Supplemental Q2 2016 Earnings Results

VANGUARD
NATURAL RESOURCES, LLC
NASDAQ: VNR

Second Quarter 2016 Highlights

- Reported average production of 445,314 Mcfe per day in the second quarter of 2016 was up 21% compared to 368,290 Mcfe per day produced in the second quarter of 2015 and a 6% decrease compared to reported average production of 473,198 Mcfe per day for the first quarter of 2016. On a Mcfe basis, crude oil, natural gas, and NGLs accounted for 19%, 69% and 12%, respectively, of our production.

- We reported a net loss attributable to Common and Class B Unitholders for the quarter of $267.5 million or $(2.04) per basic unit after deducting distributions to Preferred Unitholders compared to a net loss of $800.3 million or $(9.27) per basic unit in the second quarter of 2015.

- Adjusted EBITDA (a non-GAAP financial measure defined below) increased 18% to $106.7 million in the second quarter of 2016 from $90.6 million in the second quarter of 2015 and increased 15% from the $92.8 million recorded in the first quarter of 2016.

- Distributable Cash Flow Available to Common and Class B Unitholders (a non-GAAP financial measure defined below) increased 65% to $58.7 million from the $35.5 million generated in the second quarter of 2015 and increased 40% from the $42.0 million generated in the first quarter of 2016.

- Adjusted Net Income Available to Common and Class B Unitholders (a non-GAAP financial measure defined below) was $32.5 million in the second quarter of 2016, or $0.24 per basic unit, as compared to Adjusted Net Loss of $6.6 million, or $(0.07) per basic unit, in the second quarter of 2015 and Adjusted Net Income of $8.5 million, or $0.07 per basic unit, in the first quarter of 2016. The second quarter of 2016 includes net non-cash losses of $297.2 million that are adjustments to arrive at Adjusted Net Income Attributable to Common and Class B Unitholders. The second quarter 2016 adjustments include a $157.9 million impairment charge on our oil and natural gas properties and a $133.8 million loss from the change in fair value of commodity derivative contracts. The second quarter of 2015 results included net non-cash losses of $793.7 million primarily attributable to a $733.4 million impairment charge on our oil and natural gas properties.

Selected Summary Financials

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	($ in thousands, except per unit data) (Unaudited)			
Production (Mcfe/d)	445,314	368,290	459,256	381,232
Oil, natural gas and natural gas liquids sales	$ 93,476	$ 95,841	$ 174,916	$ 194,735
Net gains (losses) on commodity derivative contracts	$ (68,610)	$ (20,800)	$ (36,851)	$ 38,233
Operating expenses	$ 47,991	$ 42,354	$ 98,986	$ 89,258
Selling, general and administrative expenses	$ 13,408	$ 9,142	$ 24,430	$ 18,193
Depreciation, depletion, amortization, and accretion	$ 38,786	$ 63,175	$ 86,839	$ 130,015
Impairment of oil and natural gas properties	$ 157,894	$ 733,365	$ 365,658	$ 865,975
Gain on extinguishment of debt	$ —	$ —	$ 89,714	$ —
Net Loss Attributable to Common and Class B Unitholders	$ (267,478)	$ (800,335)	$ (419,451)	$ (925,855)
Net Loss Attributable to Common and Class B Unitholders, per unit	$ (2.04)	$ (9.27)	$ (3.20)	$ (10.86)
Adjusted Net Income (Loss) Attributable to Common and Class B Unitholders (1)	$ 32,518	$ (6,597)	$ 41,007	$ 11,389
Adjusted Net Income (Loss) Attributable to Common and Class B Unitholders, per unit (1)	$ 0.24	$ (0.07)	$ 0.32	$ 0.13
Adjusted EBITDA attributable to Vanguard unitholders(1)	$ 106,673	$ 90,579	$ 199,460	$ 175,918
Interest expense, including settlements paid on interest rate derivative contracts	$ 26,055	$ 21,364	$ 54,363	$ 42,543
Capital expenditures	$ 15,198	$ 27,031	$ 35,469	$ 52,100
Distributions to Preferred Unitholders, paid and in arrears(2)(3)	$ 6,689	$ 6,690	$ 13,379	$ 13,380
Distributable Cash Flow Available to Common and Class B Unitholders (1)	$ 58,731	$ 35,494	$ 96,249	$ 67,895
Common and Class B unit distribution coverage(1)(2)	—	1.16x	—	1.13x
Weighted average common and Class B units outstanding at record date attributable to distribution period (2)	131,435	86,545	131,192	85,505

(1) Non-GAAP financial measures. Please see Adjusted Net Income Attributable to Common and Class B Unitholders, Adjusted EBITDA and Distributable Cash Flow Available to Common and Class B Unitholders tables at the end of this presentation for a reconciliation of these measures to their nearest comparable GAAP measure.

