Supplemental Q3 2016 Earnings Results

VANGUARD
NATURAL RESOURCES, LLC
NASDAQ: VNR

Third Quarter 2016 Highlights

- Reported average production of 423,787 Mcfe per day in the third quarter of 2016 was up 10% compared to 386,679 Mcfe per day produced in the third quarter of 2015 and a 4% decrease compared to reported average production of 445,314 Mcfe per day for the second quarter of 2016. On a Mcfe basis, crude oil, natural gas, and NGLs accounted for 16%, 70% and 14%, respectively, of our production.

- We reported a net loss attributable to Common and Class B Unitholders for the quarter of $252.1 million or $(1.92) per basic unit after deducting distributions to Preferred Unitholders compared to a net loss of $469.0 million or $(5.39) per basic unit in the third quarter of 2015.

- Adjusted EBITDA (a non-GAAP financial measure) increased 14% to $100.4 million in the third quarter of 2016 from $88.2 million in the third quarter of 2015 and decreased 6% from the $106.7 million generated in the second quarter of 2016.

- Distributable Cash Flow Available to Common and Class B Unitholders (a non-GAAP financial measure) increased 76% to $55.0 million from the $31.3 million generated in the third quarter of 2015 and decreased 6% from the $58.7 million generated in the second quarter of 2016.

- Adjusted Net Income Available to Common and Class B Unitholders (a non-GAAP financial measure) was $33.7 million in the third quarter of 2016, or $0.26 per basic unit, as compared to Adjusted Net Income of $1.6 million, or $0.02 per basic unit, in the third quarter of 2015 and Adjusted Net Income of $32.5 million, or $0.24 per basic unit, in the second quarter of 2016. The third quarter of 2016 includes net non-cash losses of $285.7 million that are adjustments to arrive at Adjusted Net Income Attributable to Common and Class B Unitholders. The third quarter 2016 adjustments include a $252.7 million loss on impairment of goodwill and a $30.1 million loss from the change in fair value of commodity derivative contracts. The third quarter of 2015 results included net non-cash losses of $470.6 million primarily attributable to a $491.5 million impairment charge on our oil and natural gas properties.

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Selected Summary Financials

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
	($ in thousands, except per unit data) (Unaudited)			
Production (Mcfe/d)	423,787	386,679	447,347	383,067
Oil, natural gas and natural gas liquids sales	$ 105,186	$ 90,827	$ 280,102	$ 285,562
Net gains (losses) on commodity derivative contracts	$ 21,099	$ 64,328	$ (15,752)	$ 102,561
Operating expenses	$ 51,209	$ 43,251	$ 150,195	$ 132,509
Selling, general and administrative expenses	$ 11,454	$ 8,046	$ 35,884	$ 26,239
Depreciation, depletion, amortization, and accretion	$ 32,096	$ 52,428	$ 118,935	$ 182,443
Impairment of oil and natural gas properties	$ —	$ 491,487	$ 365,658	$ 1,357,462
Impairment of goodwill	$ 252,676	$ —	$ 252,676	$ —
Gain on extinguishment of debt	—	—	$ 89,714	$ —
Net Loss Attributable to Common and Class B Unitholders	$ (252,085)	$ (468,967)	$ (671,536)	$ (1,394,822)
Net Loss Attributable to Common and Class B Unitholders, per unit	$ (1.92)	$ (5.39)	$ (5.12)	$ (16.25)
Adjusted Net Income Attributable to Common and Class B Unitholders [1]	$ 33,672	$ 1,606	$ 74,679	$ 12,995
Adjusted Net Income Attributable to Common and Class B Unitholders, per unit [1]	$ 0.26	$ 0.02	$ 0.56	$ 0.15
Adjusted EBITDA attributable to Vanguard unitholders[1]	$ 100,397	$ 88,204	$ 299,857	$ 264,122
Interest expense, including settlements paid on interest rate derivative contracts	$ 25,019	$ 22,118	$ 79,382	$ 64,661
Capital expenditures	$ 13,648	$ 28,113	$ 49,117	$ 80,213
Distributions to Preferred Unitholders, paid and in arrears [2][3]	$ 6,690	$ 6,690	$ 20,069	$ 20,070
Distributable Cash Flow Available to Common and Class B Unitholders [1]	$ 55,040	$ 31,283	$ 151,289	$ 99,178
Common and Class B unit distribution coverage [1][2]	—	1.02x	—	1.09x
Weighted average common and Class B units outstanding at record date attributable to distribution period [2]	131,460	87,018	131,460	86,009

