
**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 report): February 17, 2011

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))
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Item 7.01 Regulation FD Disclosure.

On February 23, 2011, Constellation Energy Partners LLC (the “Company”) issued a news release announcing that it has reached an agreement in principle to settle the derivative lawsuit brought against the Company in the Circuit Court of Tuscaloosa County, Alabama (the “Court”) by Trust Venture Company, LLC (“Trust Venture”) on behalf of the Torch Energy Royalty Trust (the “Trust”), subject to approval of the Court. A copy of the news release is furnished as Exhibit 99.1 to this Current Report on Form 8-K.

In accordance with General Instruction B.2 of Form 8-K, the information contained in this report shall not be deemed “filed” for the purpose of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall such information and Exhibit be deemed incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, each as amended, except as shall be expressly set forth by specific reference in such filing.

Item 8.01 Other Events.*Litigation Related to Trust Termination*

As previously disclosed, on January 8, 2009, we were served by Trust Venture, on behalf of the Trust, with a purported derivative action filed in the Circuit Court of Tuscaloosa County, Alabama (the “Court”). The lawsuit relates to the non-operating net profits interest (“NPI”) held by the Trust on certain wells owned by Robinson’s Bend Production II, LLC (“RBP II”), a subsidiary of the Company, in the Robinson’s Bend Field in Alabama, and alleges, among other things, a breach of contract under the conveyance associated with the NPI (the “Conveyance”) and the agreement establishing the Trust and asserting that above market rates for services were paid, reducing the amounts paid to the Trust in connection with the NPI. The lawsuit seeks unspecified damages and an accounting of the NPI. The Court has made the Trust a nominal party to the lawsuit. At a preliminary hearing on February 17, 2011, the Court approved a form of notice of a settlement among the parties to be sent by the Trust to its unitholders. A final hearing on the settlement is set for April 11, 2011. The settlement with Trust Venture, its successor and the Trust provides, among other things:

- RBP II will make a payment of \$1.2 million to reimburse Trust Venture and its successor for their legal fees and expenses incurred in prosecuting the lawsuit;
- RBP II will make an irrevocable offer to purchase the NPI relating to the Robinson’s Bend Field from the Trust for at least \$1 million, when it is separately offered for sale by the Trust at public auction within 180 days of the effective date of the settlement, with such bid amount to be deposited by RBP II in a third-party escrow account pending the public auction. RBP II, as well as any other bidders at the auction, shall have a right to submit a higher topping bid;
- The parties agree that the cumulative deficit balance in the NPI account is approximately \$5.8 million as of September 30, 2010, and that no further payments will be due to the Trust with respect to the NPI unless and until the cumulative deficit balance is reduced to zero;
- Trust Venture and its successor agree, on behalf of the Trust, that all prior and current calculations, charges and deductions contained in such cumulative deficit NPI balance are in compliance with the terms of the Conveyance and, to the extent applicable thereunder, do not exceed competitive contract charges prevailing in the area for any such operations and services;
- The Water Gathering and Disposal Agreement between RBP II and another subsidiary of the Company will be amended to reduce the fee from \$1.00 per barrel to \$0.53 per barrel beginning on the first day of the month following the effective date of the settlement and to extend the term for an additional ten years, and Trust Venture and its successor agree, on behalf of the Trust, that the fees under such agreement do not exceed competitive contract charges prevailing in the area for the operations and services provided under such agreement during the extended term of such agreement;
- A mutual release among the parties and a dismissal with prejudice of the lawsuit; and
- An effective date of the settlement upon final approval by the Court.

The Company has made certain statements in this Current Report on Form 8-K that are considered forward-looking statements within the meaning of the Securities Exchange Act of 1934, as amended. These forward-looking statements are largely based on the Company’s expectations, which reflect estimates and assumptions made by the Company’s management. These estimates and assumptions reflect the Company’s best judgment based on currently known market conditions and other factors. Although the Company believes such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond the Company’s control including, without limitation, whether the Court will approve the settlement discussed in this Current Report on Form 8-K. 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 Current Report on Form 8-K, and the news release filed herewith, are not guarantees of future performance, and the Company 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 the Company’s Securities and Exchange Commission filings and elsewhere in those filings. All forward-looking statements speak only as of the date of this Current Report on Form 8-K and the news release filed herewith. The Company does not intend to publicly update or revise any forward-looking statements as a result of new information, future events or otherwise.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit Number</u>	<u>Description</u>
99.1	News Release dated February 23, 2011

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CONSTELLATION ENERGY PARTNERS LLC

Date: February 23, 2011

By: /s/ Charles Ward
Charles Ward
Chief Financial Officer

**News Release**

General Inquiries: 877.847.0008
www.constellationenergypartners.com

Investor Contact: Charles C. Ward
877.847.0009

Constellation Energy Partners Reaches a Settlement**With Parties to Alabama Lawsuit**

HOUSTON—(BUSINESS WIRE)—Feb. 23, 2011—Constellation Energy Partners LLC (NYSE Arca: CEP) today announced that it has reached an agreement in principle to settle the derivative lawsuit filed in the Circuit Court of Tuscaloosa County, Alabama by Trust Venture Company, LLC (“Trust Venture”) on behalf of the Torch Energy Royalty Trust (“Trust”). The settlement agreement is subject to approval of the court, and the company estimates that the process for approval will take approximately 60 days.

The lawsuit relates to the non-operating net profits interest (“NPI”) held by the Trust on certain wells owned by Robinson’s Bend Production II, LLC (“RBP II”), a subsidiary of the company, in the Robinson’s Bend Field in Alabama.

Under the proposed settlement with Trust Venture and the Trust, (i) RBP II will make a payment of \$1.2 million to reimburse Trust Venture for its legal fees and expenses incurred in prosecuting the derivative lawsuit; (ii) RBP II will make an irrevocable offer to purchase the NPI from the Trust for at least \$1 million, when it is separately offered for sale by the Trust at public auction within 180 days of the effective date of the settlement, with such bid amount to be deposited by RBP II in a third-party escrow account pending the public auction; (iii) the parties agree that the cumulative deficit balance in the NPI account is approximately \$5.8 million as of September 30, 2010, and that no further payments will be due to the Trust with respect to the NPI unless and until the cumulative deficit balance is reduced to zero; (iv) the Water Gathering and Disposal Agreement between RBP II and another subsidiary of the company for the gathering, separation, and disposal of water from the wells subject to the NPI will be amended to

reduce the fee from \$1.00 per barrel to \$0.53 per barrel beginning on the first day of the month following the effective date of the settlement and to extend the term for an additional ten years; and (v) the parties will enter into a mutual release.

The cost of \$1.2 million to be paid by RBP II to reimburse the derivative plaintiff for the legal fees and expenses incurred in prosecuting the lawsuit will be reflected in the company's fourth quarter 2010 operating results, which the company plans to release later this week.

"We're extremely pleased to be in a position to resolve this matter in a way that should provide greater certainty on our future cash flow and operating plans" said Stephen R. Brunner, President and Chief Executive Officer of Constellation Energy Partners.

Additional information about the lawsuit and settlement can be found in the company's filings with the Securities and Exchange Commission and on the company's Web site (<http://www.constellationenergypartners.com>).

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.

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, as amended, and the Securities Exchange Act of 1934, as amended. 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, including, without limitation, whether the court will approve the settlement discussed in this news release. 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.