
**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: July 13, 2007

Date of earliest event reported: July 12, 2007

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.)

111 Market Place
Baltimore, MD
(Address of principal executive offices)

21202
(Zip Code)

Registrant's telephone number, including area code: (410) 468-3500

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 1.01 Entry into a Material Definitive Agreement.

Amvest Merger Agreement. On July 12, 2007, CEP Mid-Continent Basin LLC, f/k/a CEP Cherokee Basin LLC, a Delaware limited liability company (“CEPMB”) and a wholly-owned subsidiary of Constellation Energy Partners LLC (the “Company”), entered into an agreement of merger (the “Merger Agreement”) among AMVEST Oil & Gas, Inc., a Virginia corporation (the “Seller”), and AMVEST Osage, Inc., a Virginia corporation and wholly-owned subsidiary of the Seller (“Amvest”). Pursuant to the Merger Agreement, Amvest will merge with and into CEPMB, with CEPMB continuing as the surviving entity after the merger (the “Merger”).

Under the terms of the Merger Agreement, at the effective time of the Merger, all issued and outstanding shares of Amvest common stock will be converted into the right to receive cash. The aggregate Merger consideration paid pursuant to the Merger Agreement will be \$240.0 million, plus or minus estimated closing adjustments. The estimated closing adjustments will be determined based on the excess or deficit of working capital as determined in the Merger Agreement. At the closing, approximately \$17.5 million cash will be deposited into escrow (the “Escrow Deposit”). The Escrow Deposit will serve as the sole source of payment and remedy for the final working capital adjustments, and \$16.0 million of the Escrow Deposit (plus any escrow earnings on such amount) will serve as the sole source and remedy for the Company (i) to the extent the Company is owed any amounts in respect of breaches of representations and warranties, covenants and including, without limitation, indemnification claims; (ii) to satisfy or reimburse any post-closing fees and expenses for which Amvest may be responsible under the Merger Agreement and an escrow agreement (the “Escrow Agreement”); (iii) to satisfy any working capital shortfall, to the extent such shortfall exceeds the Amvest working capital escrow discussed below and (iv) such other purposes as specified in the Merger Agreement and the Escrow Agreement. The Escrow Deposit will be held and distributed from time to time in accordance with the Merger Agreement and the Escrow Agreement for up to one year after the effective time of the Merger, and such longer period as may be necessary to resolve any outstanding disputed claims. The remaining \$1.5 million of the Escrow Deposit will be used solely to satisfy a working capital shortfall, if any, that may be owed by the Seller pursuant to the terms of the Merger Agreement. Immediately prior to Closing, Seller shall cause Amvest to deposit \$8.5 million into a drilling fund escrow to be used for post-closing drilling, development and operational costs and expenses of CEPMB’s post-merger assets.

The Merger Agreement contains various representations, warranties and covenants made by the parties, including covenants by Amvest to conduct its operations in the ordinary course between the date of the Merger Agreement and the completion of the Merger and, with certain exceptions, not to solicit any competing offer. The completion of the Merger is subject to various conditions. The Merger Agreement also contains certain rights concerning the ability of the Seller and CEPMB to terminate the Merger Agreement.

Unit Purchase Agreement. On July 12, 2007, the Company also entered into a Class F Unit and Common Unit Purchase Agreement (the “Purchase Agreement”) with certain unaffiliated third-party investors (the “Purchasers”) to sell 3,371,219 Class F units representing limited liability company interests in the Company (the “Class F Units”) and 2,664,998 common units representing Class B limited liability company interests in the Company (the “New Common Units”) in a private placement for an aggregate purchase price of approximately \$210 million. The negotiated average purchase price is \$34.79 per unit for the Class F Units and the New Common Units. No distribution will be paid for the second quarter of 2007 to the holders of the New Common Units and Class F Units. The Company believes that the proceeds from this equity private placement, together with funds available under the Company’s revolving credit facility, will fully fund the purchase price of the Merger described above. The Company anticipates that the private placement will close simultaneously with the Merger described above. The private placement of the Class F Units and New Common Units pursuant to the Purchase Agreement is being made in reliance upon an exemption from the registration requirements of the Securities Act of 1933, as amended, pursuant to Section 4(2) thereof.

The closing of the private placement is subject to customary closing conditions as well as certain other conditions, including (i) the closing of the Merger described above, (ii) the execution by the Company and the Purchasers of a registration rights agreement that will require the Company to file a shelf registration statement for the benefit of the Purchasers within 90 days after the closing of the private placement and (iii) the amendment to the Company’s operating agreement to establish the terms of the Class F Units.

The Class F Units will be subordinated to common units (i) with respect to the payment of the initial quarterly distribution (including any arrearages with respect to minimum quarterly distributions from prior periods), and (ii) in the event of the dissolution or liquidation of the Company. The Class F Units will have no voting rights other than as required by law.

The Class F Units will convert into common units on a one-for-one basis upon obtaining the approval of the holders of at least a majority of the common units (not including the New Common Units). The Company has undertaken to obtain this approval within 90 days following the closing of the private placement. Constellation Energy Partners Holdings, LLC, the largest holder of outstanding common units, will agree to vote its common units in favor of the conversion. If the Company has not obtained the requisite approval of the conversion of the Class F Units within 90 days following the closing of the private placement, the Class F Units will be entitled to receive 115% of the initial quarterly distribution payable on each common unit, subject to the subordination provisions described above.

Item 3.02 Unregistered Sales of Equity Securities.

The information set forth under Item 1.01 above is incorporated herein by reference.

Item 7.01 Regulation FD Disclosure.