(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 pressentation 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 nine months ended September 30, 2016 and cumulative Preferred distributions in arrears of $6.7 million and $17.8 million attributable to the three and nine months ended September 30, 2016, respectively. Distributions to Preferred Unitholders for the three and nine months ended September 30, 2015 reflect actual distributions paid attributable to those periods.

Commodity Hedge Summary (as of 11/7/16)

Percent Production Hedged

	October 1, - December 31, 2016	Year 2017
Gas Production Hedged:		
Excluding Monetization		
% Anticipated Production Hedged	82%	64%
Weighted Average Price ($/MMBtu)	$ 4.28	$ 3.67
Including Monetization		
% Anticipated Production Hedged	58%	50%
Weighted Average Price ($/MMBtu)	4.13	3.46
Oil Production Hedged:		
Excluding Monetization		
% Anticipated Production Hedged	85%	20%
Weighted Average Price ($/Bbl)	$ 67.91	$ 84.58
Including Monetization		
% Anticipated Production Hedged	54%	14%
Weighted Average Price ($/Bbl)	$ 62.83	$ 83.98
NGLs Production Hedged:		
Excluding Monetization		
% Anticipated Production Hedged	27%	—%
Weighted Average Price ($/Bbl)	$ 30.31	$ —
Including Monetization		
% Anticipated Production Hedged	24%	—%
Weighted Average Price ($/Bbl)	$ 30.99	$ —

Note: The calculations underlying the summary disclosure above are based on fixed price swaps, three-way collars, puts and range bonus accumulators and these calculations exclude basis swap contracts, calls sold and swaptions. 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 November 7, 2016.

Commodity Hedge Summary (as of 11/7/16)

Quarterly Hedge Profile

(Post October Monetization)	2016	2017				
	Q4	Q1	Q2	Q3	Q4	FY
Oil % Hedged:						
Total Hedged	54%	15%	14%	14%	14%	14%
Total Swapped	21%	15%	14%	14%	14%	14%
Gas % Hedged:						
Total Hedged	58%	53%	60%	45%	43%	50%
Total Swapped	46%	38%	47%	34%	32%	38%
NGL % Hedged:						
Total Hedged	24%	0%	0%	0%	0%	0%
Total Swapped	24%	0%	0%	0%	0%	0%

Note: Hedge positions updated as of November 7, 2016.

Natural Gas Hedge Positions (Q4 2016 - 2018)

	Oct 1 - Dec 31, 2016	Year 2017	Year 2018
Natural Gas Positions:			
Fixed Price Swaps:			
Notional Volume (MMBtu)	12,022,862	41,204,864	-
Fixed Price ($/MMBtu)	$4.25	$3.47	-
Collars:			
Notional Volume (MMBtu)	-	450,000	-
Floor Price ($/MMBtu)	-	$3.10	-
Ceiling Price ($/MMBtu)	-	$3.45	-
Put Spreads:			
Notional Volume (MMBtu)	610,000	-	-
Put Sold ($/Bbl)	$3.00	-	-
Floor Price ($/Bbl)	$3.58	-	-
Three Way Collars:			
Notional Volume (MMBtu)	2,610,000	12,775,000	-
Floor Price ($/MMBtu)	$3.92	$3.86	-
Ceiling Price ($/MMBtu)	$4.32	$4.25	-
Put Sold ($/MMBtu)	$3.00	$3.29	-
Basis Swaps:			
Northwest Rockies Pipeline - NYMEX			
Notional Volume (MMBtu)	8,440,000	21,900,000	-
Fixed Price ($/MMBtu)	($0.20)	($0.20)	-
Centerpoint East - NYMEX			
Notional Volume (MMBtu)	-	-	-
Fixed Price ($/MMBtu)	-	-	-
Houston Ship Channel - NYMEX			
Notional Volume (MMBtu)	89,386	-	-
Fixed Price ($/MMBtu)	($0.08)	-	-
TexOk - NYMEX			
Notional Volume (MMBtu)	69,624	-	-
Fixed Price ($/MMBtu)	($0.10)	-	-
WAHA - NYMEX			
Notional Volume (MMBtu)	390,713	-	-
Fixed Price ($/MMBtu)	($0.13)	-	-
Calls Sold:			
Notional Volume (MMBtu)	2,300,000	11,862,500	-
Fixed Price ($/MMBtu)	$4.25	$3.01	-
Swaptions:			
Notional Volume (MMBtu)	-	3,437,500	675,000
Fixed Price ($/MMBtu)	-	$2.99	$2.74
Puts Sold:			
Notional Volume (MMBtu)	460,000	1,825,000	-
Weighted Average Price ($/MMBtu)	$3.00	$3.50	-

