

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 8-K
CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): **March 22, 2016 (March 18, 2016)**

Vanguard Natural Resources, LLC

(Exact name of registrant specified in its charter)

Delaware
(State or Other Jurisdiction
Of Incorporation)

001-33756
(Commission
File Number)

61-1521161
(IRS Employer
Identification No.)

5847 San Felipe, Suite 3000
Houston, TX 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))

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Employment Agreements

Vanguard Natural Resources, LLC, a Delaware limited liability company (the “Company”), is the parent of VNR Holdings, LLC, a Delaware limited liability company (“VNR Holdings”). Since 2006, the Company and VNR Holdings have entered into a series of employment agreements with Scott W. Smith, the President and Chief Executive Officer of the Company and VNR Holdings, Richard A. Robert, the Executive Vice President and Chief Financial Officer of the Company and VNR Holdings, and Britt Pence, the Executive Vice President of Operations of the Company and VNR Holdings. The Company and VNR Holdings last entered into employment agreements with Messrs. Smith and Robert on June 6, 2013 and last entered into an employment agreement with Mr. Pence on July 8, 2013, each of which was effective as of January 1, 2013.

On March 18, 2016, the Company and VNR Holdings entered into new amended and restated executive employment agreements with each of Messrs. Smith, Robert and Pence (the “Amended Agreements”) in order to set forth in writing the revised terms of each executive’s employment relationship with VNR Holdings. The Amended Agreements were effective January 1, 2016, and the initial term of the Amended Agreements ends on January 1, 2019, with a subsequent 12 month term extension automatically commencing on January 1, 2019 and each successive January 1 thereafter, provided that neither VNR Holdings nor the executives deliver a timely non-renewal notice prior to an expiration date.

The Amended Agreements provide that (i) Mr. Smith is entitled to an annual base salary of \$600,000, which will increase to \$650,000 on January 1, 2017 and to \$700,000 on January 1, 2018, (ii) Mr. Robert is entitled to an annual base salary of \$470,000, which will increase to \$490,000 on January 1, 2017 and to \$510,000 on January 1, 2018, and (iii) Mr. Pence is entitled to an annual base salary of \$440,000, which will increase to \$450,000 on January 1, 2017 and to \$460,000 on January 1, 2018. In addition, the Company’s board of directors (the “Board”) has the discretion to increase the base salaries of Messrs. Smith, Robert and Pence at any time. Under the Amended Agreements, the executives are eligible to receive an annual performance-based cash bonus award, based on four company performance components (adjusted EBITDA results, production results, lease operating expenses, and cash general and administrative expenses), and the Board has the ability to apply a discretionary multiplier to the overall bonus targets of the four components. The four components each individually comprise 25% of the aggregate annual bonus. The annual bonus shall be calculated on a cumulative basis for each of the four components and shall be paid out on a quarterly basis. The annual bonus is not subject to a minimum payout, while the maximum payout may not exceed two (2) times the respective executive’s annual base salary.

Under the Amended Agreements, the executives are also eligible to receive annual equity-based compensation awards, consisting of restricted units and/or phantom units, under the Company’s Long-Term Incentive Plan (the “LTIP”). Mr. Smith is eligible to receive annual equity-based compensation awards having an aggregate fair market value equal to five and a half (5.5) times his then-current annual base salary, Mr. Robert is eligible to receive annual equity-based compensation awards having an aggregate fair market value equal to four (4) times his then-current annual base salary and Mr. Pence is eligible to receive annual equity-based compensation

awards having an aggregate fair market value equal to three and a half (3.5) times his then-current annual base salary. A description of the restricted unit agreement and phantom unit agreement is contained below. The Amended Agreements also provide that Messrs. Smith, Robert and Pence are eligible to participate in the benefit programs generally available to senior executives of VNR Holdings.

In the event of the Company's Change in Control (as defined below), the executives are entitled to certain change in control payments and benefits under the Amended Agreements, consisting of: (i) an amount equal to two (2) times their then-current base salary and annual bonus and (ii) accelerated vesting of any outstanding restricted units, phantom units, or any other awards granted under the LTIP held by the executives at the time of the change of control, with any settlement of these awards being made according to the terms of the LTIP and the applicable

individual award agreement. A "Change of Control" is defined for purposes of the Amended Agreements by utilizing the definition contained within the LTIP at the time the Change of Control occurs. For reference, the LTIP was previously described in the Company's Current Report on Form 8-K filed on October 24, 2007.

Under the Amended Agreements, Messrs. Smith, Robert and Pence are entitled to severance payments and benefits upon certain qualifying terminations. Upon a termination by VNR Holdings without Cause (as defined below) or termination by any such executive for Good Reason (as defined below), the executive is entitled to (i) an amount equal to three (3) times the executive's then-current base salary and (ii) accelerated vesting of any outstanding restricted units, phantom units, or any other awards granted under the LTIP held by the executives at the time of such termination, with any settlement of these awards being made according to the terms of the LTIP. Upon an executive's termination by Disability (as defined below) or death, the executive is entitled to (a) an amount equal to one (1) times the executive's then-current base salary and (b) accelerated vesting of any outstanding restricted units, phantom units, or any other awards granted under the LTIP held by the executives at the time of such termination, with any settlement of these awards being made according to the terms of the LTIP. As a condition to receiving any of the severance payments and benefits heretofore described, the terminated executive (or his legal representative, as applicable) must execute and not revoke a customary severance and release agreement, including a waiver of all claims.

The Amended Agreements generally define the term "Cause" to mean (i) the executive's commission of theft, embezzlement, any other act of dishonesty relating to his employment with VNR Holdings or any willful and material violation of any law, rules, or regulation applicable to the Company, including, but not limited to, those laws, rules, or regulations established by the Securities and Exchange Commission or any self-regulatory organization having jurisdiction or authority over the executive or the Company; (ii) the executive's conviction of, or executive's plea of guilty or *nolo contendere* to, any felony or any other crime involving fraud, dishonesty, or moral turpitude; (iii) a determination by the Board that the executive has materially breached his Amended Agreement (other than during any period of Disability) where such breach is not remedied within ten business days after written demand by the Board for substantial performance is actually received by the executive which specifically identifies the manner in which the Board believes the executive has so breached; or (iv) the executive's willful and continued failure to perform the reasonable and customary duties of his position as stated in the Amended Agreement which such failure is not remedied within ten business days after written demand by the Board for substantial performance is actually received by the executive which specifically identifies the nature of such failure.

The Amended Agreements generally define the term "Good Reason" to mean (a) a material reduction in the executive's authority, duties, or responsibilities; (b) a material reduction in the executive's base salary; (c) an executive's removal from his position as stated in the Amended Agreement, other than for Cause or by death or

Disability, to a position that is not at least equivalent in authority and duties; (d) relocation of the executive's principal place of business to a location fifty (50) or more miles from its location as of the date of the Amended Agreement; (e) a material breach by VNR Holdings of the Amended Agreement, which materially adversely affects the executive; or (f) VNR Holdings' failure to make any material payment to the executive required to be made under the Amended Agreement.

The Amended Agreements generally define the term "Disability" to mean the executive's inability to substantially perform his duties as an employee of VNR Holdings as a result of sickness or injury, and continued inability to perform any such duties for a period of more than 180 consecutive days in any 12 month period.

The Amended Agreements contain standard non-competition, non-solicitation and confidentiality provisions.

The foregoing description of the Amended Agreements does not purport to be complete and is qualified in its entirety by reference to the full text of such agreements, copies of which are attached as exhibits hereto and are incorporated herein by reference.

Restricted Unit Agreement and Phantom Unit Agreement

The restricted unit agreements are subject to a restricted period of three years. One-third of the aggregate number of the units vest on each one-year anniversary of the date of grant so long as the executive remains continuously employed with the Company. The restricted units include a tandem grant of distribution equivalent rights ("DERs"), which entitle the executives to receive the value of any distributions made by the Company on its units generally with respect to the number of restricted units that the executives received pursuant to the grant. Fifty percent (50%) of the DERs shall be paid at the time any such distributions are declared and paid by the Company, and the balance of the DERs will be subject to the same vesting requirements as the underlying restricted units. In the event the executive is terminated without Cause (as such term is defined in the Amended Agreements) or the executive resigns for Good Reason (as such term is defined in the Amended Agreements), or the executive is terminated due to his death or Disability (as such term is defined in the Amended Agreements), all unvested outstanding restricted units shall immediately vest. If the executive is terminated for Cause, all unvested restricted units (together with any DERs that have not been paid) shall be forfeited. Upon the occurrence of a Change of Control, all unvested outstanding restricted units shall immediately vest.

The phantom units are also subject to a three year vesting period. One-third of the aggregate number of the units vest on each one-year anniversary of the date of grant so long as the executive remains continuously employed with the Company. The phantom units include a tandem grant of DERs, which entitle the executives to receive the value of any distributions made by the Company on its units generally with respect to the number of phantom units that the executives received pursuant to the grant. Fifty percent (50%) of the DERs shall be paid at the time any such distributions are declared and paid by the Company, and the balance of the DERs will be subject to the same vesting requirements as the underlying phantom units. In the event the executive is terminated without Cause, or the executive resigns for Good Reason, or the executive is terminated due to his death or Disability, all unvested outstanding phantom units shall immediately vest. If the executive is terminated for Cause, all unvested phantom units (including the amount credited to the executive's tandem DER account with respect to such phantom units) shall be forfeited. Upon the occurrence of a Change of Control, all unvested outstanding phantom units shall immediately vest.

The restricted units and the phantom units are subject to all the terms and conditions of the LTIP as well as the individual award agreements which govern the awards. Neither the restricted units nor the phantom units are transferable, other than by will or the laws of descent and distribution. The Company shall withhold from the

settlement or payment of the awards, as applicable, any amounts or units necessary to satisfy the Company's withholding obligations.

The foregoing description of the restricted unit agreements and the phantom unit agreements does not purport to be complete and is qualified in its entirety by reference to the full text of such agreements, copies of which are attached as exhibits hereto and are incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits. The following exhibits are filed as part of this Current Report on Form 8-K:

Exhibit No.	Description
10.1	Amended and Restated Employment Agreement, effective as of January 1, 2016, by and among Vanguard Natural Resources, LLC, VNR Holdings, LLC and Scott W. Smith.
10.2	Amended and Restated Employment Agreement, effective as of January 1, 2016, by and among Vanguard Natural Resources, LLC, VNR Holdings, LLC and Richard A. Robert.
10.3	Amended and Restated Employment Agreement, effective as of January 1, 2016, by and among Vanguard Natural Resources, LLC, VNR Holdings, LLC and Britt Pence.
10.4	Form Restricted Unit Award Agreement.
10.5	Form of Phantom Unit Award Agreement.

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

Dated: March 22, 2016

By: /s/ Richard A. Robert

Name: Richard A. Robert

Title: Executive Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting
Officer)

EXHIBIT INDEX

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EX-10.1 2 ex1012016easmithfinal_0318.htm EXHIBIT 10.1

Exhibit 10.1

**AMENDED AND RESTATED EMPLOYMENT AGREEMENT
SCOTT W. SMITH**

This **AMENDED AND RESTATED EMPLOYMENT AGREEMENT**, effective as of January 1, 2016 (the “**Effective Date**”), is by and between VNR Holdings, LLC, a Delaware limited liability company (“**VNR**”), Vanguard Natural Resources, LLC, a Delaware limited liability company (“**Parent**”) and Scott W. Smith (“**Executive**”).

WHEREAS, VNR, Parent and Executive previously entered into that certain Amended and Restated Employment Agreement dated January 1, 2013 (the “**Prior Agreement**”);

WHEREAS, the parties hereby agree that the Prior Agreement was terminated as of the Effective Date and shall be replaced in its entirety with this Amended and Restated Employment Agreement (this “**Agreement**”);

WHEREAS, VNR desires to continue to employ Executive, and Executive desires to continue to be employed by VNR in said capacity; and

WHEREAS, the parties desire to set forth in writing the terms and conditions of their understandings and agreements in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, VNR hereby agrees to employ Executive and Executive hereby accepts such employment upon the terms and conditions set forth in this Agreement:

1. Employment Period.

(a) Subject to Section 5, VNR hereby agrees to employ Executive, and Executive hereby agrees to be employed by VNR, in accordance with the terms and provisions of this Agreement, for the period commencing as of the Effective Date and ending on January 1, 2019 (the “**Employment Period**”); provided, however, that the Employment Period shall automatically be renewed and extended for an additional period of twelve (12) months commencing on January 1, 2019 and expiring on January 1, 2020, and on each successive January 1 thereafter, unless at least ninety (90) days prior to the ensuing expiration date (but no more than twelve (12) months prior to such expiration date), VNR or Executive shall have given ninety (90) days written notice to the other that it or he, as applicable, does not wish to extend this Agreement (a “**Non-Renewal Notice**”). The term “**Employment Period**,” as utilized in this Agreement, shall refer to the Employment Period as so automatically extended.

(b) During the term of Executive’s employment with VNR, Executive shall serve as the President and Chief Executive Officer of VNR and the Parent (together, the “**Company**”) and in so doing, shall report to the Board of Managers or Directors, as applicable, of the Company (the “**Board**”). In addition, Executive shall serve as a member of the Board of the Company unless removed by a vote of the shareholders or unless the Nominating Committee of the Board fails to nominate Executive. Executive shall have supervision and control over, and responsibility for, such management and operational functions of the Company currently assigned to such positions, and

shall have such other powers and duties (including holding officer positions with the Company and one or more subsidiaries of the Company) as may from time to time be prescribed by the Board, so long as such powers and duties are reasonable and customary for the President and Chief Executive Officer of an enterprise comparable to the Company.

(c) During the term of Executive's employment with VNR, and excluding any periods of vacation and sick leave to which Executive is entitled, Executive agrees to devote substantially all of his business time to the business and affairs of VNR and, to the extent necessary to discharge the responsibilities assigned to Executive hereunder, to use Executive's reasonable best efforts to perform faithfully, effectively and efficiently such responsibilities. During the term of Executive's employment with VNR, it shall not be a violation of this Agreement for Executive to (i) serve on corporate, civic or charitable boards or committees, (ii) deliver lectures or fulfill speaking engagements and (iii) manage personal investments, so long as such activities do not materially interfere with the performance of Executive's responsibilities as an employee of the Company in accordance with this Agreement.

(d) The parties expressly acknowledge that any performance of Executive's responsibilities hereunder shall necessitate, and the Company shall provide, access to or the disclosure of Confidential Information (as defined in Section 9(a) below) to Executive and that Executive's responsibilities shall include the development of the Company's goodwill through Executive's contacts with the Company's customers and suppliers.

2. **Compensation**

(a) *Base Salary*. VNR shall pay Executive an annual base salary ("**Base Salary**") at the rate of \$600,000 for the period commencing on the Effective Date. The Base Salary will increase to \$650,000 on January 1, 2017 and to \$700,000 on January 1, 2018. The Board may at its discretion elect to increase Executive's Base Salary at any time if they deem an increase is warranted. The Board may not decrease Executive's annual Base Salary without his prior written approval. Base Salary shall be payable in accordance with the ordinary payroll practices of VNR, but in no event shall the Base Salary be paid to Executive less frequently than monthly. The term "Base Salary" as used in this Agreement shall refer to the Base Salary as it may be so adjusted from time to time.

(b) *Annual Bonus*. Executive shall be eligible to receive an annual bonus (the "**Annual Bonus**") based upon the terms and conditions of Executive's Annual Bonus for each calendar year within the Employment Period are set forth in Appendix A hereto.

(c) *LTIP Grants*. Executive shall be eligible to receive an annual grant of restricted units (the "**Restricted Units**") and/or phantom units (the "**Phantom Units**") pursuant to the Vanguard Natural Resources, LLC Long-Term Incentive Plan, as the same may be amended from time to time (the "**LTIP**"), with each such annual grant having an aggregate Fair Market Value (as defined in the LTIP) equal to five and a half (5.5) times Executive's Base Salary (at the rate in effect hereunder at the time of grant), based on the Fair Market Value of VNR's common units on the applicable date of grant. The Restricted Units and Phantom Units granted hereunder will be subject to the terms and conditions as set forth on Appendix B hereto for the Restricted Units and/

or Appendix C hereto for the Phantom Units, as applicable. All LTIP Grants shall be made in January following the contract year and shall be effective as of January 1st of such year.

3. **Employee Benefits.**

(a) During the Employment Period, VNR shall provide Executive with coverage under all employee pension and welfare benefit programs, plans and practices, which VNR makes available to its senior executives (including, without limitation, participation in health, dental, group life, disability, retirement and all other plans and fringe benefits to the extent generally provided to such senior executives), commensurate with his position in the Company, to the extent permitted under the employee benefit plan or program, and in accordance with the terms of the program and/or plan.

(b) Executive shall be entitled to vacation time in accordance with the Company's published vacation policy which currently provides the Executive with twenty five (25) business days paid vacation in each calendar year. Such vacation time shall accrue at a rate of two (2) vacation days for each calendar month worked; provided, however, that during any given calendar year, Executive shall be able to take vacation days that will accrue during that calendar year, even if such days have not yet accrued. A maximum of ten (10) business days of accrued but unused vacation may be carried over from one calendar year to the next.

(c) Executive is authorized to incur reasonable expenses in carrying out his duties and responsibilities under this Agreement and promoting the business of the Company, including, without limitation, reasonable expenses for travel, lodgings, entertainment and similar items related to such duties and responsibilities. VNR will promptly reimburse Executive for all such expenses upon presentation by Executive of appropriately itemized and approved (consistent with VNR's policy) accounts of such expenditures, in accordance with the Company's expense reimbursement policy; provided, however, that in no event shall the expense reimbursement be made after the last day of the taxable year following the year in which the expense was incurred by Executive, although in the event that the reimbursement would constitute taxable income to Executive, such reimbursements will be paid no later than March 15th of the calendar year following the calendar year in which the expense was incurred. No reimbursement or expenses eligible for reimbursement in any taxable year shall affect the expenses eligible for reimbursement in any other taxable year, nor may the right to receive a reimbursement of expenses be subject to liquidation or exchanged for another benefit.

4. **Change of Control.**

(a) *Definition of Change of Control.* For purposes of this Agreement, a "***Change of Control***" shall have the same meaning as such term in the Company's LTIP. For the sake of convenience herein, as of the Effective Date, the LTIP states that a "Change of Control" means, and shall be deemed to have occurred upon one or more of the following events:

(i) Any “person” or “group” within the meaning of those terms as used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended, other than an affiliate of Parent, shall become the beneficial owner, by way of merger, consolidation,

recapitalization, reorganization or otherwise, of fifty percent (50%) or more of the combined voting power of the equity interests in Parent;

(ii) The members of Parent approve, in one or a series of transactions, a plan of complete liquidation of Parent; or

(iii) The sale or other disposition by the Company of all or substantially all of its assets in one or more transactions to any person other than Parent or an affiliate of Parent.

Notwithstanding the foregoing, with respect to a payment that is subject to section 409A of the Internal Revenue Code of 1986, as amended (the “*Code*”), a “Change of Control” shall mean a “change of control event” as defined in the regulations and guidance issued under section 409A of the Code.

