an impairment charge.

Intangible assets with definite useful lives are amortized over their estimated useful lives. ENP evaluates the recoverability of intangible assets with definite useful lives whenever events or changes in circumstances indicate that the carrying value of the asset may not be fully recoverable. An impairment loss exists when the estimated undiscounted cash flows expected to result from the use of the asset and its eventual disposition are less than its carrying amount.

ENP is a party to a contract allowing it to purchase a certain amount of natural gas at a below market price for use as field fuel. As of December 31, 2010, the gross carrying value of this contact was $4.2 million and accumulated amortization was $1.2 million. During each of the years ended December 31, 2010, 2009, and 2008 ENP recorded approximately $0.3 million of amortization expense related to this contract. The net carrying value is shown as "Other intangibles, net" on the accompanying Consolidated Balance Sheets and is being amortized on a straight-line basis through November 2020. ENP expects to recognize $0.3 million of amortization expense during each of the next five years related to this contract.

Asset Retirement Obligations

ENP applies the provisions of the "*Accounting for Asset Retirement Obligation*" topic of the FASC, which requires it to recognize the fair value of a liability for an asset retirement obligation in the period in which the liability is incurred. For oil and natural gas properties, this is the period in which the property is acquired or a new well is drilled. An amount equal to and offsetting the liability is capitalized as part of the carrying amount of ENP's oil and natural gas properties. The liability is recorded at its discounted risk adjusted fair value and then accreted each period until it is settled or the asset is sold, at which time the liability is reversed. Estimates are based on historical experience in plugging and abandoning wells and estimated remaining field life based on reserve estimates. Please read "Note 5. Asset Retirement Obligations" for additional information.

Unit-Based Compensation

ENP does not have any employees. However, the Encore Energy Partners GP LLC Long-Term Incentive Plan (the "LTIP") allows for the grant of unit awards and unit-based awards for employees, consultants, and directors of Vanguard, the General Partner, and any of their affiliates that perform services for ENP. ENP accounts for unit-based compensation according to the provisions of the "*Share-Based Payment*" topic of the FASC, which requires the recognition of compensation expense for unit-based awards over the requisite service period in an amount equal to the grant date fair value of the awards. Please read "Note 9. Unit-Based Compensation Plans" for additional discussion of ENP's unit-based compensation plans.

Segment Reporting

ENP operates in only one industry: the oil and natural gas exploration and production industry in the United States. All revenues are derived from customers located in the United States.

Major Customers / Concentration of Credit Risk

The following purchasers accounted for 10 percent or greater of the sales of production for the period indicated:

	Percentage of Total Sales of Production for the Year Ended December 31,		
Purchaser	**2010**	**2009**	**2008**
Marathon Oil Corporation	30%	43%	19%
ConocoPhillips	(a)	(a)	17%
Tesoro Refining & Marketing Co	10%	(a)	15%

(a) Less than 10 percent for the period indicated.

Income Taxes

ENP is treated as a partnership for federal and state income tax purposes with each partner being separately taxed on his share of ENP's taxable income. Therefore, no provision for current or deferred federal income taxes has been provided for in the accompanying consolidated financial statements. However, the portion of ENP's operations that is located in Texas is subject to an entity-level tax, the Texas margin tax, at an effective rate of up to 0.7 percent of income that is apportioned to Texas. Deferred tax assets and liabilities are recognized for future Texas margin tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective Texas margin tax bases. Such amounts are immaterial to ENP.

Net income for financial statement purposes may differ significantly from taxable income reportable to unitholders as a result of differences between the tax bases and financial reporting bases of assets and liabilities and the taxable income allocation requirements under the partnership agreement. In addition, individual unitholders have different investment bases depending upon the timing and price of acquisition of their common units, and each unitholder's tax accounting, which is partially dependent upon the unitholder's tax position, differs from the accounting followed in the consolidated financial statements. As a result, the aggregate difference in the basis of net assets for financial and tax reporting purposes cannot be readily determined as ENP does not have access to information about each unitholder's tax attributes in ENP.

ENP performs a periodic evaluation of tax positions to review the appropriate recognition threshold for each tax position recognized in its consolidated financial statements. As of December 31, 2010 and 2009, all of ENP's tax positions met the "more-likely-than-not" threshold. As a result, no additional tax expense, interest, or penalties have been accrued.

Oil and Natural Gas Revenue Recognition

Oil and natural gas revenues are recognized as oil and natural gas is produced and sold, net of royalties. Royalties and severance taxes are incurred based upon the actual price received from the sales. To the extent actual volumes and prices of oil and natural gas are unavailable for a given reporting period because of timing or information not received from third parties, the expected sales volumes and prices for those properties are estimated and recorded as "Accounts receivable – trade" in the accompanying Consolidated Balance Sheets. Natural gas revenues are reduced by any processing and other fees incurred except for transportation costs paid to third parties, which are recorded as "Production taxes and marketing" in the accompanying Consolidated Statements of Operations. Natural gas revenues are recorded using the sales method of accounting whereby revenue is recognized based on actual sales of natural gas rather than ENP's proportionate share of natural gas production. If ENP's overproduced imbalance position (i.e., ENP has cumulatively been over-allocated production) is greater than ENP's share of remaining reserves, a liability is recorded for the excess at period-end prices unless a different price is specified in the contract in which case that price is used. Revenue is not recognized for the production in tanks, oil marketed on behalf of joint owners in ENP's properties, or oil in pipelines that has not been delivered to the purchaser.

Natural gas imbalances at December 31, 2010 and 2009 were 28,370 million British thermal units ("MMBtu") and 15,139 MMBtu, respectively, over-delivered to ENP, the value of which was approximately $0.1 million and $0.1 million, respectively.

Marketing Revenues and Expenses

In March 2007, ENP acquired a crude oil pipeline and a natural gas pipeline as part of the Big Horn Basin acquisition. Natural gas volumes are purchased from numerous gas producers at the inlet of the pipeline and resold downstream to various local and off-system markets. In addition, pipeline tariffs are collected for transportation through the crude oil pipeline.

Marketing revenues includes the sales of oil and natural gas purchased from third parties, as well as pipeline tariffs charged for transportation volumes through ENP's pipelines. Marketing revenues derived from sales of oil or natural gas purchased from third parties are recognized when persuasive evidence of a sales arrangement exists, delivery has occurred, the sales price is fixed or determinable, and collectibility is reasonably assured. As ENP takes title to the oil and natural gas and has risks and rewards of ownership, these transactions are presented gross in the accompanying Consolidated Statements of Operations, unless they meet the criteria for netting as outlined in the "*Accounting for Purchases and Sales of Inventory with the Same Counterparty*" topic of the FASC.

Shipping Costs

Shipping costs in the form of pipeline fees and trucking costs paid to third parties are incurred to transport oil and natural gas production from certain properties to a different market location for ultimate sale. These costs are included in "Production taxes and marketing," in the accompanying Consolidated Statements of Operations.

Derivatives

ENP uses various financial instruments for non-trading purposes to manage and reduce price volatility and other market risks associated with its oil and natural gas production. These arrangements are structured to reduce ENP's exposure to commodity price decreases, but they can also limit the benefit ENP might otherwise receive from commodity price increases. ENP's risk management activity is generally accomplished through over-the-counter derivative contracts with large financial institutions, all of which are lenders underwriting ENP's revolving credit facility. ENP also uses derivative instruments in the form of interest rate swaps, which hedge risk related to interest rate fluctuation.

ENP applies the provisions of the "*Derivatives*" topic of the FASC, which requires each derivative instrument to be recorded in the balance sheet at fair value. If a derivative has not been designated as a hedge or does not otherwise qualify for hedge accounting, it must be adjusted to fair value through earnings. However, if a derivative qualifies for hedge accounting, depending on the nature of the hedge, the effective portion of changes in fair value can be recognized in accumulated other comprehensive income or loss within partners' equity until such time as the hedged item is recognized in earnings. In order to qualify for cash flow hedge accounting, the cash flows from the hedging instrument must be highly effective in offsetting changes in cash flows of the hedged item. In addition, all hedging relationships must be designated, documented, and reassessed periodically.

ENP elected to designate its outstanding interest rate swaps as cash flow hedges through December 31, 2010. The effective portion of the mark-to-market gain or loss on these derivative instruments is recorded in "Accumulated other comprehensive loss" on the accompanying Consolidated Balance Sheets and reclassified into earnings in the same period in which the hedged transaction affects earnings. Any ineffective portion of the mark-to-market gain or loss is recognized in earnings and included in "Derivative fair value loss (gain)" in the accompanying Consolidated Statements of Operations. Effective January 1, 2011, ENP elected to de-designate its outstanding interest rate swaps as cash flow hedges and therefore, will begin to recognize changes in the fair market value of its interest rate swaps in the Consolidated Statement of Operations beginning in 2011.

ENP elected not to designate its current portfolio of commodity derivative contracts as hedges. Therefore, changes in fair value of these derivative instruments are recognized in earnings and included in "Derivative fair value loss (gain)" in the accompanying Consolidated Statements of Operations.

Earnings Per Unit

ENP's net income (loss) is allocated to partners equity accounts in accordance with the provisions of the partnership agreement. For purposes of calculating earnings per unit, ENP allocates net income (loss) to its limited partners and participating securities, including general partner units, each quarter under the provisions of the "*Earnings Per Share*" topic of the FASC, which requires earnings per unit to be calculated using the two-class method. Under the two-class method of calculating earnings per unit, earnings are allocated to participating securities as if all the earnings for the period had been distributed. A participating security is any security that may participate in distributions with common units. For purposes of calculating earnings per unit, general partner units, unvested phantom units, and unvested management incentive units are considered participating securities. Net income (loss) per common unit is calculated by dividing the limited partners' interest in net income (loss), after deducting the interests of participating securities, by the weighted average common units outstanding. Please read "Note 8. Earnings Per Unit" for additional discussion.

Comprehensive Income (Loss)

ENP has elected to show comprehensive income (loss) as part of its Consolidated Statements of Partners' Equity and Comprehensive Income (Loss) rather than in its Consolidated Statements of Operations or in a separate statement.

Reclassifications

Certain amounts in prior periods have been reclassified to conform to the current period presentation. On the accompanying Consolidated Statements of Operations, natural gas liquids revenues were reclassed from "Natural gas revenues" to "Oil revenues," marketing expenses were reclassed to "Production taxes and marketing", ad valorem taxes were reclassed to "Lease operating", and transportation expenses were reclassed to "Production taxes and marketing."

New Accounting Pronouncements

SEC Release No. 33-8995, "Modernization of Oil and Gas Reporting" ("Release 33-8995")

In December 2008, the United States Securities and Exchange Commission (the "SEC") issued Release 33-8995, which amends oil and natural gas reporting requirements under Regulations S-K and S-X. Release 33-8995 also adds a section to Regulation S-K (Subpart 1200) to codify the revised disclosure requirements in Securities Act Industry Guide 2, which is being phased out. Release 33-8995 permits the use of new technologies to determine proved reserves if those technologies have been demonstrated empirically to lead to reliable conclusions about reserves volumes. Release 33-8995 will also allow companies to disclose their probable and possible reserves to investors at the company's option. In addition, the new disclosure requirements require companies to: (1) report the independence and qualifications of its reserves preparer or auditor; (2) file reports when a third party is relied upon to prepare reserves estimates or conduct a reserves audit; and (3) report oil and gas reserves using an average price based upon the prior 12-month period rather than a year-end price, unless prices are defined by contractual arrangements, excluding escalations based on future conditions. Release 33-8995 was prospectively effective for financial statements issued for fiscal years ending on or after December 31, 2009.

Note 3. Acquisitions

Rockies and Permian Basin Assets

In August 2009, ENP acquired certain oil and natural gas properties and related assets in the Big Horn Basin in Wyoming, the Permian Basin in West Texas and New Mexico, and the Williston Basin in Montana and North Dakota (the "Rockies and Permian Basin Assets") from Encore Operating, L.P. ("Encore Operating"), at the time a wholly owned subsidiary of EAC, for approximately $179.6 million in cash, which was financed through borrowings under ENP's revolving credit facility and proceeds from the issuance of ENP common units to the public.

Williston Basin Assets

In June 2009, ENP acquired certain oil and natural gas properties and related assets in the Williston Basin in North Dakota and Montana (the "Williston Basin Assets") from Encore Operating for approximately $25.2 million in cash, which was financed through borrowings under ENP's revolving credit facility and proceeds from the issuance of ENP common units to the public.

Vinegarone Assets

In May 2009, ENP acquired certain natural gas properties in the Vinegarone Field in Val Verde County, Texas (the "Vinegarone Assets") from an independent energy company for approximately $27.5 million in cash, which was financed through proceeds from the issuance of ENP common units to the public.

Arkoma Basin Assets

In January 2009, ENP acquired certain oil and natural gas properties and related assets in the Arkoma Basin in Arkansas and royalty interest properties primarily in Oklahoma, as well as 10,300 unleased mineral acres (the "Arkoma Basin Assets") from Encore Operating for approximately $46.4 million in cash, which was financed through borrowings under ENP's revolving credit facility.

Permian and Williston Basin Assets

In February 2008, ENP acquired certain oil and natural gas properties and related assets in the Permian Basin in West Texas and in the Williston Basin in North Dakota (the "Permian and Williston Basin Assets") from Encore Operating for approximately $125.0 million in cash and 6,884,776 ENP common units, which were valued at approximately $125.0 million at the time of the acquisition. However, no accounting value was ascribed to the common units as the cash consideration exceeded Encore Operating's carrying value of the properties. The cash portion of the purchase price was financed through borrowings under ENP's revolving credit facility.

In May 2008, ENP acquired an existing net profits interest in certain of its properties in the Permian Basin in West Texas from an independent energy company for 283,700 ENP common units, which were valued at approximately $5.8 million at the time of the acquisition.

Note 4. Commitments and Contingencies

Litigation

ENP is a party to ongoing legal proceedings in the ordinary course of business. The General Partner's management does not believe the result of these proceedings will have a material adverse effect on ENP's business, financial position, results of operations, liquidity, or ability to pay distributions.

Leases

ENP leases equipment that have non-cancelable lease terms in excess of one year. The following table summarizes by year the remaining non-cancelable future payments under these operating leases as of December 31, 2010 (in thousands):

2011	$ 687
2012	515
2013	-
2014	-
2015	-
Thereafter	-
	$ 1,202

ENP's operating lease rental expense was approximately $1.3 million, $1.1 million, and $1.0 million during the years ended December 31, 2010, 2009, and 2008, respectively.

Note 5. Asset Retirement Obligations

Asset retirement obligations relate to future plugging and abandonment expenses on oil and natural gas properties and related facilities disposal. The following table summarizes the changes in ENP's asset retirement obligations for the periods indicated:

	Year Ended December 31,	
	2010	**2009**
	(in thousands)	
Future abandonment liability at January 1	$ 13,130	$ 12,376
Acquisition of properties	-	67
Wells drilled	-	22
Accretion of discount	736	709
Plugging and abandonment costs incurred	(254)	(164)
Revision of previous estimates	226	120
Future abandonment liability at December 31	$ 13,838	$ 13,130

As of December 31, 2010, $13.1 million of ENP's asset retirement obligations were long-term and recorded in "Future abandonment cost, net of current portion" and $0.7 million were current and included in "Other current liabilities" in the accompanying Consolidated Balance Sheet. Approximately $5.1 million of the long-term future abandonment liability represents the estimated cost for decommissioning the Elk Basin natural gas processing plant.

Note 6. Long-Term Debt

Revolving Credit Facility

ENP is a party to a five-year credit agreement dated March 7, 2007 (as amended, the "Credit Agreement"). The Credit Agreement matures on March 7, 2012. Any outstanding borrowings under the Credit Agreement will become a current liability in March 2011. ENP is currently evaluating our options including letting any outstanding borrowings under the Credit Agreement if a merger with Vanguard is imminent, extending the term of the Credit Agreement, or refinancing under a new revolving credit facility. Based on discussions with banks, all options are currently viable.