On July 13, 2007, the Company issued a press release relating to the Merger and Purchase Agreement. A copy of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

The press release is being furnished pursuant to General Instruction B.2 of Form 8-K and is not deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), nor is it subject to the liabilities of that section or deemed incorporated by reference in any filing by the Company under the Exchange Act.

The Company has made certain statements in this Current Report on Form 8-K, and the press release furnished herewith, that are considered forward-looking statements within the meaning of the Exchange Act. 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. 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 press release furnished 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. 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.**

Exhibit Number	Description
Exhibit 99.1	Press Release dated July 13, 2007.

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: July 13, 2007

By: /s/ Angela A. Minas

Angela A. Minas

Chief Financial Officer

EXHIBIT INDEX

Exhibit Number	Description
Exhibit 99.1	Press Release dated July 13, 2007.



News Release

Media Line: 410 470-7433 www.constellationenergypartners.com

Media Contact: Lawrence McDonnell
410 470-7433

Investor Contact: Tonya Cultice
410 783-3383

Constellation Energy Partners to Acquire Oil and Gas Properties in Cherokee Basin for \$240 Million; Acquisition Establishes CEP as One of Top Producers in Cherokee Basin

BALTIMORE, July 13, 2007—Constellation Energy Partners LLC (NYSE Arca: CEP) today announced that it has agreed to acquire AMVEST Osage, Inc, a subsidiary of AMVEST Corporation, a privately held company, for an aggregate purchase price of \$240 million, subject to purchase price adjustments. AMVEST Osage owns producing and undeveloped oil and gas properties in the Cherokee Basin in Oklahoma. The transaction is subject to customary closing conditions and is expected to close by the end of July. Upon closing, AMVEST Osage will be merged into a CEP subsidiary.

Felix Dawson, chief executive officer of Constellation Energy Partners, said, “This transaction is another demonstration of our commitment to our acquisition growth strategy and is consistent with our target acquisition profile. These acquired properties combined with our previous acquisition in the Cherokee Basin expand our ownership and further establish us as one of the leading producers in the basin. The acquisition also provides potential opportunities for operational synergies and better positions us for further acquisition growth. Our Cherokee Basin properties are an excellent fit with both CEP and Constellation Energy’s existing asset portfolios.”

Operational highlights:

- 13 year exclusive concession from Osage Nation for coalbed methane and shale rights on 560,000 net contiguous acres; potential for up to 100,000 additional acres

- Concession agreement flexibility provides for leasing as drilling occurs
- Estimated third party proved reserves of 93 Bcfe (non-SEC reserves as of March 31, 2007 and at NYMEX price of \$8.48/MMbtu)
- Reserve life of approximately 16 years
- Current net production of approximately 16 MMcfe per day
- Approximately 370 producing wells generally with 100 percent working interest
- Over 1,000 additional low-risk, low-cost drilling and recompletion opportunities

Financial highlights (Year 1 and Year 2 are defined as 12 months and 24 months, respectively, following the closing of the AMVEST Osage acquisition):

- Expected to be immediately accretive to distributable cash flow per unit. Management will evaluate the impact of the acquisition on current distribution levels as it integrates the assets. All changes in distributions are subject to approval by the company's Board of Managers.
- Net Production Forecast
 - Year 1 estimated—6.5—7.0 Bcfe
 - Year 2 estimated—8.0—9.0 Bcfe
- Adjusted EBITDA projections
 - Year 1 estimated—\$28 to \$32 million
 - Year 2 estimated—\$39 to \$45 million
- Expected to drill approximately 65 net wells and 80 recompletions during Year 1
- Estimated Year 1 maintenance capital expenditures of \$9 million; AMVEST to fund \$8.5 million of operational expenses during Year 1, of which \$6.0 million are estimated maintenance capital expenditures.
- Cash flow stability expected to be achieved by significant hedging through 2010

Private Placement

Constellation Energy Partners has entered into a unit purchase agreement to sell in a private placement led by GPS Partners LLC and Lehman Brothers MLP Opportunity Fund L.P., 2,664,998 of common units and 3,371,219 newly-created Class F units at an average price of \$34.79 per unit to third party investors, for aggregate cash proceeds of \$210 million. No distribution will be paid for the second quarter of 2007 to the holders of the newly issued common and Class F units. The proceeds from this equity private placement, together with funds available under the company's existing revolving credit facility will fully fund the purchase price of the merger with AMVEST Osage, Inc. The Company anticipates that the private placement will close simultaneously with the merger.

Citigroup Global Markets Inc. acted as private placement agent to Constellation Energy Partners.

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

Constellation Energy Partners was formed – and is partly owned – by Constellation Energy (NYSE: CEG), a Fortune 200 energy company with 2006 annual revenues of \$19.3 billion.

Non-GAAP Measures

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; (gain) loss on sale of assets; (gain) loss from equity investment; accretion of asset retirement obligation; realized (gain) loss on cancelled natural gas derivatives; and unrealized (gain) loss on natural gas derivatives.

Adjusted EBITDA is used by management to indicate (prior to the establishment of any cash reserves by our board of managers) the cash distributions we expect to 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 quarterly distribution rates. Adjusted EBITDA is also 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 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. We are unable to reconcile our incremental Adjusted EBITDA projections to GAAP net income or operating income because we do not predict the future impact of adjustments to net income (loss), such as (gains) losses on gas derivatives or equity investments or asset impairments, due to the difficulty of doing so.

Forward-Looking Statements

We make statements in this news release that are considered forward- looking statements within the meaning of 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 Securities and Exchange Commission 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.

This press release shall not constitute an offer to sell or a solicitation of an offer to buy the common units nor shall there be any sale of these securities in any state in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such state. The equity securities being offered have not been registered under the Securities Act of 1933 and may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements.