
**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): May 7, 2010

Constellation Energy Partners LLC

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

001-33147
(Commission
File Number)

11-3742489
(IRS Employer
Identification No.)

1801 Main Street, Suite 1300
Houston, TX
(Address of principal executive offices)

77002
(Zip Code)

Registrant's telephone number, including area code: (832) 308-3700

Not Applicable
(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))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
-

Item 2.02. Results of Operations and Financial Condition.

On May 7, 2010, Constellation Energy Partners LLC (the “Company”) issued a press release announcing its financial results for the quarter ended March 31, 2010, and will hold a webcast conference call to discuss those results. A copy of the press release is furnished as a part of this Current Report on Form 8-K as Exhibit 99.1 but is not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934. The webcast conference call will be available for replay on the Company’s website at www.constellationenergypartners.com.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
Exhibit 99.1	Press release dated May 7, 2010, publicly announcing first quarter 2010 financial results.

EXHIBIT INDEX

Exhibit
Number

Description

Exhibit 99.1 Press release dated May 7, 2010, publicly announcing first quarter 2010 financial results.

**News Release**

General Inquiries: (877) 847-0008
www.constellationenergypartners.com

Investor Contact: Charles C. Ward
(877) 847-0009

Constellation Energy Partners
Reports First Quarter 2010 Results

HOUSTON—(BUSINESS WIRE)—May 7, 2010—Constellation Energy Partners LLC (NYSE Arca: CEP) today reported first quarter 2010 results.

The company produced 3,860 MMcfe for the first quarter 2010 for average daily net production of 42.9 MMcfe. Operating costs, which include lease operating expenses, production taxes and general and administrative expenses, net of certain non-cash items, averaged \$3.55 per Mcfe during the quarter.

On a GAAP basis, the company reported net income of \$18.1 million for the first quarter 2010. Adjusted EBITDA for the quarter was \$14.9 million.

“Overall, this was another good quarter for us,” said Stephen R. Brunner, President and Chief Executive Officer of Constellation Energy Partners. “Our assets performed in line with our expectations and 2010 business plan.”

Liquidity Update

The company announced last week that its borrowing base was reaffirmed by its lenders at \$205 million. The company’s borrowing base is scheduled for semi-annual redetermination again in the fourth quarter of 2010.

Outstanding debt under the company’s credit facility currently totals \$185 million, leaving the company with \$20 million in available borrowing capacity. The company had a cash balance of \$8.4 million as of Mar. 31, 2010.

Financial Outlook for 2010

The company announced earlier this year that it anticipates total capital spending for 2010 to range between \$10 million and \$12 million. "At this level of capital spending, we expect to complete approximately 25 net wells, which will consist of a mix of horizontal, vertical and recompletion wells," said Brunner. "We expect to spend substantially all of our capital in the Cherokee Basin, with the bulk of our drilling activity completed in the second and third quarters of this year."

Net production is forecast to range between 14.5 and 15.5 Bcfe for 2010, with operating costs expected to range between \$52 million and \$56 million for the year.

The company entered 2010 with approximately 9.5 Bcfe of its 2010 Mid-Continent production hedged at an average price of \$7.49 per Mcfe and an additional 2.4 Bcfe of its remaining production hedged at an average price of \$8.21 per Mcfe. Included in these totals for 2010 are hedges on 6.9 Bcfe of the company's Mid-Continent production for the balance of the year at an average price of \$7.46 per Mcfe and an additional 1.9 Bcfe of production for the balance of the year at an average price of \$8.17 per Mcfe. The remainder of the company's production for 2010 is subject to market conditions and pricing.

During the first quarter 2009, the company discontinued hedge accounting on all existing commodity derivatives and now accounts for derivatives using the mark-to-market accounting method. As a result, the company will recognize all future changes in the fair value of its derivatives as gains and losses in earnings.

Distribution Outlook

The company previously announced that it expects distributions will remain suspended through the fourth quarter of 2010 and until after such time that debt levels are reduced and market conditions again warrant resumption of capital spending at maintenance levels.

