

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended September 30, 2007

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period to

Commission file number: 814-00672

NGP Capital Resources Company

(Exact name of registrant as specified in its charter)

Maryland
(State or other jurisdiction of
incorporation or organization)

1221 McKinney Street, Suite 2975
Houston, Texas
(Address of principal executive offices)

20-1371499
(I.R.S. employer
identification number)

77010
(Zip Code)

(713) 752-0062
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated Non-accelerated filer

Indicate by a check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The number of shares of the registrant's Common Stock, \$.001 par value, outstanding as of November 6, 2007 was 17,500,332.

PART I - FINANCIAL INFORMATION**Item 1. Consolidated Financial Statements.
NGP CAPITAL RESOURCES COMPANY
CONSOLIDATED BALANCE SHEETS
(unaudited)**

	September 30, 2007	December 31, 2006
Assets		
Investments in portfolio securities at fair value (cost: \$260,870,948 and \$170,863,203, respectively)	\$ 267,482,387	\$ 172,025,498
Investments in corporate notes at fair value (cost: \$11,642,328 and \$17,681,646, respectively)	8,936,500	15,116,080
Investments in U.S. Treasury Bills, at amortized cost which approximates fair value	127,813,642	142,669,579
Total investments	<u>404,232,529</u>	<u>329,811,157</u>
Cash and cash equivalents	7,084,798	12,334,329
Accounts receivable	5,658	452,916
Interest receivable	1,340,766	1,400,757
Prepaid assets	933,981	1,598,501
Total assets	<u>\$ 413,597,732</u>	<u>\$ 345,597,660</u>
Liabilities and stockholders' equity (net assets)		
Current liabilities		
Accounts payable	\$ 709,406	\$ 965,105
Management and incentive fees payable	2,061,266	1,374,299
Dividends payable	6,114,379	-
Total current liabilities	<u>8,885,051</u>	<u>2,339,404</u>
Long-term debt	151,000,000	100,000,000
Total liabilities	<u>159,885,051</u>	<u>102,339,404</u>
Commitments and contingencies (Note 7)		
Stockholders' equity (net assets)		
Common stock, \$.001 par value, 250,000,000 shares authorized; 17,469,654 and 17,422,268 issued and 17,469,654 and 17,422,268 outstanding, respectively	17,470	17,422
Paid-in capital in excess of par	245,441,929	244,660,173
Undistributed net investment income (loss)	(1,722,214)	229,791
Undistributed net realized capital gain (loss)	6,069,885	(245,859)
Net unrealized appreciation (depreciation) of portfolio securities and corporate notes	3,905,611	(1,403,271)
Total stockholders' equity (net assets)	<u>253,712,681</u>	<u>243,258,256</u>
Total liabilities and stockholders' equity (net assets)	<u>\$ 413,597,732</u>	<u>\$ 345,597,660</u>
Net asset value per share	<u>\$ 14.52</u>	<u>\$ 13.96</u>

(See accompanying notes to consolidated financial statements)

NGP CAPITAL RESOURCES COMPANY
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	For the Three Months ended September 30, 2007	For the Three Months ended September 30, 2006	For the Nine Months ended September 30, 2007	For the Nine Months ended September 30, 2006
Investment income				
Interest income	\$ 9,011,405	\$ 7,379,320	\$ 26,940,522	\$ 18,040,507
Dividend income	-	-	93,710	60,998
Other income	47,960	177,634	245,704	451,261
Total investment income	9,059,365	7,556,954	27,279,936	18,552,766
Operating expenses				
Management fees	1,626,857	1,128,304	4,776,860	3,363,428
Incentive fees	(531,889)	-	522,469	-
Professional fees	209,231	186,132	537,813	543,960
Insurance expense	132,423	144,234	397,268	432,823
Interest expense and fees	1,737,202	836,067	4,913,624	996,141
Other general and administrative expenses	627,034	523,084	1,944,690	1,599,028
Total operating expenses	3,800,858	2,817,821	13,092,724	6,935,380
Net investment income	5,258,507	4,739,133	14,187,212	11,617,386
Net realized capital gain (loss) on portfolio securities and corporate notes				
	(351,114)	(174,401)	6,315,744	(174,401)
Net increase (decrease) in unrealized appreciation (depreciation) on portfolio securities and corporate notes				
	(712,268)	775,859	5,308,882	(1,730,662)
Net increase in stockholders' equity (net assets) resulting from operations	\$ 4,195,125	\$ 5,340,591	\$ 25,811,838	\$ 9,712,323
Net increase in stockholders' equity (net assets) resulting from operations per common share				
	\$ 0.24	\$ 0.31	\$ 1.49	\$ 0.56