(b) *Change of Control Payments.* Upon the occurrence of a Change of Control of the Company, Executive will be entitled to receive the following (i) within 30 days following the Change of Control, a lump sum payment of an amount equaling two (2) times the sum of his Base Salary and the Annual Bonus paid or payable with respect to the calendar year preceding the year in which the Change of Control occurs (the “*Change of Control Payment*”), and (ii) as of the date of the Change of Control, accelerated vesting of any unvested Restricted Units, Phantom Units, and any other awards granted under the LTIP that are held by Executive at the time of such Change of Control (notwithstanding any provisions of such LTIP award agreements to the contrary). Solely for purposes of the Change of Control Payment, Executive’s Base Salary shall be valued as in effect at the time of the Change of Control. The Restricted Units, Phantom Units, and other awards granted under the LTIP that are held by Executive at the time of the Change of Control, if any, will be settled in accordance with the terms and conditions of the LTIP and the applicable individual award agreement (which, in the case of Restricted Units and Phantom Units granted to Executive pursuant to this Agreement, shall be in accordance with the terms and conditions reflected in Appendix B hereto or Appendix C hereto, respectively).

5. **Termination of Employment.**

(a) *Termination without Cause or Resignation by Executive for Other than Good Reason.* Unless otherwise specified in a separate provision of this Section 5, either Executive or VNR, by action of the Board, may terminate this Agreement, and Executive’s employment by VNR, for any reason after providing thirty (30) days written notice to the non-terminating party. If Executive terminates this Agreement pursuant to this provision for a reason other than Good

Reason, VNR will pay Executive within ten (10) business days after the Date of Termination (as defined below) (i) all accrued but unpaid Base Salary, (ii) a prorated amount of Executive's Base Salary for accrued but unused vacation days, and (iii) yet unpaid reimbursements for any reasonable and necessary business expenses incurred by Executive prior to the Date of Termination in connection with his duties hereunder (such amounts collectively, the "**Accrued Compensation and Reimbursements**"). Upon termination by VNR of this Agreement pursuant to this Section 5(a) other than a termination for Cause, VNR shall pay or provide to Executive the following: (A) within ten (10) business days after the Date of Termination, the Accrued Compensation and Reimbursements, (B) on the 60th day following the Date of Termination, a lump sum payment (the

"**Severance Payment**") equal to the amount of Executive's Base Salary (at the rate in effect hereunder as of the Date of Termination) for thirty-six (36) months, and (C) as of the Date of Termination, accelerated vesting of any unvested Restricted Units, Phantom Units, and any other awards granted under the LTIP that are held by Executive at the time of such termination (notwithstanding any provisions of such LTIP award agreements to the contrary), with any settlement that may be due to Executive as a result of such accelerated vesting being made in accordance with the terms and conditions of the LTIP and the applicable individual award agreement. Notwithstanding any other provision of this Agreement, the non-renewal of Executive's employment pursuant to the terms of a Non-Renewal Notice under Section 1(a) of this Agreement shall not constitute a termination of this Agreement entitling Executive to the Severance Payment under this Section 5(a).

(b) *Termination by Cause.* VNR, by action of the Board may terminate this Agreement at any time for Cause. Upon termination by VNR for Cause, Executive shall only be entitled to Accrued Compensation and Reimbursements, which amount shall be paid within ten (10) business days after the Date of Termination. For purposes hereof, "**Cause**" means any of the following:

(i) Executive's commission of theft, embezzlement, any other act of dishonesty relating to his employment with VNR or any willful and material violation of any law, rules or regulation applicable to the Company, including, but not limited to, those laws, rules or regulations established by the Securities and Exchange Commission, or any self-regulatory organization having jurisdiction or authority over Executive or the Company; or

(ii) Executive's conviction of, or Executive's plea of guilty or *nolo contendere* to, any felony or of any other crime involving fraud, dishonesty or moral turpitude; or

(iii) A determination by the Board that Executive has materially breached this Agreement (other than during any period of Disability, as defined below) where such breach is not remedied within ten business (10) days after written demand by the Board for substantial performance is actually received by Executive which specifically identifies the manner in which the Board believes Executive has so breached; or

(iv) Executive's willful and continued failure to perform his reasonable and customary duties as the President and Chief Executive Officer which such failure is not remedied within ten business (10) days after written demand by the Board for substantial performance is actually received by Executive which specifically identifies the nature of such failure.

For purposes of the definition of Cause, no act or failure to act, on the part of Executive, shall be considered "willful" unless it is done, or omitted to be done, by Executive in bad faith or without reasonable belief that Executive's action or omission was in, or not opposed to, the best interests of the Company. Any act, or failure to act, based upon authority given by the Board or based upon the advice of counsel for VNR shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and in the best interests of the Company. VNR, by action of the Board, may terminate Executive's employment for Cause only after: (i) providing written notice to Executive, which identifies the Cause for Executive's termination (which notice must be given within ninety (90) days after the actual discovery of the act(s) or omission(s) constituting such

Cause) and (ii) Executive has been given an opportunity, together with his counsel, to be heard by the Board at a time and location reasonably designated by the Board.

(c) *Termination with Good Reason.* Executive may terminate this Agreement for Good Reason, and thereby resign his employment, after providing thirty (30) days' written notice to the Company of the act(s) or omission(s) constituting Good Reason (which notice must be given within ninety (90) days after the occurrence of such act(s) or omission(s) and describe the act(s) or omission(s) in reasonable detail) if such act(s) or omission(s) is/are not cured by the Company within thirty (30) days after Executive provides such written notice. For purposes hereof, "**Good Reason**" means any of the following reasons that occurs without Executive's written consent:

(i) A material reduction in Executive's authority, duties, or responsibilities (for this purpose, any removal of Executive from membership on the Board that is due to a vote of the shareholders or due to the failure of the Nominating Committee of the Board to nominate Executive shall not be treated as satisfying the requirements of this Section 5(c)(i)); or

(ii) A material reduction in Executive's Base Salary; or

(iii) Executive's removal from his position as President, Chief Executive Officer and Director of the Company, other than for Cause or by death or Disability, during the Employment Period, to a position that is not at least equivalent in authority and duties to President and Chief Executive Officer; or

(iv) Relocation of Executive's principal place of business to a location fifty (50) or more miles from its location as of the Effective Date; or

(v) A material breach by VNR of this Agreement, which materially and adversely affects Executive; or

(vi) VNR's failure to make any material payment to Executive required to be made under the terms of this Agreement.

In the event Executive terminates this Agreement for Good Reason, VNR shall pay or provide Executive the following: (i) within ten (10) business days after the Date of Termination, his Accrued Compensation and Reimbursements, (ii) on the 60th day following the Date of Termination, the Severance Payment, and (iii) as of the Date of Termination, accelerated vesting of any unvested Restricted Units, Phantom Units, and any other awards granted under the LTIP that are held by Executive at the time of such termination (notwithstanding any provisions of such LTIP award agreements to the contrary), with any settlement that may be due to Executive as a result of such accelerated vesting being made in accordance with the terms and conditions of the LTIP and the applicable individual award agreement.

(d) *Termination by Disability.* VNR, by action of the Board, may terminate this Agreement at any time if Executive shall be deemed in the reasonable judgment of the Board to have sustained a "**Disability**." Executive shall be deemed to have sustained a Disability if and only if he shall have been unable to substantially perform his duties as an employee of VNR as a result

of sickness or injury, and shall have remained unable to perform any such duties for a period of more than 180 consecutive days in any twelve (12) month period. Upon termination of this Agreement for Disability, VNR shall pay or provide Executive with the following: (i) within ten (10) business days after the Date of Termination, his Accrued Compensation and Reimbursements, (ii) on the 60th day following the Date of Termination, a lump sum payment equal to the amount of Executive's Base Salary (at the rate in effect hereunder at the Date of Termination) for twelve (12) months, and (iii) as of the Date of Termination, accelerated vesting of any unvested Restricted Units, Phantom Units, and any other awards granted under the LTIP that are held by Executive at the time of such termination (notwithstanding any provisions of such LTIP award agreements to the contrary), with any settlement that may be due to Executive

as a result of such accelerated vesting being made in accordance with the terms and conditions of the LTIP and the applicable individual award agreement.

(e) *Termination by Death.* This Agreement will terminate automatically upon Executive's death. Upon termination of this Agreement because of Executive's death, VNR shall pay or provide Executive's estate with the following: (i) within ten (10) business days after the Date of Termination, his Accrued Compensation and Reimbursements, (ii) on the 60th day following the Date of Termination, a lump sum payment equal to the amount of Executive's Base Salary (at the rate in effect hereunder at the Date of Termination) for twelve (12) months, and (iii) as of the Date of Termination, accelerated vesting of any unvested Restricted Units, Phantom Units, and any other awards granted under the LTIP that are held by Executive at the time of such termination (notwithstanding any provisions of such LTIP award agreements to the contrary), with any settlement that may be due to Executive as a result of such accelerated vesting being made in accordance with the terms and conditions of the LTIP and the applicable individual award agreement.

(f) *Date of Termination.* As used in this Agreement, "***Date of Termination***" means (i) if Executive's employment is terminated by his death, the date of his death; (ii) if Executive's employment is terminated as a result of a Disability or by VNR for Cause or without Cause, then the date specified in a notice delivered to Executive by VNR of such termination, (iii) if Executive's employment is terminated by Executive for Good Reason, then the date specified in the notice of such termination delivered to VNR by Executive, (iv) if Executive's employment terminates due to the giving of a Non-Renewal Notice, the last day of the Employment Period, and (v) if Executive's employment is terminated for any other reason, the date specified therefore in the notice of such termination.

6. **Employment.**

Upon termination of this Agreement, Executive's employment shall also terminate and cease, and Executive shall be deemed to have voluntarily resigned from the Board, if Executive is a member of the Board.

7. **Mitigation.**

Upon termination of this Agreement for any reason, amounts to be paid per the express terms of this Agreement shall not be reduced whether or not Executive obtains other employment.

8. **Release.**

Notwithstanding any other provision in this Agreement to the contrary, as a condition precedent to receiving any severance payments or benefits set forth in Section 5 of this Agreement (other than the Accrued Compensation and Reimbursements) in connection with any

applicable termination scenario, Executive agrees to execute (and not revoke) a customary severance and release agreement, including a waiver of all claims, reasonably acceptable to the Company (the “**Release**”), within the forty-five (45) day period immediately following the Date of Termination. All revocation rights and timing restrictions shall be set forth in such Release. If Executive fails to execute and deliver the Release, or revokes the Release, Executive agrees that he shall not be entitled to receive any severance payments or benefits set forth in Section 5 of this Agreement (other than the Accrued Compensation and Reimbursements) in connection with any applicable termination scenario. For purposes of this Agreement, the Release shall be considered to have been executed by Executive if it is signed by his legal representative in the case of legal incompetence or on behalf of Executive’s estate in the case of his death.

9. **Nondisclosure.**

(a) It is understood that Executive during his tenure with the Company has received and will continue to receive access to some or all of the Company’s various trade secrets and confidential or proprietary information, including information he has not received before, consisting of, but not limited to, information relating to (i) business operations and methods, (ii) existing and proposed investments and investment strategies, (iii) financial performance, (iv) compensation arrangements and amounts (whether relating to the Company or to any of its employees), (v) contractual relationships, (vi) business partners and relationships, and (vii) marketing strategies (all of the forgoing, “**Confidential Information**”). Confidential Information shall not include: (A) information that Executive may furnish to third parties regarding his obligations under this Section 9 and under Section 10 or (B) information that (1) is general knowledge of Executive or information that becomes generally available to the public by means other than Executive’s breach of this Section 9 (for example, not as a result of Executive’s unauthorized release of marketing materials), (2) is in Executive’s possession, or becomes available to Executive, on a non-confidential basis, from a source other than the Company or (3) Executive is required by law, regulation, court order or discovery demand to disclose; provided, however, that in the case of clause (3), Executive gives the Company, to the extent permitted by law, reasonable notice prior to the disclosure of the Confidential Information and the reasons and circumstances surrounding such disclosure to provide the Company an opportunity to seek a protective order or other appropriate request for confidential treatment of the applicable Confidential Information.

(b) Executive agrees that all Confidential Information, whether prepared by Executive or otherwise coming into his possession, shall remain the exclusive property of the Company during Executive’s employment with the Company. Executive further agrees that Executive shall not, except for the benefit of the Company pursuant to the exercise of his duties in accordance with this Agreement or with the prior written consent of the Company, use or disclose to any third party any of the Confidential Information described herein, directly or indirectly, either

during Executive's employment with the Company or at any time following the termination of Executive's employment with the Company.

(c) Upon termination of this Agreement, Executive agrees that all Confidential Information and other files, documents, materials, records, notebooks, customer lists, business proposals, contracts, agreements and other repositories containing information concerning the Company or the business of the Company (including all copies thereof) in Executive's possession, custody or control, whether prepared by Executive or others, shall remain with or be returned to the Company as soon as practicable after the Date of Termination.

10. **Non-Competition and Non-solicitation.**

(a) As part of the consideration for the compensation and benefits to be paid to Executive hereunder, to protect Confidential Information of the Company and its customers and clients that have been and will be entrusted to Executive, the business goodwill of the Company and its subsidiaries that will be developed in and through Executive and the business opportunities that will be disclosed or entrusted to Executive by the Company and its subsidiaries, and as an additional incentive for the Company to enter into this Agreement, if termination is a result of Executive's voluntary termination without Good Reason under Section 5(a), or by the Company for Cause under Section 5(b), from the date hereof through the sixty (60) day anniversary of the Date of Termination (the "***Restricted Period***"), Executive will not (other than for the benefit of the Company pursuant to this Agreement), directly or indirectly:

(i) engage in, or carry on or assist, individually or as a principal, owner, officer, director, employee, shareholder, consultant, contractor, partner, member, joint venturer, agent, equity owner or in any other capacity whatsoever (in any such capacity, an "***Investor***"), any (A) any business directly competitive with the business in which the Company is engaged from time to time ("***Competing Business***") or (B) Business Enterprise (as defined below) that is otherwise directly competitive with the Company within the states in which the Company conducts business;

(ii) perform for any corporation, partnership, limited liability company, sole proprietorship, joint venture or other business association or entity (a "***Business Enterprise***") engaged in any Competing Business any duty Executive has performed for the Company that involved Executive's access to, or knowledge or application of, Confidential Information;

(iii) induce or attempt to induce any customer, supplier, licensee or other business relation of the Company to cease doing business with the Company or in any way interfere with the relationship between any such customer, supplier, licensee or business relation and the Company;

(iv) induce or attempt to induce any customer, supplier, licensee or other business relation of the Company with whom Executive had direct business contact in dealings during the Employment Period in the course of his employment with the Company to cease doing business with the Company or in any way interfere with the relationship between any such customer, supplier, licensee or business relation and the Company; or

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(v) solicit with the purpose of hiring or hire any person who is or, within 180 days after such person ceased to be an employee of the Company, was an employee of the Company.

(b) Notwithstanding the foregoing restrictions of this Section 10, nothing in this Section 10 shall prohibit (i) any investment by Executive, directly or indirectly, in securities which are issued by a Business Enterprise involved in or conducting a Competing Business, provided that Executive, directly or indirectly, does not own more than five percent (5%) of the outstanding equity or voting securities of such Business Enterprise or (ii) Executive, directly or indirectly, from owning any interest in any Business Enterprise which conducts a Competing Business if such interest in such Business Enterprise is owned as of the date of this Agreement and Executive does not have the right, in the case of (i) or (ii), through the ownership of a voting interest or otherwise, to direct the activities of or associated with the business of such Business Enterprise.

(c) Executive acknowledges that each of the covenants of Section 10(a) are in addition to, and shall not be construed as a limitation upon, any other covenant provided in Section 10(a). Executive agrees that the geographic boundaries, scope of prohibited activities, and time duration of each of the covenants set forth in Section 10(a) are reasonable in nature and are no broader than are necessary to maintain the confidentiality and the goodwill of the Company's proprietary and Confidential Information, plans and services and to protect the other legitimate business interests of the Company, including without limitation the goodwill developed by Executive with Company's customers, suppliers, licensees and business relations.

(d) If, during any portion of the Restricted Period, Executive is not in compliance with the terms of Section 10(a), the Company shall be entitled to, among other remedies, compliance by Executive with the terms of Section 10(a) for an additional period of time (*i.e.*, in addition to the Restricted Period) that shall equal the period(s) over which such noncompliance occurred.

(e) The parties hereto intend that the covenants contained in Section 10(a) be construed as a series of separate covenants, one for each defined province in each geographic area in which Executive on behalf of the Company conducts business. Except for geographic coverage, each such separate covenant shall be deemed identical in terms to the applicable

covenant contained in Section 10(a). Furthermore, each of the covenants in Section 9(a) shall be deemed a separate and independent covenant, each being enforceable irrespective of the enforceability (with or without reformation) of the other covenants contained in Section 10(a).

11. Notices.

All notices and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, mailed by certified mail (return receipt requested) or sent by overnight delivery service to the parties at the following addresses or at such other addresses as shall be specified by the parties by like notice, in order of preference of the recipient:

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To VNR or the Company:
Board of Directors
5847 San Felipe, Suite 3000
Houston, Texas 77057
Facsimile: (832) 327-2260

To Executive:
Scott W. Smith
12014 Pebble Hill Road
Houston, Texas 77024

Notice so given shall, in the case of mail, be deemed to be given and received on the fifth calendar day after posting, and in the case overnight delivery service, on the date of actual delivery.

12. Severability and Reformation.

If any one or more of the terms, provisions, covenants or restrictions of this Agreement shall be determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions shall remain in full force and effect, and the invalid, void or unenforceable provisions shall be deemed severable. Moreover, if any one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be reformed by limiting and reducing it to the minimum extent necessary, so as to be enforceable to the extent compatible with the applicable law as it shall then appear.

13. Assignment.

This Agreement shall be binding upon and inure to the benefit of the heirs and legal representatives of Executive and the permitted assigns and successors of VNR, but neither this Agreement nor any rights or obligations hereunder shall be assignable or otherwise subject to hypothecation by Executive without the express written consent of VNR (except in the case of death by will or by operation of the laws of intestate succession) or by VNR, except that VNR may assign this Agreement to any successor (whether by merger, purchase or otherwise) to all or substantially all of the stock assets or businesses of VNR, if such successor expressly agrees to assume the obligations of VNR hereunder.

14. **Amendment.**

This Agreement may be amended only by writing signed by both Executive and by a duly authorized representative of VNR (other than Executive).

15. **Assistance in Litigation.**

Executive shall reasonably cooperate with the Company in the defense or prosecution of any claims or actions now in existence or that may be brought in the future against or on behalf of the Company that relate to events or occurrences that transpired while Executive was employed by the Company. Executive's cooperation in connection with such claims or actions shall include, but not be limited to, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of the Company at mutually convenient times. Executive also shall cooperate fully with the Company in connection with any investigation or review by any Federal, state, or local regulatory authority as any such investigation or review relates, to events or occurrences that

transpired while Executive was employed by the Company. The Company will pay Executive an agreed upon reasonable hourly rate for Executive's cooperation pursuant to this Section 16.

16. **Beneficiaries; References.**

Executive shall be entitled to select (and change, to the extent permitted under any applicable law) a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following Executive's death, and may change such election, in either case by giving the Company written notice thereof. In the event of Executive's death or a judicial determination of his incompetence, reference in this Agreement to Executive shall be deemed, where appropriate, to refer to his beneficiary, estate or other legal representative. Any reference to the masculine gender in this Agreement shall include, where appropriate, the feminine.