Management will continue to evaluate the company's quarterly distribution, taking into account debt levels, liquidity, the provisions of the company's credit and operating agreements, and business plans. All distributions are subject to approval by the company's Board of Managers.

Conference Call Information

The company will host a conference call at 8:30 a.m. (CDT) on Friday, May 7, 2010 to discuss first quarter 2010 results.

To participate in the conference call, analysts, investors, media and the public in the U.S. may dial (888) 810-6805 shortly before 8:30 a.m. (CDT). The international phone number is (517) 308-9398. The conference password is PARTNERS.

A replay will be available beginning approximately one hour after the end of the call by dialing (866) 481-6892 or (203) 369-1571 (international). A live audio webcast of the conference call, presentation slides and the earnings release will be available on Constellation Energy Partners' Web site (www.constellationenergypartners.com) under the Investor Relations page. The call will also be recorded and archived on the site.

About the Company

Constellation Energy Partners LLC is a limited liability company focused on the acquisition, development and production of oil and natural gas properties, as well as related midstream assets.

SEC Filings

The company intends to file its first quarter 2010 Form 10-Q on or about May 7, 2010.

Non-GAAP Measures

We present Adjusted EBITDA in addition to our reported net income in accordance with GAAP. Adjusted EBITDA is a non-GAAP financial measure that is defined as net income (loss) adjusted by interest (income) expense; depreciation, depletion and amortization; write-off of deferred financing fees; impairment of long-lived assets; accretion of asset retirement obligation; (gain) loss on sale of assets; exploration costs; (gain) loss from equity investment; unit-based compensation programs; unrealized (gain) loss on derivatives; and realized (gain) loss on cancelled derivatives.

Adjusted EBITDA is used as a quantitative standard by our 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, without regard to financing or capital structure. Adjusted EBITDA 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.

Forward-Looking Statements

We make statements in this news release that are considered forward-looking statements within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. These forward-looking statements are largely based on our expectations, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, management's assumptions about future events may prove to be inaccurate. Management cautions all readers that the forward-looking statements contained in this news release are not guarantees of future performance, and we cannot assure you that such statements will be realized or the forward-looking events and circumstances will occur. Actual results may differ materially from those anticipated or implied in the forward-looking statements due to factors listed in the "Risk Factors" section in our SEC filings and elsewhere in those filings. All forward-looking statements speak only as of the date of this news release. We do not intend to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise. These cautionary statements qualify all forward-looking statements attributable to us or persons acting on our behalf.

PRESS RELEASE
Constellation Energy Partners LLC
Operating Statistics

	Three Months Ended Mar. 31,	
	2010	2009
Net Production:		
Total production (MMcfe)	3,860	4,364
Average daily production (Mcf/day)	42,889	48,489
Average Net Sales Price per Mcfe:		
Net realized price, including hedges	\$ 7.37(a)	\$ 7.34(a)
Net realized price, excluding hedges	\$ 5.40(b)	\$ 3.96(b)

(a) Excludes impact of mark-to-market losses and net of cost of sales.

(b) Excludes all hedges, the impact of mark-to-market losses and net of cost of sales.

Net Wells Drilled and Completed	—	30
Net Recompletions	—	16
Developmental Dry Holes	—	1

Constellation Energy Partners LLC
Condensed Consolidated Statements of Operations

	Three Months Ended Mar. 31,	
	2010	2009
	(\$ in thousands)	
Oil and gas sales	\$ 29,237	\$ 32,862
Gain/(Loss) from mark-to-market activities	35,281	19,331
Total Revenues	64,518	52,193
Operating expenses:		
Lease operating expenses	7,963	8,785
Cost of sales	772	832
Production taxes	1,125	970
General and administrative	5,062	5,233
Exploration costs	223	103
(Gain)/Loss on sale of equipment	(8)	17
Depreciation, depletion and amortization	27,248	14,434
Accretion expense	207	102
Total operating expenses	42,592	30,476
Other expenses:		
Interest (income) expense, net	4,056	2,841
Other (income) expense	(188)	(57)
Total expenses	46,460	33,260
Net income (loss)	<u>\$ 18,058</u>	<u>\$ 18,933</u>
Adjusted EBITDA	<u>\$ 14,940</u>	<u>\$ 17,434</u>
EPS - Basic	\$ 0.75	\$ 0.85
EPS - Basic Units Outstanding	24,002,372	22,386,063
EPS - Diluted	\$ 0.75	\$ 0.85
EPS - Diluted Units Outstanding	24,002,372	22,386,063