(See accompanying notes to consolidated financial statements)

NGP CAPITAL RESOURCES COMPANY
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY (NET ASSETS)
(unaudited)

	<u>Common Stock</u>		Paid-in Capital in Excess of Par	Undistributed Net Investment Income (Loss)	Undistributed Net Realized Capital Gain (Loss)	Net Unrealized Appreciation (Depreciation) of Portfolio Securities and Corporate Notes	Total Stockholders' Equity (Net Assets)
	Shares	Amount					
Balance at December 31, 2006	17,422,268	\$ 17,422	\$ 244,660,173	\$ 229,791	\$ (245,859)	\$ (1,403,271)	\$ 243,258,256
Net increase in stockholders' equity (net assets)							
resulting from operations	-	-	-	14,187,212	6,315,744	5,308,882	25,811,838
Dividends declared	-	-	-	(16,139,217)	-	-	(16,139,217)
Issuance of common stock under dividend reinvestment plan	<u>47,386</u>	<u>48</u>	<u>781,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>781,804</u>
Balance at September 30, 2007	<u>17,469,654</u>	<u>\$ 17,470</u>	<u>\$ 245,441,929</u>	<u>\$ (1,722,214)</u>	<u>\$ 6,069,885</u>	<u>\$ 3,905,611</u>	<u>\$ 253,712,681</u>

(See accompanying notes to consolidated financial statements)

NGP CAPITAL RESOURCES COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	For the Nine Months ended September 30, 2007	For the Nine Months ended September 30, 2006
Cash flows from operating activities		
Net increase in stockholders' equity (net assets) resulting from operations	\$ 25,811,838	\$ 9,712,323
Adjustments to reconcile net increase in stockholders' equity (net assets) resulting from operations to net cash used in operating activities		
Payment-in-kind interest	(2,966,423)	(161,942)
Payment-in-kind dividend	(93,710)	(60,998)
Net amortization of premiums, discounts and fees	(2,168,463)	(581,676)
Unrealized appreciation (depreciation) on portfolio securities and corporate notes	(5,308,882)	1,730,662
Effects of changes in operating assets and liabilities		
Accounts receivable	447,258	37,045
Interest receivable	59,991	(523,241)
Prepaid assets	664,520	(740,395)
Accounts payable	431,268	1,238,078
Purchase of investments in portfolio securities	(194,255,244)	(116,814,029)
Redemption of investments in portfolio securities	109,508,043	12,502,402
Sale of investments in corporate notes	6,007,370	2,002,737
Net sale of investments in U.S. Treasury Bills	14,855,937	425,709
Net cash provided by (used in) operating activities	(47,006,497)	(91,233,325)
Cash flows from financing activities		
Borrowings under revolving credit facility	51,000,000	100,000,000
Dividends paid	(9,243,034)	(10,701,062)
Net cash provided by (used in) financing activities	41,756,966	89,298,938
Net increase (decrease) in cash and cash equivalents	(5,249,531)	(1,934,387)
Cash and cash equivalents, beginning of the period	12,334,329	13,350,588
Cash and cash equivalents, end of period	\$ 7,084,798	\$ 11,416,201

(See accompanying notes to consolidated financial statements)

NGP CAPITAL RESOURCES COMPANY
CONSOLIDATED SCHEDULE OF INVESTMENTS
September 30, 2007
(unaudited)