Note: Hedge positions updated as of November 7, 2016.

Oil Hedge Positions (Q4 2016 - 2018)

Oil Positions:	Oct 1 - Dec 31, 2016	Year 2017	Year 2018
Fixed Price Swaps:			
NYMEX			
Notional Volume (Bbls)	237,158	483,124	-
Fixed Price ($/Bbl)	$83.22	$85.50	-
LLS			
Notional Volume (Bbls)	-	168,000	-
Fixed Price ($/Bbl)	-	$91.25	-
Collars:			
Notional Volume (Bbl)	138,000	-	-
Floor Price ($/Bbl)	$45.00	-	-
Ceiling Price ($/Bbl)	$55.00	-	-
Puts:			
Notional Volume (Bbls)	31,000	-	-
Fixed Price ($/Bbl)	$60.00	-	-
Three Way Collars:			
Notional Volume (Bbl)	199,500	-	-
Floor Price ($/Bbl)	$90.00	-	-
Ceiling Price ($/Bbl)	$96.44	-	-
Put Sold ($/Bbl)	$73.46	-	-
Basis Swaps:			
Midland-Cushing			
Notional Volume (Bbls)	188,100	-	-
Fixed Price ($/Bbl)	($1.05)	-	-
WTS-Cushing			
Notional Volume (Bbls)	18,600	-	-
Fixed Price ($/Bbl)	($0.43)	-	-
WTI-WCS			
Notional Volume (Bbls)	184,000	-	-
Fixed Price ($/Bbl)	($14.25)	-	-
Calls Sold:			
Notional Volume (Bbls)	156,400	365,000	-
Fixed Price ($/Bbl)	$50.00	$95.00	-
Puts Sold:			
Notional Volume (Bbls)	36,800	73,000	-
Weighted Average Price ($/Bbl)	$75.00	$75.00	-
Range Bonus Accumulators:			
Notional Volume (Bbl)	46,000	-	-
Bonus ($/Bbl)	$4.00	-	-
Range Ceiling ($/Bbl)	$100.00	-	-
Range Floor ($/Bbl)	$75.00	-	-

Note: Hedge positions updated as of November 7, 2016.

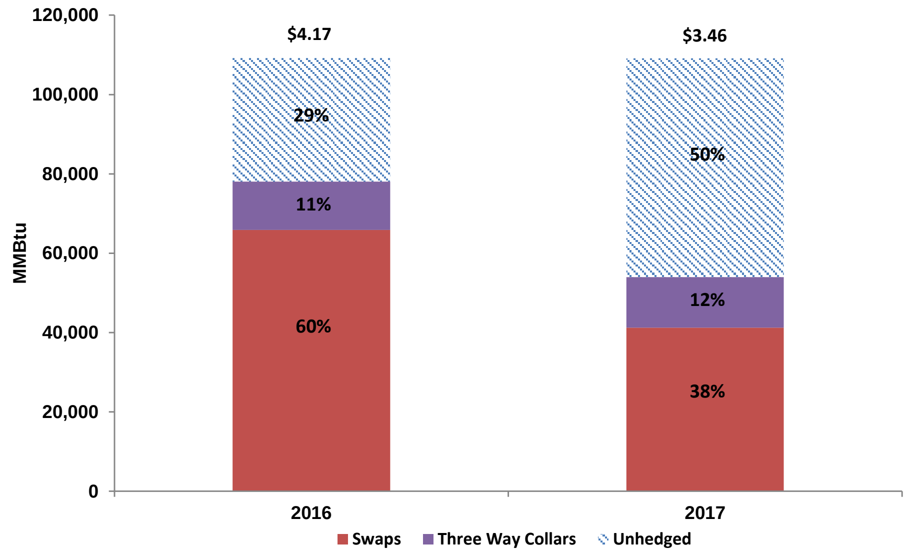
NGL Hedge Positions (Q4 2016 - 2018)

	Oct 1 - Dec 31, 2016	Year 2017	Year 2018
Natural Gas Liquids:			
Fixed Price Swaps			
Mont Belviu Propane			
Notional Volume (Bbls)	99,050	-	-
Fixed Price ($/Bbl)	$23.69	-	-
Mont Belviu N. Butane			
Notional Volume (Bbls)	50,500	-	-
Fixed Price ($/Bbl)	$28.54	-	-
Mont Belviu Isobutane			
Notional Volume (Bbls)	14,850	-	-
Fixed Price ($/Bbl)	$29.36	-	-
Mont Belviu N. Gasoline			
Notional Volume (Bbls)	38,700	-	-
Fixed Price ($/Bbl)	$53.50	-	-

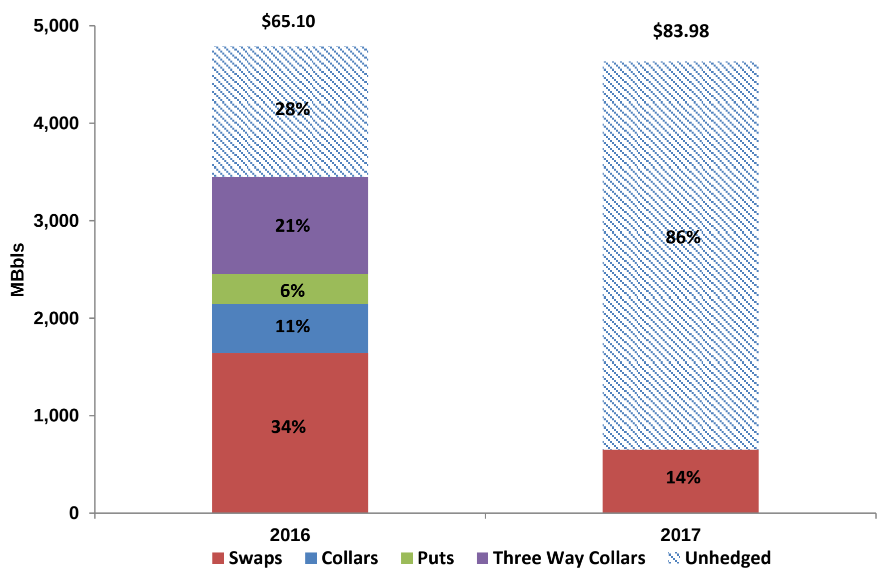
Note: Hedge positions updated as of November 7, 2016.

Commodity Hedge Summary (as of 11/7/16)

Natural Gas Hedges (Full Year)



Oil Hedges (Full Year)