(2) Our board of directors elected to suspend our monthly cash distribution on our common, Class B and preferred units effective with the February 2016 distribution.

(3) Include actual distributions paid of $2.2 million attributable to the six months ended June 30, 2016 and cumulative Preferred distributions in arrears of $6.7 million and $11.2 million attributable to the three and six months ended June 30, 2016, respectively. Distributions to Preferred Unitholders for the three and six months ended June 30, 2015 reflect actual distributions paid attributable to those periods.

VANGUARD NATURAL RESOURCES, LLC NASDAQ: VNR

Commodity Hedge Summary (as of 7/26/16)

Percent Production Hedged

	July 1, - December 31, 2016	Year 2017
Gas Production Hedged:		
% Anticipated Production Hedged	86%	75%
Weighted Average Price ($/MMBtu)	$ 4.27	$ 3.71
Oil Production Hedged:		
% Anticipated Production Hedged	94%	24%
Weighted Average Price ($/Bbl)	$ 65.81	$ 84.55
NGLs Production Hedged:		
% Anticipated Production Hedged	27%	—%
Weighted Average Price ($/Bbl)	$ 30.31	$ —

Note: The weighted average price for oil and natural gas will fluctuate based on the value of existing three-way collars and short puts as the respective prices settle. The above weighted average prices are calculated based on forward strip commodity prices as of July 26, 2016.

VANGUARD NATURAL RESOURCES, LLC NASDAQ: VNR

Natural Gas Hedge Positions (Q3 2016 - 2018)

	Jul 1 - Dec 31, 2016	Year 2017	Year 2018
Natural Gas Positions:			
Fixed Price Swaps:			
Notional Volume (MMBtu)	36,528,944	54,020,260	-
Fixed Price ($/MMBtu)	$4.36	$3.74	-
Collars:			
Notional Volume (MMBtu)	-	450,000	-
Floor Price ($/MMBtu)	-	$3.10	-
Ceiling Price ($/MMBtu)	-	$3.45	-
Three Way Collars:			
Notional Volume (MMBtu)	6,440,000	14,600,000	-
Floor Price ($/MMBtu)	$3.95	$3.88	-
Ceiling Price ($/MMBtu)	$4.25	$4.15	-
Put Sold ($/MMBtu)	$3.00	$3.31	-
Basis Swaps:			
Northwest Rockies Pipeline - NYMEX			
Notional Volume (MMBtu)	19,320,000	21,900,000	-
Fixed Price ($/MMBtu)	($0.20)	($0.20)	-
Centerpoint East - NYMEX			
Notional Volume (MMBtu)	-	-	-
Fixed Price ($/MMBtu)	-	-	-
Houston Ship Channel - NYMEX			
Notional Volume (MMBtu)	477,354	-	-
Fixed Price ($/MMBtu)	($0.08)	-	-
TexOk - NYMEX			
Notional Volume (MMBtu)	140,433	-	-
Fixed Price ($/MMBtu)	($0.10)	-	-
WAHA - NYMEX			
Notional Volume (MMBtu)	788,896	-	-
Fixed Price ($/MMBtu)	($0.13)	-	-
Calls Sold:			
Notional Volume (MMBtu)	4,600,000	11,862,500	-
Fixed Price ($/MMBtu)	$4.25	$3.01	-
Swaptions:			
Notional Volume (MMBtu)	-	2,517,500	675,000
Fixed Price ($/MMBtu)	-	$2.86	$2.74
Puts Sold:			
Notional Volume (MMBtu)	920,000	1,825,000	-
Weighted Average Price ($/MMBtu)	$3.00	$3.50	-

Note: Hedge positions updated as of July 26, 2016.

