



Dear Valued Royalty Owner:

I am writing to provide an update on the progress we have made in our efforts to strengthen the balance sheet of Vanguard Natural Resources, LLC (together with its wholly owned subsidiaries, collectively “Vanguard” or the “Company”) and position the Company for long-term success.

As we discussed during our third quarter earnings call, our industry continues to operate in a challenging commodity price environment and due to a changing regulatory landscape, the banking industry has become much more conservative in their lending practices towards upstream energy companies. Vanguard responded proactively to these challenges by decreasing our debt by approximately \$500 million in 2016. We collectively accomplished this reduction by reducing operating expenses and general and administrative expenses, focusing on operating efficiently, divesting assets and reducing capital spending. Despite the progress made so far to address our debt levels, the Company still has too much senior bank to operate absent a comprehensive solution to eliminate debt through a debt for equity swap along with an infusion of new capital.

As we negotiate a resolution, we felt it was prudent and necessary to take some defensive measures to assure the health and longevity of the Company. Accordingly, today we announced that the Company has voluntarily filed for relief under chapter 11 of the U.S. Bankruptcy Code. (Press release can be found at www.vnrllc.com)

I assure you that this decision was not taken lightly. We believe that our chapter 11 filing is in the best long-term interest of the Company, our royalty owners and all of our stakeholders. We are confident that we are positioning Vanguard to thrive in today’s low-price environment and beyond.

Operations to Continue in the Ordinary Course

It is important to understand that Vanguard will continue to operate in the ordinary course through the financial restructuring process. **In addition, we expect that production will continue uninterrupted and that there will be no impact to your royalty payments.**

As we move through the financial restructuring process, here is what you need to know:

- **We expect to meet our business obligations and pay royalty owners.** Vanguard is open for business and we remain focused on executing on our strategic priorities. We expect to continue uninterrupted production and to meet our obligations to our royalty owners on a go-forward basis. We intend to make our royalty payments according to our current terms throughout this process, without any interruption. In addition, we have filed a motion with the Bankruptcy Court requesting permission to make royalty payments that were due prior to the filing date of February 1, 2017.
- **Vanguard Natural Resources is open for business and we remain focused on executing on our strategic priorities.** We believe Vanguard has sufficient liquidity, including approximately \$34 million of cash on hand as of January 31, 2017 and expected excess cash flow to be generated each month from ongoing operations. As added protection in the event of another downturn in

commodity prices, we have obtained \$50 million of available financing through a new debtor in possession (“DIP”) financing agreement with our banks. This liquidity is expected to allow us to continue operations and support the business in the ordinary course during the financial restructuring process.

- **We intend to move through this financial restructuring process as quickly as possible.** We are confident that we are taking the right steps to provide a solid foundation for a successful future. It is difficult to predict how long we will be under chapter 11 as it depends upon many factors. It is our expectation to emerge from this process as soon as we can and are committed to keeping you informed when we have more information.

Additional Information

We understand that you may have questions about this announcement.

- The Company has set up a toll-free hotline for royalty owners, which is available Monday through Friday, 8 a.m. to 6 p.m. Central Standard Time at 844-596-2260.
- A special section of our website, www.vnrlc.com/restructuring has been developed to provide additional information including free access to court documents and other information on the Bankruptcy Court process.

We greatly appreciate your support, and look forward to continuing to work with you well into the future.

Sincerely,



Scott W. Smith
President & CEO