Note: The calculations underlying the summary disclosure above are based on fixed price swaps, three-way collars, puts and range bonus accumulators and these calculations exclude basis swap contracts, calls sold and swaptions. 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 November 7, 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 September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Net loss attributable to Vanguard unitholders	$ (245,395)	$ (462,277)	$ (651,467)	$ (1,374,752)
Add: Net income attributable to non-controlling interests	27	—	91	—
Net loss	(245,368)	(462,277)	(651,376)	(1,374,752)
Plus:				
Interest expense	22,976	21,130	72,612	61,693
Depreciation, depletion, amortization, and accretion	32,096	52,428	118,935	182,443
Impairment of oil and natural gas properties	—	491,487	365,658	1,357,462
Impairment of goodwill	252,676	—	252,676	—
Change in fair value of commodity derivative contracts [b]	30,135	(33,470)	201,388	18,014
Premiums paid, whether at inception or deferred, for derivative contracts that settled during the period[b]	833	2,057	2,532	4,624
Fair value of derivative contracts acquired that apply to contracts settled during the period[b]	3,561	12,453	9,936	32,734
Fair value of restructured derivative contracts [b]	—	—	—	(31,945)
Net (gains) losses on interest rate derivative contracts[c]	(764)	807	6,061	2,291
Gain on extinguishment of debt	—	—	(89,714)	—
Net loss on acquisition of oil and natural gas properties	2,117	284	3,782	284
Texas margin taxes	(571)	(522)	(3,205)	(380)
Compensation related items	2,746	3,827	7,721	11,654
Transaction costs incurred on acquisitions, mergers and divestitures	75	—	3,198	—
Adjusted EBITDA before non-controlling interest	100,512	88,204	300,204	264,122
Adjusted EBITDA attributable to non-controlling interest	(115)	—	(347)	—
Adjusted EBITDA attributable to Vanguard unitholders	100,397	88,204	299,857	264,122
Less:				
Interest expense, including settlements paid on interest rate derivatives	(25,019)	(22,118)	(79,382)	(64,661)
Capital expenditures	(13,648)	(28,113)	(49,117)	(80,213)
Distributions to Preferred unitholders, paid and in arrears[d]	(6,690)	(6,690)	(20,069)	(20,070)
Distributable Cash Flow Available to Common and Class B Unitholders	**$ 55,040**	**$ 31,283**	**$ 151,289**	**$ 99,178**
Distributions to Common and Class B unitholders[e]	—	30,674	—	90,955
Excess of distributable cash flow after distributions to unitholders	**$ 55,040**	**$ 609**	**$ 151,289**	**$ 8,223**

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) These items are included in the net gains (losses) on commodity derivative contracts line item in the consolidated statements of operations as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net cash settlements received on matured commodity derivative contracts	$ 55,628	$ 45,368	$ 198,104	$ 125,988
Change in fair value of commodity derivative contracts	(30,135)	33,470	(201,388)	(18,014)
Premiums paid, whether at inception or deferred, for derivative contracts that settled during the period	(833)	(2,057)	(2,532)	(4,624)
Fair value of derivative contracts acquired that apply to contracts settled during the period	(3,561)	(12,453)	(9,936)	(32,734)
Fair value of restructured derivative contracts	—	—	—	31,945
Net gains (losses) on commodity derivative contracts	$ 21,099	$ 64,328	$ (15,752)	$ 102,561

(c) Net gains (losses) on interest rate derivative contracts as shown on the consolidated statements of operations is comprised of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Cash settlements paid on interest rate derivative contracts	$ (2,043)	$ (988)	$ (6,770)	$ (2,968)
Change in fair value of interest rate derivative contracts	2,807	181	709	677
Net gains (losses) on interest rate derivative contracts	$ 764	$ (807)	$ (6,061)	$ (2,291)

(d) Include actual distributions paid of $2.2 million attributable to the nine months ended September 30, 2016 and cumulative Preferred distributions in arrears of $6.7 million and $17.8 million attributable to the three and nine months ended September 30, 2016, respectively. Distributions to Preferred Unitholders for the three and nine months ended September 30, 2015 reflect actual distributions paid attributable to those periods.