In November 2009, ENP amended the Credit Agreement, which amendment was effective upon the closing of the Merger, to, among other things, permit the consummation of the Merger not being treated as a "Change of Control" under the Credit Agreement. Denbury paid a fee of approximately $0.9 million for this bank waiver and did not seek reimbursement from ENP for this payment. As such, the $0.9 million paid by Denbury is reflected as a capital contribution to ENP by Denbury in its then capacity as the parent of the General Partner and is included in "General and administrative expense" in the accompanying Consolidated Statement of Operations for the year ended December 31, 2010 as a non-cash expense.

In December 2010, ENP amended the Credit Agreement to, among other things, amend the definition of "Change of Control" to eliminate references to the "Selling Parties" and include change of control triggers upon (1) the failure of Vanguard to continue to control the General Partner, (2) the acquisition by any person or group, directly or indirectly, of equity interests representing more than 35% of the total voting power in Vanguard, or (3) the occupation of a majority of the seats on the board of managers of Vanguard by persons who were neither (x) nominated by the board of managers of Vanguard nor (y) appointed by managers so nominated. This amendment also modifies the covenant governing transactions with affiliates to eliminate all references to the "Selling Parties" and instead reference transactions with Vanguard, VNG, and their subsidiaries.

The Credit Agreement provides for revolving credit loans to be made to ENP from time to time and letters of credit to be issued from time to time for the account of ENP or any of its restricted subsidiaries. The aggregate amount of the commitments of the lenders under the Credit Agreement is $475 million. Availability under the Credit Agreement is subject to a borrowing base of $375 million, which is redetermined semi-annually and upon requested special redeterminations. On December 31, 2010, there were $234 million of outstanding borrowings and $141 million of borrowing capacity under the Credit Agreement.

ENP incurs a quarterly commitment fee at a rate of 0.5 percent per year on the unused portion of the Credit Agreement.

Obligations under the Credit Agreement are secured by a first-priority security interest in substantially all of ENP's proved oil and natural gas reserves and in the equity interests of its restricted subsidiaries. In addition, obligations under the Credit Agreement are guaranteed by ENP's restricted subsidiaries. Obligations under the Credit Agreement are non-recourse to Vanguard and its restricted subsidiaries.

Loans under the Credit Agreement are subject to varying rates of interest based on (1) outstanding borrowings in relation to the borrowing base and (2) whether the loan is a Eurodollar loan or a base rate loan. Eurodollar loans under the Credit Agreement bear interest at the Eurodollar rate plus the applicable margin indicated in the following table, and base rate loans under the Credit Agreement bear interest at the base rate plus the applicable margin indicated in the following table:

Ratio of Outstanding Borrowings to Borrowing Base	**Applicable Margin for Eurodollar Loans**	**Applicable Margin for Base Rate Loans**
Less than .50 to 1	2.250%	1.250%
Greater than or equal to .50 to 1 but less than .75 to 1	2.500%	1.500%
Greater than or equal to .75 to 1 but less than .90 to 1	2.750%	1.750%
Greater than or equal to .90 to 1	3.000%	2.000%

The "Eurodollar rate" for any interest period (either one, two, three, or six months, as selected by ENP) is the rate equal to the British Bankers Association London Interbank Offered Rate ("LIBOR") for deposits in dollars for a similar interest period. The "Base Rate" is calculated as the highest of: (1) the annual rate of interest announced by Bank of America, N.A. as its "prime rate"; (2) the federal funds effective rate plus 0.5 percent; or (3) except during a "LIBOR Unavailability Period," the Eurodollar rate (for dollar deposits for a one-month term) for such day plus 1.0 percent.

Any outstanding letters of credit reduce the availability under the Credit Agreement. Borrowings under the Credit Agreement may be repaid from time to time without penalty.

The Credit Agreement contains covenants including, among others, the following:

- a prohibition against incurring debt, subject to permitted exceptions;
- a prohibition against purchasing or redeeming capital stock, or prepaying indebtedness, subject to permitted exceptions;
- a restriction on creating liens on ENP's assets and the assets of its restricted subsidiaries, subject to permitted exceptions;
- restrictions on merging and selling assets outside the ordinary course of business;
- restrictions on use of proceeds, investments, transactions with affiliates, or change of principal business;
- a provision limiting oil and natural gas hedging transactions (other than puts) to a volume not exceeding 75 percent of anticipated production from proved producing reserves;
- a requirement that ENP maintain a ratio of consolidated current assets to consolidated current liabilities of not less than 1.0 to 1.0;
- a requirement that ENP maintain a ratio of consolidated EBITDA, as defined in the Credit Agreement, to the sum of consolidated net interest expense plus letter of credit fees of not less than 2.5 to 1.0; and
- a requirement that ENP maintain a ratio of consolidated funded debt to consolidated adjusted EBITDA, as defined in the Credit Agreement, of not more than 3.5 to 1.0.

As of December 31, 2010, ENP were in compliance with all covenants of the Credit Agreement.

The Credit Agreement contains customary events of default, which would permit the lenders to accelerate the debt if not cured within applicable grace periods. If an event of default occurs and is continuing, lenders with a majority of the aggregate commitments may require Bank of America, N.A. to declare all amounts outstanding under the Credit Agreement to be immediately due and payable.

Long-Term Debt Maturities

The following table shows ENP's long-term debt maturities as of December 31, 2010:

	Payments Due by Period						
	Total	2011	2012	2013	2014	2015	Thereafter
	(in thousands)						
Credit Agreement	$ 234,000	$ -	$ 234,000	$ -	$ -	$ -	$ -

During the years ended December 31, 2010, 2009, and 2008, the weighted average interest rate for total indebtedness was 5.3 percent, 5.0 percent, and 4.8 percent, respectively.

Note 7. Partners' Equity and Distributions

Distributions

ENP's partnership agreement requires that, within 45 days after the end of each quarter, it distribute all of its available cash (as defined in ENP's partnership agreement) to its unitholders. ENP's available cash is its cash on hand at the end of a quarter after the payment of its expenses and the establishment of reserves for future capital expenditures and operational needs. Distributions are not cumulative. ENP distributes available cash to its unitholders in accordance with their ownership percentages.

The following table provides information regarding ENP's distributions of available cash for the periods indicated:

	Date Declared	Cash Distribution Declared per Common Unit	Date Paid	Total Distribution
				(in thousands)
2010				
Quarter ended December 31	1/27/2011	$ 0.5000	2/14/2011	$ 22,923
Quarter ended September 30	10/28/2010	$ 0.5000	11/12/2010	22,923
Quarter ended June 30	7/29/2010	$ 0.5000	8/13/2010	22,923
Quarter ended March 31	4/30/2010	$ 0.5000	5/14/2010	22,923
2009				
Quarter ended December 31	1/25/2010	$ 0.5375	2/12/2010	24,642
Quarter ended September 30	10/26/2009	$ 0.5375	11/13/2009	24,642
Quarter ended June 30	7/27/2009	$ 0.5125	8/14/2009	23,481
Quarter ended March 31	4/27/2009	$ 0.5000	5/15/2009	16,813
2008				
Quarter ended December 31	1/26/2009	$ 0.5000	2/13/2009	16,813
Quarter ended September 30	11/7/2008	$ 0.6600	11/14/2008	22,191
Quarter ended June 30	8/11/2008	$ 0.6881	8/14/2008	23,119
Quarter ended March 31	5/9/2008	$ 0.5755	5/15/2008	19,316
2007				
Quarter ended December 31	2/6/2008	$ 0.3875	2/14/2008	9,843

Shelf Registration Statement on Form S-3

In November 2008, ENP's "shelf" registration statement on Form S-3 was declared effective by the SEC. Under the shelf registration statement, ENP may offer common units, senior debt, or subordinated debt in one or more offerings with a total initial offering price of up to $1 billion.

Public Offerings of Common Units

In July 2009, ENP issued 9,430,000 common units under its shelf registration statement at a price to the public of $14.30 per common unit. ENP used the net proceeds of approximately $129.2 million, after deducting the underwriters' discounts and commissions of $5.4 million, in the aggregate, and offering costs of approximately $0.2 million, to fund a portion of the purchase price of the Rockies and Permian Basin Assets.

In May 2009, ENP issued 2,760,000 common units under its shelf registration statement at a price to the public of $15.60 per common unit. ENP used the net proceeds of approximately $40.9 million, after deducting the underwriters' discounts and commissions of $1.9 million, in the aggregate, and offering costs of approximately $0.2 million, to fund the purchase price of the Vinegarone Assets and a portion of the purchase price of the Williston Basin Assets.

Note 8. Earnings Per Unit

The following table reflects the allocation of net income (loss) to ENP's limited partners and earnings per unit computations for the periods indicated:

	Year Ended December 31,		
	2010	2009	2008
	(in thousands, except per unit amounts)		
Net income (loss)	$ 32,070	$ (40,329)	$ 220,756
Less: net income for pre-partnership operations of assets acquired from affiliates	-	(176)	(51,640)
Net income (loss) attributable to unitholders	$ 32,070	$ (40,505)	$ 169,116
Numerator:			
Numerator for basic earnings per unit:			
Net income (loss) attributable to unitholders	$ 32,070	$ (40,505)	$ 169,116
Less: distributions earned by participating securities	(1,010)	(1,054)	(4,498)
Plus: cash distributions in excess of (less than) income allocated to the general partner	662	1,646	(1,548)
Net income (loss) allocated to limited partners	31,722	(39,913)	163,070
Plus: income allocated to dilutive participating securities	-	-	3,398
Net income (loss) allocated to limited partners	$ 31,722	$ (39,913)	$ 166,468
Denominator:			
Denominator for basic earnings per unit:			
Weighted average common units outstanding	45,331	39,366	30,568
Effect of dilutive management incentive units	-	-	1,367
Effect of dilutive phantom units (a)	6	-	3
Denominator for diluted earnings per unit	45,337	39,366	31,938
Net income (loss) per common unit:			
Basic	$ 0.70	$ (1.01)	$ 5.33
Diluted	$ 0.70	$ (1.01)	$ 5.21

(a) For the year ended December 31, 2009, 56,250 phantom units were outstanding but were excluded from the diluted earnings per unit calculations because their effect would have been antidilutive. Please read "Note 9. Unit-Based Compensation Plans" for additional discussion of phantom units.

Note 9. Unit-Based Compensation Plans

Management Incentive Units

In May 2007, the board of directors of the General Partner issued 550,000 management incentive units to certain executive officers of the General Partner. During 2008, the management incentive units became convertible into ENP common units, at the option of the holder, at a ratio of one management incentive unit to approximately 3.1186 ENP common units, and all 550,000 management incentive units were converted into 1,715,205 ENP common units.

The fair value of the management incentive units was estimated on the date of grant using a discounted dividend model. During 2008, ENP recognized non-cash unit-based compensation expense for the management incentive units of approximately $4.8 million, which is included in "General and administrative expense" in the accompanying Consolidated Statements of Operations. There have been no additional issuances of management incentive units.

Long-Term Incentive Plan

In September 2007, the board of directors of the General Partner adopted the Encore Energy Partners GP LLC Long-Term Incentive Plan (the "LTIP"), which provides for the granting of options, restricted units, phantom units, unit appreciation rights, distribution equivalent rights, other unit-based awards, and unit awards. All employees, consultants, and directors of the General Partner and its affiliates who perform services for or on behalf of ENP and its subsidiaries are eligible to be granted awards under the LTIP. The LTIP is administered by the board of directors of the General Partner or a committee thereof, referred to as the plan administrator. To satisfy common unit awards under the LTIP, ENP may acquire common units in the open market, use common units owned by the General Partner, or use common units acquired by the General Partner from ENP or from any other person.

The total number of common units reserved for issuance pursuant to the LTIP is 1,150,000. As of December 31, 2010, there were 1,075,000 common units available for issuance under the LTIP.

Phantom Units. As a result of the change of control of the General Partner in conjunction with the Merger of EAC with and into Denbury, all 56,250 of ENP's outstanding phantom units vested and were settled in an equal number of ENP's common units. The acceleration of the phantom unit vesting resulted in the recognition of the remaining unrecognized unit-based compensation expense during March 2010. The fair value of these phantom units was approximately $1.2 million on the date of the Merger. During the year ended December 31, 2010, 2009, and 2008, ENP recognized non-cash unit-based compensation expense related to phantom units of approximately $0.7 million (upon closing of the Merger on March 9, 2010), $0.4 million, and $0.3 million, respectively, which is included in "General and administrative expense" in the accompanying Consolidated Statements of Operations. As of December 31, 2010, there were no outstanding phantom units.

During 2009 and 2008, ENP issued 25,000 and 30,000, respectively, phantom units to members of the General Partner's board of directors, the vesting of which is dependent only on the passage of time and continuation as a board member. During 2009 and 2008, there were 12,500 and 6,250, respectively, phantom units that vested, the total fair value of which was $0.2 million and $0.1 million, respectively.

Note 10. Fair Value Measurements

The following table sets forth ENP's book value and estimated fair value of financial instruments as of the dates indicated:

	December 31,			
	2010		2009	
	Book Value	Fair Value	Book Value	Fair Value
	(in thousands)			
Assets:				
Cash and cash equivalents	$ 1,380	$ 1,380	$ 1,754	$ 1,754
Accounts receivable - trade	22,795	22,795	24,543	24,543
Accounts receivable - affiliate	-	-	8,213	8,213
Commodity derivative contracts	15,682	15,682	26,304	26,304
Liabilities:				
Accounts payable - trade	2,103	2,103	577	577
Accounts payable - affiliate	98	98	2,780	2,780
Credit Agreement	234,000	232,517	255,000	252,047
Commodity derivative contracts	35,011	35,011	19,547	19,547
Interest rate swaps	1,442	1,442	3,669	3,669

The book values of cash and cash equivalents, accounts receivable, and accounts payable approximate fair value due to the short-term nature of these instruments. The book value of the Credit Agreement approximates fair value as the interest rate is variable; however, ENP adjusted the estimated fair value for its estimated nonperformance risk of approximately $1.5 million and $3.0 million at December 31, 2010 and 2009, respectively. The nonperformance risk was determined using industry credit default swaps. Commodity derivative contracts and interest rate swaps are marked-to-market each period and are thus stated at fair value in the accompanying Consolidated Balance Sheets.

Commodity Derivative Contracts

Historically, ENP has managed commodity price risk with swap contracts, put contracts, collars, and floor spreads. Swap contracts provide a fixed price for a notional amount of sales volumes. Put contracts provide a fixed floor price on a notional amount of sales volumes while allowing full price participation if the relevant index price closes above the floor price. Collars provide a floor price for a notional amount of sales volumes while allowing some additional price participation if the relevant index price closes above the floor price.

From time to time, ENP enters into floor spreads. In a floor spread, ENP purchases puts at a specified price (a "purchased put") and also sells a put at a lower price (a "short put"). This strategy enables ENP to achieve some downside protection for a portion of its production, while funding the cost of such protection by selling a put at a lower price. If the price of the commodity falls below the strike price of the purchased put, then ENP has protection against commodity price decreases for the covered production down to the strike price of the short put. At commodity prices below the strike price of the short put, the benefit from the purchased put is generally offset by the expense associated with the short put. For example, in 2007, ENP purchased oil put options for 2,000 Bbls/D in 2010 at $65 per Bbl. As NYMEX prices increased in 2008, ENP wished to protect downside price exposure at the higher price. In order to do this, ENP purchased oil put options for 2,000 Bbls/D in 2010 at $75 per Bbl and simultaneously sold oil put options for 2,000 Bbls/D in 2010 at $65 per Bbl. Thus, after these transactions were completed, ENP had purchased two oil put options for 2,000 Bbls/D in 2010 (one at $65 per Bbl and one at $75 per Bbl) and sold one oil put option for 2,000 Bbls/D in 2010 at $65 per Bbl. However, the net result was ENP effectively owning one oil put option for 2,000 Bbls/D in 2010 at $75 per Bbl. The following tables include information on both ENP's purchased floor component of its floor spreads net and ENP's other floor contracts.