Constellation Energy Partners LLC
Condensed Consolidated Balance Sheets

	<u>Mar. 31,</u> <u>2010</u>	<u>Dec. 31,</u> <u>2009</u>
	(\$ in thousands)	
Current assets	\$ 57,233	\$ 45,265
Natural gas properties, net of accumulated depreciation, depletion and amortization	586,694	612,625
Other assets	65,285	50,427
Total assets	<u>\$709,212</u>	<u>\$708,317</u>
Current liabilities	\$ 14,283	\$ 16,484
Debt	185,000	195,000
Other long-term liabilities	12,318	12,129
Total liabilities	211,601	223,613
Class D Interests	6,667	6,667
Common members' equity	467,864	449,670
Accumulated other comprehensive income	23,080	28,367
Total members' equity	490,944	478,037
Total liabilities and members' equity	<u>\$709,212</u>	<u>\$708,317</u>

Constellation Energy Partners LLC
Reconciliation of Net Income to Adjusted EBITDA

	<u>Three Months Ended Mar. 31,</u>	
	<u>2010</u>	<u>2009</u>
	(\$ in thousands)	
Reconciliation of Net Income to Adjusted EBITDA:		
Net income	\$ 18,058	\$ 18,933
Add:		
Interest expense/(income), net	4,056	2,841
Depreciation, depletion and amortization	27,248	14,434
Accretion of asset retirement obligation	207	102
(Gain)/Loss on sale of asset	(8)	17
Exploration costs	223	103
Loss from mark-to-market activities	(35,281)	(19,331)
Unit-based compensation programs	437	68
Unrealized (gain)/loss on natural gas derivatives/hedge ineffectiveness	—	267
Adjusted EBITDA (1)	<u>\$ 14,940</u>	<u>\$ 17,434</u>

	<u>Three Months Ended Dec. 31,</u>		<u>Twelve Months Ended Dec. 31,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	(\$ in thousands)		(\$ in thousands)	
Reconciliation of Net Income to Adjusted EBITDA:				
Net income	\$ (2,111)	\$ (12,382)	\$ (9,023)	\$ 7,268
Add:				
Interest expense/(income), net	6,584	3,221	16,303	11,817
Depreciation, depletion and amortization	28,202	45,579	76,286	77,919
Accretion of asset retirement obligation	139	104	406	411
(Gain)/Loss on sale of asset	(14)	(5)	—	(301)
Exploration costs	373	172	855	414
Loss from mark-to-market activities	(18,581)	(17,389)	(19,410)	(21,376)
Unit-based compensation programs	1,020	49	1,308	322
Unrealized (gain)/loss on natural gas derivatives/hedge ineffectiveness	—	(1,162)	267	(1,189)
Adjusted EBITDA (1)	<u>\$ 15,612</u>	<u>\$ 18,187</u>	<u>\$ 66,992</u>	<u>\$ 75,285</u>

- (1) Our Adjusted EBITDA should not be considered as an alternative to net income, 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 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.

We define Adjusted EBITDA as net income (loss) plus:

- interest (income) expense;
- depreciation, depletion and amortization;
- write-off of deferred financing fees;
- impairment of long-lived assets;
- (gain) loss on sale of assets;
- exploration costs;
- (gain) loss from equity investment;
- unit-based compensation programs;
- accretion of asset retirement obligation;
- unrealized (gain) loss on derivatives; and
- realized loss (gain) on cancelled derivatives.