17. **Use of Name, Likeness and Biography.**

The Company shall have the right (but not the obligation) to use, publish and broadcast, and to authorize others to do so, the name, approved likeness and approved biographical material of Executive to advertise, publicize and promote the business of the Company and its affiliates, but not for the purposes of direct endorsement without Executive's consent. This right shall terminate upon the termination of this Agreement. An "approved likeness" and "approved biographical material" shall be, respectively, any photograph or other depiction of Executive, or any biographical information or life story concerning the professional career of Executive.

18. **Governing Law.**

THIS AGREEMENT SHALL BE CONSTRUED, INTERPRETED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS WITHOUT REFERENCE TO RULES RELATING TO CONFLICTS OF LAW.

19. **Entire Agreement.**

This Agreement and the LLC Agreement contain the entire understanding between the parties hereto with respect to the subject matter hereof and supersede in all respects any prior or other agreement (including the Prior Agreement) or understanding, written or oral, between the Company or any affiliate of the Company and Executive with respect to such subject matter. For the avoidance of doubt, Executive acknowledges and agrees that the Company has satisfied all obligations that it has owed, and that it ever could owe, under the Prior Agreement and that Executive has no further rights thereunder.

20. **Withholding.**

The Company shall be entitled to withhold from payment to Executive of any amount of withholding required by law.

21. **Counterparts.**

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This Agreement may be executed in two or more counterparts, each of which will be deemed an original.

22. **Remedies.**

The parties recognize and affirm that in the event of a breach of Sections 9 or 10 of this Agreement, money damages would be inadequate and VNR would not have an adequate remedy at law. Accordingly, the parties agree that in the event of a breach or a threatened breach of Sections 9 or 10, VNR may, in addition and supplementary to other rights and remedies existing in its favor, apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violations of the provisions hereof (without posting a bond or other security). In addition, Executive agrees that in the event a court of competent jurisdiction or an arbitrator finds that Executive violated Section 9 or 10, the time periods set forth in those Sections shall be tolled until such breach or violation has been cured. Executive further agrees that VNR shall have the right to offset the amount of any damages resulting from a breach by Executive of Section 9 or 10 against any payments due Executive under this Agreement. The parties agree that if one of the parties is found to have breached this Agreement by a court of competent jurisdiction or arbitrator, the breaching party will be required to pay the non-breaching party's attorneys' fees reasonably incurred in prosecuting the non-breaching party's claim of breach.

23. **Non-Waiver.**

The failure by either party to insist upon the performance of any one or more terms, covenants or conditions of this Agreement shall not be construed as a waiver or relinquishment of any right granted hereunder or of any future performance of any such term, covenant or condition, and the obligation of either party with respect hereto shall continue in full force and

effect, unless such waiver shall be in writing signed by VNR (other than Executive) and Executive.

24. **Announcement.**

The Company shall have the right to make public announcements concerning the execution of this Agreement and the terms contained herein, at the Company's discretion.

25. **Construction.**

The headings and captions of this Agreement are provided for convenience only and are intended to have no effect in construing or interpreting this Agreement. The language in all parts of this Agreement shall be in all cases construed in accordance to its fair meaning and not strictly for or against the Company or Executive.

26. **Right to Insure.**

The Company shall have the right to secure, in its own name or otherwise, and at its own expense, life, health, accident or other insurance covering Executive, and Executive shall have no right, title or interest in and to such insurance. Executive shall assist the Company in procuring

such insurance by submitting to examinations and by signing such applications and other instruments as may be required by the insurance carriers to which application is made for any such insurance.

27. **No Inconsistent Obligations.**

Executive represents and warrants that to his knowledge he has no obligations, legal, in contract, or otherwise, inconsistent with the terms of this Agreement or with his undertaking employment with the Company to perform the duties described herein. Executive will not disclose to the Company, or use, or induce the Company to use, any confidential, proprietary, or trade secret information of others. Executive represents and warrants that to his knowledge he has returned all property and confidential information belonging to all prior employers, if he is obligated to do so.

28. **Binding Agreement.**

This Agreement shall inure to the benefit of and be binding upon Executive, his heirs and personal representatives, and the Company, its successors and assigns.

29. **Voluntary Agreement.**

Each party to this Agreement has read and fully understands the terms and provisions hereof, has had an opportunity to review this Agreement with legal counsel, has executed this Agreement based upon such party's own judgment and advice of counsel (if any), and knowingly, voluntarily, and without duress, agrees to all of the terms set forth in this Agreement. The parties have participated jointly in the negotiation and drafting of this Agreement. If an

ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the parties and no presumption or burden of proof will arise favoring or disfavoring any party because of authorship of any provision of this Agreement. Except as expressly set forth in this Agreement, neither the parties nor their affiliates, advisors and/or their attorneys have made any representation or warranty, express or implied, at law or in equity with respect of the subject matter contained herein. Without limiting the generality of the previous sentence, the Companies, their affiliates, advisors, and/or attorneys have made no representation or warranty to Executive concerning the state or Federal tax consequences to Executive regarding the transactions contemplated by this Agreement.

30. **Section 409A of the Code.**

This Agreement is intended to comply with Section 409A of the Code, and the Treasury regulations and other interpretive guidance issued thereunder (collectively, “**Section 409A**”), or to be treated as exempt therefrom, and shall be construed and administered in accordance with such intent. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service, as a short-term deferral, or as any other compensation that is otherwise exempt from Section 409A shall be excluded from Section 409A to the maximum extent possible. Any payments to be made under this Agreement upon a termination of Executive’s employment that are subject to Section 409A shall only be made if such termination of employment constitutes a “separation from service” under Section 409A. Notwithstanding any provision in this Agreement to the contrary, if any payment or benefit provided for herein would be subject to additional taxes and interest under Section 409A if Executive’s receipt

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of such payment or benefit is not delayed until the earlier of (i) the date of Executive’s death or (ii) the date that is six months after the Date of Termination of Executive’s employment hereunder (such date, the “**Section 409A Payment Date**”), then such payment or benefit shall not be provided to Executive (or Executive’s estate, if applicable) until the Section 409A Payment Date.

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IN WITNESS WHEREOF, the parties hereto have executed this Employment Agreement between the Company and Scott W. Smith as of the day and year first above written.

EXECUTIVE

/s/ Scott W. Smith

Scott W. Smith

VNR HOLDINGS, LLC

By: /s/ Scott W. Smith

Its: President & CEO
Vanguard Natural Resources, LLC
Sole Member

VANGUARD NATURAL RESOURCES, LLC

By: /s/ Loren B Singletary

Its: Director

APPENDIX A

Annual Bonus

- 1. Executive is eligible to receive an Annual Bonus based upon the Board's annual bonus system described below. Executive is eligible to receive a "Maximum" Annual Bonus equal to two (2) times Executive's Base Salary. The Annual Bonus for each calendar year during the Employment Period will be based on the following components and percentages:**

- (a) Adjusted EBITDA Results (Actual to Forecast) (“**AER**”) (25%)
- (b) Production Results (Actual to Forecast) (“**PR**”) (25%)
- (c) Lease Operating Expenses (Actual to Forecast) (“**LOE**”) (25%)
- (d) Cash General & Administrative Expenses (Actual to Forecast) (“**G&A**”) (25%)

2. Each of the four categories listed above that comprise the Annual Bonus shall be calculated by multiplying (a) Executive’s Base Salary, by (b) the applicable target percentage achieved in the respective tables listed below. Payments of the Annual Bonus shall be made in cash, quarterly installments following the Company’s quarterly earnings results, so long as Executive is continuously employed with the Company during the full applicable time to which the Annual Bonus payment relates.

3. **AER for each calendar year will be a function of VNR’s actual AER reported in the respective 10-Q or 10-K versus the forecast. AER for the 2016 calendar year will be measured as follows:**

Bonus	<u>12.5%</u>	<u>18.75%</u>	<u>25%</u>	<u>31.25%</u>	<u>37.5%</u>	<u>43.75%</u>	<u>50%</u>
AER	≥\$332.4 MM	≥\$343.0 MM	≥\$353.6 MM	≥\$364.2 MM	≥\$374.8 MM	≥\$385.4 MM	≥\$396.0 MM

A new table for each subsequent year during the Employment Period will be generated based on the new guidance/forecast.

4. **PR for each calendar year will be a function of VNR’s actual PR reported in the respective 10-Q or 10-K versus the forecast. PR for the 2016 calendar year will be measured as follows:**

Bonus	<u>12.5%</u>	<u>18.75%</u>	<u>25%</u>	<u>31.25%</u>	<u>37.5%</u>	<u>43.75%</u>	<u>50%</u>
PR	<419.9	≥428.7 MBoe	≥437.4 MBoe	≥446.1	≥454.9 MBoe	≥463.62 MBoe	≥472.4 MBoe

	MBoe			MBoe			
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A new table for each subsequent year during the Employment Period will be generated based on the new guidance/forecast.

5. **Cash G&A will be calculated each year by comparing VNR's actual Cash G&A expense as reported in the respective 10-Q or 10-K, to the forecast. Cash G&A for the 2016 calendar year will be measured as follows:**

Bonus	<u>12.5%</u>	<u>18.75%</u>	<u>25%</u>	<u>31.25%</u>	<u>37.5%</u>	<u>43.75%</u>	<u>50%</u>
G&A	≤\$43.1 MM	≤\$42.2 MM	≤\$41.4 MM	≤\$40.6 MM	≤\$39.7 MM	≤\$38.9 MM	≤\$38.1 MM

A new table for each subsequent year during the Employment Period will be generated based on the new guidance/forecast.

6. **LOE will be calculated each year by comparing VNR's actual LOE expense as reported in the respective 10-Q or 10-K, to the forecast. LOE for the 2016 calendar year will be measured as follows:**

Bonus	<u>12.5%</u>	<u>18.75%</u>	<u>25%</u>	<u>31.25%</u>	<u>37.5%</u>	<u>43.75%</u>	<u>50%</u>
LOE	≥\$172.2 MM	>\$168.9 MM	≤\$165.6 MM	≤\$162.3 MM	≤\$159.0 MM	≤\$155.7 MM	≤\$152.4 MM

A new table for each subsequent year during the Employment Period will be generated based on the new guidance/forecast.

7. In addition, the Board of Director's has the ability to apply a discretionary multiplier to the overall bonus targets calculated above, again not to exceed 200% of the Executive's base salary. This discretionary component of each Annual Bonus is determined at the sole discretion of the Board, and shall be based upon such targets, performance measures relative to the Company and/or Executive, time frames, and any other item the Board has determined appropriate.
8. The Annual Bonus shall be calculated and paid out on a quarterly basis for each of the

four components (as described in paragraphs 3., 4., 5., and 6. above) after quarterly earnings have been made public to the investment community for each applicable calendar quarter, measured based on the percentage obtained as a comparison to forecast (as described in paragraphs 3., 4., 5., and 6. above). Therefore, the Annual Bonus shall be calculated for each quarter with 25% of the total Annual Bonus calculation paid out each quarter in cash with the four quarterly payments not to exceed 200% of the Executive Management's respective Annual Cash Base Salary. The quarterly bonus payments shall be calculated on a cumulative basis for each of the four components.

APPENDIX B

[Restricted Unit Agreement]

APPENDIX C

[Phantom Unit Agreement]

Exhibit 10.2

**AMENDED AND RESTATED EMPLOYMENT AGREEMENT
RICHARD A. ROBERT**

This **AMENDED AND RESTATED EMPLOYMENT AGREEMENT**, effective as of January 1, 2016 (the “**Effective Date**”), is by and between VNR Holdings, LLC, a Delaware limited liability company (“**VNR**”), Vanguard Natural Resources, LLC, a Delaware limited liability company (“**Parent**”) and Richard A. Robert (“**Executive**”).

WHEREAS, VNR, Parent and Executive previously entered into that certain Amended and Restated Employment Agreement dated January 1, 2013 (the “**Prior Agreement**”);

WHEREAS, the parties hereby agree that the Prior Agreement was terminated as of the Effective Date and shall be replaced in its entirety with this Amended and Restated Employment Agreement (this “**Agreement**”);

WHEREAS, VNR desires to continue to employ Executive, and Executive desires to continue to be employed by VNR in said capacity; and

WHEREAS, the parties desire to set forth in writing the terms and conditions of their understandings and agreements in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, VNR hereby agrees to employ Executive and Executive hereby accepts such employment upon the terms and conditions set forth in this Agreement:

1. Employment Period.

(a) Subject to Section 5, VNR hereby agrees to employ Executive, and Executive hereby agrees to be employed by VNR, in accordance with the terms and provisions of this Agreement, for the period commencing as of the Effective Date and ending on January 1, 2019 (the “**Employment Period**”); provided, however, that the Employment Period shall automatically be renewed and extended for an additional period of twelve (12) months commencing on January 1, 2019 and expiring on January 1, 2020, and on each successive January 1 thereafter, unless at least ninety (90) days prior to the ensuing expiration date (but no more than twelve (12) months prior to such expiration date), VNR or Executive shall have given ninety (90) days written notice to the other that it or he, as applicable, does not wish to extend

this Agreement (a “*Non-Renewal Notice*”). The term “*Employment Period*,” as utilized in this Agreement, shall refer to the Employment Period as so automatically extended.

(b) During the term of Executive’s employment with VNR, Executive shall serve as the Executive Vice President and Chief Financial Officer of VNR and the Parent (together, the “*Company*”) and in so doing, shall report to the Board of Managers or Directors, as applicable, of the Company (the “*Board*”). In addition, Executive shall serve as a member of the Board of the Company unless removed by a vote of the shareholders or unless the Nominating Committee of the Board fails to nominate Executive. Executive shall have supervision and control over, and responsibility for, such management and operational functions of the Company currently assigned

to such positions, and shall have such other powers and duties (including holding officer positions with the Company and one or more subsidiaries of the Company) as may from time to time be prescribed by the Board, so long as such powers and duties are reasonable and customary for the Executive Vice President and Chief Financial Officer of an enterprise comparable to the Company.

(c) During the term of Executive’s employment with VNR, and excluding any periods of vacation and sick leave to which Executive is entitled, Executive agrees to devote substantially all of his business time to the business and affairs of VNR and, to the extent necessary to discharge the responsibilities assigned to Executive hereunder, to use Executive’s reasonable best efforts to perform faithfully, effectively and efficiently such responsibilities. During the term of Executive’s employment with VNR, it shall not be a violation of this Agreement for Executive to (i) serve on corporate, civic or charitable boards or committees, (ii) deliver lectures or fulfill speaking engagements and (iii) manage personal investments, so long as such activities do not materially interfere with the performance of Executive’s responsibilities as an employee of the Company in accordance with this Agreement.

(d) The parties expressly acknowledge that any performance of Executive’s responsibilities hereunder shall necessitate, and the Company shall provide, access to or the disclosure of Confidential Information (as defined in Section 9(a) below) to Executive and that Executive’s responsibilities shall include the development of the Company’s goodwill through Executive’s contacts with the Company’s customers and suppliers.

2. Compensation.

(a) *Base Salary.* VNR shall pay Executive an annual base salary (“*Base Salary*”) at the rate of \$470,000 for the period commencing on the Effective Date. The Base Salary will increase to \$490,000 on January 1, 2017 and to \$510,000 on January 1, 2018. The Board may at its discretion elect to increase Executive’s Base Salary at any time if they deem an increase is

warranted. The Board may not decrease Executive's annual Base Salary without his prior written approval. Base Salary shall be payable in accordance with the ordinary payroll practices of VNR, but in no event shall the Base Salary be paid to Executive less frequently than monthly. The term "Base Salary" as used in this Agreement shall refer to the Base Salary as it may be so adjusted from time to time.

(b) *Annual Bonus*. Executive shall be eligible to receive an annual bonus (the "**Annual Bonus**") based upon the terms and conditions of Executive's Annual Bonus for each calendar year within the Employment Period are set forth in Appendix A hereto.

(c) *LTIP Grants*. Executive shall be eligible to receive an annual grant of restricted units (the "**Restricted Units**") and/or phantom units (the "**Phantom Units**") pursuant to the Vanguard Natural Resources, LLC Long-Term Incentive Plan, as the same may be amended from time to time (the "**LTIP**"), with each such annual grant having an aggregate Fair Market Value (as defined in the LTIP) equal to four (4.0) times Executive's Base Salary (at the rate in effect hereunder at the time of grant), based on the Fair Market Value of VNR's common units on the applicable date of grant. The Restricted Units and Phantom Units granted hereunder will be subject to the terms and conditions as set forth on Appendix B hereto for the Restricted Units and/or

Appendix C hereto for the Phantom Units, as applicable. All LTIP Grants shall be made in January following the contract year and shall be effective as of January 1st of such year.

3. **Employee Benefits**.

(a) During the Employment Period, VNR shall provide Executive with coverage under all employee pension and welfare benefit programs, plans and practices, which VNR makes available to its senior executives (including, without limitation, participation in health, dental, group life, disability, retirement and all other plans and fringe benefits to the extent generally provided to such senior executives), commensurate with his position in the Company, to the extent permitted under the employee benefit plan or program, and in accordance with the terms of the program and/or plan.

(b) Executive shall be entitled to vacation time in accordance with the Company's published vacation policy which currently provides the Executive with twenty five (25) business days paid vacation in each calendar year. Such vacation time shall accrue at a rate of two (2) vacation days for each calendar month worked; provided, however, that during any given calendar year, Executive shall be able to take vacation days that will accrue during that calendar year, even if such days have not yet accrued. A maximum of ten (10) business days of accrued but unused vacation may be carried over from one calendar year to the next.

(c) Executive is authorized to incur reasonable expenses in carrying out his duties and responsibilities under this Agreement and promoting the business of the Company, including, without limitation, reasonable expenses for travel, lodgings, entertainment and similar items related to such duties and responsibilities. VNR will promptly reimburse Executive for all such expenses upon presentation by Executive of appropriately itemized and approved (consistent with VNR's policy) accounts of such expenditures, in accordance with the Company's expense reimbursement policy; provided, however, that in no event shall the expense reimbursement be made after the last day of the taxable year following the year in which the expense was incurred by Executive, although in the event that the reimbursement would constitute taxable income to Executive, such reimbursements will be paid no later than March 15th of the calendar year following the calendar year in which the expense was incurred. No reimbursement or expenses eligible for reimbursement in any taxable year shall affect the expenses eligible for reimbursement in any other taxable year, nor may the right to receive a reimbursement of expenses be subject to liquidation or exchanged for another benefit.

4. **Change of Control.**

(a) *Definition of Change of Control.* For purposes of this Agreement, a "**Change of Control**" shall have the same meaning as such term in the Company's LTIP. For the sake of convenience herein, as of the Effective Date, the LTIP states that a "Change of Control" means, and shall be deemed to have occurred upon one or more of the following events:

(i) Any "person" or "group" within the meaning of those terms as used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended, other than an affiliate of Parent, shall become the beneficial owner, by way of merger, consolidation,

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recapitalization, reorganization or otherwise, of fifty percent (50%) or more of the combined voting power of the equity interests in Parent;

(ii) The members of Parent approve, in one or a series of transactions, a plan of complete liquidation of Parent; or

(iii) The sale or other disposition by the Company of all or substantially all of its assets in one or more transactions to any person other than Parent or an affiliate of Parent.

Notwithstanding the foregoing, with respect to a payment that is subject to section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**"), a "Change of Control" shall mean a "change of control event" as defined in the regulations and guidance issued under section 409A of the Code.

(b) *Change of Control Payments.* Upon the occurrence of a Change of Control of the Company, Executive will be entitled to receive the following (i) within 30 days following

the Change of Control, a lump sum payment of an amount equaling two (2) times the sum of his Base Salary and the Annual Bonus paid or payable with respect to the calendar year preceding the year in which the Change of Control occurs (the “***Change of Control Payment***”), and (ii) as of the date of the Change of Control, accelerated vesting of any unvested Restricted Units, Phantom Units, and any other awards granted under the LTIP that are held by Executive at the time of such Change of Control (notwithstanding any provisions of such LTIP award agreements to the contrary). Solely for purposes of the Change of Control Payment, Executive’s Base Salary shall be valued as in effect at the time of the Change of Control. The Restricted Units, Phantom Units, and other awards granted under the LTIP that are held by Executive at the time of the Change of Control, if any, will be settled in accordance with the terms and conditions of the LTIP and the applicable individual award agreement (which, in the case of Restricted Units and Phantom Units granted to Executive pursuant to this Agreement, shall be in accordance with the terms and conditions reflected in Appendix B hereto or Appendix C hereto, respectively).

5. **Termination of Employment.**

(a) *Termination without Cause or Resignation by Executive for Other than Good Reason.* Unless otherwise specified in a separate provision of this Section 5, either Executive or VNR, by action of the Board, may terminate this Agreement, and Executive’s employment by VNR, for any reason after providing thirty (30) days written notice to the non-terminating party. If Executive terminates this Agreement pursuant to this provision for a reason other than Good Reason, VNR will pay Executive within ten (10) business days after the Date of Termination (as defined below) (i) all accrued but unpaid Base Salary, (ii) a prorated amount of Executive’s Base Salary for accrued but unused vacation days, and (iii) yet unpaid reimbursements for any reasonable and necessary business expenses incurred by Executive prior to the Date of Termination in connection with his duties hereunder (such amounts collectively, the “***Accrued Compensation and Reimbursements***”). Upon termination by VNR of this Agreement pursuant to this Section 5(a) other than a termination for Cause, VNR shall pay or provide to Executive the following: (A) within ten (10) business days after the Date of Termination, the Accrued Compensation and Reimbursements, (B) on the 60th day following the Date of Termination, a lump sum payment (the

“***Severance Payment***”) equal to the amount of Executive’s Base Salary (at the rate in effect hereunder as of the Date of Termination) for thirty-six (36) months, and (C) as of the Date of Termination, accelerated vesting of any unvested Restricted Units, Phantom Units, and any other awards granted under the LTIP that are held by Executive at the time of such termination (notwithstanding any provisions of such LTIP award agreements to the contrary), with any settlement that may be due to Executive as a result of such accelerated vesting being made in

accordance with the terms and conditions of the LTIP and the applicable individual award agreement. Notwithstanding any other provision of this Agreement, the non-renewal of Executive's employment pursuant to the terms of a Non-Renewal Notice under Section 1(a) of this Agreement shall not constitute a termination of this Agreement entitling Executive to the Severance Payment under this Section 5(a).

(b) *Termination by Cause.* VNR, by action of the Board may terminate this Agreement at any time for Cause. Upon termination by VNR for Cause, Executive shall only be entitled to Accrued Compensation and Reimbursements, which amount shall be paid within ten (10) business days after the Date of Termination. For purposes hereof, "**Cause**" means any of the following:

(i) Executive's commission of theft, embezzlement, any other act of dishonesty relating to his employment with VNR or any willful and material violation of any law, rules or regulation applicable to the Company, including, but not limited to, those laws, rules or regulations established by the Securities and Exchange Commission, or any self-regulatory organization having jurisdiction or authority over Executive or the Company; or

(ii) Executive's conviction of, or Executive's plea of guilty or *nolo contendere* to, any felony or of any other crime involving fraud, dishonesty or moral turpitude; or

(iii) A determination by the Board that Executive has materially breached this Agreement (other than during any period of Disability, as defined below) where such breach is not remedied within ten business (10) days after written demand by the Board for substantial performance is actually received by Executive which specifically identifies the manner in which the Board believes Executive has so breached; or

(iv) Executive's willful and continued failure to perform his reasonable and customary duties as the President and Chief Executive Officer which such failure is not remedied within ten business (10) days after written demand by the Board for substantial performance is actually received by Executive which specifically identifies the nature of such failure.

For purposes of the definition of Cause, no act or failure to act, on the part of Executive, shall be considered "willful" unless it is done, or omitted to be done, by Executive in bad faith or without reasonable belief that Executive's action or omission was in, or not opposed to, the best interests of the Company. Any act, or failure to act, based upon authority given by the Board or based upon the advice of counsel for VNR shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and in the best interests of the Company. VNR, by action of the Board, may terminate Executive's employment for Cause only after: (i) providing written notice to Executive, which identifies the Cause for Executive's termination (which notice must be given within ninety (90) days after the actual discovery of the act(s) or omission(s) constituting such

Cause) and (ii) Executive has been given an opportunity, together with his counsel, to be heard by the Board at a time and location reasonably designated by the Board.

(c) *Termination with Good Reason.* Executive may terminate this Agreement for Good Reason, and thereby resign his employment, after providing thirty (30) days' written notice to the Company of the act(s) or omission(s) constituting Good Reason (which notice must be given within ninety (90) days after the occurrence of such act(s) or omission(s) and describe the act(s) or omission(s) in reasonable detail) if such act(s) or omission(s) is/are not cured by the Company within thirty (30) days after Executive provides such written notice. For purposes hereof, "**Good Reason**" means any of the following reasons that occurs without Executive's written consent:

(i) A material reduction in Executive's authority, duties, or responsibilities (for this purpose, any removal of Executive from membership on the Board that is due to a vote of the shareholders or due to the failure of the Nominating Committee of the Board to nominate Executive shall not be treated as satisfying the requirements of this Section 5(c)(i)); or

(ii) A material reduction in Executive's Base Salary; or

(iii) Executive's removal from his position as Executive Vice President, Chief Financial Officer and Director of the Company, other than for Cause or by death or Disability, during the Employment Period, to a position that is not at least equivalent in authority and duties to Executive Vice President and Chief Financial Officer; or

(iv) Relocation of Executive's principal place of business to a location fifty (50) or more miles from its location as of the Effective Date; or

(v) A material breach by VNR of this Agreement, which materially and adversely affects Executive; or

(vi) VNR's failure to make any material payment to Executive required to be made under the terms of this Agreement.

In the event Executive terminates this Agreement for Good Reason, VNR shall pay or provide Executive the following: (i) within ten (10) business days after the Date of Termination, his Accrued Compensation and Reimbursements, (ii) on the 60th day following the Date of Termination, the Severance Payment, and (iii) as of the Date of Termination, accelerated vesting of any unvested Restricted Units, Phantom Units, and any other awards granted under the LTIP that are held by Executive at the time of such termination (notwithstanding any provisions of such LTIP award agreements to the contrary), with any settlement that may be due to Executive as a result of such accelerated vesting being made in accordance with the terms and conditions of the LTIP and the applicable individual award agreement.

(d) *Termination by Disability.* VNR, by action of the Board, may terminate this Agreement at any time if Executive shall be deemed in the reasonable judgment of the Board to have sustained a “*Disability*.” Executive shall be deemed to have sustained a Disability if and only if he shall have been unable to substantially perform his duties as an employee of VNR as a result

of sickness or injury, and shall have remained unable to perform any such duties for a period of more than 180 consecutive days in any twelve (12) month period. Upon termination of this Agreement for Disability, VNR shall pay or provide Executive with the following: (i) within ten (10) business days after the Date of Termination, his Accrued Compensation and Reimbursements, (ii) on the 60th day following the Date of Termination, a lump sum payment equal to the amount of Executive’s Base Salary (at the rate in effect hereunder at the Date of Termination) for twelve (12) months, and (iii) as of the Date of Termination, accelerated vesting of any unvested Restricted Units, Phantom Units, and any other awards granted under the LTIP that are held by Executive at the time of such termination (notwithstanding any provisions of such LTIP award agreements to the contrary), with any settlement that may be due to Executive as a result of such accelerated vesting being made in accordance with the terms and conditions of the LTIP and the applicable individual award agreement.

(e) *Termination by Death.* This Agreement will terminate automatically upon Executive’s death. Upon termination of this Agreement because of Executive’s death, VNR shall pay or provide Executive’s estate with the following: (i) within ten (10) business days after the Date of Termination, his Accrued Compensation and Reimbursements, (ii) on the 60th day following the Date of Termination, a lump sum payment equal to the amount of Executive’s Base Salary (at the rate in effect hereunder at the Date of Termination) for twelve (12) months, and (iii) as of the Date of Termination, accelerated vesting of any unvested Restricted Units, Phantom Units, and any other awards granted under the LTIP that are held by Executive at the time of such termination (notwithstanding any provisions of such LTIP award agreements to the contrary), with any settlement that may be due to Executive as a result of such accelerated vesting being made in accordance with the terms and conditions of the LTIP and the applicable individual award agreement.

(f) *Date of Termination.* As used in this Agreement, “*Date of Termination*” means (i) if Executive’s employment is terminated by his death, the date of his death; (ii) if Executive’s employment is terminated as a result of a Disability or by VNR for Cause or without Cause, then the date specified in a notice delivered to Executive by VNR of such termination, (iii) if Executive’s employment is terminated by Executive for Good Reason, then the date specified in the notice of such termination delivered to VNR by Executive, (iv) if Executive’s

employment terminates due to the giving of a Non-Renewal Notice, the last day of the Employment Period, and (v) if Executive's employment is terminated for any other reason, the date specified therefore in the notice of such termination.

6. **Employment.**

Upon termination of this Agreement, Executive's employment shall also terminate and cease, and Executive shall be deemed to have voluntarily resigned from the Board, if Executive is a member of the Board.

7. **Mitigation.**

Upon termination of this Agreement for any reason, amounts to be paid per the express terms of this Agreement shall not be reduced whether or not Executive obtains other employment.

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8. **Release.**

Notwithstanding any other provision in this Agreement to the contrary, as a condition precedent to receiving any severance payments or benefits set forth in Section 5 of this Agreement (other than the Accrued Compensation and Reimbursements) in connection with any applicable termination scenario, Executive agrees to execute (and not revoke) a customary severance and release agreement, including a waiver of all claims, reasonably acceptable to the Company (the "***Release***"), within the forty-five (45) day period immediately following the Date of Termination. All revocation rights and timing restrictions shall be set forth in such Release. If Executive fails to execute and deliver the Release, or revokes the Release, Executive agrees that he shall not be entitled to receive any severance payments or benefits set forth in Section 5 of this Agreement (other than the Accrued Compensation and Reimbursements) in connection with any applicable termination scenario. For purposes of this Agreement, the Release shall be considered to have been executed by Executive if it is signed by his legal representative in the case of legal incompetence or on behalf of Executive's estate in the case of his death.

9. **Nondisclosure.**

(a) It is understood that Executive during his tenure with the Company has received and will continue to receive access to some or all of the Company's various trade secrets and confidential or proprietary information, including information he has not received before, consisting of, but not limited to, information relating to (i) business operations and methods, (ii) existing and proposed investments and investment strategies, (iii) financial performance, (iv) compensation arrangements and amounts (whether relating to the Company or to any of its employees), (v) contractual relationships, (vi) business partners and relationships, and (vii) marketing strategies (all of the forgoing, "***Confidential Information***"). Confidential Information shall not include: (A) information that Executive may furnish to third parties

regarding his obligations under this Section 9 and under Section 10 or (B) information that (1) is general knowledge of Executive or information that becomes generally available to the public by means other than Executive's breach of this Section 9 (for example, not as a result of Executive's unauthorized release of marketing materials), (2) is in Executive's possession, or becomes available to Executive, on a non-confidential basis, from a source other than the Company or (3) Executive is required by law, regulation, court order or discovery demand to disclose; provided, however, that in the case of clause (3), Executive gives the Company, to the extent permitted by law, reasonable notice prior to the disclosure of the Confidential Information and the reasons and circumstances surrounding such disclosure to provide the Company an opportunity to seek a protective order or other appropriate request for confidential treatment of the applicable Confidential Information.

(b) Executive agrees that all Confidential Information, whether prepared by Executive or otherwise coming into his possession, shall remain the exclusive property of the Company during Executive's employment with the Company. Executive further agrees that Executive shall not, except for the benefit of the Company pursuant to the exercise of his duties in accordance with this Agreement or with the prior written consent of the Company, use or disclose to any third party any of the Confidential Information described herein, directly or indirectly, either

during Executive's employment with the Company or at any time following the termination of Executive's employment with the Company.

(c) Upon termination of this Agreement, Executive agrees that all Confidential Information and other files, documents, materials, records, notebooks, customer lists, business proposals, contracts, agreements and other repositories containing information concerning the Company or the business of the Company (including all copies thereof) in Executive's possession, custody or control, whether prepared by Executive or others, shall remain with or be returned to the Company as soon as practicable after the Date of Termination.

10. Non-Competition and Non-solicitation.

(a) As part of the consideration for the compensation and benefits to be paid to Executive hereunder, to protect Confidential Information of the Company and its customers and clients that have been and will be entrusted to Executive, the business goodwill of the Company and its subsidiaries that will be developed in and through Executive and the business opportunities that will be disclosed or entrusted to Executive by the Company and its subsidiaries, and as an additional incentive for the Company to enter into this Agreement, if termination is a result of Executive's voluntary termination without Good Reason under Section 5(a), or by the Company for Cause under Section 5(b), from the date hereof through the

sixty (60) day anniversary of the Date of Termination (the “**Restricted Period**”), Executive will not (other than for the benefit of the Company pursuant to this Agreement), directly or indirectly:

(i) engage in, or carry on or assist, individually or as a principal, owner, officer, director, employee, shareholder, consultant, contractor, partner, member, joint venturer, agent, equity owner or in any other capacity whatsoever (in any such capacity, an “**Investor**”), any (A) any business directly competitive with the business in which the Company is engaged from time to time (“**Competing Business**”) or (B) Business Enterprise (as defined below) that is otherwise directly competitive with the Company within the states in which the Company conducts business;

(ii) perform for any corporation, partnership, limited liability company, sole proprietorship, joint venture or other business association or entity (a “**Business Enterprise**”) engaged in any Competing Business any duty Executive has performed for the Company that involved Executive’s access to, or knowledge or application of, Confidential Information;

(iii) induce or attempt to induce any customer, supplier, licensee or other business relation of the Company to cease doing business with the Company or in any way interfere with the relationship between any such customer, supplier, licensee or business relation and the Company;

(iv) induce or attempt to induce any customer, supplier, licensee or other business relation of the Company with whom Executive had direct business contact in dealings during the Employment Period in the course of his employment with the Company to cease doing business with the Company or in any way interfere with the relationship between any such customer, supplier, licensee or business relation and the Company; or

(v) solicit with the purpose of hiring or hire any person who is or, within 180 days after such person ceased to be an employee of the Company, was an employee of the Company.

(b) Notwithstanding the foregoing restrictions of this Section 10, nothing in this Section 10 shall prohibit (i) any investment by Executive, directly or indirectly, in securities which are issued by a Business Enterprise involved in or conducting a Competing Business, provided that Executive, directly or indirectly, does not own more than five percent (5%) of the outstanding equity or voting securities of such Business Enterprise or (ii) Executive, directly or indirectly, from owning any interest in any Business Enterprise which conducts a Competing Business if such interest in such Business Enterprise is owned as of the date of this Agreement and Executive does not have the right, in the case of (i) or (ii), through the ownership of a voting

interest or otherwise, to direct the activities of or associated with the business of such Business Enterprise.

(c) Executive acknowledges that each of the covenants of Section 10(a) are in addition to, and shall not be construed as a limitation upon, any other covenant provided in Section 10(a). Executive agrees that the geographic boundaries, scope of prohibited activities, and time duration of each of the covenants set forth in Section 10(a) are reasonable in nature and are no broader than are necessary to maintain the confidentiality and the goodwill of the Company's proprietary and Confidential Information, plans and services and to protect the other legitimate business interests of the Company, including without limitation the goodwill developed by Executive with Company's customers, suppliers, licensees and business relations.

(d) If, during any portion of the Restricted Period, Executive is not in compliance with the terms of Section 10(a), the Company shall be entitled to, among other remedies, compliance by Executive with the terms of Section 10(a) for an additional period of time (*i.e.*, in addition to the Restricted Period) that shall equal the period(s) over which such noncompliance occurred.

(e) The parties hereto intend that the covenants contained in Section 10(a) be construed as a series of separate covenants, one for each defined province in each geographic area in which Executive on behalf of the Company conducts business. Except for geographic coverage, each such separate covenant shall be deemed identical in terms to the applicable covenant contained in Section 10(a). Furthermore, each of the covenants in Section 9(a) shall be deemed a separate and independent covenant, each being enforceable irrespective of the enforceability (with or without reformation) of the other covenants contained in Section 10(a).

11. **Notices.**

All notices and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, mailed by certified mail (return receipt requested) or sent by overnight delivery service to the parties at the following addresses or at such other addresses as shall be specified by the parties by like notice, in order of preference of the recipient:

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To VNR or the Company:
Board of Directors
5847 San Felipe, Suite 3000
Houston, Texas 77057
Facsimile: (832) 327-2260

To Executive:
Richard A. Robert
11639 Versailles Lakes Lane
Houston, Texas 77082

Notice so given shall, in the case of mail, be deemed to be given and received on the fifth calendar day after posting, and in the case overnight delivery service, on the date of actual delivery.

12. **Severability and Reformation.**

If any one or more of the terms, provisions, covenants or restrictions of this Agreement shall be determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions shall remain in full force and effect, and the invalid, void or unenforceable provisions shall be deemed severable. Moreover, if any one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be reformed by limiting and reducing it to the minimum extent necessary, so as to be enforceable to the extent compatible with the applicable law as it shall then appear.

13. **Assignment.**

This Agreement shall be binding upon and inure to the benefit of the heirs and legal representatives of Executive and the permitted assigns and successors of VNR, but neither this Agreement nor any rights or obligations hereunder shall be assignable or otherwise subject to hypothecation by Executive without the express written consent of VNR (except in the case of death by will or by operation of the laws of intestate succession) or by VNR, except that VNR may assign this Agreement to any successor (whether by merger, purchase or otherwise) to all or substantially all of the stock assets or businesses of VNR, if such successor expressly agrees to assume the obligations of VNR hereunder.

14. **Amendment.**

This Agreement may be amended only by writing signed by both Executive and by a duly authorized representative of VNR (other than Executive).

15. **Assistance in Litigation.**

Executive shall reasonably cooperate with the Company in the defense or prosecution of any claims or actions now in existence or that may be brought in the future against or on behalf of the Company that relate to events or occurrences that transpired while Executive was employed by the Company. Executive's cooperation in connection with such claims or actions shall include, but not be limited to, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of the Company at mutually convenient times. Executive also shall cooperate fully with the Company in connection with any investigation or review by any Federal, state, or local regulatory authority as any such investigation or review relates, to events or occurrences that

transpired while Executive was employed by the Company. The Company will pay Executive an agreed upon reasonably hourly rate for Executive's cooperation pursuant to this Section 16.

16. **Beneficiaries; References.**

Executive shall be entitled to select (and change, to the extent permitted under any applicable law) a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following Executive's death, and may change such election, in either case by giving the Company written notice thereof. In the event of Executive's death or a judicial determination of his incompetence, reference in this Agreement to Executive shall be deemed, where appropriate, to refer to his beneficiary, estate or other legal representative. Any reference to the masculine gender in this Agreement shall include, where appropriate, the feminine.

17. **Use of Name, Likeness and Biography.**

The Company shall have the right (but not the obligation) to use, publish and broadcast, and to authorize others to do so, the name, approved likeness and approved biographical material of Executive to advertise, publicize and promote the business of the Company and its affiliates, but not for the purposes of direct endorsement without Executive's consent. This right shall terminate upon the termination of this Agreement. An "approved likeness" and "approved biographical material" shall be, respectively, any photograph or other depiction of Executive, or any biographical information or life story concerning the professional career of Executive.

18. **Governing Law.**

THIS AGREEMENT SHALL BE CONSTRUED, INTERPRETED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS WITHOUT REFERENCE TO RULES RELATING TO CONFLICTS OF LAW.

19. **Entire Agreement.**

This Agreement and the LLC Agreement contain the entire understanding between the parties hereto with respect to the subject matter hereof and supersede in all respects any prior or other agreement (including the Prior Agreement) or understanding, written or oral, between the Company or any affiliate of the Company and Executive with respect to such subject matter. For the avoidance of doubt, Executive acknowledges and agrees that the Company has satisfied all obligations that it has owed, and that it ever could owe, under the Prior Agreement and that Executive has no further rights thereunder.

20. **Withholding.**

The Company shall be entitled to withhold from payment to Executive of any amount of withholding required by law.

21. **Counterparts.**

This Agreement may be executed in two or more counterparts, each of which will be deemed an original.

22. **Remedies.**

The parties recognize and affirm that in the event of a breach of Sections 9 or 10 of this Agreement, money damages would be inadequate and VNR would not have an adequate remedy at law. Accordingly, the parties agree that in the event of a breach or a threatened breach of Sections 9 or 10, VNR may, in addition and supplementary to other rights and remedies existing in its favor, apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violations of the provisions hereof (without posting a bond or other security). In addition, Executive agrees that in the event a court of competent jurisdiction or an arbitrator finds that Executive violated Section 9 or 10, the time periods set forth in those Sections shall be tolled until such breach or violation has been cured. Executive further agrees that VNR shall have the right to offset the amount of any damages resulting from a breach by Executive of Section 9 or 10 against any payments due Executive under this Agreement. The parties agree that if one of the parties is found to have breached this Agreement by a court of competent jurisdiction or arbitrator, the breaching party will be required to pay the non-breaching party's attorneys' fees reasonably incurred in prosecuting the non-breaching party's claim of breach.

23. **Non-Waiver.**

The failure by either party to insist upon the performance of any one or more terms, covenants or conditions of this Agreement shall not be construed as a waiver or relinquishment of any right granted hereunder or of any future performance of any such term, covenant or condition, and the obligation of either party with respect hereto shall continue in full force and effect, unless such waiver shall be in writing signed by VNR (other than Executive) and Executive.

24. **Announcement.**

The Company shall have the right to make public announcements concerning the execution of this Agreement and the terms contained herein, at the Company's discretion.

25. **Construction.**

The headings and captions of this Agreement are provided for convenience only and are intended to have no effect in construing or interpreting this Agreement. The language in all parts of this Agreement shall be in all cases construed in accordance to its fair meaning and not strictly for or against the Company or Executive.

26. **Right to Insure.**

The Company shall have the right to secure, in its own name or otherwise, and at its own expense, life, health, accident or other insurance covering Executive, and Executive shall have no right, title or interest in and to such insurance. Executive shall assist the Company in procuring

such insurance by submitting to examinations and by signing such applications and other instruments as may be required by the insurance carriers to which application is made for any such insurance.

27. **No Inconsistent Obligations.**

Executive represents and warrants that to his knowledge he has no obligations, legal, in contract, or otherwise, inconsistent with the terms of this Agreement or with his undertaking employment with the Company to perform the duties described herein. Executive will not disclose to the Company, or use, or induce the Company to use, any confidential, proprietary, or trade secret information of others. Executive represents and warrants that to his knowledge he has returned all property and confidential information belonging to all prior employers, if he is obligated to do so.

28. **Binding Agreement.**

This Agreement shall inure to the benefit of and be binding upon Executive, his heirs and personal representatives, and the Company, its successors and assigns.

29. **Voluntary Agreement.**

Each party to this Agreement has read and fully understands the terms and provisions hereof, has had an opportunity to review this Agreement with legal counsel, has executed this Agreement based upon such party's own judgment and advice of counsel (if any), and knowingly, voluntarily, and without duress, agrees to all of the terms set forth in this Agreement. The parties have participated jointly in the negotiation and drafting of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the parties and no presumption or burden of proof will arise favoring or disfavoring any party because of authorship of any provision of this Agreement. Except as expressly set forth in this Agreement, neither the parties nor their affiliates, advisors and/or their attorneys have made any representation or warranty, express or implied, at law or in equity with respect of the subject matter contained herein. Without limiting the generality of the previous sentence, the Companies, their affiliates, advisors, and/or attorneys have made no representation or warranty to Executive concerning the state or Federal tax consequences to Executive regarding the transactions contemplated by this Agreement.

30. **Section 409A of the Code.**

This Agreement is intended to comply with Section 409A of the Code, and the Treasury regulations and other interpretive guidance issued thereunder (collectively, "**Section 409A**"), or to be treated as exempt therefrom, and shall be construed and administered in accordance with such intent. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service, as a short-term deferral, or as

any other compensation that is otherwise exempt from Section 409A shall be excluded from Section 409A to the maximum extent possible. Any payments to be made under this Agreement upon a termination of Executive's employment that are subject to Section 409A shall only be made if such termination of employment constitutes a "separation from service" under Section 409A. Notwithstanding any provision in this Agreement to the contrary, if any payment or benefit provided for herein would be subject to additional taxes and interest under Section 409A if Executive's receipt

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of such payment or benefit is not delayed until the earlier of (i) the date of Executive's death or (ii) the date that is six months after the Date of Termination of Executive's employment hereunder (such date, the "*Section 409A Payment Date*"), then such payment or benefit shall not be provided to Executive (or Executive's estate, if applicable) until the Section 409A Payment Date.

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IN WITNESS WHEREOF, the parties hereto have executed this Employment Agreement between the Company and Richard A. Robert as of the day and year first above written.

EXECUTIVE

/s/ Richard A. Robert

Richard A. Robert

VNR HOLDINGS, LLC

By: /s/ Scott W. Smith

Its: President

VANGUARD NATURAL RESOURCES, LLC

By: /s/ Scott W. Smith

Its: President & CEO

APPENDIX A

Annual Bonus

1. **Executive is eligible to receive an Annual Bonus based upon the Board’s annual bonus system described below. Executive is eligible to receive a “Maximum” Annual Bonus equal to two (2) times Executive’s Base Salary. The Annual Bonus for each calendar year during the Employment Period will be based on the following components and percentages:**
 - (a) Adjusted EBITDA Results (Actual to Forecast) (“**AER**”) (25%)
 - (b) Production Results (Actual to Forecast) (“**PR**”) (25%)
 - (c) Lease Operating Expenses (Actual to Forecast) (“**LOE**”) (25%)
 - (d) Cash General & Administrative Expenses (Actual to Forecast) (“**G&A**”) (25%)

2. Each of the four categories listed above that comprise the Annual Bonus shall be calculated by multiplying (a) Executive’s Base Salary, by (b) the applicable target percentage achieved in the respective tables listed below. Payments of the Annual Bonus

shall be made in cash, quarterly installments following the Company's quarterly earnings results, so long as Executive is continuously employed with the Company during the full applicable time to which the Annual Bonus payment relates.

3. **AER for each calendar year will be a function of VNR's actual AER reported in the respective 10-Q or 10-K versus the forecast. AER for the 2016 calendar year will be measured as follows:**

Bonus	<u>12.5%</u>	<u>18.75%</u>	<u>25%</u>	<u>31.25%</u>	<u>37.5%</u>	<u>43.75%</u>	<u>50%</u>
AER	≥\$332.4 MM	≥\$343.0 MM	≥\$353.6 MM	≥\$364.2 MM	≥\$374.8 MM	≥\$385.4 MM	≥\$396.0 MM

A new table for each subsequent year during the Employment Period will be generated based on the new guidance/forecast.

4. **PR for each calendar year will be a function of VNR's actual PR reported in the respective 10-Q or 10-K versus the forecast. PR for the 2016 calendar year will be measured as follows:**

Bonus	<u>12.5%</u>	<u>18.75%</u>	<u>25%</u>	<u>31.25%</u>	<u>37.5%</u>	<u>43.75%</u>	<u>50%</u>
PR	<419.9 MBoe	≥428.7 MBoe	≥437.4 MBoe	≥446.1 MBoe	≥454.9 MBoe	≥463.62 MBoe	≥472.4 MBoe

A new table for each subsequent year during the Employment Period will be generated based on the new guidance/forecast.

5. **Cash G&A will be calculated each year by comparing VNR's actual Cash G&A expense as reported in the respective 10-Q or 10-K, to the forecast. Cash G&A for the 2016 calendar year will be measured as follows:**

Bonus	<u>12.5%</u>	<u>18.75%</u>	<u>25%</u>	<u>31.25%</u>	<u>37.5%</u>	<u>43.75%</u>	<u>50%</u>
G&A	≤\$43.1 MM	≤\$42.2 MM	≤\$41.4 MM	≤\$40.6 MM	≤\$39.7 MM	≤\$38.9 MM	≤\$38.1 MM

A new table for each subsequent year during the Employment Period will be generated based on the new guidance/forecast.

6. **LOE will be calculated each year by comparing VNR’s actual LOE expense as reported in the respective 10-Q or 10-K, to the forecast. LOE for the 2016 calendar year will be measured as follows:**

Bonus	<u>12.5%</u>	<u>18.75%</u>	<u>25%</u>	<u>31.25%</u>	<u>37.5%</u>	<u>43.75%</u>	<u>50%</u>
LOE	≥\$172.2 MM	>\$168.9 MM	≤\$165.6 MM	≤\$162.3 MM	≤\$159.0 MM	≤\$155.7 MM	≤\$152.4 MM

A new table for each subsequent year during the Employment Period will be generated based on the new guidance/forecast.

7. In addition, the Board of Director’s has the ability to apply a discretionary multiplier to the overall bonus targets calculated above, again not to exceed 200% of the Executive’s base salary. This discretionary component of each Annual Bonus is determined at the sole discretion of the Board, and shall be based upon such targets, performance measures relative to the Company and/or Executive, time frames, and any other item the Board has determined appropriate.
8. The Annual Bonus shall be calculated and paid out on a quarterly basis for each of the four components (as described in paragraphs 3., 4., 5., and 6. above) after quarterly earnings have been made public to the investment community for each applicable calendar quarter, measured based on the percentage obtained as a comparison to forecast (as described in paragraphs 3., 4., 5., and 6. above). Therefore, the Annual Bonus shall be calculated for each quarter with 25% of the total Annual Bonus calculation paid out each quarter in cash with the four quarterly payments not to exceed 200% of the Executive Management’s respective Annual Cash Base Salary. The quarterly bonus payments shall be calculated on a cumulative basis for each of the four components.

APPENDIX B

[Restricted Unit Agreement]

APPENDIX C

[Phantom Unit Agreement]

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Exhibit 10.3

**AMENDED AND RESTATED EMPLOYMENT AGREEMENT
BRITT PENCE**

This **AMENDED AND RESTATED EMPLOYMENT AGREEMENT**, effective as of January 1, 2016 (the “*Effective Date*”), is by and between VNR Holdings, LLC, a Delaware limited liability company (“*VNR*”), Vanguard Natural Resources, LLC, a Delaware limited liability company (“*Parent*”) and Britt Pence (“*Executive*”).

WHEREAS, VNR, Parent and Executive previously entered into that certain Amended and Restated Employment Agreement dated January 1, 2013 (the “**Prior Agreement**”);

WHEREAS, the parties hereby agree that the Prior Agreement was terminated as of the Effective Date and shall be replaced in its entirety with this Amended and Restated Employment Agreement (this “**Agreement**”);

WHEREAS, VNR desires to continue to employ Executive, and Executive desires to continue to be employed by VNR in said capacity; and

WHEREAS, the parties desire to set forth in writing the terms and conditions of their understandings and agreements in this Agreement.

NOW, THEREFORE, in consideration of the mutual covenants and obligations contained herein, VNR hereby agrees to employ Executive and Executive hereby accepts such employment upon the terms and conditions set forth in this Agreement:

1. Employment Period.

(a) Subject to Section 5, VNR hereby agrees to employ Executive, and Executive hereby agrees to be employed by VNR, in accordance with the terms and provisions of this Agreement, for the period commencing as of the Effective Date and ending on January 1, 2019 (the “**Employment Period**”); provided, however, that the Employment Period shall automatically be renewed and extended for an additional period of twelve (12) months commencing on January 1, 2019 and expiring on January 1, 2020, and on each successive January 1 thereafter, unless at least ninety (90) days prior to the ensuing expiration date (but no more than twelve (12) months prior to such expiration date), VNR or Executive shall have given ninety (90) days written notice to the other that it or he, as applicable, does not wish to extend this Agreement (a “**Non-Renewal Notice**”). The term “**Employment Period**,” as utilized in this Agreement, shall refer to the Employment Period as so automatically extended.

(b) During the term of Executive’s employment with VNR, Executive shall serve as the Executive Vice President of Operations of VNR and the Parent (together, the “**Company**”) and in so doing, shall report to the President and Chief Executive Officer of the Company (the “**CEO**”). Executive shall have supervision and control over, and responsibility for, such management and operational functions of the Company currently assigned to such positions, and shall have such other powers and duties (including holding officer positions with the Company and one or more subsidiaries of the Company) as may from time to time be prescribed by the CEO, so

long as such powers and duties are reasonable and customary for the Executive Vice President of Operations of an enterprise comparable to the Company.

(c) During the term of Executive's employment with VNR, and excluding any periods of vacation and sick leave to which Executive is entitled, Executive agrees to devote substantially all of his business time to the business and affairs of VNR and, to the extent necessary to discharge the responsibilities assigned to Executive hereunder, to use Executive's reasonable best efforts to perform faithfully, effectively and efficiently such responsibilities. During the term of Executive's employment with VNR, it shall not be a violation of this Agreement for Executive to (i) serve on corporate, civic or charitable boards or committees, (ii) deliver lectures or fulfill speaking engagements and (iii) manage personal investments, so long as such activities do not materially interfere with the performance of Executive's responsibilities as an employee of the Company in accordance with this Agreement.

(d) The parties expressly acknowledge that any performance of Executive's responsibilities hereunder shall necessitate, and the Company shall provide, access to or the disclosure of Confidential Information (as defined in Section 9(a) below) to Executive and that Executive's responsibilities shall include the development of the Company's goodwill through Executive's contacts with the Company's customers and suppliers.

2. **Compensation**

(a) *Base Salary*. VNR shall pay Executive an annual base salary ("**Base Salary**") at the rate of \$440,000 for the period commencing on the Effective Date. The Base Salary will increase to \$450,000 on January 1, 2017 and to \$460,000 on January 1, 2018. The Board may at its discretion elect to increase Executive's Base Salary at any time if they deem an increase is warranted. The Board may not decrease Executive's annual Base Salary without his prior written approval. Base Salary shall be payable in accordance with the ordinary payroll practices of VNR, but in no event shall the Base Salary be paid to Executive less frequently than monthly. The term "Base Salary" as used in this Agreement shall refer to the Base Salary as it may be so adjusted from time to time.

(b) *Annual Bonus*. Executive shall be eligible to receive an annual bonus (the "**Annual Bonus**") based upon the terms and conditions of Executive's Annual Bonus for each calendar year within the Employment Period are set forth in Appendix A hereto.

(c) *LTIP Grants*. Executive shall be eligible to receive an annual grant of restricted units (the "**Restricted Units**") and/or phantom units (the "**Phantom Units**") pursuant to the Vanguard Natural Resources, LLC Long-Term Incentive Plan, as the same may be amended from time to time (the "**LTIP**"), with each such annual grant having an aggregate Fair Market Value (as defined in the LTIP) equal to three and one half (3.50) times Executive's Base Salary (at the rate in effect hereunder at the time of grant), based on the Fair Market Value of VNR's common units on the applicable date of grant. The Restricted Units and Phantom Units granted hereunder will be subject to the terms and conditions as set forth on Appendix B hereto for the Restricted Units and/or Appendix C hereto for the Phantom Units, as applicable. All LTIP Grants shall be made in January following the contract year and shall be effective as of January 1st of such year.

3. **Employee Benefits.**

(a) During the Employment Period, VNR shall provide Executive with coverage under all employee pension and welfare benefit programs, plans and practices, which VNR makes available to its senior executives (including, without limitation, participation in health, dental, group life, disability, retirement and all other plans and fringe benefits to the extent generally provided to such senior executives), commensurate with his position in the Company, to the extent permitted under the employee benefit plan or program, and in accordance with the terms of the program and/or plan.

(b) Executive shall be entitled to vacation time in accordance with the Company's published vacation policy which currently provides the Executive with twenty five (25) business days paid vacation in each calendar year.. Such vacation time shall accrue at a rate of two (2) vacation days for each calendar month worked; provided, however, that during any given calendar year, Executive shall be able to take vacation days that will accrue during that calendar year, even if such days have not yet accrued. A maximum of ten (10) business days of accrued but unused vacation may be carried over from one calendar year to the next.

(c) Executive is authorized to incur reasonable expenses in carrying out his duties and responsibilities under this Agreement and promoting the business of the Company, including, without limitation, reasonable expenses for travel, lodgings, entertainment and similar items related to such duties and responsibilities. VNR will promptly reimburse Executive for all such expenses upon presentation by Executive of appropriately itemized and approved (consistent with VNR's policy) accounts of such expenditures, in accordance with the Company's expense reimbursement policy; provided, however, that in no event shall the expense reimbursement be made after the last day of the taxable year following the year in which the expense was incurred by Executive, although in the event that the reimbursement would constitute taxable income to Executive, such reimbursements will be paid no later than March 15th of the calendar year following the calendar year in which the expense was incurred. No reimbursement or expenses eligible for reimbursement in any taxable year shall affect the expenses eligible for reimbursement in any other taxable year, nor may the right to receive a reimbursement of expenses be subject to liquidation or exchanged for another benefit.

4. **Change of Control.**

(a) *Definition of Change of Control.* For purposes of this Agreement, a "***Change of Control***" shall have the same meaning as such term in the Company's LTIP. For the sake of convenience herein, as of the Effective Date, the LTIP states that a "Change of Control" means, and shall be deemed to have occurred upon one or more of the following events:

(i) Any “person” or “group” within the meaning of those terms as used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended, other than an affiliate of Parent, shall become the beneficial owner, by way of merger, consolidation, recapitalization, reorganization or otherwise, of fifty percent (50%) or more of the combined voting power of the equity interests in Parent;

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(ii) The members of Parent approve, in one or a series of transactions, a plan of complete liquidation of Parent; or

(iii) The sale or other disposition by the Company of all or substantially all of its assets in one or more transactions to any person other than Parent or an affiliate of Parent.