(e) 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 September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net Loss Attributable to Common and Class B Unitholders	$ (252,085)	$ (468,967)	$ (671,536)	$ (1,394,822)
Plus (less):				
Change in fair value of commodity derivative contracts[a][b]	30,135	(33,470)	201,388	18,014
Change in fair value of interest rate derivative contracts[c][d]	(2,807)	(181)	(709)	(677)
Fair value of derivative contracts acquired that apply to contracts settled during the period	3,561	12,453	9,936	32,734
Net loss on acquisition of oil and natural gas properties	2,117	284	3,782	284
Impairment of oil and natural gas properties	—	491,487	365,658	1,357,462
Impairment of goodwill	252,676	—	252,676	—
Gain on extinguishment of debt	—	—	(89,714)	—
Transaction costs incurred on acquisitions, mergers and divestitures	75	—	3,198	—
Adjusted Net Income Attributable to Common and Class B Unitholders	$ 33,672	$ 1,606	$ 74,679	$ 12,995
Net Loss Attributable to Common and Class B Unitholders, per unit	$ (1.92)	$ (5.39)	$ (5.12)	$ (16.25)
Plus (less):				
Change in fair value of commodity derivative contracts	0.23	(0.38)	1.53	0.21
Change in fair value of interest rate derivative contracts	(0.02)	—	(0.01)	(0.01)
Fair value of derivative contracts acquired that apply to contracts settled during the period	0.03	0.14	0.08	0.38
Net loss on acquisition of oil and natural gas properties	0.02	—	0.03	—
Impairment of oil and natural gas properties	—	5.65	2.79	15.82
Impairment of goodwill	1.92	—	1.92	—
Gain on extinguishment of debt	—	—	(0.68)	—
Transaction costs incurred on acquisitions, mergers and divestitures	—	—	0.02	—
Adjusted Net Income Attributable to Common and Class B Unitholders, per unit	$ 0.26	$ 0.02	$ 0.56	$ 0.15
Weighted average common and Class B units outstanding	131,460	87,012	131,282	85,834

a) Change in fair value of commodity derivative contracts reflects the increase or decrease in the mark-to-market value of the commodity derivative contracts. 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 derivative contracts. 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.

Production and Realized Pricing

	Three Months Ended September 30, 2016 [(a)]	Three Months Ended September 30, 2015 [(b)]	Percentage Increase / (Decrease)	Three Months Ended June 30, 2016 [(a)]	Percentage Increase / (Decrease)
Average realized prices, excluding hedges:					
Oil (Price/Bbl)	$ 39.94	$ 40.10	— %	$ 39.44	1 %
Natural Gas (Price/Mcf)	$ 1.92	$ 1.94	(1)%	$ 1.17	64 %
NGLs (Price/Bbl)	$ 12.15	$ 8.86	37 %	$ 13.05	(7)%
Average realized prices, including hedges[(c)]:					
Oil (Price/Bbl)	$ 60.25	$ 53.66	12 %	$ 55.90	8 %
Natural Gas (Price/Mcf)	$ 3.13	$ 3.17	(1)%	$ 2.89	8 %
NGLs (Price/Bbl)	$ 13.32	$ 11.23	19 %	$ 14.22	(6)%
Average NYMEX prices:					
Oil (Price/Bbl)	$ 44.95	$ 46.39	(3)%	$ 45.54	(1)%
Natural Gas (Price/Mcf)	$ 2.82	$ 2.77	2 %	$ 1.95	45 %
Total production volumes:					
Oil (MBbls)	1,051	839	25 %	1,266	(17)%
Natural Gas (MMcf)	27,381	26,242	4 %	27,820	(2)%
NGLs (MBbls)	883	717	23 %	851	4 %
Combined (MMcfe)	38,988	35,574	10 %	40,524	(4)%
Average daily production volumes:					
Oil (Bbls/day)	11,428	9,115	25 %	13,913	(17)%
Natural Gas (Mcf/day)	297,619	285,236	4 %	305,716	(2)%
NGLs (Bbls/day)	9,599	7,792	23 %	9,353	4 %
Combined (Mcfe/day)	423,787	386,679	10 %	445,314	(4)%

(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.