The following tables summarize ENP's open commodity derivative contracts as of December 31, 2010:

Oil Derivative Contracts

Period	Average Daily Floor Volume (Bbl)	Weighted Average Floor Price (per Bbl)	Average Daily Cap Volume (Bbl)	Weighted Average Cap Price (per Bbl)	Average Daily Swap Volume (Bbl)	Weighted Average Swap Price (per Bbl)	(Liability) Fair Market Value (in thousands)
2011							$ (8,343)
	1,880	$ 80.00	1,440	$ 95.41	425	$ 87.10	
	1,000	70.00	-	-	760	78.46	
	760	65.00	-	-	250	69.65	
2012							(13,806)
	750	70.00	500	82.05	1,290	87.60	
	1,510	65.00	250	79.25	1,300	76.54	
2013							(4,944)
	-	-	-	-	3,550	88.95	
2014							(3,813)
	-	-	-	-	3,200	88.95	
							$ (30,906)

Natural Gas Derivative Contracts

Period	Average Daily Floor Volume	Weighted Average Floor Price	Average Daily Swap Volume	Weighted Average Swap Price	Asset (Liability) Fair Market Value
	(Mcf)	(per Mcf)	(Mcf)	(per Mcf)	(in thousands)
2011					$ 8,633
	3,398	$ 6.31	7,952	$ 6.36	
	-	-	550	5.86	
	-	-	1,700	4.71	
2012					3,600
	898	6.76	5,452	6.26	
	-	-	2,050	5.26	
	-	-	1,700	4.71	
2013					(656)
	-	-	6,500	5.21	
	-	-	1,700	4.71	
					$ 11,577

Counterparty Risk. At December 31, 2010, ENP had committed 10 percent or greater (in terms of fair market value) of either its oil or natural gas derivative contracts in asset positions to the following counterparties:

Counterparty	Fair Market Value of Oil Derivative Contracts Committed	Fair Market Value of Natural Gas Derivative Contracts Committed
	(in thousands)	
BNP Paribas	$ 1,166	$ 2,552
Calyon	986	6,466
Royal Bank of Canada	1,079	3,605

In order to mitigate the credit risk of financial instruments, ENP enters into master netting agreements with certain counterparties. The master netting agreement is a standardized, bilateral contract between a given counterparty and ENP. Instead of treating each financial transaction between the counterparty and ENP separately, the master netting agreement enables the counterparty and ENP to aggregate all financial trades and treat them as a single agreement. This arrangement is intended to benefit ENP in two ways: (1) default by a counterparty under one financial trade can trigger rights to terminate all financial trades with such counterparty; and (2) netting of settlement amounts reduces ENP's credit exposure to a given counterparty in the event of close-out. ENP's accounting policy is to not offset fair value amounts for derivative instruments in the accompanying Consolidated Balance Sheets.

Interest Rate Swaps

ENP uses derivative instruments in the form of interest rate swaps, which hedge risk related to interest rate fluctuation, whereby it converts the interest due on certain floating rate debt under the Credit Agreement to a weighted average fixed rate. The following table summarizes ENP's open interest rate swaps as of December 31, 2010, all of which were entered into with Bank of America, N.A.:

Term	Notional Amount	Fixed Rate	Floating Rate
	(in thousands)		
Jan. 2011	$ 50,000	3.1610%	1-month LIBOR
Jan. 2011	25,000	2.9650%	1-month LIBOR
Jan. 2011	25,000	2.9613%	1-month LIBOR
Jan. 2011 - Mar. 2012	50,000	2.4200%	1-month LIBOR

During the years ended December 31, 2010, 2009, and 2008, settlements of interest rate swaps increased ENP's interest expense by approximately $3.9 million, $3.8 million, and $0.2 million, respectively.

Current Period Impact

ENP recognizes derivative fair value gains and losses related to: (1) ineffectiveness on derivative contracts designated as hedges; (2) changes in the fair market value of derivative contracts not designated as hedges; (3) receipts and settlements on derivative contracts not designated as hedges; and (4) premium amortization. The following table summarizes the components of "Derivative fair value loss (gain)" for the periods indicated:

	Year Ended December 31,		
	2010	2009	2008
		(In thousands)	
Ineffectiveness on interest rate swaps	$ 5	$ 2	$ 372
Mark-to-market loss (gain)	16,271	94,438	(101,595)
Premium amortization	9,816	23,245	8,936
Receipts, net of settlements	(11,946)	(70,221)	(4,593)
Total derivative fair value loss (gain)	$ 14,146	$ 47,464	$ (96,880)

Effective January 1, 2011, ENP elected to de-designate its outstanding interest rate swaps as cash flow hedges and therefore, will begin to recognize changes in the fair market value of its interest rate swaps in the Consolidated Statement of Operations beginning in 2011.

Accumulated Other Comprehensive Loss

At December 31, 2010 and 2009, "Accumulated other comprehensive loss" on the accompanying Consolidated Balance Sheets consisted entirely of deferred losses, net of tax, on ENP's interest rate swaps of $1.2 million and $3.4 million, respectively. During the twelve months ended December 31, 2011, ENP expects to reclassify $1.2 million of deferred losses associated with its interest rate swaps from accumulated other comprehensive loss to interest expense. The actual gains or losses ENP will realize from its interest rate swaps may vary significantly from the deferred losses recorded in "Accumulated other comprehensive loss" in the accompanying Consolidated Balance Sheet due to the fluctuation of interest rates.

Tabular Disclosures of Fair Value Measurements

The following table summarizes the fair value of ENP's derivative contracts as of the dates indicated (in thousands):

	Asset Derivatives			Liability Derivatives		
		Fair Value			Fair Value	
	Balance Sheet Location	December 31, 2010	December 31, 2009	Balance Sheet Location	December 31, 2010	December 31, 2009
Derivatives not designated as hedges						
Commodity derivative contracts	Derivatives - current	$ 10,196	$ 12,881	Derivatives - current	$ 9,906	$ 6,393
Commodity derivative contracts	Derivatives - noncurrent	5,486	13,423	Derivatives - noncurrent	25,105	13,154
Total derivatives not designated as hedges		$ 15,682	$ 26,304		$ 35,011	$ 19,547
Derivatives designated as hedges						
Interest rate swaps	Derivatives - current	$ -	$ -	Derivatives - current	$ 1,216	$ 3,421
Interest rate swaps	Derivatives - noncurrent	-	-	Derivatives - noncurrent	226	248
Total derivatives designated as hedges		$ -	$ -		$ 1,442	$ 3,669
Total derivatives		$ 15,682	$ 26,304		$ 36,453	$ 23,216

The following table summarizes the effect of derivative instruments not designated as hedges on the Consolidated Statements of Operations for the periods indicated (in thousands):

Derivatives Not Designated as Hedges	Location of Loss (Gain) Recognized In Income	Amount of Loss (Gain) Recognized In Income Year ended December 31, 2010	2009	2008
Commodity derivative contracts	Derivative fair value loss (gain)	$ 14,141	$ 47,462	$ (97,252)

The following tables summarize the effect of derivative instruments designated as hedges on the Consolidated Statements of Operations for the periods indicated (in thousands):

Derivatives Designated as Hedges	Amount of Loss Recognized in Accumulated OCI (Effective Portion) Year ended December 31, 2010	2009	2008
Interest rate swaps	$ 1,693	$ 2,946	$ 4,505

Location of Loss Reclassified from Accumulated OCI into Income (Effective Portion)	Amount of Loss Reclassified from Accumulated OCI into Income (Effective Portion) Year ended December 31, 2010	2009	2008
Interest expense	$ 3,918	$ 3,785	$ 246

Location of Loss Recognized in Income as Ineffective	Amount of Loss Recognized In Income as Ineffective Year ended December 31, 2010	2009	2008
Derivative fair value loss (gain)	$ 5	$ 2	$ 372

Fair Value Hierarchy

The FASC established a fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices are available in active markets for identical assets or liabilities.
- Level 2 – Pricing inputs, other than quoted prices within Level 1, that are either directly or indirectly observable.
- Level 3 – Pricing inputs that are unobservable requiring the use of valuation methodologies that result in management's best estimate of fair value.

ENP's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the financial assets and liabilities and their placement within the fair value hierarchy levels. The following methods and assumptions were used to estimate the fair values of ENP's assets and liabilities that are accounted for at fair value on a recurring basis:

- Level 2 – Fair values of oil and natural gas swaps were estimated using a combined income-based and market-based valuation methodology based upon forward commodity price curves obtained from independent pricing services reflecting broker market quotes. Fair values of interest rate swaps were estimated using a combined income-based and market-based valuation methodology based upon credit ratings and forward interest rate yield curves obtained from independent pricing services reflecting broker market quotes.
- Level 3 – ENP's oil and natural gas calls, puts, and short puts are average value options, which are not exchange–traded contracts. Settlement is determined by the average underlying price over a predetermined period of time. ENP uses both observable and unobservable inputs in a Black-Scholes valuation model to determine fair value. Accordingly, these derivative instruments are classified within the Level 3 valuation hierarchy. The observable inputs of ENP's valuation model include: (1) current market and contractual prices for the underlying instruments; (2) quoted forward prices for oil and natural gas; and (3) interest rates, such as a LIBOR curve for a term similar to the commodity derivative contract. The unobservable input of ENP's valuation model is volatility. The implied volatilities for ENP's calls, puts, and short puts with comparable strike prices are based on the settlement values from certain exchange-traded contracts. The implied volatilities for calls, puts, and short puts where there are no exchange-traded contracts with the same strike price are extrapolated from exchange-traded implied volatilities by an independent party.

ENP adjusts the valuations from the valuation model for nonperformance risk, using management's estimate of the counterparty's credit quality for asset positions and ENP's credit quality for liability positions. ENP uses multiple sources of third-party credit data in determining counterparty nonperformance risk, including credit default swaps.

The following table sets forth ENP's assets and liabilities that were accounted for at fair value on a recurring basis as of December 31, 2010:

		Fair Value Measurements at Reporting Date Using		
Description	Asset (Liability)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in thousands)		
Oil derivative contracts - swaps	$ (27,240)	$ -	$ (27,240)	$ -
Oil derivative contracts - floors and caps	(3,666)	-	-	(3,666)
Natural gas derivative contracts - swaps	8,510	-	8,510	-
Natural gas derivative contracts - floors and caps	3,067	-	-	3,067
Interest rate swaps	(1,442)	-	(1,442)	-
Total	$ (20,771)	$ -	$ (20,172)	$ (599)

The following table summarizes the changes in the fair value of ENP's Level 3 assets and liabilities for the year ended December 31, 2010:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Oil Derivative Contracts - Floors and Caps	Natural Gas Derivative Contracts - Floors and Caps	Total
		(in thousands)	
Balance at January 1, 2010	$ 8,585	$ 8,528	$ 17,113
Total gains (losses):			
Included in earnings	(12,654)	4,859	(7,795)
Settlements	403	(10,320)	(9,917)
Balance at December 31, 2010	$ (3,666)	$ 3,067	$ (599)
The amount of total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets still held at the reporting date	$ (12,654)	$ 4,859	$ (7,795)

Since ENP does not use hedge accounting for its commodity derivative contracts, all gains and losses on its Level 3 assets and liabilities are included in "Derivative fair value loss (gain)" in the accompanying Consolidated Statements of Operations.

All fair values have been adjusted for nonperformance risk resulting in a decrease of the net commodity derivative asset of approximately $0.1 million as of December 31, 2010. For commodity derivative contracts which are in an asset position, ENP uses the counterparty's credit default swap rating. For commodity derivative contracts which are in a liability position, ENP uses the average credit default swap rating of its peer companies as ENP does not have its own credit default swap rating.

Note 11. Related Party Transactions

Administrative Services Agreement

ENP does not have any employees. The employees supporting the operations of ENP were: the employees of EAC prior to March 2010, the employees of Denbury from March 2010 to December 31, 2010, and became the employees of VNG pursuant to the Vanguard Acquisition on December 31, 2010. During 2010, Encore Operating provided administrative services for ENP, such as accounting, corporate development, finance, land, legal, and engineering, pursuant to an administrative services agreement. In addition, Encore Operating provided all personnel, facilities, goods, and equipment necessary to perform these services which are not otherwise provided for by ENP. Encore Operating was not liable to ENP for its performance of, or failure to perform, services under the administrative services agreement unless its acts or omissions constitute gross negligence or willful misconduct. On December 31, 2010, duties under the administrative services agreement were assigned to VNG pursuant to the Vanguard Acquisition.

Encore Operating initially received an administrative fee of $1.75 per BOE of ENP's production for such services. From April 1, 2008 to March 31, 2009, the administrative fee was $1.88 per BOE of ENP's production. From April 1, 2009 to March 31, 2010, the administrative fee was $2.02 per BOE of ENP's production. Effective April 1, 2010, the administrative fee increased to $2.06 per BOE of ENP's production. ENP also reimbursed Encore Operating for actual third-party expenses incurred on ENP's behalf. In addition, Encore Operating was entitled to retain any COPAS overhead charges associated with drilling and operating wells that would otherwise be paid by non-operating interest owners to the operator. Pursuant to the Vanguard Acquisition, VNG will receive the fees and reimbursements for services performed in 2011.

The administrative fee will increase in the following circumstances:

- beginning on the first day of April in each year by an amount equal to the product of the then-current administrative fee multiplied by the COPAS Wage Index Adjustment for that year;
- if ENP acquires additional assets, VNG may propose an increase in its administrative fee that covers the provision of services for such additional assets; however, such proposal must be approved by the board of directors of the General Partner upon the recommendation of its conflicts committee; and
- otherwise as agreed upon by VNG and the General Partner, with the approval of the conflicts committee of the board of directors of the General Partner.

ENP reimburses the ultimate parent of the General Partner for any state, income, franchise, or similar tax incurred by it resulting from the inclusion of ENP in consolidated tax returns of the ultimate parent of the General Partner as required by applicable law. The amount of any such reimbursement is limited to the tax that ENP would have incurred had it not been included in a combined group with the ultimate parent of the General Partner.

Administrative fees (including COPAS recovery) paid to Encore Operating pursuant to the administrative services agreement are included in "General and administrative expenses" in the accompanying Consolidated Statement of Operations. The reimbursements of actual third-party expenses incurred by Encore Operating on ENP's behalf are included in "Lease operating expense" or "General and administrative expenses" in the accompanying Consolidated Statements of Operations based on the nature of the expense. The following table illustrates amounts paid by ENP to Encore Operating pursuant to the administrative service agreement for the periods indicated:

	Year Ended December 31,		
	2010	**2009**	**2008**
		(in thousands)	
Administrative fees (including COPAS recovery)	$ 9,954	$ 5,693	$ 6,600
Third-party expenses	2,734	5,352	8,269

As of December 31, 2010, ENP had a payable to Vanguard of $0.1 million which is reflected as "Accounts payable – affiliate" in the accompanying Consolidated Balance Sheets. As of December 31, 2009, ENP had a payable to EAC of $2.8 million which is reflected as "Accounts payable – affiliate" in the accompanying Consolidated Balance Sheets, and a receivable from EAC of $8.2 million which is reflected as "Accounts receivable – affiliate" in the accompanying Consolidated Balance Sheets.

Acquisitions

As previously discussed, ENP acquired from Encore Operating (1) the Permian and Williston Basin Assets in February 2008 for approximately $125.0 million in cash and the issuance of 6,884,776 ENP common units to Encore Operating, (2) the Arkoma Basin Assets in January 2009 for approximately $46.4 million in cash, (3) the Williston Basin Assets in June 2009 for approximately $25.2 million in cash, and (4) the Rockies and Permian Basin Assets in August 2009 for approximately $179.6 million in cash. Prior to acquisition by ENP, these properties were owned by EAC and were not separate legal entities.