Notwithstanding the foregoing, with respect to a payment that is subject to section 409A of the Internal Revenue Code of 1986, as amended (the “*Code*”), a “Change of Control” shall mean a “change of control event” as defined in the regulations and guidance issued under section 409A of the Code.

(b) *Change of Control Payments.* Upon the occurrence of a Change of Control of the Company, Executive will be entitled to receive the following (i) within 30 days following the Change of Control, a lump sum payment of an amount equaling two (2) times the sum of his Base Salary and the Annual Bonus paid or payable with respect to the calendar year preceding the year in which the Change of Control occurs (the “*Change of Control Payment*”), and (ii) as of the date of the Change of Control, accelerated vesting of any unvested Restricted Units, Phantom Units, and any other awards granted under the LTIP that are held by Executive at the time of such Change of Control (notwithstanding any provisions of such LTIP award agreements to the contrary). Solely for purposes of the Change of Control Payment, Executive’s Base Salary shall be valued as in effect at the time of the Change of Control. The Restricted Units, Phantom Units, and other awards granted under the LTIP that are held by Executive at the time of the Change of Control, if any, will be settled in accordance with the terms and conditions of the LTIP and the applicable individual award agreement (which, in the case of Restricted Units and Phantom Units granted to Executive pursuant to this Agreement, shall be in accordance with the terms and conditions reflected in Appendix B hereto or Appendix C hereto, respectively).

5. **Termination of Employment.**

(a) *Termination without Cause or Resignation by Executive for Other than Good Reason.* Unless otherwise specified in a separate provision of this Section 5, either Executive or VNR, by action of the Board, may terminate this Agreement, and Executive’s employment by VNR, for any reason after providing thirty (30) days written notice to the non-terminating party. If Executive terminates this Agreement pursuant to this provision for a reason other than Good

Reason, VNR will pay Executive within ten (10) business days after the Date of Termination (as defined below) (i) all accrued but unpaid Base Salary, (ii) a prorated amount of Executive's Base Salary for accrued but unused vacation days, and (iii) yet unpaid reimbursements for any reasonable and necessary business expenses incurred by Executive prior to the Date of Termination in connection with his duties hereunder (such amounts collectively, the "**Accrued Compensation and Reimbursements**"). Upon termination by VNR of this Agreement pursuant to this Section 5(a) other than a termination for Cause, VNR shall pay or provide to Executive the following: (A) within ten (10) business days after the Date of Termination, the Accrued Compensation and Reimbursements, (B) on the 60th day following the Date of Termination, a lump sum payment (the "**Severance Payment**") equal to the amount of Executive's Base Salary (at the rate in effect hereunder as of the Date of Termination) for thirty-six (36) months, and (C) as of the Date of Termination, accelerated vesting of any unvested Restricted Units, Phantom Units, and any other awards granted

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under the LTIP that are held by Executive at the time of such termination (notwithstanding any provisions of such LTIP award agreements to the contrary), with any settlement that may be due to Executive as a result of such accelerated vesting being made in accordance with the terms and conditions of the LTIP and the applicable individual award agreement. Notwithstanding any other provision of this Agreement, the non-renewal of Executive's employment pursuant to the terms of a Non-Renewal Notice under Section 1(a) of this Agreement shall not constitute a termination of this Agreement entitling Executive to the Severance Payment under this Section 5(a).

(b) *Termination by Cause.* VNR, by action of the Board may terminate this Agreement at any time for Cause. Upon termination by VNR for Cause, Executive shall only be entitled to Accrued Compensation and Reimbursements, which amount shall be paid within ten (10) business days after the Date of Termination. For purposes hereof, "**Cause**" means any of the following:

(i) Executive's commission of theft, embezzlement, any other act of dishonesty relating to his employment with VNR or any willful and material violation of any law, rules or regulation applicable to the Company, including, but not limited to, those laws, rules or regulations established by the Securities and Exchange Commission, or any self-regulatory organization having jurisdiction or authority over Executive or the Company; or

(ii) Executive's conviction of, or Executive's plea of guilty or *nolo contendere* to, any felony or of any other crime involving fraud, dishonesty or moral turpitude; or

(iii) A determination by the Board that Executive has materially breached this Agreement (other than during any period of Disability, as defined below) where such breach is not remedied within ten business (10) days after written demand by the Board for substantial performance is actually received by Executive which specifically identifies the manner in which the Board believes Executive has so breached; or

(iv) Executive's willful and continued failure to perform his reasonable and customary duties as the President and Chief Executive Officer which such failure is not remedied within ten business (10) days after written demand by the Board for substantial performance is actually received by Executive which specifically identifies the nature of such failure.

For purposes of the definition of Cause, no act or failure to act, on the part of Executive, shall be considered "willful" unless it is done, or omitted to be done, by Executive in bad faith or without reasonable belief that Executive's action or omission was in, or not opposed to, the best interests of the Company. Any act, or failure to act, based upon authority given by the Board or based upon the advice of counsel for VNR shall be conclusively presumed to be done, or omitted to be done, by Executive in good faith and in the best interests of the Company. VNR, by action of the Board, may terminate Executive's employment for Cause only after: (i) providing written notice to Executive, which identifies the Cause for Executive's termination (which notice must be given within ninety (90) days after the actual discovery of the act(s) or omission(s) constituting such Cause) and (ii) Executive has been given an opportunity, together with his counsel, to be heard by the Board at a time and location reasonably designated by the Board.

(c) *Termination with Good Reason.* Executive may terminate this Agreement for Good Reason, and thereby resign his employment, after providing thirty (30) days' written notice to the Company of the act(s) or omission(s) constituting Good Reason (which notice must be given within ninety (90) days after the occurrence of such act(s) or omission(s) and describe the act(s) or omission(s) in reasonable detail) if such act(s) or omission(s) is/are not cured by the Company within thirty (30) days after Executive provides such written notice. For purposes hereof, "**Good Reason**" means any of the following reasons that occurs without Executive's written consent:

(i) A material reduction in Executive's authority, duties, or responsibilities (for this purpose, any removal of Executive from membership on the Board that is due to a vote of the shareholders or due to the failure of the Nominating Committee of the Board to nominate Executive shall not be treated as satisfying the requirements of this Section 5(c)(i)); or

(ii) A material reduction in Executive's Base Salary; or

(iii) Executive's removal from his position as President, Chief Executive Officer and Director of the Company, other than for Cause or by death or Disability, during the Employment Period, to a position that is not at least equivalent in authority and duties to President and Chief Executive Officer; or

(iv) Relocation of Executive's principal place of business to a location fifty (50) or more miles from its location as of the Effective Date; or

(v) A material breach by VNR of this Agreement, which materially and adversely affects Executive; or

(vi) VNR's failure to make any material payment to Executive required to be made under the terms of this Agreement.

In the event Executive terminates this Agreement for Good Reason, VNR shall pay or provide Executive the following: (i) within ten (10) business days after the Date of Termination, his Accrued Compensation and Reimbursements, (ii) on the 60th day following the Date of Termination, the Severance Payment, and (iii) as of the Date of Termination, accelerated vesting of any unvested Restricted Units, Phantom Units, and any other awards granted under the LTIP that are held by Executive at the time of such termination (notwithstanding any provisions of such LTIP award agreements to the contrary), with any settlement that may be due to Executive as a result of such accelerated vesting being made in accordance with the terms and conditions of the LTIP and the applicable individual award agreement.

(d) *Termination by Disability.* VNR, by action of the Board, may terminate this Agreement at any time if Executive shall be deemed in the reasonable judgment of the Board to have sustained a "**Disability**." Executive shall be deemed to have sustained a Disability if and only if he shall have been unable to substantially perform his duties as an employee of VNR as a result of sickness or injury, and shall have remained unable to perform any such duties for a period of more than 180 consecutive days in any twelve (12) month period. Upon termination of this Agreement for Disability, VNR shall pay or provide Executive with the following: (i) within ten

(10) business days after the Date of Termination, his Accrued Compensation and Reimbursements, (ii) on the 60th day following the Date of Termination, a lump sum payment equal to the amount of Executive's Base Salary (at the rate in effect hereunder at the Date of Termination) for twelve (12) months, and (iii) as of the Date of Termination, accelerated vesting of any unvested Restricted Units, Phantom Units, and any other awards granted under the LTIP that are held by Executive at the time of such termination (notwithstanding any provisions of such LTIP award agreements to the contrary), with any settlement that may be due to Executive

as a result of such accelerated vesting being made in accordance with the terms and conditions of the LTIP and the applicable individual award agreement.

(e) *Termination by Death.* This Agreement will terminate automatically upon Executive's death. Upon termination of this Agreement because of Executive's death, VNR shall pay or provide Executive's estate with the following: (i) within ten (10) business days after the Date of Termination, his Accrued Compensation and Reimbursements, (ii) on the 60th day following the Date of Termination, a lump sum payment equal to the amount of Executive's Base Salary (at the rate in effect hereunder at the Date of Termination) for twelve (12) months, and (iii) as of the Date of Termination, accelerated vesting of any unvested Restricted Units, Phantom Units, and any other awards granted under the LTIP that are held by Executive at the time of such termination (notwithstanding any provisions of such LTIP award agreements to the contrary), with any settlement that may be due to Executive as a result of such accelerated vesting being made in accordance with the terms and conditions of the LTIP and the applicable individual award agreement.

(f) *Date of Termination.* As used in this Agreement, "***Date of Termination***" means (i) if Executive's employment is terminated by his death, the date of his death; (ii) if Executive's employment is terminated as a result of a Disability or by VNR for Cause or without Cause, then the date specified in a notice delivered to Executive by VNR of such termination, (iii) if Executive's employment is terminated by Executive for Good Reason, then the date specified in the notice of such termination delivered to VNR by Executive, (iv) if Executive's employment terminates due to the giving of a Non-Renewal Notice, the last day of the Employment Period, and (v) if Executive's employment is terminated for any other reason, the date specified therefore in the notice of such termination.

6. **Employment.**

Upon termination of this Agreement, Executive's employment shall also terminate and cease, and Executive shall be deemed to have voluntarily resigned from the Board, if Executive is a member of the Board.

7. **Mitigation.**

Upon termination of this Agreement for any reason, amounts to be paid per the express terms of this Agreement shall not be reduced whether or not Executive obtains other employment.

8. **Release.**

Notwithstanding any other provision in this Agreement to the contrary, as a condition precedent to receiving any severance payments or benefits set forth in Section 5 of this Agreement (other than the Accrued Compensation and Reimbursements) in connection with any

applicable termination scenario, Executive agrees to execute (and not revoke) a customary severance and release agreement, including a waiver of all claims, reasonably acceptable to the Company (the “**Release**”), within the forty-five (45) day period immediately following the Date of Termination. All revocation rights and timing restrictions shall be set forth in such Release. If Executive fails to execute and deliver the Release, or revokes the Release, Executive agrees that he shall not be entitled to receive any severance payments or benefits set forth in Section 5 of this Agreement (other than the Accrued Compensation and Reimbursements) in connection with any applicable termination scenario. For purposes of this Agreement, the Release shall be considered to have been executed by Executive if it is signed by his legal representative in the case of legal incompetence or on behalf of Executive’s estate in the case of his death.

9. **Nondisclosure.**

(a) It is understood that Executive during his tenure with the Company has received and will continue to receive access to some or all of the Company’s various trade secrets and confidential or proprietary information, including information he has not received before, consisting of, but not limited to, information relating to (i) business operations and methods, (ii) existing and proposed investments and investment strategies, (iii) financial performance, (iv) compensation arrangements and amounts (whether relating to the Company or to any of its employees), (v) contractual relationships, (vi) business partners and relationships, and (vii) marketing strategies (all of the forgoing, “**Confidential Information**”). Confidential Information shall not include: (A) information that Executive may furnish to third parties regarding his obligations under this Section 9 and under Section 10 or (B) information that (1) is general knowledge of Executive or information that becomes generally available to the public by means other than Executive’s breach of this Section 9 (for example, not as a result of Executive’s unauthorized release of marketing materials), (2) is in Executive’s possession, or becomes available to Executive, on a non-confidential basis, from a source other than the Company or (3) Executive is required by law, regulation, court order or discovery demand to disclose; provided, however, that in the case of clause (3), Executive gives the Company, to the extent permitted by law, reasonable notice prior to the disclosure of the Confidential Information and the reasons and circumstances surrounding such disclosure to provide the Company an opportunity to seek a protective order or other appropriate request for confidential treatment of the applicable Confidential Information.

(b) Executive agrees that all Confidential Information, whether prepared by Executive or otherwise coming into his possession, shall remain the exclusive property of the Company during Executive’s employment with the Company. Executive further agrees that Executive shall not, except for the benefit of the Company pursuant to the exercise of his duties in accordance with this Agreement or with the prior written consent of the Company, use or disclose to any third party any of the Confidential Information described herein, directly or indirectly, either during Executive’s employment with the Company or at any time following the termination of Executive’s employment with the Company.

(c) Upon termination of this Agreement, Executive agrees that all Confidential Information and other files, documents, materials, records, notebooks, customer lists, business proposals, contracts, agreements and other repositories containing information concerning the Company or the business of the Company (including all copies thereof) in Executive's possession, custody or control, whether prepared by Executive or others, shall remain with or be returned to the Company as soon as practicable after the Date of Termination.

10. **Non-Competition and Non-solicitation.**

(a) As part of the consideration for the compensation and benefits to be paid to Executive hereunder, to protect Confidential Information of the Company and its customers and clients that have been and will be entrusted to Executive, the business goodwill of the Company and its subsidiaries that will be developed in and through Executive and the business opportunities that will be disclosed or entrusted to Executive by the Company and its subsidiaries, and as an additional incentive for the Company to enter into this Agreement, if termination is a result of Executive's voluntary termination without Good Reason under Section 5(a), or by the Company for Cause under Section 5(b), from the date hereof through the sixty (60) day anniversary of the Date of Termination (the "***Restricted Period***"), Executive will not (other than for the benefit of the Company pursuant to this Agreement), directly or indirectly:

(i) engage in, or carry on or assist, individually or as a principal, owner, officer, director, employee, shareholder, consultant, contractor, partner, member, joint venturer, agent, equity owner or in any other capacity whatsoever (in any such capacity, an "***Investor***"), any (A) any business directly competitive with the business in which the Company is engaged from time to time ("***Competing Business***") or (B) Business Enterprise (as defined below) that is otherwise directly competitive with the Company within the states in which the Company conducts business;

(ii) perform for any corporation, partnership, limited liability company, sole proprietorship, joint venture or other business association or entity (a "***Business Enterprise***") engaged in any Competing Business any duty Executive has performed for the Company that involved Executive's access to, or knowledge or application of, Confidential Information;

(iii) induce or attempt to induce any customer, supplier, licensee or other business relation of the Company to cease doing business with the Company or in any way interfere with the relationship between any such customer, supplier, licensee or business relation and the Company;

(iv) induce or attempt to induce any customer, supplier, licensee or other business relation of the Company with whom Executive had direct business contact in dealings

during the Employment Period in the course of his employment with the Company to cease doing business with the Company or in any way interfere with the relationship between any such customer, supplier, licensee or business relation and the Company; or

(v) solicit with the purpose of hiring or hire any person who is or, within 180 days after such person ceased to be an employee of the Company, was an employee of the Company.

(b) Notwithstanding the foregoing restrictions of this Section 10, nothing in this Section 10 shall prohibit (i) any investment by Executive, directly or indirectly, in securities which are issued by a Business Enterprise involved in or conducting a Competing Business, provided that Executive, directly or indirectly, does not own more than five percent (5%) of the outstanding equity or voting securities of such Business Enterprise or (ii) Executive, directly or indirectly, from owning any interest in any Business Enterprise which conducts a Competing Business if such interest in such Business Enterprise is owned as of the date of this Agreement and Executive does not have the right, in the case of (i) or (ii), through the ownership of a voting interest or otherwise, to direct the activities of or associated with the business of such Business Enterprise.

(c) Executive acknowledges that each of the covenants of Section 10(a) are in addition to, and shall not be construed as a limitation upon, any other covenant provided in Section 10(a). Executive agrees that the geographic boundaries, scope of prohibited activities, and time duration of each of the covenants set forth in Section 10(a) are reasonable in nature and are no broader than are necessary to maintain the confidentiality and the goodwill of the Company's proprietary and Confidential Information, plans and services and to protect the other legitimate business interests of the Company, including without limitation the goodwill developed by Executive with Company's customers, suppliers, licensees and business relations.

(d) If, during any portion of the Restricted Period, Executive is not in compliance with the terms of Section 10(a), the Company shall be entitled to, among other remedies, compliance by Executive with the terms of Section 10(a) for an additional period of time (*i.e.*, in addition to the Restricted Period) that shall equal the period(s) over which such noncompliance occurred.

(e) The parties hereto intend that the covenants contained in Section 10(a) be construed as a series of separate covenants, one for each defined province in each geographic area in which Executive on behalf of the Company conducts business. Except for geographic coverage, each such separate covenant shall be deemed identical in terms to the applicable covenant contained in Section 10(a). Furthermore, each of the covenants in Section 9(a) shall be

deemed a separate and independent covenant, each being enforceable irrespective of the enforceability (with or without reformation) of the other covenants contained in Section 10(a).

11. **Notices.**

All notices and other communications required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, mailed by certified mail (return receipt requested) or sent by overnight delivery service to the parties at the following addresses or at such other addresses as shall be specified by the parties by like notice, in order of preference of the recipient:

To VNR or the Company:
CEO
5847 San Felipe, Suite 3000
Houston, Texas 77057
Facsimile: (832) 327-2260

To Executive:
Britt Pence
11739 Bayhurst Dr.
Houston, Texas 77024

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Notice so given shall, in the case of mail, be deemed to be given and received on the fifth calendar day after posting, and in the case overnight delivery service, on the date of actual delivery.

12. **Severability and Reformation.**

If any one or more of the terms, provisions, covenants or restrictions of this Agreement shall be determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions shall remain in full force and effect, and the invalid, void or unenforceable provisions shall be deemed severable. Moreover, if any one or more of the provisions contained in this Agreement shall for any reason be held to be excessively broad as to duration, geographical scope, activity or subject, it shall be reformed by limiting and reducing it to the minimum extent necessary, so as to be enforceable to the extent compatible with the applicable law as it shall then appear.

13. **Assignment.**

This Agreement shall be binding upon and inure to the benefit of the heirs and legal representatives of Executive and the permitted assigns and successors of VNR, but neither this Agreement nor any rights or obligations hereunder shall be assignable or otherwise subject to hypothecation by Executive without the express written consent of VNR (except in the case of death by will or by operation of the laws of intestate succession) or by VNR, except that VNR may assign this Agreement to any successor (whether by merger, purchase or otherwise) to all or substantially all of the stock assets or businesses of VNR, if such successor expressly agrees to assume the obligations of VNR hereunder.

14. **Amendment.**

This Agreement may be amended only by writing signed by both Executive and by a duly authorized representative of VNR (other than Executive).

15. **Assistance in Litigation.**

Executive shall reasonably cooperate with the Company in the defense or prosecution of any claims or actions now in existence or that may be brought in the future against or on behalf of the Company that relate to events or occurrences that transpired while Executive was employed by the Company. Executive's cooperation in connection with such claims or actions shall include, but not be limited to, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of the Company at mutually convenient times. Executive also shall cooperate fully with the Company in connection with any investigation or review by any Federal, state, or local regulatory authority as any such investigation or review relates, to events or occurrences that transpired while Executive was employed by the Company. The Company will pay Executive an agreed upon reasonable hourly rate for Executive's cooperation pursuant to this Section 16.