Portfolio Company	Energy Industry Segment	Investment (2) (4)	Principal	Cost	Fair Value (3)
TARGETED INVESTMENTS					
Venoco, Inc. (1)	Oil & Natural Gas Production and Development	Senior Notes (7) (8.75%, due 12/15/2011)	\$ 8,000,000	\$ 7,965,691	\$ 7,980,000
Venoco, Inc. (1)	Oil & Natural Gas Production and Development	Senior Notes (7) (8.75%, due 12/15/2011)	4,000,000	3,943,079	3,990,000
Chroma Exploration & Production, Inc. (1)	Oil & Natural Gas Production and Development	8,887 Shares Series A Participating Convertible Preferred Stock 8,116 Shares Series AA Participating Convertible Preferred Stock 8.11 Shares Common Stock (5) Warrants (5)	-	2,221,710	1,221,710
			-	2,029,000	2,029,000
			-	-	-
			-	-	-
Resaca Exploitation, LP (1)	Oil & Natural Gas Production and Development	Senior Secured Multiple-Advance Tranche A Term Loan (LIBOR + 6.00%, due 5/01/2012) Overriding Royalty Interest (5) (6)	26,993,572	26,471,808	26,471,808
			30,000	30,000	125,000
			6,000,000	5,979,752	5,979,752
			30,000	30,000	125,000
			4,000,000	4,000,000	4,000,000
			-	-	-
			-	-	-
Crossroads Energy, LP (1)	Oil & Natural Gas Production and Development	Senior Secured Multiple-Advance Term Loan (LIBOR + 5.50% cash, +7.50% PIK - until 12/29/07, cash only thereafter, due 6/29/2009) Overriding Royalty Interest (6)	3,473,767	3,410,615	3,410,615
			10,000	8,913	150,000
Rubicon Energy Partners, LLC (8)	Oil & Natural Gas Production and Development	LLC Units (4,000 units) (5)	-	4,000,000	12,000,000
BSR Alto, LLC (1)	Oil & Natural Gas Production and Development	Senior Secured Multiple-Advance Term Loan (LIBOR + 5.50% cash, +7.50% PIK - until 8/17/08, cash only thereafter, due 8/17/2009) Overriding Royalty Interest (6) Warrants (5)	2,431,546	2,332,908	1,832,908
			30,000	29,102	75,000
			10,000	10,000	-
BSR Loco Bayou, LLC (1)	Oil & Natural Gas Production and Development	Senior Secured Multiple-Advance Term Loan (LIBOR + 5.50% cash, +7.50% PIK - until 8/15/08, cash only thereafter, due 8/15/2009) (5)	4,127,191	3,862,088	3,000,000

Overriding Royalty Interest (5) (6)	20,000	20,000	20,000
Warrants (5)	10,000	10,000	-

NGP CAPITAL RESOURCES COMPANY
CONSOLIDATED SCHEDULE OF INVESTMENTS
September 30, 2007
(unaudited)
(Continued)

Portfolio Company	Energy Industry Segment	Investment (2) (4)	Principal	Cost	Fair Value (3)
TARGETED INVESTMENTS - Continued					
Nighthawk Transport I, LP (1)	Energy Services	Second Lien Term Loan B (LIBOR + 8.00%, due 10/03/2010)	15,474,609	14,434,253	14,434,253
		LP Units (5)	-	224	150,000
		Warrants (5)	-	850,000	850,000
		Second Lien Delayed Draw Term Loan B (LIBOR + 8.00%, due 10/03/2010)	1,187,698	1,158,349	1,158,349
Sonoran Energy, Inc. (1)	Oil & Natural Gas Production and Development	Senior Secured Multiple-Advance Term Loan (LIBOR + 6.00%, due 2/28/2008)	6,943,853	6,856,475	6,856,475
		Overriding Royalty Interest (6)	100,000	95,801	100,000
		Warrants (5)	10,000	10,000	10,000
Alden Resources, LLC (1)	Coal Production	Senior Secured Multiple-Advance Term Loan (LIBOR + 8.00% cash, +10.00% PIK - until 1/05/2008) cash only thereafter, due 1/05/2013)	35,000,000	31,974,099	31,974,099
		Royalty Interest (6)	2,660,000	2,639,711	2,660,000
		Warrants (5)	100,000	100,000	100,000
Tammany Oil & Gas, LLC (1)	Oil & Natural Gas Production and Development	Senior Secured Multiple-Advance Term Loan (LIBOR + 6.00%, due 3/21/2010)	25,285,796	24,863,242	24,863,242
		Overriding Royalty Interest (5) (6)	200,000	200,000	300,000
TierraMar Energy LP (8)	Oil & Natural Gas Production and Development	Overriding Royalty Interest (6) Class A Preferred LP Units (5)	20,000	18,359	200,000
			14,733,857	14,733,857	14,733,857
Anadarko Petroleum Corporation	Oil & Natural Gas Production and Development	Multiple-Advance Net Profits Interest (Due 4/23/2032)	49,325,351	49,347,154	49,347,154
2007-III Drilling Fund (1)					
Fomidable, LLC (1)	Oil & Natural Gas Production and Development	Senior Secured Multiple-Advance Term Loan (LIBOR + 5.50% cash, +7.50% PIK due 12/31/2007)	30,218,834	29,840,685	29,840,685
		Warrants (5)	500,000	500,000	500,000
DeanLake Operator, LLC (1)	Oil & Natural Gas Production and Development	Senior Secured Multiple-Advance Term Loan (LIBOR + 7.00%, due 6/25/2010)	12,178,910	11,913,480	11,913,480
		Overriding Royalty Interest (5) (6)	20,000	20,000	20,000
		Warrants (5)	10,000	10,000	10,000
Excel Mining Systems, LLC (1)	Coal Mining Services	Second Lien Term Loan	5,000,000	4,950,593	5,050,000