VANGUARD NATURAL RESOURCES, LLC NASDAQ: VNR

Statements of Operations (unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Revenues:				
Oil sales	$ 41,999	$ 33,624	$ 127,594	$ 113,425
Natural gas sales	52,454	50,851	121,756	146,502
NGLs sales	10,733	6,352	30,752	25,635
Net gains (losses) on commodity derivative contracts	21,099	64,328	(15,752)	102,561
Total revenues	126,285	155,155	264,350	388,123
Costs and expenses:				
Production:				
Lease operating expenses	39,386	34,169	120,228	101,247
Production and other taxes	11,823	9,082	29,967	31,262
Depreciation, depletion, amortization, and accretion	32,096	52,428	118,935	182,443
Impairment of oil and natural gas properties	—	491,487	365,658	1,357,462
Impairment of goodwill	252,676	—	252,676	—
Selling, general and administrative expenses	11,454	8,046	35,884	26,239
Total costs and expenses	347,435	595,212	923,348	1,698,653
Loss from operations	(221,150)	(440,057)	(658,998)	(1,310,530)
Other income (expense):				
Interest expense	(22,976)	(21,130)	(72,612)	(61,693)
Net gains (losses) on interest rate derivative contracts	764	(807)	(6,061)	(2,291)
Net loss on acquisition of oil and natural gas properties	(2,117)	(284)	(3,782)	(284)
Gain on extinguishment of debt	—	—	89,714	—
Other	111	1	363	46
Total other income (expense), net	(24,218)	(22,220)	7,622	(64,222)
Net loss	$ (245,368)	$ (462,277)	$ (651,376)	$ (1,374,752)
Less: Net income attributable to non-controlling interests	(27)	—	(91)	—
Net loss attributable to Vanguard unitholders	(245,395)	(462,277)	(651,467)	(1,374,752)
Distributions to Preferred unitholders	(6,690)	(6,690)	(20,069)	(20,070)
Net loss attributable to Common and Class B unitholders	$ (252,085)	$ (468,967)	$ (671,536)	$ (1,394,822)
Net loss per Common and Class B unit – basic and diluted	$ (1.92)	$ (5.39)	$ (5.12)	$ (16.25)
Weighted average Common units outstanding				
Common units – basic & diluted	131,040	86,592	130,862	85,414
Class B units – basic & diluted	420	420	420	420

VANGUARD NATURAL RESOURCES, LLC NASDAQ: VNR

Balance Sheets (unaudited)

	September 30, 2016	December 31, 2015
Assets		
Current assets		
Cash and cash equivalents	$ 38,794	$ —
Trade accounts receivable, net	100,707	115,200
Derivative assets	94,987	236,886
Other current assets	6,061	6,436
Total current assets	240,549	358,522
Oil and natural gas properties, at cost	4,705,609	4,961,218
Accumulated depletion, amortization and impairment	(3,712,323)	(3,239,242)
Oil and natural gas properties evaluated, net– full cost method	993,286	1,721,976
Other assets		
Goodwill	253,370	506,046
Derivative assets	8,301	80,161
Other assets	50,379	28,887
Total assets	$ 1,545,885	$ 2,695,592
Liabilities and members' equity		
Current liabilities		
Accounts payable:		
Trade	$ 4,163	$ 22,895
Affiliates	1,822	1,757
Accrued liabilities:		
Lease operating	11,818	19,910
Development capital	7,752	26,726
Interest	17,728	11,958
Production and other taxes	39,803	40,472
Other	3,863	10,378
Derivative liabilities	33	356
Oil and natural gas revenue payable	27,284	44,823
Distributions payable	—	**5,018**
Current portion of long-term debt	31,887	—
Other current liabilities	14,958	17,715
Total current liabilities	161,111	202,008
Long-term debt, net of current portion (Note 3)	1,821,594	2,277,931
Derivative liabilities	1,671	—
Asset retirement obligations, net of current portion	258,306	262,432
Other long-term liabilities	40,022	40,656
Total liabilities	2,282,704	2,783,027
Commitments and contingencies (Note 7)		
Members' deficit (Note 8)		
Cumulative Preferred units, 13,881,873 units issued and outstanding at September 30, 2016 and December 31, 2015	335,444	335,444
Common units, 131,039,675 units issued and outstanding at September 30, 2016 and 130,476,978 at December 31, 2015	(1,086,872)	(430,494)
Class B units, 420,000 issued and outstanding at September 30, 2016 and December 31, 2015	7,615	7,615
Total VNR members' deficit	(743,813)	(87,435)
Non-controlling interest in subsidiary	6,994	—
Total members' deficit	(736,819)	(87,435)
Total liabilities and members' deficit	$ 1,545,885	$ 2,695,592