16. **Beneficiaries; References.**

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Executive shall be entitled to select (and change, to the extent permitted under any applicable law) a beneficiary or beneficiaries to receive any compensation or benefit payable hereunder following Executive's death, and may change such election, in either case by giving the Company written notice thereof. In the event of Executive's death or a judicial determination of his incompetence, reference in this Agreement to Executive shall be deemed, where appropriate, to refer to his beneficiary, estate or other legal representative. Any reference to the masculine gender in this Agreement shall include, where appropriate, the feminine.

17. **Use of Name, Likeness and Biography.**

The Company shall have the right (but not the obligation) to use, publish and broadcast, and to authorize others to do so, the name, approved likeness and approved biographical material of Executive to advertise, publicize and promote the business of the Company and its affiliates, but not for the purposes of direct endorsement without Executive's consent. This right shall terminate upon the termination of this Agreement. An "approved likeness" and "approved biographical material" shall be, respectively, any photograph or other depiction of Executive, or any biographical information or life story concerning the professional career of Executive.

18. **Governing Law.**

THIS AGREEMENT SHALL BE CONSTRUED, INTERPRETED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS WITHOUT REFERENCE TO RULES RELATING TO CONFLICTS OF LAW.

19. **Entire Agreement.**

This Agreement and the LLC Agreement contain the entire understanding between the parties hereto with respect to the subject matter hereof and supersede in all respects any prior or other agreement (including the Prior Agreement) or understanding, written or oral, between the Company or any affiliate of the Company and Executive with respect to such subject matter. For the avoidance of doubt, Executive acknowledges and agrees that the Company has satisfied all obligations that it has owed, and that it ever could owe, under the Prior Agreement and that Executive has no further rights thereunder.

20. **Withholding.**

The Company shall be entitled to withhold from payment to Executive of any amount of withholding required by law.

21. **Counterparts.**

This Agreement may be executed in two or more counterparts, each of which will be deemed an original.

22. **Remedies.**

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The parties recognize and affirm that in the event of a breach of Sections 9 or 10 of this Agreement, money damages would be inadequate and VNR would not have an adequate remedy at law. Accordingly, the parties agree that in the event of a breach or a threatened breach of Sections 9 or 10, VNR may, in addition and supplementary to other rights and remedies existing in its favor, apply to any court of law or equity of competent jurisdiction for specific performance and/or injunctive or other relief in order to enforce or prevent any violations of the provisions hereof (without posting a bond or other security). In addition, Executive agrees that in the event a court of competent jurisdiction or an arbitrator finds that Executive violated Section 9 or 10, the time periods set forth in those Sections shall be tolled until such breach or violation has been cured. Executive further agrees that VNR shall have the right to offset the amount of any damages resulting from a breach by Executive of Section 9 or 10 against any payments due Executive under this Agreement. The parties agree that if one of the parties is found to have breached this Agreement by a court of competent jurisdiction or arbitrator, the breaching party will be required to pay the non-breaching party's attorneys' fees reasonably incurred in prosecuting the non-breaching party's claim of breach.

23. **Non-Waiver.**

The failure by either party to insist upon the performance of any one or more terms, covenants or conditions of this Agreement shall not be construed as a waiver or relinquishment of any right granted hereunder or of any future performance of any such term, covenant or condition, and the obligation of either party with respect hereto shall continue in full force and

effect, unless such waiver shall be in writing signed by VNR (other than Executive) and Executive.

24. **Announcement.**

The Company shall have the right to make public announcements concerning the execution of this Agreement and the terms contained herein, at the Company's discretion.

25. **Construction.**

The headings and captions of this Agreement are provided for convenience only and are intended to have no effect in construing or interpreting this Agreement. The language in all parts of this Agreement shall be in all cases construed in accordance to its fair meaning and not strictly for or against the Company or Executive.

26. **Right to Insure.**

The Company shall have the right to secure, in its own name or otherwise, and at its own expense, life, health, accident or other insurance covering Executive, and Executive shall have no right, title or interest in and to such insurance. Executive shall assist the Company in procuring such insurance by submitting to examinations and by signing such applications and other instruments as may be required by the insurance carriers to which application is made for any such insurance.

27. **No Inconsistent Obligations.**

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Executive represents and warrants that to his knowledge he has no obligations, legal, in contract, or otherwise, inconsistent with the terms of this Agreement or with his undertaking employment with the Company to perform the duties described herein. Executive will not disclose to the Company, or use, or induce the Company to use, any confidential, proprietary, or trade secret information of others. Executive represents and warrants that to his knowledge he has returned all property and confidential information belonging to all prior employers, if he is obligated to do so.

28. **Binding Agreement.**

This Agreement shall inure to the benefit of and be binding upon Executive, his heirs and personal representatives, and the Company, its successors and assigns.

29. **Voluntary Agreement.**

Each party to this Agreement has read and fully understands the terms and provisions hereof, has had an opportunity to review this Agreement with legal counsel, has executed this Agreement based upon such party's own judgment and advice of counsel (if any), and knowingly, voluntarily, and without duress, agrees to all of the terms set forth in this Agreement. The parties have participated jointly in the negotiation and drafting of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if

drafted jointly by the parties and no presumption or burden of proof will arise favoring or disfavoring any party because of authorship of any provision of this Agreement. Except as expressly set forth in this Agreement, neither the parties nor their affiliates, advisors and/or their attorneys have made any representation or warranty, express or implied, at law or in equity with respect of the subject matter contained herein. Without limiting the generality of the previous sentence, the Companies, their affiliates, advisors, and/or attorneys have made no representation or warranty to Executive concerning the state or Federal tax consequences to Executive regarding the transactions contemplated by this Agreement.

30. Section 409A of the Code.

This Agreement is intended to comply with Section 409A of the Code, and the Treasury regulations and other interpretive guidance issued thereunder (collectively, “*Section 409A*”), or to be treated as exempt therefrom, and shall be construed and administered in accordance with such intent. Any payments under this Agreement that may be excluded from Section 409A either as separation pay due to an involuntary separation from service, as a short-term deferral, or as any other compensation that is otherwise exempt from Section 409A shall be excluded from Section 409A to the maximum extent possible. Any payments to be made under this Agreement upon a termination of Executive’s employment that are subject to Section 409A shall only be made if such termination of employment constitutes a “separation from service” under Section 409A. Notwithstanding any provision in this Agreement to the contrary, if any payment or benefit provided for herein would be subject to additional taxes and interest under Section 409A if Executive’s receipt of such payment or benefit is not delayed until the earlier of (i) the date of Executive’s death or (ii) the date that is six months after the Date of Termination of Executive’s employment hereunder (such date, the “*Section 409A Payment Date*”), then such payment or benefit shall not be provided to Executive (or Executive’s estate, if applicable) until the Section 409A Payment Date.

IN WITNESS WHEREOF, the parties hereto have executed this Employment Agreement between the Company and Britt Pence as of the day and year first above written.

EXECUTIVE

/s/ Britt Pence

Britt Pence

VNR HOLDINGS, LLC

By: /s/ Scott W. Smith

Its: President

VANGUARD NATURAL RESOURCES, LLC

By: /s/ Scott W. Smith

Its: President & CEO

APPENDIX A

Annual Bonus

1. **Executive is eligible to receive an Annual Bonus based upon the Board’s annual bonus system described below. Executive is eligible to receive a “Maximum” Annual Bonus equal to two (2) times Executive’s Base Salary. The Annual Bonus for each calendar year during the Employment Period will be based on the following components and percentages:**
 - (a) Adjusted EBITDA Results (Actual to Forecast) (“**AER**”) (25%)
 - (b) Production Results (Actual to Forecast) (“**PR**”) (25%)
 - (c) Lease Operating Expenses (Actual to Forecast) (“**LOE**”) (25%)

(d) Cash General & Administrative Expenses (Actual to Forecast) (“**G&A**”) (25%)

2. Each of the four categories listed above that comprise the Annual Bonus shall be calculated by multiplying (a) Executive’s Base Salary, by (b) the applicable target percentage achieved in the respective tables listed below. Payments of the Annual Bonus shall be made in cash, quarterly installments following the Company’s quarterly earnings results, so long as Executive is continuously employed with the Company during the full applicable time to which the Annual Bonus payment relates.

3. **AER for each calendar year will be a function of VNR’s actual AER reported in the respective 10-Q or 10-K versus the forecast. AER for the 2016 calendar year will be measured as follows:**

Bonus	<u>12.5%</u>	<u>18.75%</u>	<u>25%</u>	<u>31.25%</u>	<u>37.5%</u>	<u>43.75%</u>	<u>50%</u>
AER	≥\$332.4 MM	≥\$343.0 MM	≥\$353.6 MM	≥\$364.2 MM	≥\$374.8 MM	≥\$385.4 MM	≥\$396.0 MM

A new table for each subsequent year during the Employment Period will be generated based on the new guidance/forecast.

4. **PR for each calendar year will be a function of VNR’s actual PR reported in the respective 10-Q or 10-K versus the forecast. PR for the 2016 calendar year will be measured as follows:**

Bonus	<u>12.5%</u>	<u>18.75%</u>	<u>25%</u>	<u>31.25%</u>	<u>37.5%</u>	<u>43.75%</u>	<u>50%</u>
PR	<419.9 MBoe	≥428.7 MBoe	≥437.4 MBoe	≥446.1 MBoe	≥454.9 MBoe	≥463.62 MBoe	≥472.4 MBoe

A new table for each subsequent year during the Employment Period will be generated based on the new guidance/forecast.

5. **Cash G&A will be calculated each year by comparing VNR’s actual Cash G&A expense as reported in the respective 10-Q or 10-K, to the forecast. Cash G&A for the 2016 calendar year will be measured as follows:**

Bonus	<u>12.5%</u>	<u>18.75%</u>	<u>25%</u>	<u>31.25%</u>	<u>37.5%</u>	<u>43.75%</u>	<u>50%</u>
G&A	≤\$43.1 MM	≤\$42.2 MM	≤\$41.4 MM	≤\$40.6 MM	≤\$39.7 MM	≤\$38.9 MM	≤\$38.1 MM

A new table for each subsequent year during the Employment Period will be generated based on the new guidance/forecast.

6. **LOE will be calculated each year by comparing VNR's actual LOE expense as reported in the respective 10-Q or 10-K, to the forecast. LOE for the 2016 calendar year will be measured as follows:**

Bonus	<u>12.5%</u>	<u>18.75%</u>	<u>25%</u>	<u>31.25%</u>	<u>37.5%</u>	<u>43.75%</u>	<u>50%</u>
LOE	≥\$172.2 MM	>\$168.9 MM	≤\$165.6 MM	≤\$162.3 MM	≤\$159.0 MM	≤\$155.7 MM	≤\$152.4 MM

A new table for each subsequent year during the Employment Period will be generated based on the new guidance/forecast.

7. In addition, the Board of Director's has the ability to apply a discretionary multiplier to the overall bonus targets calculated above, again not to exceed 200% of the Executive's base salary. This discretionary component of each Annual Bonus is determined at the sole discretion of the Board, and shall be based upon such targets, performance measures relative to the Company and/or Executive, time frames, and any other item the Board has determined appropriate.
8. The Annual Bonus shall be calculated and paid out on a quarterly basis for each of the four components (as described in paragraphs 3., 4., 5., and 6. above) after quarterly earnings have been made public to the investment community for each applicable calendar quarter, measured based on the percentage obtained as a comparison to forecast (as described in paragraphs 3., 4., 5., and 6. above). Therefore, the Annual Bonus shall be calculated for each quarter with 25% of the total Annual Bonus calculation paid out each quarter in cash with the four quarterly payments not to exceed 200% of the Executive Management's respective Annual Cash Base Salary. The quarterly bonus payments shall be calculated on a cumulative basis for each of the four components.

APPENDIX B

[Restricted Unit Agreement]

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APPENDIX C

[Phantom Unit Agreement]

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EX-10.4 5 ex104-formofrestrictedunit.htm EXHIBIT 10.4

Exhibit 10.4

**VANGUARD NATURAL RESOURCES, LLC
LONG-TERM INCENTIVE PLAN**

RESTRICTED UNIT AWARD AGREEMENT

To: _____ Date of Grant: _____ Number of Units: _____

THIS RESTRICTED UNIT AWARD AGREEMENT (the “*Agreement*”) is made as of _____ between Vanguard Natural Resources, LLC (the “*Company*”), and _____ (“*Executive*”), pursuant to the terms and conditions of the Vanguard Natural Resources, LLC Long-Term Incentive Plan, as the same may be amended from time to time (the “*Plan*”), and that certain Amended and Restated Employment Agreement between Executive and the Company dated effective January 1, 2016, as the same may be amended from time to time (the “*Employment Agreement*”). A copy of the Plan has been furnished to Executive, which shall be deemed a part of this Agreement as if fully set forth herein. By the execution of this Agreement, Executive acknowledges receipt of a copy of the Plan. Unless the context otherwise requires, all terms defined in the Plan shall have the same meaning when used herein.

WHEREAS, the Board of Directors of the Company (the “*Board*”) has adopted the Plan to encourage and enable certain employees and consultants of the Company to acquire awards, the value of which is tied to the performance of the common units (the “*Units*”) of the Company, thus providing such individuals with a more direct concern in the welfare of the Company and assuring a closer identification of their interests with those of the Company; and

WHEREAS, Executive is one of such eligible employees.

NOW THEREFORE, the parties agree as follows:

1.Restricted Unit Award. The Company hereby grants to Executive this award (the “*Award*”), effective as of _____ (the “*Date of Grant*”), which is an award of _____ restricted Units, subject to the terms and conditions set forth herein and in the Plan, including, without limitation, those restrictions described in Section 2 (the “*Restricted Units*”). The Award is specifically made subject to the execution by Executive of this Agreement.

1. Forfeiture Restrictions. The Restricted Units are restricted in that they may be forfeited to the Company and in that they may not, except as otherwise provided in this Agreement or in the Plan, be transferred or otherwise disposed of by Executive until such restrictions are removed or expire as described in Section 3 of this Agreement. The Company shall issue in Executive’s name the Restricted Units and shall retain the Restricted Units until the restrictions on such Restricted Units expire or until the Restricted Units are forfeited as described in Section 3 of this Agreement. Executive agrees that the Company will hold the Restricted Units pursuant to the terms of this Agreement until such time as the Restricted Units are either delivered to Executive or forfeited pursuant to this Agreement.

2. Vesting and Forfeiture of Restricted Units. Subject to the terms and conditions of this Agreement, the restrictions described in Section 2 shall lapse and the Restricted Units shall become vested and non-forfeitable, provided Executive has continuously provided services to the Company, without interruption, from the Date of Grant through each applicable vesting date (each, a “*Vesting Date*”), in accordance with the following schedule:

Vesting Date	Percentage of Restricted Units That Become Vested
_____	33-1/3%
_____	66-2/3%
_____	100%

Restricted Units that become vested pursuant to the schedule set forth above are referred to herein as “*Vested Units*.” Restricted Units that have not vested pursuant to the schedule set forth above are referred to herein as “*Unvested Units*.” Notwithstanding anything to the contrary in the foregoing, in the event Executive’s employment is terminated, the following terms shall apply:

(a) Termination of Employment for Cause. In the event Executive’s employment is terminated for Cause (as such term is defined in the Employment Agreement) all unvested Restricted Units that have not been settled (along with any DERs that have not been paid) as of the date of such termination shall be forfeited.

(b) Termination of Employment for Other Than Cause, or by Executive for Good Reason. In the event the Company terminates Executive’s employment for any reason other than for Cause, or Executive voluntarily resigns for Good Reason (as such term is defined in the Employment Agreement), all Unvested Units shall immediately become Vested Units, and thereafter this Award may be settled pursuant to Section 4 below with respect to the number of Vested Units held by Executive.

(c) Termination of Employment by Reason of Death or Disability. For purposes of this Award, termination by reason of Executive’s death or Disability (as such term is defined in the Employment Agreement) shall be deemed to be a termination pursuant to Section 3(b) above.

(d) Other Termination of Employment. In the event Executive's employment is terminated for any reason other than a termination of employment described clauses (a), (b), or (c) of this Section 3 prior to the Unvested Units becoming Vested Units, the Unvested Units shall be forfeited.

(e) Change of Control. Upon the occurrence of a Change of Control, all Unvested Units shall immediately become Vested Units, and thereafter this Award may be settled pursuant to Section 4 below with respect to the number of Vested Units held by Executive.

3. Settlement of Restricted Units. Subject to Section 11 below, Executive shall be entitled to have the restrictions removed from his Unit certificate(s) as to the number of Restricted Units that become Vested Units on any given Vesting Date or any date of accelerated vesting pursuant to Section 3(b), (c), or (e) above, so that Executive then holds an unrestricted Unit.

4. Transferability and Assignment. This Agreement and the Restricted Units granted hereunder will not be transferable by Executive other than by will or the laws of descent and distribution. Any attempt by Executive to transfer, assign, pledge, hypothecate, or otherwise dispose of such rights contrary to the provisions in this Agreement or the Plan, or upon the levy of any attachment or similar process upon such rights, such rights shall immediately become null and void.

5. Rights of Executive; Distribution Equivalent Rights.

(a) Effective as of the Date of Grant and subject to Section 11, Executive shall be entitled to receive all Distribution Equivalent Rights or "DERs" paid with respect to the Restricted Units from the Date of Grant through the date of vesting of such Restricted Units. Fifty percent (50%) of the DERs shall be paid at the time same are declared and paid by the Company and the balance of the DERs will be subject to the same vesting requirements as the underlying Restricted Units and shall be paid (to the extent vested) or forfeited, as the case may be, at the same time that the Restricted Units become vested or forfeited, as applicable, pursuant to Section 3 hereof.

(b) Executive may exercise full voting rights with respect to the Unvested Units.

6. Recapitalization or Reorganization.

(a) Existence of Plan and Award. The existence of the Plan and the Award shall not affect in any way the right or power of the Board or the members of the Company to make or authorize any adjustment, recapitalization, reorganization or other change in the Company's capital structure or its business, any merger or consolidation of the Company, any issue of debt or equity securities ahead of or affecting Units or the rights thereof, the dissolution or liquidation

of the Company or any sale, lease, exchange or other disposition of all or any part of its assets or business or any other corporate act or proceeding.

(b) Subdivision or Consolidation of Units. The terms of this Award shall be subject to adjustment from time to time, in accordance with the following provisions:

(i) If at any time, or from time to time, the Company shall subdivide as a whole (by reclassification, by a unit split, by the issuance of a dividend on Units payable in Units, or otherwise) the number of shares of Units then outstanding into a greater number of shares of Units, then the number of shares of Restricted Units specified in Section 1 above shall be increased proportionately.

(ii) If at any time, or from time to time, the Company shall consolidate as a whole (by reclassification, reverse unit split, or otherwise) the number of shares of Units then outstanding into a lesser number of shares of Units, the number of shares of Restricted Units specified in Section 1 above shall be decreased proportionately.

(iii) Whenever the number of shares of Units subject to this Award are required to be adjusted as provided in this Section 7(b), the Committee shall promptly prepare and deliver to Executive a notice setting forth, in reasonable detail, the event requiring adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the change in the number of shares of Restricted Units specified in Section 1 above after giving effect to the adjustments. The Committee shall promptly give Executive such a notice.

