THE MONTHLY DISTRIBUTION MLP™

Dear Fellow Unitholders:

In all respects, 2012 was a very active and successful year for Vanguard Natural Resources, LLC (Vanguard). We continued our track record of adding quality oil and natural gas properties to our asset base and targeted large natural gas properties during a period of historically low natural gas prices. The first large, accretive acquisition we completed in 2012 was the $445 million acquisition of Woodford and Fayetteville shale assets in the Arkoma Basin of Oklahoma and Arkansas. This transaction provides a solid base of both operated and non-operated production and includes an inventory of 180 undrilled infield locations that we intend to begin developing this year and will continue for the next several years. In addition, this acquisition gives the company a large natural gas option as there are over 1,100 additional infield locations that can be developed at attractive returns if we see a sustained return to gas prices in the $4.00-$5.00 range. The second large acquisition closed at the end of the year for $335 million consisting primarily of natural gas assets in three mature basins in Colorado and Wyoming. A unique aspect of this acquisition is the increasing working interest feature we included in the Piceance Basin, the largest asset in the transaction. With an escalating working interest each year through 2016, combined with the hedge book we put in place for this transaction, we anticipate having relatively flat cash flows without any significant capital spending. We think this approach to acquisitions of non-operated interests in large scale unconventional projects will appeal to producers looking to raise capital and we look forward to replicating this model as we continue to grow. Following our acquisition activity in 2012, our reserves at year end were 60% natural gas and 40% oil and natural gas liquids compared to 34% natural gas and 66% oil and natural gas liquids at the end of 2011.

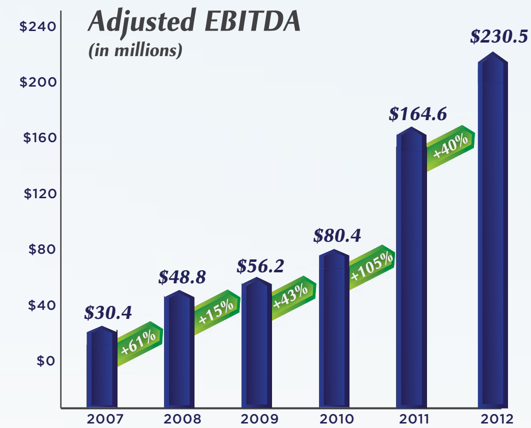
Additionally in 2012, concurrent with our acquisition activity, Vanguard significantly enhanced its commodity price hedge positions. At the end of 2012, approximately 90% of our expected crude oil production was hedged through 2014 and approximately 80% of the expected natural gas production was hedged through the first half of 2017. This is a significant increase when compared to our 2011 hedge book of 60% of expected crude oil production was hedged through 2014 and 60% of expected natural gas production was hedged through 2013. These hedges insulate the Company from wide fluctuations in commodity prices and hence improve the stability of our cash flow.

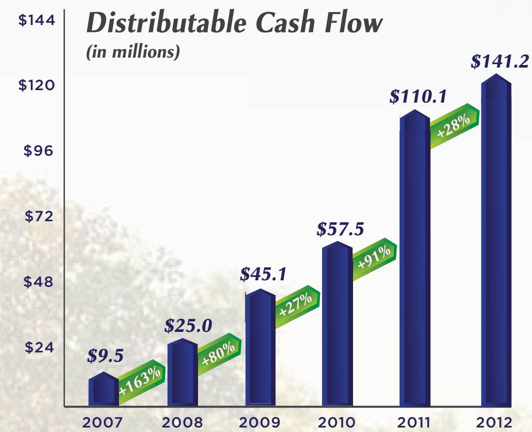
Operating highlights for 2012 include:

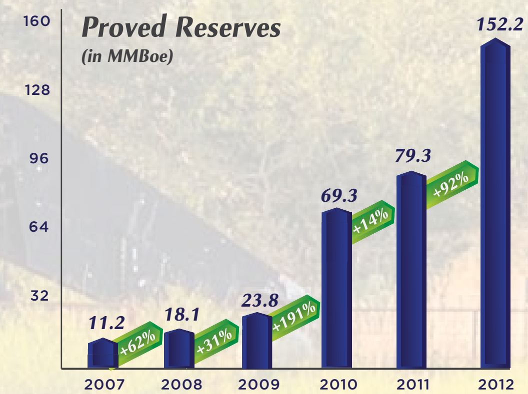
- The annualized monthly distribution of $2.43 per unit as of December 2012 represents a 5.2% increase over the annualized quarterly distribution of $2.31 per unit as of December 2011.
- Record Adjusted EBITDA attributable to Vanguard unitholders increased 40% to $230.5 million from the $164.6 million generated in 2011.
- Record Distributable Cash Flow attributable to Vanguard unitholders increased 28% to $141.2 million from the $110.1 million generated in 2011.
- Reported average production of 18,298 barrels of oil equivalent (BOE) per day in 2012 which was up 37% over 13,405 BOE per day produced in 2011. On a BOE basis, crude oil, natural gas and natural gas liquids accounted for 41%, 49% and 10% of our production, respectively.
- Completed 3 primarily natural gas acquisitions at a total investment of over $793.0 million, adding 86.1 MMBoe of proved reserves.
- Issued 12.0 million new common units for total net proceeds of $316.9 through two successful equity offerings in 2012.
- Issued $550.0 million in senior secured notes in 2012 through two successful bond offerings.
- Increased the Company's geographic presence from six to nine operating basins.

In summary, 2012 was a year of continued growth for Vanguard and displayed our ability to execute our core objective of delivering stable cash flows and increased cash distributions to unitholders. Vanguard led the Master Limited Partnership (MLP) sector by becoming the first and only MLP to move from a quarterly cash distribution to a monthly cash distribution payable to unitholders. As evidenced by our recent $275 million acquisition of Permian Basin assets, we are already off to a great start in 2013 and believe there will be many opportunities to add quality assets through the balance of the year. We remain committed to prudently growing the company through accretive acquisitions and I am confident we will continue to bring long-term value to our unitholders.

Scott W. Smith
President and Chief Executive Officer







(1) The bar graph in the table above represents the sum of the distributions paid attributable to the calendar years annotated.

(2) Annualized Quarterly Distribution.