(LIBOR + 7.25%, due 7/30/2015)

Subtotal Targeted Investments (65.07% of total investments)

\$ 260,870,948

\$267,482,387

NGP CAPITAL RESOURCES COMPANY
CONSOLIDATED SCHEDULE OF INVESTMENTS
September 30, 2007
(unaudited)
(Continued)

Issuing Company	Energy Industry Segment	Investment (2) (4)	Principal	Cost	Fair Value (3)
<u>CORPORATE NOTES</u>					
Pioneer Natural Resources Co.	Energy	Senior Notes, 7.2%, due 2028	\$ 10,000,000	\$ 11,642,328	\$ 8,936,500
Subtotal Corporate Notes (2.17% of total investments)				<u>\$ 11,642,328</u>	<u>\$ 8,936,500</u>
<u>GOVERNMENT SECURITIES</u>					
U.S. Treasury Bills	Government	U.S. Treasury Bills, 3.890%, due 12/13/2007	\$ 5,991,000	\$ 5,944,836	\$ 5,944,836
U.S. Treasury Bills	Government	U.S. Treasury Bills, 3.890%, due 12/13/2007	12,000,000	11,907,534	11,907,534
U.S. Treasury Bills	Government	U.S. Treasury Bills, 3.890%, due 12/13/2007	12,000,000	11,907,534	11,907,534
U.S. Treasury Bills	Government	U.S. Treasury Bills, 3.890%, due 12/13/2007	12,000,000	11,907,533	11,907,533
U.S. Treasury Bills	Government	U.S. Treasury Bills, 3.890%, due 12/13/2007	12,000,000	11,907,533	11,907,533
U.S. Treasury Bills	Government	U.S. Treasury Bills, 3.890%, due 12/13/2007	12,000,000	11,907,533	11,907,533
U.S. Treasury Bills	Government	U.S. Treasury Bills, 3.890%, due 12/13/2007	12,000,000	11,907,533	11,907,533
U.S. Treasury Bills	Government	U.S. Treasury Bills, 3.890%, due 12/13/2007	12,000,000	11,907,533	11,907,533
U.S. Treasury Bills	Government	U.S. Treasury Bills, 3.890%, due 12/13/2007	12,000,000	11,907,533	11,907,533
U.S. Treasury Bills	Government	U.S. Treasury Bills, 3.524%, due 12/13/2007	26,796,000	26,608,540	26,608,540
Subtotal Government Securities (31.04% of total investments)				<u>\$ 127,813,642</u>	<u>\$ 127,813,642</u>
<u>CASH</u>					
Subtotal Cash (1.72% of total investments)				<u>\$ 7,084,798</u>	<u>\$ 7,084,798</u>
<u>TOTAL INVESTMENTS, CASH AND CASH EQUIVALENTS</u>				<u>\$ 407,411,716</u>	<u>\$ 411,317,327</u>
<u>LIABILITIES IN EXCESS OF OTHER ASSETS</u>					<u>\$ (157,604,646)</u>
<u>NET ASSETS</u>					<u>\$ 253,712,681</u>

(1) Portfolio company is not controlled by or affiliated with us as defined by the Investment Company Act of 1940.

(2) Percentages represent interest rates in effect at September 30, 2007, and due dates represent the contractual maturity dates.

(3) Fair value of targeted investments is determined by or under the direction of the Board of Directors.

(4) All investments are in entities with primary operations in the United States of America.

(5) Non-income producing securities.

(6) Securities are subject to restrictions as to their sale.

(7) Upon the March 30, 2006 closing of Venoco, Inc.'s TexCal acquisition, Venoco Inc.'s senior notes became

collateralized by second priority liens.

(8) Portfolio company is controlled by us as defined by the Investment Company Act of 1940.