(iv) Adjustments under Sections 7(b)(i) and (ii) shall be made by the Committee, and its determination as to what adjustments shall be made and the extent thereof shall be final, binding, and conclusive.

7. No Multiple Payments. Settlement of the Restricted Units shall not occur under more than one provision of this Agreement.

8. Information Confidential. As partial consideration for the granting of the Restricted Units hereunder, Executive hereby agrees with the Company that Executive will keep confidential all information and knowledge that Executive has relating to the terms and conditions of this Agreement; provided, however, that such information may be disclosed as required by law and may be given in confidence to Executive's spouse, tax and financial advisors, or to a financial institution to the extent that such information is necessary to secure a loan. In the event any breach of this promise comes to the attention of the Company, it shall take into consideration that breach in determining whether to recommend the grant of any future similar award to Executive, as a factor militating against the advisability of granting any such future award to Executive.

9. No Right to Continued Employment. This Agreement shall not be construed to confer upon Executive any right to continue as an employee of the Company. Any question as to whether there has been a termination of such employment, and the cause of such termination, shall be determined by the Committee or the Board, and its determination shall be final and binding.

10. Payment of Taxes. The Company may from time to time, in its discretion, require Executive to pay the Company the amount that the Company deems necessary to satisfy the Company's current or future obligation to withhold federal, state or local income or other taxes incurred by Executive as a result of the vesting or settlement of the Award. With respect to any required tax withholding, (a) the Company may withhold from any Unit settlement the number of Units (or from any cash payment, the amount) necessary to satisfy the Company's obligation to withhold taxes, (b) with the Company's consent, Executive may deliver sufficient cash to the Company to satisfy its tax withholding obligations, or (c) the withholding obligations may be met by any such other arrangement that is acceptable to the Company and Executive. In the event that the Company subsequently determines that the amount withheld as payment of any tax withholding

obligation is insufficient to discharge that tax withholding obligation, then Executive shall pay to the Company, immediately upon the Company's request, the amount of that deficiency.

11. Administration. This Agreement shall at all times be subject to the terms and conditions of the Plan. The Committee shall have sole and complete discretion with respect to all matters reserved to it by the Plan and decisions of a majority of the Committee with respect thereto and this Agreement shall be final and binding upon Executive and the Company. In the event of any conflict between the terms and conditions of this Agreement and the Plan, the provisions of the Plan shall control.

12. Unfunded Arrangement. This Agreement and the Plan shall not give Executive any security or other interest in any assets of the Company; rather Executive's right to the Award is that of a general unsecured creditor of the Company.

13. No Liability for Good Faith Determinations. The Company, the Committee, and the members of the Board shall not be liable for any act, omission, or determination taken or made in good faith with respect to this Agreement or the Restricted Units granted hereunder.

14. No Guarantee of Interests. The Company, the Committee, and the members of the Board do not guarantee the Units from loss or depreciation.

15. Company Records. Records of the Company regarding Executive's period of service, termination of service and the reason therefor, leaves of absence, and other matters shall be conclusive for all purposes hereunder, unless determined by the Company to be incorrect.

16. Company Action. Any action required of the Company shall be by resolution of its Board or by a person authorized to act by resolution of the Board.

17. Severability. If any provision of this Agreement is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions hereof, but such provision shall be fully severable and this Agreement shall be construed and enforced as if the illegal or invalid provision had never been included herein.

18. Notices. All notices required or permitted under this Agreement must be in writing and personally delivered or sent by mail and shall be deemed to be delivered on the date on which it is actually received by the person to whom it is properly addressed. A notice shall be effective when actually received by the Company in writing and in conformance with this Agreement and the Plan.

19. Waiver of Notice. Any person entitled to notice hereunder may waive such notice.

20. Successors. This Agreement shall be binding upon Executive, Executive's legal representatives, heirs, legatees, and distributees and upon the Company and its successors and assigns.

21. Headings. The titles and headings of Sections are included for convenience of reference only and are not to be considered in construction of the provisions hereof.

22. Governing Law. All questions arising with respect to the provisions of this Agreement shall be determined by application of the laws of the State of Delaware without regard to choice of law provisions thereunder, except to the extent Delaware law is preempted by federal law.

23. Word Usage. Words used in the masculine shall apply to the feminine where applicable, and wherever the context of this Agreement dictates, the plural shall be read as the singular and the singular as the plural.

24. Amendment. This Agreement may be amended by the Committee or the Board; provided, however, that no amendment may decrease Executive's rights inherent in this Agreement prior to such amendment without Executive's express written consent. Notwithstanding the provisions of this Section 25, this Agreement may be amended by the Committee, without the consent of Executive, to the extent necessary to comply with applicable laws and regulations (including, without limitation, the requirements of section 409A of the Internal Revenue Code of 1986, as amended (the "*Code*"), the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or any SEC rule) and to conform the provisions of this Agreement to any changes thereto or to settle the Award pursuant to all applicable provisions of the Plan.

25. Nonqualified Deferred Compensation Rules. In the event this Award fails to meet the limitations, requirements, or exemptions of or from section 409A of the Code or the laws, rules, and regulations promulgated in connection with section 409A of the Code, then this Award shall be modified by the Committee, in its sole discretion, to the limited extent necessary to satisfy such nonqualified deferred compensation rules.

26. Insider Trading Policy. The terms of the Company's insider trading policy with respect to Units are incorporated herein by reference.

Exhibit 10.4

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer effective as of _____, 20____.

VANGUARD NATURAL RESOURCES, LLC

By: _____

Name: _____

Title: _____

EXECUTIVE

EX-10.5 6 ex105-formofphantomunitagr.htm EXHIBIT 10.5

Exhibit 10.5

**VANGUARD NATURAL RESOURCES, LLC
LONG-TERM INCENTIVE PLAN**

PHANTOM UNIT AWARD AGREEMENT

To: _____ Date of Grant: _____ Number of Units: _____

THIS PHANTOM UNIT AWARD AGREEMENT (the "**Agreement**") is made as of _____ between Vanguard Natural Resources, LLC (the "**Company**"), and ("**Executive**"), pursuant to the terms and conditions of the Vanguard Natural Resources, LLC Long-Term Incentive Plan, as the same may be amended from time to time (the "**Plan**"), and that certain Amended and Restated Employment Agreement between Executive and the Company

dated January 1, 2016, as the same may be amended from time to time (the “*Employment Agreement*”). A copy of the Plan has been furnished to Executive, which shall be deemed a part of this Agreement as if fully set forth herein. By the execution of this Agreement, Executive acknowledges receipt of a copy of the Plan. Unless the context otherwise requires, all terms defined in the Plan shall have the same meaning when used herein.

WHEREAS, the Board of Directors of the Company (the “*Board*”) has adopted the Plan to encourage and enable certain employees and consultants of the Company to acquire awards, the value of which is tied to the performance of the common units (the “*Units*”) of the Company, thus providing such individuals with a more direct concern in the welfare of the Company and assuring a closer identification of their interests with those of the Company; and

WHEREAS, Executive is one of such eligible employees.

NOW THEREFORE, the parties agree as follows:

1. Phantom Unit Awards with Distribution Equivalent Rights (“DERs”). The Company hereby grants to Executive this award (the “*Award*”), effective as of _____ (the “*Date of Grant*”), in accordance with the terms and conditions set forth herein and in the Plan, which award provides the right to receive _____ “phantom units,” as such term is defined in the Plan (the “*Phantom Units*”). This Award also includes a tandem DER grant with respect to each Phantom Unit that is the subject of this Award. Upon issuance of this Award, the Executive shall be entitled to receive fifty percent (50%) of any DER’s payable in cash by the Company. The Company shall establish a DER bookkeeping account (“*DER Account*”) for Executive with respect to each Phantom Unit described in Section 1, and such DER Account shall

be credited with an amount equal to fifty percent (50%) of any cash distributions made by the Company with respect to a Unit during the period such Phantom Unit is outstanding (i.e., for the period beginning on the Date of Grant and ending on the date such Phantom Unit is settled or forfeited, as applicable). The Award is specifically made subject to the execution by Executive of this Agreement.

2. Vesting of Phantom Units and DER Accounts.

(a) Vesting of Phantom Units. Subject to the earlier expiration of this Award as herein provided, this Award may be settled in accordance with the provisions of this Agreement, pursuant to the following vesting schedule, provided Executive has continuously provided

services to the Company, without interruption, from the Date of Grant through each applicable vesting date (each, a “*Vesting Date*”), in accordance with the following schedule:

Vesting Date	Percentage of Phantom Units That Become Vested
_____	33-1/3 %
_____	66-2/3%
_____	100%

Phantom Units that become vested pursuant to the schedule set forth above are referred to herein as “*Vested Units*.” Phantom Units that have not vested pursuant to the schedule set forth above are referred to herein as “*Unvested Units*.” Notwithstanding anything to the contrary in the foregoing, in the event that Executive’s employment is terminated, the following terms shall apply:

(i) Termination of Employment for Cause. In the event Executive’s employment is terminated for Cause (as such term is defined in the Employment Agreement), all Unvested Phantom Units that have not been settled (including any amounts in Executive’s DER Account that have not been paid) as of the date of such termination shall be forfeited.

(ii) Termination of Employment for Other Than Cause, or by Executive for Good Reason. In the event the Company terminates Executive’s employment for any reason other than for Cause, or Executive voluntarily resigns for Good Reason (as such term is defined in the Employment Agreement), all Unvested Units shall immediately become Vested Units, and thereafter this Award may be settled pursuant to Section 4 below (but treating the date of Executive’s “separation from service” (within the meaning of Treasury Regulation §1.409A-1(h)(1)) as the Vesting Date referenced therein) with respect to the number of Vested Units held by Executive.

(iii) Termination of Employment by Reason of Death or Disability. For purposes of this Award, termination by reason of Executive’s death or Disability (as such term is defined in the Employment Agreement) shall be deemed to be a termination pursuant to Section 2(a)(ii) above.

(iv) Other Termination of Employment. In the event Executive’s employment is terminated for any reason other than a termination of employment described in clauses (i), (ii), or (iii) of this Section 2(a) prior to the Unvested Units becoming Vested Units, the Unvested Units shall be forfeited.

(v) Change of Control. Upon the occurrence of a Change of Control, all Unvested Units shall immediately become Vested Units, and thereafter this Award may be

settled pursuant to Section 3 below (but treating the date of the occurrence of the Change in Control as the Vesting Date referenced therein) with respect to the number of Vested Units held by Executive.

(b) Vesting of DER Accounts. Upon the vesting of a Phantom Unit pursuant to Section 2(a) above, the amount credited to Executive's tandem DER Account with respect to such Phantom Unit shall also vest, and thereafter, such amounts may be settled pursuant to Section 3 below. If a Phantom Unit is forfeited, the amount credited to Executive's tandem DER Account with respect to such forfeited Phantom Unit shall be forfeited at the same time.

3. Settlement of Phantom Units and DERs.

(a) Settlement of Phantom Units. Subject to Section 9, the Vested Units shall be settled by the Company upon or as reasonably practical (but in no event later than 10 days) following the applicable Vesting Date, with such payment date as determined in the sole discretion of the Company, and in no event may Executive directly or indirectly designate the taxable year of payment. The Vested Units will be settled through the delivery of a number of Units equal to the number of such Vested Units, or an amount of cash equal to the Fair Market Value of a Unit on the Vesting Date to be paid in a single lump sum payment, as determined by the Committee in its discretion.

(b) Settlement of DERs. Subject to Section 9, coincident with the settlement of a Vested Unit, the Company shall pay Executive an amount of cash equal to the amount credited to Executive's DER Account maintained with respect to such Vested Unit. Furthermore, upon such settlement of Executive's Vested Units and DER Account, further DER accrual for such Vested Units will be cancelled and terminated with respect to future distributions for any record date on or after the date of such settlement of the Vested Units.

(c) Procedures. Settlement of Phantom Units and tandem DERs shall be subject to and pursuant to rules and procedures established by the Committee in its sole discretion.

4. Transferability and Assignment. This Agreement and the Phantom Units and tandem DERs granted hereunder will not be transferable by Executive other than by will or the laws of descent and distribution. Any attempt by Executive to transfer, assign, pledge, hypothecate, or otherwise dispose of such rights contrary to the provisions in this Agreement or the Plan, or upon the levy of any attachment or similar process upon such rights, such rights shall immediately become null and void.

5. Recapitalization or Reorganization.

(a) Existence of Plan and Award. The existence of the Plan and the Award shall not affect in any way the right or power of the Board or the members of the Company to make or authorize any adjustment, recapitalization, reorganization, or other change in the Company's

capital structure or its business, any merger or consolidation of the Company, any issue of debt or equity securities ahead of or affecting Units or the rights thereof, the dissolution or liquidation of the Company, or any sale, lease, exchange, or other disposition of all or any part of its assets or business or any other corporate act or proceeding.

(b) Subdivision or Consolidation of Units. The terms of this Award shall be subject to adjustment from time to time, in accordance with the following provisions:

(i) If at any time, or from time to time, the Company shall subdivide as a whole (by reclassification, by a unit split, by the issuance of a dividend on Units payable in Units, or otherwise) the number of shares of Units then outstanding into a greater number of shares of Units, then the number of shares of Phantom Units specified in Section 1 above shall be increased proportionately.

(ii) If at any time, or from time to time, the Company shall consolidate as a whole (by reclassification, reverse unit split, or otherwise) the number of shares of Units then outstanding into a lesser number of shares of Units, the number of shares of Phantom Units specified in Section 1 above shall be decreased proportionately.

(iii) Whenever the number of shares of Units subject to this Award are required to be adjusted as provided in this Section 5(b), the Committee shall promptly prepare and deliver to Executive a notice setting forth, in reasonable detail, the event requiring adjustment, the amount of the adjustment, the method by which such adjustment was calculated, and the change in the number of shares of Phantom Units specified in Section 1 above after giving effect to the adjustments. The Committee shall promptly give Executive such a notice.

(iv) Adjustments under Sections 5(b)(i) and (ii) shall be made by the Committee, and its determination as to what adjustments shall be made and the extent thereof shall be final, binding, and conclusive.

6. No Multiple Payments. Settlement of the Phantom Units shall not occur under more than one provision of this Agreement.

7. Information Confidential. As partial consideration for the granting of the Phantom Units hereunder, Executive hereby agrees with the Company that Executive will keep confidential all information and knowledge that Executive has relating to the terms and conditions of this Agreement; provided, however, that such information may be disclosed as required by law and may be given in confidence to Executive's spouse, tax and financial advisors, or to a financial institution to the extent that such information is necessary to secure a loan. In the event any breach of this promise comes to the attention of the Company, it shall take into consideration that breach in determining whether to recommend the grant of any future similar award to Executive, as a factor militating against the advisability of granting any such future award to Executive.

8. No Right to Continued Employment. This Agreement shall not be construed to confer upon Executive any right to continue as an employee of the Company. Any question as to whether there has been a termination of such employment, and the cause of such termination, shall be determined by the Committee or the Board, and its determination shall be final and binding.

9. Payment of Taxes. The Company may from time to time, in its discretion, require Executive to pay the Company the amount that the Company deems necessary to satisfy the Company's current or future obligation to withhold federal, state, or local income or other taxes incurred by Executive as a result of the Award. With respect to any required tax withholding, (a) the Company may withhold from the cash payment to be paid to Executive the amount (or from any Unit settlement, the number of Units) necessary to satisfy the Company's obligation to withhold taxes, (b) with the Company's consent, Executive may deliver sufficient cash to the Company to satisfy its tax withholding obligations, or (c) the withholding obligations may be met by any such other arrangement that is acceptable to the Company and Executive. In the event that the Company subsequently determines that the amount withheld as payment of any tax withholding obligation is insufficient to discharge that tax withholding obligation, then Executive shall pay to the Company, immediately upon the Company's request, the amount of that deficiency.

10. Administration. This Agreement shall at all times be subject to the terms and conditions of the Plan. The Committee shall have sole and complete discretion with respect to all matters reserved to it by the Plan, and decisions of a majority of the Committee with respect thereto and this Agreement shall be final and binding upon Executive and the Company. In the event of any conflict between the terms and conditions of this Agreement and the Plan, the provisions of the Plan shall control.

11. Unfunded Arrangement. This Agreement and the Plan shall not give Executive any security or other interest in any assets of the Company; rather Executive's right to the Award is that of a general unsecured creditor of the Company.

12. No Liability for Good Faith Determinations. The Company, the Committee, and the members of the Board shall not be liable for any act, omission, or determination taken or made in good faith with respect to this Agreement or the Phantom Units granted hereunder.

13. No Guarantee of Interests. The Company, the Committee, and the members of the Board do not guarantee the Units from loss or depreciation.

14. Company Records. Records of the Company regarding Executive's period of service, termination of service and the reason therefor, leaves of absence, and other matters shall be conclusive for all purposes hereunder unless determined by the Company to be incorrect.

15. Company Action. Any action required of the Company shall be by resolution of its Board or by a person authorized to act by resolution of the Board.

16. Severability. If any provision of this Agreement is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions hereof, but such

provision shall be fully severable, and this Agreement shall be construed and enforced as if the illegal or invalid provision had never been included herein.

17. Notices. All notices required or permitted under this Agreement must be in writing and personally delivered or sent by mail and shall be deemed to be delivered on the date on which it is actually received by the person to whom it is properly addressed. A notice shall be effective when actually received by the Company in writing and in conformance with this Agreement and the Plan.

18. Waiver of Notice. Any person entitled to notice hereunder may waive such notice.

19. Successors. This Agreement shall be binding upon Executive, Executive's legal representatives, heirs, legatees, and distributees and upon the Company and its successors and assigns.

20. Headings. The titles and headings of Sections are included for convenience of reference only and are not to be considered in construction of the provisions hereof.

21. Governing Law. All questions arising with respect to the provisions of this Agreement shall be determined by application of the laws of the State of Delaware without regard to choice of law provisions thereunder, except to the extent Delaware law is preempted by federal law.

22. Word Usage. Words used in the masculine shall apply to the feminine where applicable, and wherever the context of this Agreement dictates, the plural shall be read as the singular and the singular as the plural.

23. Amendment. This Agreement may be amended by the Committee or the Board; provided, however, that no amendment may decrease Executive's rights inherent in this Agreement prior to such amendment without Executive's express written consent. Notwithstanding the provisions of this Section 23, this Agreement may be amended by the Committee, without the consent of Executive, to the extent necessary to comply with applicable laws and regulations (including, without limitation, the requirements of section 409A of the Internal Revenue Code of 1986, as amended (the "*Code*"), the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or any SEC rule) and to conform the provisions of this Agreement to any changes thereto or to settle the Award pursuant to all applicable provisions of the Plan.

24. Nonqualified Deferred Compensation Rules. In the event this Award fails to meet the limitations, requirements or exemptions of or from section 409A of the Code, or the laws, rules, and regulations promulgated in connection with section 409A of the Code, then this Award

shall be modified by the Committee, in its sole discretion, to the limited extent necessary to satisfy such nonqualified deferred compensation rules.

25. Insider Trading Policy. The terms of the Company's insider trading policy with respect to Units are incorporated herein by reference.

Exhibit 10.5

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its duly authorized officer effective as of _____.

VANGUARD NATURAL RESOURCES, LLC

By: _____

Name: _____

Title: _____

EXECUTIVE