In addition to payroll-related expenses, EAC incurred general and administrative expenses related to leasing office space and other corporate overhead expenses during the period these properties were owned by EAC. A portion of EAC's consolidated general and administrative expenses was allocated to ENP and included in the accompanying Consolidated Statements of Operations based on the respective percentage of BOE produced by the properties in relation to the total BOE produced by EAC on a consolidated basis for the years ended December 31, 2009 and 2008. A portion of EAC's consolidated indirect lease operating overhead expenses was allocated to ENP included in the accompanying Consolidated Statements of Operations based on its share of EAC's direct lease operating expense for the years ended December 31, 2009 and 2008.

Distributions

Each quarter, ENP pays cash distributions with respect to operations in the previous quarter on all of its outstanding units, including those common units held by the General Partner and its affiliates, and pays cash distributions to the General Partner based upon its general partner interest. During the years ended December 31, 2010, 2009, and 2008, ENP distributed $93.4 million, $81.7 million, and $74.5, million, of which $43.7 million, $43.9 million, and $46.9 million, respectively, was paid to the General Partner and its affiliates.

Note 12. Subsequent Events

On January 27, 2011, the board of directors of the General Partner declared an ENP cash distribution for the fourth quarter of 2010 to unitholders of record as of the close of business on February 7, 2011 of $0.50 per unit or approximately $22.9 million of which $10.7 million is expected to be paid to the General Partner and its affiliates. The distribution is expected to be paid to unitholders on or about February 14, 2011.

In January 2011, ENP issued 140,007 restricted units under the LTIP to Vanguard field employees performing services on ENP's properties (grant was equal to one-year salary for each employee who received a grant). These awards vest equally over a four-year period, but have distribution equivalent rights that provide the employees with a bonus equal to the distribution on unvested units.

Exhibit 99.2

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Encore Energy Partners GP LLC
and Unitholders of Encore Energy Partners LP

We have audited the accompanying consolidated balance sheets of Encore Energy Partners LP (the "Partnership") as of December 31, 2010 and 2009, and the related consolidated statements of operations, partners' equity and comprehensive income (loss), and cash flows for each of the three years in the period ended December 31, 2010. These financial statements are the responsibility of the Partnership's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Encore Energy Partners LP at December 31, 2010 and 2009, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2010, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 2 to the consolidated financial statements, the Partnership has changed its reserve estimates and related disclosures as a result of adopting new oil and gas reserve estimation and disclosure requirements resulting from Accounting Standards Update No. 2010-03 *, Oil and Gas Reserve Estimation and Disclosures,* effective December 31, 2009.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Encore Energy Partners LP's internal control over financial reporting as of December 31, 2010, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 28, 2011 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Fort Worth, Texas
February 28, 2011

Exhibit 99.3

ENCORE ENERGY PARTNERS LP
CONSOLIDATED BALANCE SHEETS
(in thousands, except unit amounts)

	September 30, 2011 (unaudited)	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 651	$ 1,380
Accounts receivable - trade	34,260	22,795
Derivatives	14,813	2,604
Other	2,172	470
Total current assets	51,896	27,249
Properties and equipment, at cost - successful efforts method:		
Proved properties, including wells and related equipment	1,002,851	857,999
Unproved properties	41	17
Accumulated depletion, depreciation, and amortization	(294,014)	(259,575)
	708,878	598,441
Other property and equipment	1,694	1,327
Accumulated depreciation	(669)	(613)
	1,025	714
Goodwill	9,290	9,290
Other intangibles, net	2,784	3,012
Derivatives	15,884	836
Other	318	1,778
Total assets	$ 790,075	$ 641,320
LIABILITIES AND PARTNERS' EQUITY		
Current liabilities:		
Accounts payable:		
Trade	$ 2,021	$ 2,103
Affiliate	1,490	98
Accrued liabilities:		
Lease operating	4,717	4,550
Development capital	1,736	890
Interest	375	298
Production and other taxes	14,235	10,109
Derivatives	66	3,530
Oil and natural gas revenues payable	3,276	1,730
Credit agreement	356,000	-
Other	2,497	1,278
Total current liabilities	386,413	24,586
Derivatives	241	20,681
Future abandonment cost, net of current portion	16,785	13,080
Deferred taxes	63	11
Credit agreement	-	234,000
Total liabilities	403,502	292,358
Commitments and contingencies (see Note 12)		
Partners' equity:		
Limited partners - public, 24,560,808 and 24,417,542 common units issued and outstanding, respectively	349,912	340,126
Limited partners - affiliates, 20,924,055 common units issued and outstanding	36,674	10,125
General partner - 504,851 general partner units issued and outstanding	309	(94)
Accumulated other comprehensive loss	(322)	(1,195)
Total partners' equity	386,573	348,962

Total liabilities and partners' equity	$ 790,075	$ 641,320

The accompanying notes are an integral part of these consolidated financial statements.

ENCORE ENERGY PARTNERS LP
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per unit amounts)
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Revenues:				
Oil	$ 38,814	$ 33,765	$ 122,869	$ 105,732
Natural gas	8,811	6,497	20,872	21,407
Natural gas liquids	3,554	2,521	8,978	9,001
Marketing	126	60	207	207
Commodity derivative fair value gain (loss) - realized	(2,818)	1,342	(7,616)	1,959
Commodity derivative fair value gain (loss) - unrealized	82,914	(8,922)	58,318	12,521
Total revenues	131,401	35,263	203,628	150,827
Expenses:				
Production:				
Lease operating	10,451	9,268	29,198	30,907
Production and other taxes	5,647	4,752	15,672	14,951
Depletion, depreciation, amortization and accretion	12,500	12,782	35,568	38,472
Exploration	-	53	-	129
General and administrative	4,451	2,817	12,710	10,088
Total expenses	33,049	29,672	93,148	94,547
Operating income	98,352	5,591	110,480	56,280
Other income (expenses):				
Interest	(2,646)	(2,303)	(7,030)	(6,987)
Interest rate derivative fair value loss - realized	(445)	(974)	(1,858)	(2,925)
Interest rate derivative fair value gain (loss) - unrealized	523	(29)	1,146	(133)
Net gain on acquisition of oil and natural gas properties	815	-	815	-
Other	70	9	79	47
Total other expenses	(1,683)	(3,297)	(6,848)	(9,998)
Income before income taxes	96,669	2,294	103,632	46,282
Income tax benefit (provision)	(220)	147	(415)	36
Net income	$ 96,449	$ 2,441	$ 103,217	$ 46,318
Net income allocation (see Note 9):				
Limited partners' interest in net income	$ 95,391	$ 2,419	$ 102,084	$ 45,813
General partner's interest in net income	$ 1,058	$ 22	$ 1,133	$ 505
Net income per common unit:				
Basic	$ 2.10	$ 0.05	$ 2.24	$ 1.01
Diluted	$ 2.10	$ 0.05	$ 2.24	$ 1.01
Weighted average common units outstanding:				
Basic	45,487	45,342	45,481	45,328
Diluted	45,487	45,342	45,481	45,336

The accompanying notes are an integral part of these consolidated financial statements.

ENCORE ENERGY PARTNERS LP
CONSOLIDATED STATEMENT OF PARTNERS' EQUITY AND COMPREHENSIVE INCOME
(in thousands, except per unit amounts)
(unaudited)

	Limited Partners		General Partner		Accumulated Other Comprehensive Loss	Total Partners' Equity
	Units	Amount	Units	Amount		
Balance at January 1, 2010	45,285	$ 409,777	505	$ (353)	$ (3,420)	$ 406,004
Net contributions from owners	-	(2)	-	935	-	933
Non-cash equity-based compensation	-	1,323	-	8	-	1,331
Vesting of phantom units	57	-	-	-	-	-
Other	-	(216)	-	(3)	-	(219)
Cash distributions to unitholders ($2.0375 per unit)	-	(92,353)	-	(1,029)	-	(93,382)
Components of comprehensive income:						
Net income attributable to unitholders	-	31,722	-	348	-	32,070
Change in deferred hedge loss on interest rate swaps, net of tax of $7	-	-	-	-	2,225	2,225
Total comprehensive income						34,295
Balance at December 31, 2010	45,342	350,251	505	(94)	(1,195)	348,962
Non-cash equity-based compensation	143	660	-	7	-	667
Cash distributions to unitholders ($0.50 per unit to unitholders of record February 7, 2011, $0.49 per unit to unitholders of record May 6, 2011 and $0.47 per unit to unitholders of record August 5, 2011)	-	(66,409)	-	(737)	-	(67,146)
Components of comprehensive income:						
Net income attributable to unitholders	-	102,084	-	1,133	-	103,217
Settlement of interest rate cash flow hedges in comprehensive loss	-	-	-	-	873	873
Total comprehensive income						104,090
Balance at September 30, 2011	45,485	$ 386,586	505	$ 309	$ (322)	$ 386,573

The accompanying notes are an integral part of these consolidated financial statements.

ENCORE ENERGY PARTNERS LP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine months ended September 30,	
	2011	2010
Cash flows from operating activities:		
Net income	$ 103,217	$ 46,318
Adjustments to reconcile net income to net cash provided		
by operating activities:		
Depletion, depreciation, amortization and accretion	35,568	38,472
Deferred taxes	127	(55)
Non-cash equity-based compensation expense	667	1,043
Non-cash derivative gain	(50,424)	(5,046)
Gain on acquisitions of oil and natural gas properties	(815)	-
Other	1,143	2,182
Changes in operating assets and liabilities:		
Accounts receivable	(12,616)	13,169
Other current assets	(514)	(36)
Other assets	-	(15)
Accounts payable	2,461	(583)
Other current liabilities	7,135	2,981
Net cash provided by operating activities	85,949	98,430
Cash flows from investing activities:		
Purchase of other property and equipment	(508)	(125)
Acquisition of oil and natural gas properties	(130,860)	(280)
Deposits and prepayments of oil and natural gas properties	(312)	-
Development of oil and natural gas properties	(9,852)	(3,843)
Net cash used in investing activities	(141,532)	(4,248)
Cash flows from financing activities:		
Proceeds from credit agreement	183,500	10,000
Payments of credit agreement	(61,500)	(25,000)
Cash distributions to unitholders	(67,146)	(70,459)
Other	-	(194)
Net cash provided by (used in) financing activities	54,854	(85,653)
(Decrease) increase in cash and cash equivalents	(729)	8,529
Cash and cash equivalents, beginning of period	1,380	1,754
Cash and cash equivalents, end of period	$ 651	$ 10,283

The accompanying notes are an integral part of these consolidated financial statements.

Note 1. Description of Business

Encore Energy Partners LP (together with its subsidiaries, "ENP") is engaged in the acquisition, exploitation, and development of oil and natural gas reserves from onshore fields in the United States. Encore Energy Partners GP LLC (the "General Partner" or "ENP GP"), a Delaware limited liability company which is a wholly-owned subsidiary of Vanguard Natural Resources, LLC (together with its subsidiaries, "Vanguard" or "VNR"), a publicly traded Delaware limited liability company, serves as ENP's general partner and Encore Energy Partners Operating LLC ("OLLC"), a Delaware limited liability company and wholly-owned subsidiary of ENP, owns and operates ENP's properties. ENP's properties and oil and natural gas reserves are located in four operating areas:

- the Big Horn Basin in Wyoming and Montana;
- the Permian Basin in West Texas and New Mexico;
- the Williston Basin in North Dakota and Montana; and
- the Arkoma Basin in Arkansas and Oklahoma.

On December 31, 2010, Denbury Resources Inc. (together with its subsidiaries, "Denbury"), a publicly traded Delaware corporation, sold its ownership interests in ENP and the General Partner to Vanguard Natural Gas, LLC ("VNG"), a wholly-owned subsidiary of Vanguard, for $300.0 million in cash and approximately 3.14 million Vanguard common units (the "Vanguard Acquisition"). Denbury sold the entity which owns 100 percent of the General Partner and approximately 20.9 million ENP common units, or approximately 46.1 percent of ENP's outstanding common units.

On July 11, 2011, Vanguard and ENP announced the execution of a definitive agreement that would result in a merger whereby ENP would become a wholly-owned subsidiary of VNG through a unit-for-unit exchange. Under the terms of the definitive agreement, ENP's public unitholders will receive 0.75 Vanguard common units in exchange for each ENP common unit they own at closing. The transaction will result in approximately 18.4 million additional common units being issued by Vanguard. The terms of the definitive agreement were unanimously approved by the members of the ENP Conflicts Committee, who negotiated the terms on behalf of ENP and is comprised solely of independent directors. In addition, Jefferies & Company, Inc., has issued a fairness opinion to the ENP Conflicts Committee stating that they believe the exchange ratio is fair, from a financial point of view, to the unaffiliated unitholders of ENP.

The completion of the merger is subject to approval by a majority of the outstanding ENP common unitholders and 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. Completion of the merger, assuming the requisite unitholder votes are obtained and subject to other customary terms and conditions, is expected to occur on November 30, 2011. On August 2, 2011, ENP and Vanguard filed a Registration Statement on Form S-4 (the "Form S-4") with the SEC, which was declared effective on October 31, 2011. The Form S-4 incorporates a joint proxy statement/prospectus which ENP and Vanguard mailed to their respective unitholders in connection with obtaining unitholder approval of the proposed merger. On November 1, 2011, Vanguard and ENP announced that both companies have established a record date and a meeting date for the special meetings of unitholders to consider and vote upon the previously-announced merger agreement. Pending completion of the merger, ENP has agreed to customary restrictions in the way it conducts its business.

Note 2. Summary of Significant Accounting Policies

(a) Basis of Presentation

ENP's consolidated financial statements include the accounts of its wholly-owned subsidiaries. All material intercompany balances and transactions have been eliminated in consolidation.

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments necessary to present fairly, in all material respects, ENP's financial position as of September 30, 2011, results of operations for the three and nine months ended September 30, 2011 and 2010, respectively, and cash flows for the nine months ended September 30, 2011 and 2010, respectively. All adjustments are of a normal recurring nature. These interim results are not necessarily indicative of results for an entire year.

Certain amounts and disclosures have been condensed or omitted from these consolidated financial statements pursuant to the rules and regulations of the SEC. Therefore, these consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in ENP's 2010 Annual Report.

(b) New Pronouncements Issued But Not Yet Adopted

In May 2011, the FASB issued authoritative guidance to achieve common fair value measurement and disclosure requirements in GAAP and International Financial Reporting Standards ("IFRS"). The guidance changes the wording used to describe the requirements in GAAP for measuring fair value and disclosures about fair value. The guidance includes clarification of the application of existing fair value measurements and disclosure requirements related to a) the application of highest and best use and valuation premise concepts; b) measuring the fair value of an instrument classified in a reporting entity's stockholders' equity, and c) disclosure of quantitative information about the unobservable inputs used in a fair value measurement that is categorized within Level 3 of the fair value hierarchy. Additionally, the guidance changes particular principles or requirements for measuring fair value and disclosing information about fair value measurements related to a) measuring the fair value of financial instruments that are managed within a portfolio, b) application of premiums and discounts in a fair value measurement, and c) additional requirements to expand the disclosures about fair value measurements. The guidance is effective for each reporting entity for interim and annual periods beginning after December 15, 2011. The adoption of this standard is not expected to have any impact on our results of operations, cash flows or financial position.

In June 2011, the FASB issued authoritative guidance intended to improve the comparability, consistency, and transparency of financial reporting. The guidance is also intended to increase the prominence of items reported in other comprehensive income and to facilitate convergence of GAAP and IFRS by eliminating the option to present components of other comprehensive income as part of the statement of changes in stockholders' equity. Under this guidance, entities are given two options for presenting other comprehensive income. The statement of other comprehensive income can be included with the statement of net income, which together will comprise the statement of total comprehensive income. Alternatively, the statement of other comprehensive income can be presented separate from the statement of net income. However, the guidance requires that the statement of other comprehensive income should immediately follow the statement of net income. The guidance also requires entities to present on the face of the financial statements reclassification adjustments for items that are reclassified from other comprehensive income to net income in the statement where the components of net income and the components of other comprehensive income are presented. The guidance is effective for each reporting entity for interim and annual periods beginning after December 15, 2011. As this guidance provides only presentation requirements, the adoption of this standard is not expected to have any impact on our results of operations, cash flows or financial position.