Oil Hedge Positions (Q3 2016 - 2018)

Oil Positions:	Jul 1 - Dec 31, 2016	Year 2017	Year 2018
Fixed Price Swaps:			
NYMEX			
Notional Volume (Bbls)	938,283	749,698	-
Fixed Price ($/Bbl)	$84.00	$85.70	-
LLS			
Notional Volume (Bbls)	-	168,000	-
Fixed Price ($/Bbl)	-	$91.25	-
Collars:			
Notional Volume (Bbl)	322,000	-	-
Floor Price ($/Bbl)	$41.00	-	-
Ceiling Price ($/Bbl)	$50.57	-	-
Puts:			
Notional Volume (Bbls)	184,000	-	-
Fixed Price ($/Bbl)	$60.00	-	-
Three Way Collars:			
Notional Volume (Bbl)	533,600	-	-
Floor Price ($/Bbl)	$90.00	-	-
Ceiling Price ($/Bbl)	$96.18	-	-
Put Sold ($/Bbl)	$73.62	-	-
Basis Swaps:			
Midland-Cushing			
Notional Volume (Bbls)	486,000	-	-
Fixed Price ($/Bbl)	($1.01)	-	-
WTS-Cushing			
Notional Volume (Bbls)	110,400	-	-
Fixed Price ($/Bbl)	($0.43)	-	-
WTI-WCS			
Notional Volume (Bbls)	368,000	-	-
Fixed Price ($/Bbl)	($14.25)	-	-
Calls Sold:			
Notional Volume (Bbls)	312,800	365,000	-
Fixed Price ($/Bbl)	$50.00	$95.00	-
Puts Sold:			
Notional Volume (Bbls)	73,600	73,000	-
Weighted Average Price ($/Bbl)	$75.00	$75.00	-
Range Bonus Accumulators:			
Notional Volume (Bbl)	92,000	-	-
Bonus ($/Bbl)	$4.00	-	-
Range Ceiling ($/Bbl)	$100.00	-	-
Range Floor ($/Bbl)	$75.00	-	-

Note: Hedge positions updated as of July 26, 2016.

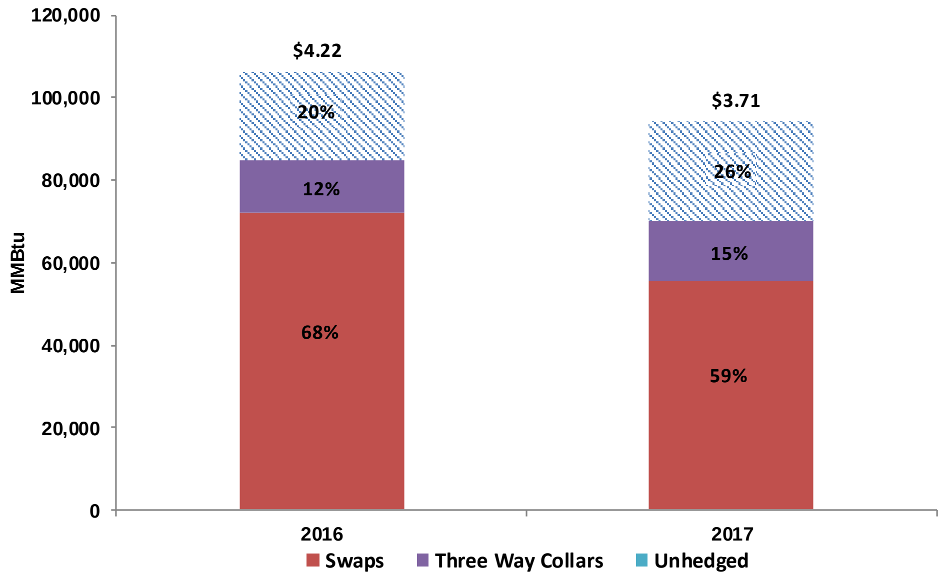
NGL Hedge Positions (Q3 2016 - 2018)

	Jul 1 - Dec 31, 2016	Year 2017	Year 2018
Natural Gas Liquids:			
Fixed Price Swaps:			
Mont Belviu Propane			
Notional Volume (Bbls)	228,600	-	-
Fixed Price ($/Bbl)	$23.61	-	-
Mont Belviu N. Butane			
Notional Volume (Bbls)	101,000	-	-
Fixed Price ($/Bbl)	$28.54	-	-
Mont Belviu Isobutane			
Notional Volume (Bbls)	48,000	-	-
Fixed Price ($/Bbl)	$28.53	-	-
Mont Belviu N. Gasoline			
Notional Volume (Bbls)	77,400	-	-
Fixed Price ($/Bbl)	$53.50	-	-

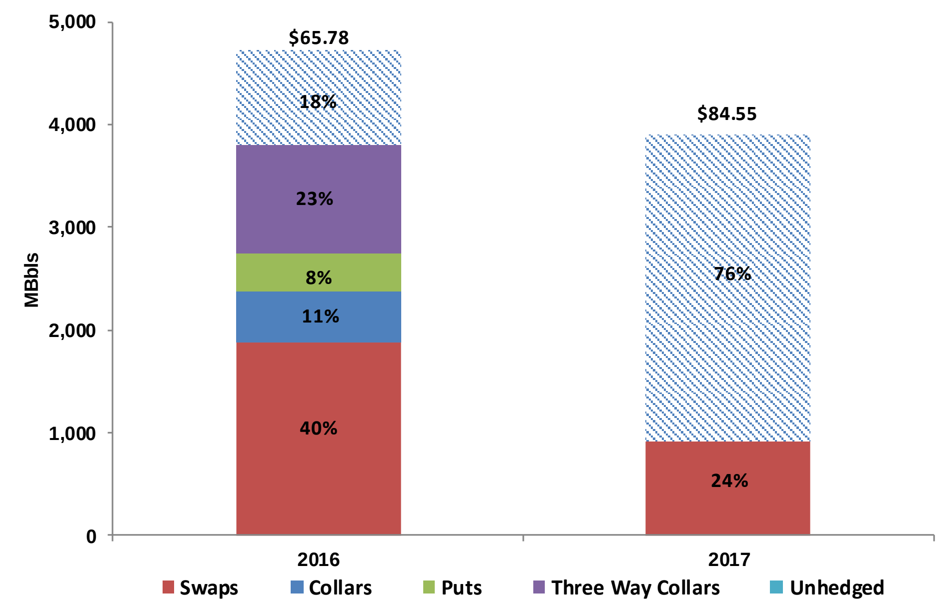
Note: Hedge positions updated as of July 26, 2016.

Commodity Hedge Summary (as of 7/26/16)

Natural Gas Hedges (Full Year)



Oil Hedges (Full Year)



Note: The weighted average price for oil and natural gas will fluctuate based on the value of existing three-way collars and short puts as the respective prices settle. The above weighted average prices are calculated based on forward strip commodity prices as of July 26, 2016.

Adjusted EBITDA

Adjusted EBITDA

Adjusted EBITDA is a significant performance metric used by management and by external users of our financial statements such as investors, research analysts and others to assess the financial performance of our assets without regard to financing methods, capital structure or historical cost basis; the ability of our assets to generate cash sufficient to pay interest costs and support our indebtedness; and our operating performance and return on capital as compared to those of other companies in our industry.

Adjusted EBITDA is not intended to represent cash flows for the period, nor is it presented as a substitute for net income (loss), operating income, cash flows from operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. Our Adjusted EBITDA excludes some, but not all, items that affect net income (loss) and operating income and these measures may vary among other companies. Therefore, our Adjusted EBITDA may not be comparable to similarly titled measures of other companies. For example, we fund premiums paid for derivative contracts, acquisitions of oil and natural gas properties, including the assumption of derivative contracts related to these acquisitions, and other capital expenditures primarily with proceeds from debt or equity offerings or with borrowings under our Reserve-Based Credit Facility. For the purposes of calculating Adjusted EBITDA, we consider the cost of premiums paid for derivatives and the fair value of derivative contracts acquired as part of a business combination as investments related to our underlying oil and natural gas properties; therefore, they are not deducted in arriving at our Adjusted EBITDA. Our Consolidated Statements of Cash Flows, prepared in accordance with GAAP, present cash settlements on matured derivatives and the initial cash outflows of premiums paid to enter into derivative contracts as operating activities. When we assume derivative contracts as part of a business combination, we allocate a part of the purchase price and assign them a fair value at the closing date of the acquisition. The fair value of the derivative contracts acquired is recorded as a derivative asset or liability and presented as cash used in investing activities in our Consolidated Statements of Cash Flows. As the volumes associated with these derivative contracts, whether we entered into them or we assumed them, are settled, the fair value is recognized in operating cash flows. Whether these cash settlements on derivatives are received or paid, they are reported as operating cash flows which may increase or decrease the amount we have available to fund distributions.

As noted above, for purposes of calculating Adjusted EBITDA, we consider both premiums paid for derivatives and the fair value of derivative contracts acquired as part of a business combination as investing activities. This is similar to the way the initial acquisition or development costs of our oil and natural gas properties are presented in our Consolidated Statements of Cash Flows; the initial cash outflows are presented as cash used in investing activities, while the cash flows generated from these assets are included in operating cash flows. The consideration of premiums paid for derivatives and the fair value of derivative contracts acquired as part of a business combination as investing activities for purposes of determining our Adjusted EBITDA differs from the presentation in our consolidated financial statements prepared in accordance with GAAP which (i) presents premiums paid for derivatives entered into as operating activities and (ii) the fair value of derivative contracts acquired as part of a business combination as investing activities.

Distributable Cash Flow

Distributable Cash Flow Available to Common and Class B Unitholders

Distributable Cash Flow Available to Common and Class B Unitholders is used by management as a tool to measure (prior to the establishment of any cash reserves by our board of directors) the cash distributions we could pay our unitholders. Specifically, this financial measure indicates to investors whether or not we are generating cash flow at a level that can sustain or support an increase in our monthly distribution rates. However, Distributable Cash Flow Available to Common and Class B Unitholders should not be viewed as indicative of the amount that we plan to distribute for a given period. Distributable Cash Flow Available to Common and Class B Unitholders is not intended to be a substitute for net income (loss), operating income, cash flows from operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. Distributable Cash Flow Available to Common and Class B Unitholders is a metric commonly used by investors and the analyst community to assess our financial performance from period to period.

The amount of cash that we have available for distribution depends primarily on our cash flow, including cash from reserves and working capital or other borrowings, and not solely on our GAAP net income (loss), which is affected by non-cash items. As a result, we may be unable to pay distributions even when we record net income, and we may be able to pay distributions during periods when we incur net losses. Our board of directors determines the appropriate level of distributions on a periodic basis in accordance with the provisions of our limited liability company agreement. Management considers the timing and size of capital expenditures and long-term views about expected results in determining the amount of distributions. Capital spending and the resulting production and net cash provided by operating activities do not typically occur evenly throughout the year due to a variety of factors which are difficult to predict, including rig availability, weather, well performance, the timing of completions and the commodity price environment. Consistent with practices common to publicly traded partnerships, our board of directors historically has not varied the distribution it declares period to period based on uneven available distributable cash flow. Our board of directors reviews historical financial results and forecasts for future periods, including development activities, as well as considers the impact of significant acquisitions in making a determination to increase, decrease or maintain the current level of distribution. In instances following acquisitions and development activities, our board of directors reviews any excess in distributable cash flows after distributions to unitholders in those periods, as well as forecasts of expected future net cash flows to determine if increases in distributions could be made. If shortfalls are sustained over time and forecasts demonstrate expectations for continued future shortfalls, our board of directors may determine to reduce, suspend or discontinue paying distributions. Our board of directors may decide to retain the excess in distributable cash flows after distributions to unitholders for our future operations, future capital expenditures, future debt service or other future obligations. Any shortfalls are funded with cash on hand and/or with borrowings under our reserve-based credit facility.

Adjusted Net Income

Adjusted Net Income Available to Common and Class B Unitholders

We present Adjusted Net Income Available to Common and Class B Unitholders because management believes exclusion of the impact of these items will help investors compare results between periods and identify operating trends that could otherwise be masked by these items and to highlight the significant fluctuations that commodity price volatility has on our results, particularly as it relates to changes in the fair value of our derivative contracts.

In particular, we make the adjustment for the change in fair value of commodity derivative contracts to allow investors to make a comparison of our quarterly results without the non-cash impact of commodity price fluctuations from period to period resulting from changes in the mark-to-market value of our portfolio of commodity derivative contracts. Rather than highlighting the significant fluctuations that commodity price volatility has on Net Income, we are aiming to give investors a meaningful picture of our performance (especially versus prior periods) that shows how the company performed without the impact of the value of our portfolio of commodity derivative contracts. The fluctuations in the value of our portfolio of commodity derivatives contracts is related to futures pricing which is not a good indicator of historical performance of the business during the periods presented. Furthermore, any increases or decreases in the value of our portfolio of commodity derivatives contracts will result in non-cash charges or non-cash income. The inherent value (or cost) of such contracts is the amount of cash which our counterparties pay to us, or, with respect to costs, the amount which we paid to acquire the contracts and the amount that we are required to pay to our counterparties upon settlement. We believe this non-GAAP measure allows our investors to measure our actual performance without the impact of certain non-cash items that do not actually reflect the performance of the Company for the periods presented.

We also make the adjustment for the change in fair value of interest rate derivative contracts to give investors a period to period comparison without showing the impact of non-cash gains or losses related to the mark-to-market valuation of these derivatives contracts.

Adjusted Net Income (Loss) Attributable to Common and Class B Unitholders is not intended to represent cash flows for the period, nor is it presented as a substitute for net income, operating income, cash flows from operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP.