In September 2011, the FASB issued authoritative guidance intended to simplify how entities, both public and nonpublic, test goodwill for impairment. The guidance permits an entity to first assess qualitative factors to determine whether it is "more likely than not" that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test described in FASC Topic 350, Intangibles-Goodwill and Other. The more-likely-than-not threshold is defined as having a likelihood of more than 50%. The guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted, including for annual and interim goodwill impairment tests performed as of a date before September 15, 2011, if an entity's financial statements for the most recent annual or interim period have not yet been issued. As this guidance only provides changes in the procedures for testing the impairment of goodwill, the adoption of this standard is not expected to have any impact on our results of operations, cash flows or financial position.

(c) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant estimates pertain to proved oil, natural gas and NGLs reserves and related cash flow estimates used in impairment tests of oil and natural gas properties, the fair value of derivative contracts and asset retirement obligations, accrued oil, natural gas and NGLs revenues and expenses, as well as estimates of expenses related to depreciation, depletion, amortization, and accretion. Actual results could differ from those estimates.

Reclassifications

Certain amounts in prior periods have been reclassified to conform to the current period presentation. These reclassifications did not impact our reported net income or partners' equity.

Note 3. Acquisitions

On June 22, 2011, pursuant to two Purchase and Sale Agreements, ENP agreed to acquire producing oil and natural gas assets in the Permian Basin of West Texas (the "Purchased Assets") from a private seller. We refer to this acquisition as the "Permian Basin Acquisition I." ENP and Vanguard agreed to purchase 50% of the Purchased Assets for an aggregate of $85.0 million and each paid the seller a non-refundable deposit of $4.25 million. The effective date of this acquisition is May 1, 2011. We completed this acquisition on July 29, 2011 for an adjusted purchase price of $40.7 million, subject to customary post-closing adjustments to be determined. The purchase price was funded with borrowings under our Credit Agreement (defined below). In accordance with the guidance contained within FASC Topic 805, Business Combinations ("FASC Topic 805"), the measurement of the fair value at acquisition date of the assets acquired in the Permian Basin Acquisition I as compared to the fair value of consideration transferred, adjusted for purchase price adjustments, resulted in goodwill of $0.3 million, which was immediately impaired and recorded as a loss. The loss resulted from the changes in oil prices used to value the reserves and has been recognized in current period earnings and classified in other income and expense in the accompanying Consolidated Statements of Operations.

On August 8, 2011, we entered into assignment agreements and completed the acquisition of certain oil and natural gas properties located in the Permian Basin of West Texas from a private seller. We refer to this acquisition as the "Permian Basin Acquisition II." The adjusted purchase price for the assets was $14.8 million with an effective date of May 1, 2011. This acquisition was funded with borrowings under our Credit Agreement. In accordance with the guidance contained within FASC Topic 805, the measurement of the fair value at acquisition date of the assets acquired in the Permian Basin Acquisition II approximates the fair value of consideration transferred, and therefore no gain or goodwill resulted from the acquisition.

On August 15, 2011, we entered into a definitive agreement with a private seller for the acquisition of certain oil and natural gas properties located in Wyoming. We refer to this acquisition as the "Wyoming Acquisition." The purchase price for the assets was $28.5 million with an effective date of June 1, 2011. We completed this acquisition on September 1, 2011 for an adjusted purchase price of $27.7 million, subject to customary post-closing adjustments to be determined. The purchase price was funded with borrowings under our Credit Agreement. In accordance with the guidance contained within FASC Topic 805, the measurement of the fair value at acquisition date of the assets acquired in the Wyoming Acquisition as compared to the fair value of consideration transferred, adjusted for purchase price adjustments, resulted in a gain of $1.1 million, which has been recognized in current period earnings and classified in other income and expense in the accompanying Consolidated Statements of Operations.

On August 31, 2011, we entered into a definitive agreement and completed the acquisition of certain non-operated working interests in mature producing oil and natural gas properties located in the Texas and Louisiana Gulf Coast area from a private seller. We refer to this acquisition as the "Gulf Coast Acquisition." The adjusted purchase price for the assets was $47.6 million with an effective date of August 1, 2011. This acquisition was funded with borrowings under our Credit Agreement. In accordance with the guidance contained within FASC Topic 805, the measurement of the fair value at acquisition date of the assets acquired in the Gulf Coast Acquisition approximates the fair value of consideration transferred, and therefore no gain or goodwill resulted from the acquisition.

The following unaudited pro forma results for each of the three and nine months ended September 30, 2011 and September 30, 2010 show the effect on our consolidated results of operations as if the Permian Basin Acquisition I, Permian Basin Acquisition II, Wyoming Acquisition and Gulf Coast Acquisition had occurred on January 1, 2010. The pro forma results reflect the results of combining our statement of operations with the results of operations from the oil and gas properties acquired, adjusted for (1) depletion expense applied to the adjusted basis of the properties acquired and (2) interest expense on additional borrowings necessary to finance the acquisitions. The net gain on acquisition of oil and natural gas properties was excluded from the pro forma results for the three and nine month periods ended September 30, 2011 and 2010. The pro forma information is based upon these assumptions and is not necessarily indicative of future results of operations:

	Pro forma (in thousands, except per unit data)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Total revenues	$ 137,048	$ 44,755	$ 226,913	$ 177,531
Net income	$ 97,877	$ 5,443	$ 110,096	$ 54,328
Net income per unit:				
Common units – basic & diluted	$ 2.13	$ 0.12	$ 2.39	$ 1.19

The amount of revenues and excess of revenues over direct operating expenses included in the accompanying Consolidated Statements of Operations for the Permian Basin Acquisition I, Permian Basin Acquisition II, Wyoming Acquisition and Gulf Coast Acquisition are shown in the table that follows (in thousands). Direct operating expenses include lease operating expenses, selling, general and administrative expenses and production and other taxes.

	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2011
Permian Basin Acquisition I		
Revenues	$ 1,277	$ 1,277
Excess of revenues over direct operating expenses	$ 751	$ 751
Permian Basin Acquisition II		
Revenues	$ 370	$ 370
Excess of revenues over direct operating expenses	$ 213	$ 213
Wyoming Acquisition		
Revenues	$ 405	$ 405
Excess of revenues over direct operating expenses	$ 381	$ 381
Gulf Coast Acquisition		
Revenues	$ 841	$ 841
Excess of revenues over direct operating expenses	$ 770	$ 770

Note 4. Proved Properties

Amounts shown in the accompanying Consolidated Balance Sheets as "Proved properties, including wells and related equipment" consisted of the following as of the dates indicated:

	September 30, 2011	December 31, 2010
	(in thousands)	
Proved leasehold costs	$ 741,421	$ 609,910
Wells and related equipment - completed	261,386	248,017
Wells and related equipment - in process	44	72
Total proved properties	$ 1,002,851	$ 857,999

Note 5. Fair Value Measurements

The following table sets forth ENP's book value and estimated fair value of financial instruments as of the dates indicated:

	September 30, 2011		December 31, 2010	
	Book Value	Fair Value	Book Value	Fair Value
	(in thousands)			
Assets:				
Cash and cash equivalents	$ 651	$ 651	$ 1,380	$ 1,380
Accounts receivable - trade	34,260	34,260	22,795	22,795
Commodity derivative contracts	30,697	30,697	3,440	3,440
Liabilities:				
Accounts payable - trade	2,021	2,021	2,103	2,103
Accounts payable - affiliate	1,490	1,490	98	98
Credit Agreement	356,000	356,000	234,000	232,517
Commodity derivative contracts	11	11	22,769	22,769
Interest rate swaps	296	296	1,442	1,442

The book values of cash and cash equivalents, accounts receivable, and accounts payable approximate fair value due to the short-term nature of these instruments. The book value of ENP's five-year credit agreement (as amended, the "Credit Agreement") approximates fair value as the interest rate is variable; however, ENP adjusted the estimated fair value for estimated nonperformance risk of approximately $1.5 million at December 31, 2010. The nonperformance risk was determined using industry credit default swaps. No adjustment for nonperformance risk was made at September 30, 2011 as the Credit Agreement matures within one year and any adjustment would be considered insignificant. Commodity derivative contracts and interest rate swaps are marked-to-market each period and are thus stated at fair value in the accompanying Consolidated Balance Sheets.

Derivative Policy

ENP uses various financial instruments for non-trading purposes to manage and reduce price volatility and other market risks associated with its oil and natural gas production. These arrangements are structured to reduce ENP's exposure to commodity price decreases, but they can also limit the benefit ENP might otherwise receive from commodity price increases. ENP's risk management activity is generally accomplished through over-the-counter derivative contracts with large financial institutions, all of which are currently lenders under ENP's Credit Agreement. ENP also uses derivative instruments in the form of interest rate swaps, which hedge risks related to interest rate fluctuation.

ENP applies the provisions of the "*Derivatives*" topic of the FASC, which requires each derivative instrument to be recorded in the balance sheet at fair value. If a derivative has not been designated as a hedge or does not otherwise qualify for hedge accounting, it must be adjusted to fair value through earnings. However, if a derivative qualifies for hedge accounting, depending on the nature of the hedge, the effective portion of changes in fair value can be recognized in accumulated other comprehensive income or loss within partners' equity until such time as the hedged item is recognized in earnings. In order to qualify for cash flow hedge accounting, the cash flows from the hedging instrument must be highly effective in offsetting changes in cash flows of the hedged item. In addition, all hedging relationships must be designated, documented, and reassessed periodically.

Effective January 1, 2011, ENP elected to de-designate its outstanding interest rate swaps as cash flow hedges and from that date began recognizing changes in the fair market value of its interest rate swaps in the accompanying Consolidated Statements of Operations. The net unrealized gain related to the de-designated cash flow hedges is reported in accumulated other comprehensive loss and is being reclassified to earnings in the month in which the transactions settle. Prior to January 1, 2011, ENP elected to designate its outstanding interest rate swaps as cash flow hedges. The effective portion of the mark-to-market gain or loss on these derivative instruments was recorded in "Accumulated other comprehensive loss" on the accompanying Consolidated Balance Sheets and was reclassified into earnings in the same period in which the hedged transaction affected earnings. Any ineffective portion of the mark-to-market gain or loss was recognized in earnings and included in "Interest rate derivative fair value gain (loss) - unrealized" in the accompanying Consolidated Statements of Operations.

ENP has elected not to designate its portfolio of commodity derivative contracts as hedges. Therefore, changes in fair value of these derivative instruments are recognized in earnings and included in "Commodity derivative fair value gain (loss) - unrealized" in the accompanying Consolidated Statements of Operations.

Commodity Derivative Contracts

ENP manages commodity price risk with swap contracts, put contracts, collars, three-way collars, basis swaps and swaptions. Swap contracts provide a fixed price for a notional amount of sales volumes. Put contracts provide a fixed floor price on a notional amount of sales volumes while allowing full price participation if the relevant index price closes above the floor price. Collars provide a floor price for a notional amount of sales volumes while allowing some additional price participation if the relevant index price closes above the floor price. Three-way collar contracts combine a long put, a short put and a short call. The use of the long put combined with the short put allows us to sell a call at a higher price thus establishing a higher ceiling and limiting our exposure to future settlement payments while also restricting our downside risk to the difference between the long put and the short put if the price of NYMEX West Texas Intermediate ("WTI") crude oil drops below the price of the short put. This allows us to settle for WTI market plus the spread between the short put and the long put in a case where the market price has fallen below the short put fixed price. Basis swap contracts guarantees a price differential between the NYMEX prices and the ENP's physical pricing points. ENP receives a payment from the counterparty or makes a payment to the counterparty for the difference between the settled price differential and amounts stated under the terms of the contract. Under swaption agreements, we provide options to counterparties to extend swap contracts into subsequent years.

In January 2011, we elected to monetize all of our $65 and $70 oil puts for 2011 and 2012 and used the proceeds to raise the floor price to $80 on a smaller volume of oil in 2012 and also slightly raise the swap price for oil in 2011 and 2012. During the second and third quarters of 2011, we entered into NYMEX WTI crude oil derivative three-way collar contracts, which provide that if the market price falls below the short put fixed price, we will receive the market price plus $20 per barrel.

The following tables summarize ENP's open commodity derivative contracts as of September 30, 2011:

	October 1, - December 31, 2011	Year 2012	Year 2013	Year 2014
Gas Positions:				
Fixed Price Swaps:				
Notional Volume (MMBtu)	1,168,584	4,648,932	4,270,500	452,500
Fixed Price ($/MMBtu)	$ 5.81	$ 5.52	$ 5.05	$ 4.80
Puts:				
Notional Volume (MMBtu)	312,616	328,668	—	—
Fixed Price ($/MMBtu)	$ 6.31	$ 6.76	$ —	$ —
Total Gas Positions:				
Notional Volume (MMBtu)	1,481,200	4,977,600	4,270,500	452,500
Oil Positions:				
Fixed Price Swaps:				
Notional Volume (Bbls)	141,220	1,021,140	1,332,250	1,204,500
Fixed Price ($/Bbl)	$ 83.15	$ 84.49	$ 89.11	$ 89.14
Collars:				
Notional Volume (Bbls)	172,960	475,800	—	—
Floor Price ($/Bbl)	$ 80.00	$ 74.23	$ —	$ —
Ceiling Price ($/Bbl)	$ 96.49	$ 90.98	$ —	$ —
Three-way Collars:				
Notional Volume (Bbls)	48,300	192,150	191,625	54,750
Floor Price ($/Bbl)	$ 90.00	$ 90.00	$ 90.00	$ 90.00
Ceiling Price ($/Bbl)	$ 102.56	$ 106.76	$ 106.76	$ 105.00
Put Sold ($/Bbl)	$ 70.00	$ 70.00	$ 70.00	$ 70.00
Total Oil Positions:				
Notional Volume (Bbls)	362,480	1,689,090	1,523,875	1,259,250

Basis Swaps

As of September 30, 2011, ENP had the following open basis swap contracts:

	October 1, - December 31, 2011	Year 2012	Year 2013	Year 2014
Gas Positions:				
Notional Volume (MMBtu)	230,000	915,000	912,500	452,500
Weighted Avg. Basis Differential ($/MMBtu)(1)	$ (0.32)	$ (0.32)	$ (0.32)	$ (0.32)
Oil Positions:				
Notional Volume (Bbls)	21,000	84,000	84,000	—
Weighted Avg. Basis Differential ($/Bbls) (2)	$ 19.10	$ 15.15	$ 9.60	$ —

(1) Natural gas basis swap contracts represent a weighted average differential between prices primarily against Rocky Mountains (CIGC) and NYMEX Henry Hub prices

(2) Oil basis swap contracts represent a weighted average differential between prices primarily against Light Louisiana Sweet Crude (LLS) and NYMEX WTI prices

Swaptions

Options were provided to counterparties under swaption agreements to extend swaps into 2013 on 36,500 Bbls of oil at a fixed price of $105.00 per Bbl, into 2015 on 36,500 Bbls of oil at a fixed price of $95.00 per Bbl and into 2014 on 365,000 MMBtu of gas at a fixed price of $5.40 per MMBtu.

Interest Rate Swaps

ENP uses derivative instruments in the form of interest rate swaps, which hedge risk related to interest rate fluctuation, whereby the interest due on certain floating rate debt under the Credit Agreement is converted to a weighted average fixed rate. The following table summarizes ENP's open interest rate swap as of September 30, 2011, which was entered into with Bank of America, N.A.:

Term	Notional Amount	Fixed Rate	Floating Rate
	(in thousands)		
October 1, 2011 - March 7, 2016 (1)	$ 75,000	1.0800%	1-month LIBOR

(1) ENP entered into this interest rate swap on September 21, 2011, and the terms became effective on October 7, 2011.