Adjusted EBITDA and Distributable Cash Flow (a)

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Net loss attributable to Vanguard unitholders	$ (260,789)	$ (793,645)	$ (406,072)	$ (912,475)
Add: Net income attributable to non-controlling interests	40	—	64	—
Net loss	(260,749)	(793,645)	(406,008)	(912,475)
Plus:				
Interest expense	23,932	20,374	49,636	40,563
Depreciation, depletion, amortization, and accretion	38,786	63,175	86,839	130,015
Impairment of oil and natural gas properties	157,894	733,365	365,658	865,975
Net (gains) losses on commodity derivative contracts	68,610	20,800	36,851	(38,233)
Net cash settlements received on matured commodity derivative contracts [b][c][d]	69,859	42,329	142,476	80,620
Net losses on interest rate derivative contracts [e]	2,134	281	6,825	1,484
Gain on extinguishment of debt	—	—	(89,714)	—
Net loss on acquisition of oil and natural gas properties	1,665	—	1,665	—
Texas margin taxes	(699)	34	(2,634)	142
Compensation related items	2,578	3,866	4,975	7,827
Transaction costs incurred on acquisitions, mergers and divestitures	2,779	—	3,123	—
Adjusted EBITDA before non-controlling interest	106,789	90,579	199,692	175,918
Adjusted EBITDA attributable to non-controlling interest	(116)	—	(232)	—
Adjusted EBITDA attributable to Vanguard unitholders	106,673	90,579	199,460	175,918
Less:				
Interest expense, including settlements paid on interest rate derivatives	(26,055)	(21,364)	(54,363)	(42,543)
Capital expenditures	(15,198)	(27,031)	(35,469)	(52,100)
Distributions to Preferred unitholders, paid and in arrears [f]	(6,689)	(6,690)	(13,379)	(13,380)
Distributable Cash Flow Available to Common and Class B Unitholders	**$ 58,731**	**$ 35,494**	**$ 96,249**	**$ 67,895**
Distributions to Common and Class B unitholders [g]	—	30,507	—	60,281
Excess of distributable cash flow after distributions to unitholders	**$ 58,731**	**$ 4,987**	**$ 96,249**	**$ 7,614**

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Adjusted EBITDA and Distributable Cash Flow (a)

(a) Our Adjusted EBITDA should not be considered as an alternative to net income (loss), operating income (loss), cash flows from operating activities or any other measure of financial performance or liquidity presented in accordance with GAAP. Our Adjusted EBITDA excludes some, but not all, items that affect net income (loss) and operating income (loss) and these measures may vary among other companies. Therefore, our Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

(b) Excludes premiums paid, whether at inception or deferred, for derivative contracts that settled during the period. We consider the cost of premiums paid for derivatives as an investment related to our underlying oil and natural gas properties.	$ 823	$ 2,047	$ 1,699	$ 2,567
(c) Excludes the fair value of derivative contracts acquired as part of prior period business combinations that apply to contracts settled during the period. We consider the amounts paid to sellers for derivative contracts assumed with business combinations a part of the purchase price of the underlying oil and natural gas properties. Also excludes the fair value of derivative contracts acquired and settled during the period.	$ 3,866	$ 11,732	$ 6,375	$ 20,281
(d) Excludes fair value of restructured derivative contracts.	$ —	$ —	$ —	$ (31,945)
(e) Includes settlements paid on interest rate derivatives.	$ 2,123	$ 990	$ 4,727	$ 1,980

(f) Include actual distributions paid of $2.2 million attributable to the six months ended June 30, 2016 and cumulative Preferred distributions in arrears of $6.7 million and $11.2 million attributable to the three and six months ended June 30, 2016, respectively. Distributions to Preferred Unitholders for the three and six months ended June 30, 2015 reflect actual distributions paid attributable to those periods.

(g) Our board of directors elected to suspend cash distributions to the holders of our common and Class B units and Cumulative Preferred Units effective with the February 2016 distribution. Our ability to resume distributions is at the discretion of our board of directors and will depend on business conditions, earnings, our cash requirements and other relevant factors.