Current Period Impact

ENP recognizes realized and unrealized commodity and interest rate derivative fair value gains and losses related to: (1) changes in the fair market value of derivative contracts not designated as hedges; (2) premium amortization; (3) receipts and settlements on derivative contracts not designated as hedges; (4) settlements of de-designated interest rate hedges; and (5) the ineffectiveness of derivative contracts designated as hedges prior to January 1, 2011. The following table summarizes the components of our realized and unrealized commodity and interest rate derivative fair value gains and losses for the periods indicated:

	Location of Gain (Loss) Recognized in Income	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
		(in thousands)		(in thousands)	
Realized gains (losses):					
Premium amortization	Commodity derivative fair value loss - realized	$ (4,210)	$ (2,474)	$ (8,163)	$ (7,342)
Receipts, net of settlements	Commodity derivative fair value gain - realized	1,392	3,816	547	9,301
Receipts, net of settlements	Interest rate derivative fair value loss - realized	(445)	(974)	(1,858)	(2,925)
		$ (3,263)	$ 368	$ (9,474)	$ (966)
Unrealized gains (losses):					
Mark-to-market gain (loss)	Commodity derivative fair value gain (loss) - unrealized	$ 82,914	$ (8,922)	$ 58,318	$ 12,521
Mark-to-market gain	Interest rate derivative fair value gain - unrealized	523	-	1,146	-
Ineffectiveness on interest rate swaps	Interest rate derivative fair value loss - unrealized	-	(29)	-	(133)
		$ 83,437	$ (8,951)	$ 59,464	$ 12,388
Total gains (losses):					
Commodity derivatives		$ 80,096	$ (7,580)	$ 50,702	$ 14,480
Interest rate derivatives		78	(1,003)	(712)	(3,058)
		$ 80,174	$ (8,583)	$ 49,990	$ 11,422

Accumulated Other Comprehensive Loss

At September 30, 2011 and December 31, 2010, "Accumulated other comprehensive loss" on the accompanying Consolidated Balance Sheets consisted entirely of losses on ENP's interest rate swaps of $0.3 million and $1.2 million, respectively. During the twelve months ending September 30, 2012, ENP expects to reclassify $0.3 million of losses associated with its interest rate swaps from accumulated other comprehensive loss to realized interest rate derivative fair value gain (loss). The actual gains or losses ENP will realize from its interest rate swaps may vary significantly from the losses recorded in "Accumulated other comprehensive loss" in the accompanying Consolidated Balance Sheets due to fluctuations in interest rates.

Tabular Disclosures of Fair Value Measurements

Our commodity derivatives and interest rate swap derivatives are presented on a net basis in "derivative assets" and "derivative liabilities" on the Consolidated Balance Sheets. The following summarizes the fair value of derivatives outstanding on a gross basis as of the dates indicated (in thousands):

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	Fair Value		Balance Sheet Location	Fair Value	
		September 30, 2011	December 31, 2010		September 30, 2011	December 31, 2010
Derivatives not designated as hedges						
Commodity derivative contracts	Derivatives - current	$ 20,769	$ 10,196	Derivatives - current	$ 5,956	$ 9,906
Interest rate swaps	Derivatives - current	-	-	Derivatives - current	66	-
Interest rate swaps	Derivatives - noncurrent	-	-	Derivatives - noncurrent	230	-
Commodity derivative contracts	Derivatives - noncurrent	22,162	5,486	Derivatives - noncurrent	6,289	25,105
Total derivatives not designated as hedges		$ 42,931	$ 15,682		$ 12,541	$ 35,011
Derivatives designated as hedges						
Interest rate swaps	Derivatives - current	$ -	$ -	Derivatives - current	$ -	$ 1,216
Interest rate swaps	Derivatives - noncurrent	-	-	Derivatives - noncurrent	-	226
Total derivatives designated as hedges		$ -	$ -		$ -	$ 1,442
Total derivatives		$ 42,931	$ 15,682		$ 12,541	$ 36,453

The following tables summarize the effect of derivative instruments designated as hedges prior to January 1, 2011 on the accompanying Consolidated Statements of Operations for the periods indicated (in thousands):

	Amount of Gain (Loss) Recognized in Accumulated OCI (Effective Portion)		Amount of Gain (Loss) Recognized in Accumulated OCI (Effective Portion)	
	Three months ended September 30,		Nine months ended September 30,	
Derivatives Designated as Hedges	2011	2010	2011	2010
Interest rate swaps	$ 161	$ (401)	$ 873	$ (1,536)

	Amount of Loss Recognized in Income as Ineffective		Amount of Loss Recognized in Income as Ineffective	
	Three months ended September 30,		Nine months ended September 30,	
Location of Loss Recognized in Income as Ineffective	2011	2010	2011	2010
Derivative fair value loss	$ -	$ (29)	$ -	$ (133)

Fair Value Hierarchy

The FASC established a fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 – Unadjusted quoted prices are available in active markets for identical assets or liabilities.
- Level 2 – Pricing inputs, other than quoted prices within Level 1, that are either directly or indirectly observable.
- Level 3 – Pricing inputs that are unobservable requiring the use of valuation methodologies that result in management's best estimate of fair value.

As required by FASC Topic 820, financial assets and liabilities are classified based on the lowest level of input that is significant to the fair value measurement. Our assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value of assets and liabilities and their placement within the fair value hierarchy levels.

Our commodity derivative instruments consist of oil and natural gas swap contracts, put contracts, collars and swaptions. We estimate the fair values of

the swaps and swaptions based on published forward commodity price curves for the underlying commodities as of the date of the estimate. We estimate the option value of the contract floors and ceilings using an option pricing model which takes into account market volatility, market prices and contract parameters. The discount rate used in the discounted cash flow projections is based on published LIBOR rates, Eurodollar futures rates and interest swap rates. In order to estimate the fair value of our interest rate swaps, we use a yield curve based on money market rates and interest rate swaps, extrapolate a forecast of future interest rates, estimate each future cash flow, derive discount factors to value the fixed and floating rate cash flows of each swap, and then discount to present value all known (fixed) and forecasted (floating) swap cash flows. Curve building and discounting techniques used to establish the theoretical market value of interest bearing securities are based on readily available money market rates and interest rate swap market data. To extrapolate future cash flows, discount factors incorporating our counterparties' and our credit standing are used to discount future cash flows. We have classified the fair values of all of our derivative contracts as Level 2.

The following table sets forth ENP's assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2011:

		Fair Value Measurements at Reporting Date Using		
Description	Asset (Liability)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
		(in thousands)		
Oil derivative contracts - swaps	$ 16,323	$ -	$ 16,323	$ -
Oil derivative contracts - floors and caps	3,365	-	3,365	-
Oil basis swap	(115)	-	(115)	-
Natural gas derivative contracts - swaps	9,546	-	9,546	-
Natural gas derivative contracts - floors and caps	1,701	-	1,701	-
Natural gas basis swap	(134)	-	(134)	-
Interest rate swaps	(296)	-	(296)	-
Total	$ 30,390	$ -	$ 30,390	$ -

The following table summarizes the changes in the fair value of ENP's Level 3 assets and liabilities for the nine months ended September 30, 2011:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Oil Derivative Contracts - Floors and Caps	Natural Gas Derivative Contracts - Floors and Caps	Total
		(in thousands)	
Balance at January 1, 2011	$ (3,666)	$ 3,067	$ (599)
Transfers out of level 3 *	3,666	(3,067)	599
Balance at September 30, 2011	$ -	$ -	$ -

*Transferred from Level 3 to Level 2 due to a change in management's assessment of the valuation methodology and its placement within the fair value hierarchy levels. The company's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstances that caused the transfer. Management's change in policy occurred on January 1, 2011.

The following table summarizes the changes in the fair value of ENP's Level 3 assets and liabilities for the nine months ended September 30, 2010:

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3)		
	Oil Derivative Contracts - Floors and Caps	Natural Gas Derivative Contracts - Floors and Caps	Total
		(in thousands)	
Balance at January 1, 2010	$ 8,585	$ 8,528	$ 17,113
Total gains (losses):			
Included in earnings	(4,996)	(9,566)	(14,562)
Settlements	330	7,254	7,584
Balance at September 30, 2010	$ 3,919	$ 6,216	$ 10,135
The amount of total gains (losses) for the period included in earnings attributable to the change in unrealized gains (losses) relating to assets still held at the reporting date	$ (4,996)	$ (9,566)	$ (14,562)

Note 6. Asset Retirement Obligations

Asset retirement obligations relate to future plugging and abandonment expenses on oil and natural gas properties and related facilities disposal. The following table summarizes the changes in ENP's asset retirement obligations for the nine months ended September 30, 2011 (in thousands):

Future abandonment liability at January 1, 2011	$ 13,838
Liabilities added during the current period	3,373
Accretion of discount	592
Retirements	(8)
Total future abandonment costs at September 30, 2011	17,795
Less: current obligations	(1,010)
Long-term future abandonment liability at September 30, 2011	$ 16,785

As of September 30, 2011, $16.8 million of ENP's asset retirement obligations were long-term and recorded in "Future abandonment cost, net of current portion" and $1.0 million were current and included in "Other current liabilities" in the accompanying Consolidated Balance Sheets. Approximately $5.3 million of the total future abandonment liability represents the estimated cost for decommissioning the Elk Basin natural gas processing plant near Powell, Wyoming.

Note 7. Credit Agreement

ENP is a party to a five-year Credit Agreement dated March 7, 2007 (as amended, the "Credit Agreement"). The Credit Agreement matures on March 7, 2012; therefore, all outstanding borrowings under the Credit Agreement are reflected as a current liability at September 30, 2011. In July 2011, Vanguard began the syndication of a new credit facility that would retire all of the outstanding debt of ENP upon the consummation of the proposed merger with Vanguard. On September 30, 2011, Vanguard entered into a Third Amended and Restated Credit Agreement (the "Amended Credit Agreement") which amends and restates its existing facility. The execution of the Amended Credit Agreement will only be effective upon the satisfaction of certain conditions including, but not limited to, the successful consummation of the previously announced merger between Vanguard and ENP. The Amended Credit Agreement provides for an initial borrowing base of $765 million and a maturity of October 31, 2016. Under the terms of the Amended Credit Agreement, Vanguard has agreed that a portion of the proceeds of the credit facility created by this Amended Credit Agreement be used to repay amounts outstanding under ENP's Credit Agreement. In the event that the merger is not consummated, we will continue to evaluate our options which, based on discussions with lenders, include extending the term of the Credit Agreement or refinancing under a new revolving credit facility.

In December 2010, ENP amended the Credit Agreement to, among other things, amend the definition of "Change of Control" to eliminate references to the "Selling Parties" and include change of control covenants that require the acceleration of payments upon (1) the failure of Vanguard to continue to control the General Partner, (2) the acquisition by any person or group, directly or indirectly, of equity interests representing more than 35% of the total voting power in Vanguard, or (3) the occupation of a majority of the seats on the board of directors of Vanguard by persons who were neither (x) nominated by the board of directors of Vanguard nor (y) appointed by directors so nominated. This amendment also modifies the covenant governing transactions with affiliates to eliminate all references to the "Selling Parties" and instead reference transactions with Vanguard, VNG, and their subsidiaries.

The Credit Agreement provides for revolving credit loans to be made to ENP from time to time and letters of credit to be issued from time to time for the account of ENP or any of its restricted subsidiaries. The aggregate amount of the commitments of the lenders under the Credit Agreement is $475.0 million. Availability under the Credit Agreement is subject to a borrowing base of $400.0 million, which is redetermined semi-annually and upon requested special redeterminations. As of September 30, 2011, there were $356.0 million of outstanding borrowings and $44.0 million of borrowing capacity under the Credit Agreement.

ENP incurs a quarterly commitment fee at a rate of 0.5 percent per year on the unused portion of the Credit Agreement.

Obligations under the Credit Agreement are secured by a first-priority security interest in substantially all of ENP's proved oil and natural gas reserves and in the equity interests of its restricted subsidiaries. In addition, obligations under the Credit Agreement are guaranteed by ENP's restricted subsidiaries. Obligations under the Credit Agreement are non-recourse to Vanguard.

Loans under the Credit Agreement are subject to varying rates of interest based on (1) amount outstanding in relation to the borrowing base and (2) whether the loan is a Eurodollar loan or a base rate loan. Eurodollar loans under the Credit Agreement bear interest at the Eurodollar rate plus the applicable margin indicated in the following table, and base rate loans under the Credit Agreement bear interest at the base rate plus the applicable margin indicated in the following table:

Ratio of Outstanding Borrowings to Borrowing Base	Applicable Margin for Eurodollar Loans	Applicable Margin for Base Rate Loans
Less than .50 to 1	2.250%	1.250%
Greater than or equal to .50 to 1 but less than .75 to 1	2.500%	1.500%
Greater than or equal to .75 to 1 but less than .90 to 1	2.750%	1.750%
Greater than or equal to .90 to 1	3.000%	2.000%

The "Eurodollar rate" for any interest period (either one, two, three, or six months, as selected by ENP) is the rate equal to the British Bankers Association LIBOR for deposits in dollars for a similar interest period. The "Base Rate" is calculated as the highest of: (1) the annual rate of interest announced by Bank of America, N.A. as its "prime rate"; (2) the Federal Funds Effective Rate plus 0.5 percent; or (3) except during a "LIBOR Unavailability Period," the Eurodollar rate (for dollar deposits for a one-month term) for such day plus 1.0 percent.

Any outstanding letters of credit reduce the availability under the Credit Agreement. Borrowings under the Credit Agreement may be repaid from time to time without penalty.

The Credit Agreement contains several restrictive covenants including, among others, the following:

- a prohibition against incurring debt, subject to permitted exceptions;
- a prohibition against purchasing or redeeming partnership units, or prepaying indebtedness, subject to permitted exceptions;
- a restriction on creating liens on ENP's assets and its restricted subsidiaries, subject to permitted exceptions;
- restrictions on merging and selling assets outside the ordinary course of business;
- restrictions on use of proceeds, investments, transactions with affiliates, or change of principal business;
- a provision limiting oil and natural gas hedging transactions (other than puts) to a volume not exceeding 75 percent of anticipated production from proved producing reserves;
- a requirement that ENP maintain a ratio of consolidated current assets to consolidated current liabilities, as defined in the Credit Agreement which excludes the current portion of long term debt, of not less than 1.0 to 1.0;
- a requirement that ENP maintain a ratio of consolidated EBITDAX to the sum of consolidated net interest expense plus letter of credit fees of not less than 2.5 to 1.0; and
- a requirement that ENP maintain a ratio of consolidated funded debt to consolidated adjusted EBITDAX of not more than 3.5 to 1.0.

As of September 30, 2011, ENP was in compliance with all covenants under its Credit Agreement.

The Credit Agreement contains customary events of default, which would permit the lenders to accelerate the debt if not cured within the applicable grace periods. If an event of default occurs and is continuing, lenders with a majority of the aggregate commitments may require Bank of America, N.A. to declare all amounts outstanding under the Credit Agreement to be immediately due and payable.

Note 8. Partners' Equity and Distributions

Distributions

ENP's partnership agreement requires that, within 45 days after the end of each quarter, it distribute all of its available cash (as defined in ENP's partnership agreement) to its unitholders. ENP's available cash is its cash on hand at the end of a quarter after the payment of its expenses and the establishment of reserves for future capital expenditures and operational needs. Distributions are not cumulative. ENP distributes available cash to its unitholders in accordance with their ownership percentages.

The following table illustrates information regarding ENP's distributions of available cash for the periods indicated:

2011	Date Declared	Cash Distribution Declared per Common Unit	Date Paid	Total Distribution (in thousands)
Quarter ended September 30	10/27/2011	$ 0.4700	11/14/2011 (a)	$ 21,615 (a)
Quarter ended June 30	7/26/2011	$ 0.4700	8/12/2011	$ 21,617
Quarter ended March 31	4/28/2011	$ 0.4900	5/13/2011	$ 22,537
2010				
Quarter ended December 31	1/27/2011	$ 0.5000	2/14/2011	$ 22,992
Quarter ended September 30	10/28/2010	$ 0.5000	11/12/2010	$ 22,923
Quarter ended June 30	7/29/2010	$ 0.5000	8/13/2010	$ 22,923
Quarter ended March 31	4/30/2010	$ 0.5000	5/14/2010	$ 22,923

(a) Represents the date the distribution is expected to be paid and the total amount of the distribution that is expected to be paid.

Note 9. Earnings Per Unit

ENP applies the provisions of the "Earnings Per Share" Topic 260 of the FASC, which requires earnings per unit to be calculated using the two-class method. Under the two-class method of calculating earnings per unit, earnings are allocated to participating securities as if all earnings for the period had been distributed. A participating security is any security that may participate in distributions with common units. For purposes of calculating earnings per unit, general partner units, unvested restricted units and unvested phantom units in 2010 are considered participating securities. Earnings per unit is calculated by dividing the limited partners' interest in net income (loss), after deducting the interests of participating securities, by the weighted average common units outstanding.

The following table reflects the allocation of net income to ENP's limited partners and earnings per unit computations for the periods indicated:

	Three months ended September 30, 2011	Three months ended September 30, 2010	Nine months ended September 30, 2011	Nine months ended September 30, 2010
	(in thousands, except per unit amounts)			
Net income attributable to unitholders	$ 96,449	$ 2,441	$ 103,217	$ 46,318
Numerator:				
Numerator for basic earnings per unit:				
Net income attributable to unitholders	$ 96,449	$ 2,441	$ 103,217	$ 46,318
Less: distributions earned by participating securities	(237)	(253)	(737)	(757)
Plus: cash distributions in excess of (less than) income allocated to the general partner	(821)	231	(396)	252
Net income allocated to limited partners	$ 95,391	$ 2,419	$ 102,084	$ 45,813
Denominator:				
Denominator for basic earnings per unit:				
Weighted average common units outstanding	45,487	45,342	45,481	45,328
Effect of dilutive phantom units	-	-	-	8
Denominator for diluted earnings per unit	45,487	45,342	45,481	45,336
Net income per common unit:				
Basic	$ 2.10	$ 0.05	$ 2.24	$ 1.01
Diluted	$ 2.10	$ 0.05	$ 2.24	$ 1.01

Note 10. Unit-Based Compensation Plans

Long-Term Incentive Plan

In September 2007, the board of directors of the General Partner adopted the Encore Energy Partners GP LLC Long-Term Incentive Plan (the "LTIP"), which provides for the granting of options, restricted units, phantom units, unit appreciation rights, distribution equivalent rights, other unit-based awards, and unit awards. All employees, consultants, and directors of the General Partner and its affiliates who perform services for or on behalf of ENP and its subsidiaries are eligible to be granted awards under the LTIP. The LTIP is administered by the board of directors of the General Partner or a committee thereof, referred to as the plan administrator. To satisfy common unit awards under the LTIP, ENP may acquire common units in the open market, use common units owned by the General Partner, or use common units acquired by the General Partner from ENP or from any other person.

The total number of common units reserved for issuance pursuant to the LTIP is 1,150,000. In January and February 2011, ENP issued 140,007 restricted units under the LTIP to Vanguard field employees performing services on ENP's properties. These awards vest equally over a four-year period but have distribution equivalent rights that provide the employees with a bonus equal to the distribution on unvested units. The fair value of these units was approximately $3.1 million on the date of grant.

In February 2011, ENP issued 7,980 units under the LTIP to three members of the board of directors of the General Partner which will vest within one year, but have distribution equivalent rights that provide the board members with a bonus equal to the distribution on unvested units. The fair value of these units was approximately $0.2 million on the date of grant.

These common units and restricted units were granted as partial consideration for services to be performed under employment contracts and thus will be subject to accounting for these grants under FASC Topic 718. The fair value of restricted units issued is determined based on the fair market value of common units on the date of the grant. This value is amortized over the vesting period as referenced above. A summary of the status of the non-vested units as of September 30, 2011 is presented below:

	Number of Non-vested Units	Weighted Average Grant Date Fair Value
Non-vested units at January 1, 2011	—	$ —
Granted	147,987	$ 22.25
Forfeited	(4,721)	$ 22.19
Vested	—	$ —
Non-vested units at September 30, 2011	143,266	$ 22.26

As of September 30, 2011, there was approximately $2.5 million of unrecognized compensation cost related to non-vested restricted units, which is expected to be recognized over a period of 2.3 years. The accompanying Consolidated Statements of Operations reflects non-cash compensation of $0.2 million and $0.7 million in "General and administrative expense" for the three and nine months ended September 30, 2011, respectively. As of September 30, 2011, there were 927,013 common units available for issuance under the LTIP.

Phantom Units. As a result of the change of control of the General Partner in conjunction with the merger of EAC with and into Denbury on March 9, 2010, all 56,250 of ENP's outstanding phantom units vested and were settled in an equal number of ENP's common units. The acceleration of the phantom unit vesting resulted in the recognition of the remaining unrecognized unit-based compensation expense of approximately $0.7 million during the nine months ended September 30, 2010, which is included in "General and administrative expense" in the accompanying Consolidated Statements of Operations. The fair value of these phantom units was approximately $1.2 million on March 9, 2010. As of September 30, 2011, there were no outstanding phantom units.

Note 11. Comprehensive Income

The components of comprehensive income were as follows for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	(in thousands)			
Net income	$ 96,449	$ 2,441	$ 103,217	$ 46,318
Change in deferred hedge loss on interest rate swaps	161	573	873	1,389
Comprehensive income	$ 96,610	$ 3,014	$ 104,090	$ 47,707

Note 12. Commitments and Contingencies

ENP is a party to ongoing legal proceedings in the ordinary course of business. The General Partner's management does not believe the results of these proceedings will have a material adverse effect on ENP's business, financial condition, results of operations, liquidity, or ability to pay distributions.

Additionally, the following pending litigation is outstanding related to the proposed merger with Vanguard. On March 29, 2011, John O'Neal, a purported unitholder of ENP, filed a putative class action petition in the 125th Judicial District of Harris County, Texas on behalf of unitholders of ENP. Similar petitions were filed on April 4, 2011 by Jerry P. Morgan and on April 5, 2011 by Herbert F. Rower in other Harris County district courts. The *O'Neal*, *Morgan*, and *Rower* lawsuits were consolidated on June 5, 2011 as *John O'Neal v. Encore Energy Partners, L.P., et al*., Case Number 2011-19340, which is pending in the 125th Judicial District Court of Harris County. On July 28, 2011, Michael Gilas filed a class action petition in intervention. On July 26, 2011, the current plaintiffs in the consolidated *O'Neal* action filed an amended putative class action petition against ENP, ENP GP, Scott W. Smith, Richard A. Robert, Douglas Pence, W. Timothy Hauss, John E. Jackson, David C. Baggett, Martin G. White, and Vanguard. That putative class action petition and Gilas's petition in intervention both allege that the named defendants are (i) violating duties owed to ENP's public unitholders by, among other things, failing to properly value Encore and failing to protect against conflicts of interest or (ii) are aiding and abetting such breaches. Plaintiffs seek an injunction prohibiting the merger from going forward and compensatory damages if the merger is consummated. On October 3, 2011, the Court appointed Bull & Lifshitz, counsel for plaintiff-intervenor Gilas, as interim lead counsel on behalf of the putative class. On October 21, 2011, the court signed an order staying this lawsuit pending resolution of the Delaware State Court Action (defined below), subject to plaintiffs' right to seek to lift the stay for good cause. The defendants named in the Texas lawsuits intend to defend vigorously against them.

On April 5, 2011, Stephen Bushansky, a purported unitholder of ENP, filed a putative class action complaint in the Delaware Court of Chancery on behalf of the unitholders of ENP. Another purported unitholder of ENP, William Allen, filed a similar action in the same court on April 14, 2011. The Bushansky and Allen actions have been consolidated under the caption *In re: Encore Energy Partners LP Unitholder Litigation*, C.A. No. 6347-VCP (the "Delaware State Court Action"). On August 12, 2011, those plaintiffs jointly filed an amended consolidated class action complaint naming as defendants Encore, Scott W. Smith, Richard A. Robert, Douglas Pence, W. Timothy Hauss, John E. Jackson, David C. Baggett, Martin G. White, and Vanguard. That putative class action complaint alleges, among other things, that defendants breached the partnership agreement by proposing a transaction that is not fair and reasonable and that the preliminary joint proxy statement/prospectus omitted material information. Plaintiffs seek an injunction prohibiting the proposed merger from going forward and compensatory damages if the proposed merger is consummated. In response, Vanguard has filed a motion to dismiss and it intends to defend vigorously against this lawsuit.

On August 28, 2011, Herman Goldstein, a purported unitholder of ENP, filed a putative class action complaint against ENP, ENP GP, Scott W. Smith, Richard A. Robert, Douglas Pence, W. Timothy Hauss, John E. Jackson, David C. Baggett, Martin G. White, and Vanguard in the United States District Court for the Southern District of Texas on behalf of the unitholders of ENP. That lawsuit is captioned Goldstein v. Encore Energy Partners LP. et al., United States District Court for the Southern District of Texas, 4:11-cv-03198. Goldstein alleges that the named defendants violated Sections 14(a) and 20(a) of the Securities Exchange Act of 1934 and Rule 14a-9 promulgated thereunder by disseminating a false and materially misleading proxy statement in connection with the merger. Plaintiff seeks an injunction prohibiting the proposed merger from going forward. The defendants named in this lawsuit intend to defend vigorously against it.

On September 6, 2011, Donald A. Hysong, a purported unitholder of ENP, filed a putative class action complaint against ENP, ENP GP, Scott W. Smith, Richard A. Robert, Douglas Pence, W. Timothy Hauss, John E. Jackson, David C. Baggett, Martin G. White, and Vanguard on behalf of the unitholders of ENP in the United States District Court for the District of Delaware that is captioned *Hysong v. Encore Energy Partners LP. et al*., 1:11-cv-00781-SD. Hysong alleges that the named defendants violated either Section 14(a) of the Securities Exchange Act of 1934 and Rule 14a-9 promulgated thereunder or Section 20(a) of the Securities Exchange Act of 1934 by disseminating a false and materially misleading proxy statement in connection with the merger. Plaintiff seeks an injunction prohibiting the proposed merger from going forward. On September 14, 2011, in accordance with recent practice in Delaware, this case was assigned to Judge Stewart Dalzell of the Eastern District of Pennsylvania. On September 29, 2011, Plaintiff filed a motion seeking to preliminarily enjoin the merger. Pursuant to the Private Securities Litigation Reform Act, all discovery and proceedings have been stayed pending resolution of Defendants' Motion to Dismiss or a showing by the plaintiff that he is entitled to have the stay lifted. The defendants named in this lawsuit intend to defend vigorously against it.

Vanguard and ENP cannot predict the outcome of these or any other lawsuits that might be filed subsequent to the date of this filing, nor can Vanguard and ENP predict the amount of time and expense that will be required to resolve these lawsuits. Vanguard, ENP and the other defendants named in these lawsuits intend to defend vigorously against these and any other actions.

Additionally, ENP has contractual obligations related to future plugging and abandonment expenses on oil and natural gas properties and related facilities disposal, the Credit Agreement, derivative contracts, operating leases, and development commitments. Please read "Capital Commitments, Capital Resources, and Liquidity – Capital commitments – Contractual obligations" included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" of our 2010 Annual Report for ENP's contractual obligations.

Note 13. Related Party Transactions

Administrative Services Agreement

ENP does not have any employees. The employees supporting the operations of ENP were: the employees of EAC prior to March 2010, the employees of Denbury from March 2010 to December 31, 2010, and the employees of VNG on and after December 31, 2010 in connection with the Vanguard Acquisition. During 2010, Encore Operating, L. P. ("Encore Operating"), a wholly-owned subsidiary of Denbury, provided administrative services for ENP, including accounting, corporate development, finance, land, legal, and engineering, pursuant to an administrative services agreement. In addition, Encore Operating provided all personnel, facilities, goods, and equipment necessary to perform these services which were not otherwise provided for by ENP. Encore Operating was not liable to ENP for its performance of, or failure to perform, services under the administrative services agreement unless its acts or omissions constituted gross negligence or willful misconduct. On December 31, 2010, Encore Operating's duties under the administrative services agreement were assigned to VNG pursuant to the Vanguard Acquisition.

From April 1, 2009 to March 31, 2010, the administrative fee was $2.02 per BOE of ENP's production, and from April 1, 2010 through March 31, 2011, the fee was increased to $2.06 per BOE. Effective April 1, 2011, the administrative fee decreased to $2.05 per BOE of ENP's production. ENP also reimbursed Encore Operating for actual third-party expenses incurred on ENP's behalf. In addition, Encore Operating was entitled to retain any COPAS overhead charges associated with drilling and operating wells that would otherwise be paid by non-operating interest owners to the operator. Pursuant to the Vanguard Acquisition, VNG received the same fees and reimbursements for services performed during the first nine months of 2011 as previously received by Encore Operating.

The administrative fee will increase in the following circumstances:

- beginning on the first day of April in each year by an amount equal to the product of the then-current administrative fee multiplied by the COPAS Wage Index Adjustment for that year;
- if ENP acquires additional assets, VNG may propose an increase in its administrative fee that covers the provision of services for such additional assets; however, such proposal must be approved by the board of directors of the General Partner upon the recommendation of its conflicts committee; and
- otherwise as agreed upon by VNG and the General Partner, with the approval of the conflicts committee of the board of directors of the General Partner.

ENP reimburses the ultimate parent of the General Partner for any state, income, franchise, or similar tax incurred by it resulting from the inclusion of ENP in consolidated tax returns of the ultimate parent of the General Partner as required by applicable law. The amount of any such reimbursement is limited to the tax that ENP would have incurred had it not been included in a combined group with the ultimate parent of the General Partner.

Administrative fees paid pursuant to the administrative services agreement are included in "General and administrative expenses" in the accompanying Consolidated Statements of Operations. The reimbursements of actual third-party expenses incurred on ENP's behalf are also included in "General and administrative expenses" in the accompanying Consolidated Statements of Operations. The following table illustrates amounts paid by ENP pursuant to the administrative service agreement for the periods indicated:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
	(in thousands)			
Administrative fees	$ 1,677	$ 1,635	$ 4,825	$ 4,934
COPAS recovery	1,559	638	3,485	1,964
Third Party Expenses	1,996	1,212	5,293	4,527

As of September 30, 2011 and December 31, 2010, ENP had accounts payable to Vanguard of $1.5 million and $0.1 million, respectively, which is reflected as "Accounts payable – affiliate" in the accompanying Consolidated Balance Sheets.

Distributions

Each quarter, ENP pays cash distributions with respect to operations in the previous quarter on all of its outstanding units, including those common units held by the General Partner and its affiliates, and pays cash distributions to the General Partner based upon its general partner interest. On August 12, 2011, ENP paid cash distributions of $21.6 million, of which $10.1 million was paid to the General Partner and its affiliates. On May 13, 2011, ENP paid cash distributions of approximately $22.5 million, of which $10.5 million was paid to the General Partner and its affiliates. On February 14, 2011, ENP paid cash distributions of approximately $23.0 million, of which $10.7 million was paid to the General Partner and its affiliates. On each of August 13, 2010 and May 14, 2010, ENP paid cash distributions of approximately $22.9 million, of which $10.7 million was paid to the General Partner and its affiliates. On February 12, 2010, ENP paid cash distributions of approximately $24.6 million, of which $11.5 million was paid to the General Partner and its affiliates.

Note 14. Subsequent Events

On October 27, 2011, the board of directors of the General Partner declared an ENP cash distribution for the third quarter of 2011 to unitholders of record as of the close of business on November 7, 2011 of $0.47 per unit or approximately $21.6 million, of which $10.1 million is expected to be paid to the General Partner and its affiliates. The distribution is expected to be paid to unitholders on or about November 14, 2011.

On October 31, 2011, the SEC declared the Form S-4 effective, and on November 1, 2011, Vanguard and ENP announced that both companies have established a record date and a meeting date for the special meetings of unitholders to consider and vote upon the previously-announced merger agreement.

Exhibit 99.4

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 received 0.75 Vanguard common units in exchange for each Encore common unit they owned at closing. The transaction resulted in 18,420,606 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 was 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 was subject to approval by a majority of the outstanding Encore common units. As of July 11, 2011,Vanguard's operating company, VNG, owned Encore's general partner and approximately 46.0% of the Encore outstanding common units and executed the definitive merger agreement between Vanguard and Encore. The completion of the Merger was 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 October 31, 2011, Vanguard and ENP submitted the definitive proxy statement to their respective unitholders. The special meeting of unitholders for each of Vanguard and ENP took place on November 30, 2011 and the unitholders of each of Vanguard and ENP approved the Merger. Based on 24,560,808 ENP common units outstanding on November 30, 2011, Vanguard issued 18,420,606 common units to ENP common unitholders at the closing of the merger, December 1, 2011.

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 a private seller. Vanguard and Encore agreed to purchase 50% of the Purchased Assets for an aggregate of $85.0 million and each paid the seller a non-refundable deposit of $4.25 million. We refer to this acquisition as the “Permian Basin Acquisition I.” 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 was May 1, 2011. The purchase price was funded with borrowings under Vanguard's reserve-based credit facility and ENP's 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. Vanguard's historical consolidated statement of operations for the year ended December 31, 2010 and the nine months ended September 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 I completed during July 2011 as presented in Notes 3 and 5 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 18,420,606 Vanguard common units to Encore's public unitholders in exchange for each Encore common unit they owned 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 Parker Creek Acquisition completed during May 2010 and the effect of the related equity offering.
- Vanguard's and Encore’s Permian Basin Acquisition I completed during July 2011 and the increase in interest expense related to borrowings under Vanguard's reserve-based credit facility and Encore’s credit agreement to fund the acquisition.
- The elimination of nonrecurring losses related to the Parker Creek Acquisition completed by Vanguard during May 2010 and the Permian Basin Acquisition I completed during July 2011.

The unaudited pro forma combined balance sheet gives effect to the Merger as if it had occurred on September 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 nine months ended September 30, 2011, as if the Merger, the Encore Sponsor Interest Acquisition, the Permian Basin Acquisition I completed during July 2011 and the Parker Creek Acquisition completed during May 2010 (see Note 5) 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 September 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, Permian Basin Acquisition I 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 September 30, 2011
(In thousands)

	Vanguard historical	Pro forma adjustments Encore merger (Note 2)	Vanguard pro forma combined
Current assets			
Cash and cash equivalents	$ 3,346		$ 3,346
Trade accounts receivables, net	45,311	—	45,311
Derivative assets	27,919	—	27,919
Other current assets	4,287	—	4,287
Total current assets	80,863		80,863
Oil and natural gas properties, at cost	1,518,536	—	1,518,536
Accumulated depletion, amortization and accretion	(310,229)	—	(310,229)
Oil and natural gas properties evaluated, net (see Note 1)	1,208,307	—	1,208,307
Other assets			
Goodwill	420,955	—	420,955
Other intangible assets, net	8,882	—	8,882
Derivative assets	19,246		19,246
Deferred financing costs	2,868	—	2,868
Other assets	2,982	—	2,982
Total assets	$ 1,744,103	$ —	$ 1,744,103
Liabilities and members' equity			
Current liabilities			
Accounts payable:			
Trade	$ 2,878	$ —	$ 2,878
Affiliate	1,461	—	1,461
Accrued liabilities:			
Lease operating	6,227	—	6,227
Developmental capital	2,899	—	2,899
Interest	591	—	591
Production taxes and marketing	16,908	—	16,908
Derivative liabilities	1,813	—	1,813
Deferred swap premium liability	432	—	432
Oil and natural gas revenue payable	3,767	—	3,767
Other	5,083	—	5,083
Current portion, long-term debt	531,000	—	531,000
Total current liabilities	573,059	—	573,059
Long-term debt	218,500	—	218,500
Derivative liabilities	4,423	—	4,423
Asset retirement obligations	34,364	—	34,364
Other long-term liabilities	63	—	63
Total liabilities	830,409	—	830,409
Members' equity			
Members' capital	346,612	563,396[(a)]	910,008
Class B units	4,450	—	4,450
Accumulated other comprehensive loss	(764)	—	(764)
Total Vanguard members' equity	350,298	563,396	913,694
Non-controlling interest	563,396	(563,396)[(a)]	—
Total members' equity	913,694	—	913,694
Total liabilities and members' equity	$ 1,744,103	$ —	$ 1,744,103

Unaudited Pro Forma Combined
Statement of Operations
for the Nine Months Ended September 30, 2011

	Vanguard historical	Pro forma adjustments Permian Basin Acquisition I (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	$ 226,838	$ 10,848[(a)]	$ 237,686	$ —	$ 237,686
Loss on commodity cash flow hedges	(2,307)	—	(2,307)	—	(2,307)
Realized gain on other commodity derivative contracts	4,474	—	4,474	—	4,474
Unrealized gain on other commodity derivative contracts	68,625	—	68,625	—	68,625
Total revenues	297,630	10,848	308,478	—	308,478
Costs and Expenses					
Production:					
Lease operating expenses	43,960	3,528[(b)]	47,488	—	47,488
Production and other taxes	21,319	—	21,319	—	21,319
Depreciation, depletion, amortization and accretion	62,797	3,346[(c)]	66,143	—	66,143
Selling, general and administrative expenses	16,436	—	16,436	(2,178)[(f)]	14,258
Total costs and expenses	144,512	6,874	151,386	(2,178)	149,208
Income from operations	153,118	3,974	157,092	2,178	159,270
Other income and (expense)					
Interest expense	(21,137)	(1,098)[(d)]	(22,235)	—	(22,235)
Realized loss on interest rate derivative contracts	(2,208)	—	(2,208)	—	(2,208)
Gain on interest rate cash flow hedges	39	—	39	—	39
Unrealized loss on interest rate derivative contracts	(1,641)	—	(1,641)	—	(1,641)
Net loss on acquisition of oil and natural gas properties	(383)	657[(e)]	274	—	274
Other income	76	—	76	—	76
Total other expense	(25,254)	(441)	(25,695)	—	(25,695)
Net income	127,864	3,533	131,397	2,178	133,575
Net income attributable to non-controlling interest	50,593	943	51,536	(51,536)[(g)]	—
Net income attributable to Vanguard unitholders	$ 77,271	$ 2,590	$ 79,861	$ 53,714	$ 133,575
Net income per Common and Class B unit					
Basic	$ 2.56		$ 2.64		$ 2.75
Diluted	$ 2.55		$ 2.64		$ 2.74
Weighted average units outstanding	—	—	—	—	—
Common units – basic	29,792	—	29,792	18,421[(h)]	48,213
Common units – diluted	29,855	—	29,855	18,421[(h)]	48,276
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 5)	Encore historical	Pro forma reclassification adjustments (Note 4)	Pro forma adjustments (Note 4)	Vanguard pro forma combined
	(In thousands, except per unit amounts)				
Revenues:					
Oil, natural gas and natural gas liquids sales	$ 109,356	$ —	$ 183,476[a]	$ —	
			269[b]	—	$ 293,101
Loss on commodity cash flow hedges	(2,832)	—	—	—	(2,832)
Realized gain on other commodity derivative contracts	24,774	—	11,946[g]	—	
			(9,816)[k]	—	26,904
Unrealized loss on other commodity derivative contracts	(14,145)	—	(26,087)[g]	—	
			9,816[k]	—	(30,416)
Oil revenue	—	155,367	(155,367)[a]	—	—
Natural gas revenue	—	28,109	(28,109)[a]	—	—
Marketing revenue	—	269	(269)[b]	—	—
Total revenues	117,153	183,745	(14,141)	—	286,757
Costs and Expenses					
Lease operating expenses	25,099	43,021	1,336[e]	—	
			(2,036)[d]	—	
			124[b]	—	67,544
Depreciation, depletion, amortization and accretion	29,344	50,580	—	11,086[m]	91,010
Production, ad valorem and severance taxes	—	18,221	(16,761)[c]	—	
			(1,336)[e]	—	
			(124)[b]	—	—
Selling, general and administrative expenses	10,134	12,398	(13)[f]	(934)[o]	
				(3,853)[p]	17,732
Production and other taxes	6,840	—	16,761[c]	—	
			2,036[d]	—	
			13[f]	—	
			(70)[i]	—	
			70[i]	—	25,650
Derivative fair value loss	—	14,146	(14,146)[g]	—	—
Exploration	—	194	—	(194)[l]	—
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[h]	—	13
Interest expense	(8,069)	(13,171)	3,918[j]	(12,850)[n]	(30,172)
Realized loss on interest rate derivative contracts	(1,799)	—	(3,918)[j]	—	(5,717)
Unrealized gain on interest rate derivative contracts	(349)	—	(5)[g]	—	(354)
Other income	—	56	(12)[h]	—	44
Total other income (expense)	(10,216)	(13,115)	(5)	(12,850)	(36,186)
Current income tax benefit (provision)	—	(70)	70[i]	—	—
Deferred income tax benefit (provision)	—	70	(70)[i]	—	—
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			25,155[q]	47,875
Common units – diluted	22,758			25,155[q]	47,913

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 (the "Merger"). Under the terms of the definitive merger agreement, Encore's public unitholders received 0.75 Vanguard common units in exchange for each Encore common unit they owned at closing. The transaction resulted in 18,420,606 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 was 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 was 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, owned Encore's general partner and approximately 46% of the Encore outstanding common units and executed the definitive merger agreement between Vanguard and Encore. The completion of the Merger was 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 October 31, 2011, Vanguard and ENP submitted the definitive proxy statement to their respective unitholders. The special meeting of unitholders for each of Vanguard and ENP took place on November 30, 2011 and the unitholders of each of Vanguard and ENP approved the Merger. Based on 24,560,808 ENP common units outstanding on November 30, 2011, Vanguard issued 18,420,606 common units to ENP common unitholders at the closing of the merger, December 1, 2011.

The 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 September 30, 2011 has been prepared to give effect to the Merger as if it had occurred on September 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 are included in the unaudited pro forma combined statements of operations, also include the pro forma effects of the Permian Basin Acquisition I completed during July 2011 and the Parker Creek Acquisition completed during May 2010 and the and the related equity financings as if they had occurred on January 1, 2010. The Permian Basin Acquisition I and the Parker Creek Acquisition are unrelated to the Merger.

The pro forma effects of the Permian Basin Acquisition I and the Parker Creek Acquisition are presented in Notes 3 and 5 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

Adjustment (a) eliminates 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 was issued 0.75 Vanguard common units for each Encore common unit held at closing. The number of Vanguard common units issued to effect the Merger is calculated as follows:

Encore common units held by public unitholders at November 30, 2011	24,560,808
Exchange ratio[1]	0.75
Vanguard common units issued to Encore public unitholders	18,420,606

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

Note 3 Unaudited Pro Forma Combined Statements of Operations for the Nine Months Ended September 30, 2011

The unaudited pro forma combined statement of operations for the nine month period ended September 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 I completed during 2011.
(b) Represents the increase in lease operating expenses resulting from the Permian Basin Acquisition I completed during 2011.
(c) Represents the increase in depreciation, depletion, amortization and accretion resulting from the Permian Basin Acquisition I completed during 2011.
(d) Represents the pro forma interest expense related to borrowings under Vanguard's reserve-based credit facility and Encore's credit agreement to fund the Permian Basin Acquisition I completed during 2011.
(e) Represents the nonrecurring loss on acquisition of natural gas and oil properties related to the Permian Basin Acquisition I completed during 2011.
(f) 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.
(g) Elimination of the allocation of net income to non-controlling interest as a result of the Merger.
(h) Adjustment for the weighted average number of units from the issuance of 18,420,606 Vanguard common units under the terms of the Merger, whereby Encore's public unitholders received 0.75 Vanguard common units for each Encore common unit held at closing.

Note 4 Unaudited Pro Forma Combined Statements of Operations for the Year Ended December 31, 2010

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).

Adjustments (a) – (k) 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:

(a) Represents the reclassification of Encore's oil and natural gas product sales to conform to Vanguard's presentation.
(b) Represents the reclassification of marketing revenue and marketing expenses to conform to Vanguard's presentation.
(c) Represents the reclassification of production and severance taxes to "Production and other taxes" to conform to Vanguard's presentation.
(d) Represents the reclassification of ad valorem taxes to "Production and other taxes" to conform to Vanguard's presentation.
(e) Represents the reclassification of transportation costs to "Lease operating expenses" to conform to Vanguard's presentation.
(f) Represents the reclassification of annual income taxes to "Production and other taxes" to conform to Vanguard's presentation.
(g) 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.
(h) Represents the reclassification of interest income to "Interest income" to conform to Vanguard's presentation.
(i) Represents the reclassification of current and deferred income tax benefit (provision) to "Production and other taxes" to conform to Vanguard's presentation.
(j) Represents the reclassification of settlements of interest rate derivatives to "Realized loss on interest rate derivative contracts" to conform to Vanguard's presentation.
(k) 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 (l) – (q) 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.

(l) 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.
(m) 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.
(n) 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.
(o) 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.
(p) Represents the elimination of transaction costs incurred in the Encore Sponsor Interest Acquisition.
(q) Represents the adjustment for the weighted average number of units from the issuance of 18,420,606 Vanguard common units under the terms of the Merger, whereby Encore's public unitholders received 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 5 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. We refer 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. We 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.

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 a private seller. Vanguard and Encore agreed to purchase 50% of the Purchased Assets for an aggregate of $85.0 million and each paid the seller a non-refundable deposit of $4.25 million. We refer to this acquisition as the “Permian Basin Acquisition I.” 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 was May 1, 2011. The purchase price was funded with borrowings under Vanguard's reserve-based credit facility and ENP's 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 completed during May 2010 and the Permian Basin Acquisition I completed during July 2011 as if they had occurred on January 1, 2010.

Note 5 Vanguard's Unaudited Pro Forma Consolidated Statement of Operations- (continued)

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[b]	$ 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[c]	
		5,783[d]	25,099
Depreciation, depletion, amortization and accretion	22,231	1,180[e]	
		5,933[f]	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)[g]	
		(1,855)[h]	(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[i]	—
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	$ 1.00		$ 1.54
Net income per Common and Class B unit – diluted	$ 1.00		$ 1.53
Weighted average units outstanding			
Common units – basic	21,500	1,220[j]	22,720
Common units – diluted	21,538	1,220[j]	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 oil, natural gas and natural gas liquids sales resulting from the Permian Basin Acquisition I completed during 2011.

(c) Represents the increase in lease operating expenses resulting from the Parker Creek Acquisition completed during 2010.

(d) Represents the increase in lease operating expenses resulting from the Permian Basin Acquisition I completed during 2011.

(e) Represents the increase in depreciation, depletion, amortization and accretion resulting from the Parker Creek Acquisition completed during 2010.

(f) Represents the increase in depreciation, depletion, amortization and accretion resulting from the Permian Basin Acquisition I completed during 2011.

(g) 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.

(h) Represents the pro forma interest expense related to borrowings under Vanguard's reserve-based credit facility and Encore's credit agreement to fund the Permian Basin Acquisition I completed during 2011.

(i) Represents the nonrecurring loss on acquisition of natural gas and oil properties related to the Parker Creek acquisition completed during 2010.

(j) Represents the pro forma adjustment for the Vanguard common units sold in connection with the funding of the Parker Creek Acquisition completed during 2010.

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 I'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 Sponsor Interest Acquisition, Parker Creek Acquisition and Permian Basin Acquisition I 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**	**Permian Basin Acquisition I**	**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**	**Permian Basin Acquisition I**	**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 I'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 I**	**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 I'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 I	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 Acquisition and the Permian Basin Acquisition I.

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 I, 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	Permian Basin Acquisition I	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 Acquisition and the Permian Basin Acquisition I.