Adjusted Net Income

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Net Loss Attributable to Common and Class B Unitholders	$ (267,478)	$ (800,335)	$ (419,451)	$ (925,855)
Plus (less):				
Change in fair value of commodity derivative contracts[a][b]	133,780	49,350	171,253	51,484
Change in fair value of interest rate derivative contracts[c][d]	12	(709)	2,098	(496)
Fair value of derivative contracts acquired that apply to contracts settled during the period	3,866	11,732	6,375	20,281
Net loss on acquisition of oil and natural gas properties	1,665	—	1,665	—
Impairment of oil and natural gas properties	157,894	733,365	365,658	865,975
Gain on extinguishment of debt	—	—	(89,714)	—
Transaction costs incurred on acquisitions, mergers and divestitures	2,779	—	3,123	—
Adjusted Net Income (Loss) Attributable to Common and Class B Unitholders	$ 32,518	$ (6,597)	$ 41,007	$ 11,389
Net Loss Attributable to Common and Class B Unitholders, per unit	$ (2.04)	$ (9.27)	$ (3.20)	$ (10.86)
Plus (less):				
Change in fair value of commodity derivative contracts	1.02	0.57	1.31	0.60
Change in fair value of interest rate derivative contracts	—	(0.01)	0.02	(0.01)
Fair value of derivative contracts acquired that apply to contracts settled during the period	0.03	0.14	0.05	0.24
Net loss on acquisition of oil and natural gas properties	0.01	—	0.01	—
Impairment of oil and natural gas properties	1.20	8.50	2.79	10.16
Gain on extinguishment of debt	—	—	(0.68)	—
Transaction costs incurred on acquisitions, mergers and divestitures	0.02	—	0.02	—
Adjusted Net Income (Loss) Attributable to Common and Class B Unitholders, per unit	$ 0.24	$ (0.07)	$ 0.32	$ 0.13
Weighted average common and Class B units outstanding	131,435	86,295	131,192	85,236

a) Change in fair value of commodity derivative contracts reflects the increase or decrease in the mark-to-market value of the commodity derivatives contract. Any increase in value is reduced from Net Loss Attributable to Common and Class B Unitholders, while any decrease is added back into Net Loss Attributable to Common and Class B Unitholders.

b) Does not include adjustments for premiums paid on derivatives during the period presented, the fair value of acquired derivatives that settled during the period presented or the fair value of restructured derivatives contracts.

c) Change in fair value of interest rate derivative contracts reflects the increase or decrease in the mark-to-market value of the interest rate derivatives contract. Any increase in the fair value of interest rate derivative contracts is reduced from Net Loss Attributable to Common and Class B Unitholders, while any decrease in the fair value of interest rate derivative contracts is added back into Net Loss Attributable to Common and Class B Unitholders.

d) Does not include cash settlements paid on interest rate derivatives.

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Production and Realized Pricing

	Three Months Ended June 30, 2016 [a]	Three Months Ended June 30, 2015 [b]	Percentage Increase / (Decrease)	Three Months Ended March 31, 2016 [a]	Percentage Increase / (Decrease)
Average realized prices, excluding hedges:					
Oil (Price/Bbl)	$ 39.44	$ 50.85	(22)%	$ 26.57	48 %
Natural Gas (Price/Mcf)	$ 1.17	$ 1.69	(31)%	$ 1.30	(10)%
NGLs (Price/Bbl)	$ 13.05	$ 14.98	(13)%	$ 8.08	62 %
Average realized prices, including hedges[c]:					
Oil (Price/Bbl)	$ 55.90	$ 58.02	(4)%	$ 46.48	20 %
Natural Gas (Price/Mcf)	$ 2.89	$ 3.16	(9)%	$ 2.84	2 %
NGLs (Price/Bbl)	$ 14.22	$ 16.93	(16)%	$ 10.02	42 %
Average NYMEX prices:					
Oil (Price/Bbl)	$ 45.54	$ 57.94	(21)%	$ 33.23	37 %
Natural Gas (Price/Mcf)	$ 1.95	$ 2.63	(26)%	$ 2.10	(7)%
Total production volumes:					
Oil (MBbls)	1,266	866	46 %	1,342	(6)%
Natural Gas (MMcf)	27,820	23,543	18 %	28,391	(2)%
NGLs (MBbls)	851	796	7 %	1,103	(23)%
Combined (MMcfe)	40,524	33,514	21 %	43,061	(6)%
Average daily production volumes:					
Oil (Bbls/day)	13,913	9,511	46 %	14,748	(6)%
Natural Gas (Mcf/day)	305,716	258,720	18 %	311,989	(2)%
NGLs (Bbls/day)	9,353	8,751	7 %	12,120	(23)%
Combined (Mcfe/day)	445,314	368,290	21 %	473,198	(6)%

(a) During 2016, we divested certain oil and natural gas properties and related assets. As such, there are no operating results from these properties included in our operating results from the closing date of the divestitures forward.

(b) During 2015, we acquired certain oil and natural gas properties and related assets. The operating results of these properties are included from the closing date of the acquisition forward.

(c) Excludes the premiums paid, whether at inception or deferred, for derivative contracts that settled during the period and the fair value of derivative contracts acquired as part of prior period business combinations that apply to contracts settled during the period.

Statements of Operations (unaudited)

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Revenues:				
Oil sales	$ 49,941	$ 44,011	$ 85,595	$ 79,801
Natural gas sales	32,431	39,897	69,302	95,651
NGLs sales	11,104	11,933	20,019	19,283
Net gains (losses) on commodity derivative contracts	(68,610)	(20,800)	(36,851)	38,233
Total revenues	24,866	75,041	138,065	232,968
Costs and expenses:				
Production:				
Lease operating expenses	38,515	31,600	80,842	67,078
Production and other taxes	9,476	10,754	18,144	22,180
Depreciation, depletion, amortization, and accretion	38,786	63,175	86,839	130,015
Impairment of oil and natural gas properties	157,894	733,365	365,658	865,975
Selling, general and administrative expenses	13,408	9,142	24,430	18,193
Total costs and expenses	258,079	848,036	575,913	1,103,441
Loss from operations	(233,213)	(772,995)	(437,848)	(870,473)
Other income (expense):				
Interest expense	(23,932)	(20,374)	(49,636)	(40,563)
Net losses on interest rate derivative contracts	(2,135)	(281)	(6,825)	(1,484)
Net loss on acquisition of oil and natural gas properties	(1,665)	—	(1,665)	—
Gain on extinguishment of debt	—	—	89,714	—
Other	196	5	252	45
Total other income (expense), net	(27,536)	(20,650)	31,840	(42,002)
Net loss	$ (260,749)	$ (793,645)	$ (406,008)	$ (912,475)
Less: Net income attributable to non-controlling interests	(40)	—	(64)	—
Net loss attributable to Vanguard unitholders	(260,789)	(793,645)	(406,072)	(912,475)
Distributions to Preferred unitholders	(6,689)	(6,690)	(13,379)	(13,380)
Net loss attributable to Common and Class B unitholders	$ (267,478)	$ (800,335)	$ (419,451)	$ (925,855)
Net loss per Common and Class B unit – basic and diluted	$ (2.04)	$ (9.27)	$ (3.20)	$ (10.86)
Weighted average Common units outstanding				
Common units – basic & diluted	131,015	85,875	130,772	84,816
Class B units – basic & diluted	420	420	420	420

VANGUARD NATURAL RESOURCES, LLC NASDAQ: VNR

Balance Sheets (unaudited)

	June 30, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	$ 31,175	$ —
Trade accounts receivable, net	87,879	115,200
Derivative assets	116,862	236,886
Other current assets	5,669	6,436
Total current assets	241,585	358,522
Oil and natural gas properties, at cost	4,692,747	4,961,218
Accumulated depletion, amortization and impairment	(3,681,745)	(3,239,242)
Oil and natural gas properties evaluated, net– full cost method	1,011,002	1,721,976
Other assets		
Goodwill	506,046	506,046
Derivative assets	17,176	80,161
Other assets	51,898	28,887
Total assets	$ 1,827,707	$ 2,695,592
Liabilities and members' equity		
Current liabilities		
Accounts payable:		
Trade	$ 2,737	$ 22,895
Affiliates	1,480	1,757
Accrued liabilities:		
Lease operating	11,705	19,910
Development capital	10,315	26,726
Interest	10,520	11,958
Production and other taxes	34,647	40,472
Other	3,850	10,378
Derivative liabilities	99	356
Oil and natural gas revenue payable	24,786	44,823
Distributions payable	—	5,018
Current portion of long-term debt	86,040	—
Other current liabilities	16,023	17,715
Total current liabilities	202,202	202,008
Long-term debt, net of current portion (Note 3)	1,819,844	2,277,931
Derivative liabilities	632	—
Asset retirement obligations, net of current portion	258,929	262,432
Other long-term liabilities	39,739	40,656
Total liabilities	2,321,346	2,783,027
Commitments and contingencies (Note 7)		
Members' deficit (Note 8)		
Cumulative Preferred units, 13,881,873 units issued and outstanding at June 30, 2016 and December 31, 2015	335,444	335,444
Common units, 131,041,849 units issued and outstanding at June 30, 2016 and 130,476,978 at December 31, 2015	(843,985)	(430,494)
Class B units, 420,000 issued and outstanding at June 30, 2016 and December 31, 2015	7,615	7,615
Total VNR members' deficit	(500,926)	(87,435)
Non-controlling interest in subsidiary	7,287	—
Total members' deficit	(493,639)	(87,435)
Total liabilities and members' deficit	$ 1,827,707	$ 2,695,592