(See accompanying notes to consolidated financial statements)

NGP CAPITAL RESOURCES COMPANY
CONSOLIDATED FINANCIAL HIGHLIGHTS
(unaudited)

	For the Nine Months ended September 30, 2007	For the Nine Months ended September 30, 2006
Per Share Data		
Net asset value, beginning of period	\$ 13.96	\$ 14.02
Net investment income	0.82	0.67
Net realized and unrealized gain (loss) on portfolio securities and corporate notes	<u>0.67</u>	<u>(0.11)</u>
Net increase in stockholders' equity (net assets) resulting from operations	<u>1.49</u>	<u>0.56</u>
Dividends declared	<u>(0.93)</u>	<u>(0.59)</u>
Net asset value, end of period	<u>\$ 14.52</u>	<u>\$ 13.99</u>
Market value, beginning of period	\$ 16.75	\$ 13.13
Market value, end of period	\$ 16.23	\$ 14.59
Market value return (1)	2.38%	15.83%
Net asset value return (1)	9.89%	4.02%

Ratios and Supplemental Data

(\$ and shares in thousands)

Net assets, end of period	\$ 253,713	\$ 243,345
Average net assets	\$ 248,485	\$ 243,622
Common shares outstanding at end of period	17,470	17,400
Total operating expenses less management and incentive fees and interest expense/average net assets (2)	1.55%	1.41%
Total operating expenses less management and incentive fees/average net assets (2)	4.19%	1.96%
Total operating expenses/average net assets (2)	7.04%	3.81%
Net investment income/average net assets (2)	7.63%	6.38%
Net increase in net assets resulting from operations/average net assets (2)	13.89%	5.33%
Portfolio turnover rate	44.07%	5.13%

(1) Return calculations assume reinvestment of dividends and are not annualized.

(2) Annualized.

(See accompanying notes to consolidated financial statements)

NGP CAPITAL RESOURCES COMPANY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2007
(Unaudited)

Note 1: Organization

NGP Capital Resources Company (the "Company") was organized as a Maryland corporation in July 2004. The Company has elected to be regulated as a business development company ("BDC") under the Investment Company Act of 1940, as amended (the "1940 Act"). In addition, for federal income tax purposes the Company has elected to be treated as a regulated investment company ("RIC") under the Internal Revenue Code of 1986, as amended (the "Code"). The Company has several subsidiaries that are single member limited liability companies and wholly owned limited partnerships established to hold certain portfolio investments or provide services to the Company in accordance with specific rules prescribed for a company operating as a RIC. These subsidiaries are: NGPC Funding GP, LLC, a Texas limited liability company; NGPC Nevada, LLC, a Nevada limited liability company; NGPC Funding, LP, a Texas limited partnership; NGPC Asset Holdings GP, LLC, a Texas limited liability company; NGPC Asset Holdings, LP, a Texas limited partnership; NGPC Asset Holdings II, LP, a Texas limited partnership; NGPC Asset Holdings III, LP, a Texas limited partnership and NGPC Asset Holdings IV, LP, a Texas limited partnership. The Company consolidates the results of its subsidiaries for financial reporting purposes. The Company does not consolidate the financial results of its portfolio companies.

The Company was created to invest primarily in small and mid-size private energy companies, which are generally defined as companies that have net asset values or annual revenues of less than \$500 million and are not issuers of securities listed on a national exchange. The Company's investment objective is to generate both current income and capital appreciation through debt and equity investments or a combination thereof.

The Company is managed and advised, subject to the overall supervision of the Company's Board of Directors, by NGP Investment Advisor, LP (the "Manager"), a Delaware limited partnership owned by NGP Energy Capital Management, LLC, and NGP Administration, LLC (the "Administrator"), the Company's administrator.

Note 2: Significant Accounting Policies

The interim unaudited consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated. The interim consolidated financial statements have been prepared by management of the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations, although the Company believes the disclosures included herein are adequate to make the information presented not misleading. In the opinion of management, all adjustments which are of a normal recurring nature considered necessary for presentation of the information have been included. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2006. Interim results are not necessarily indicative of results for a full year.

The following is a summary of the significant accounting policies consistently applied by the Company in the preparation of its consolidated financial statements:

Use of Estimates

The interim consolidated financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles that require management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and the accompanying notes to the consolidated financial statements. Actual results could differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits and highly liquid investments with original maturities of three months or less when purchased. Cash and cash equivalents are carried at cost which approximates fair value.

Prepaid Assets

Prepaid assets consist of premiums paid for directors' and officers' insurance and fidelity bonds with policy terms of one year and fees associated with the establishment of the credit facility. Such premiums and fees are amortized monthly on a straight line basis over the term of the policy or credit facility.

Concentration of Credit Risk

The Company places its cash and cash equivalents with financial institutions and, at times, cash held in checking accounts may exceed the Federal Deposit Insurance Corporation insured limit.

Valuation of Investments

Investments are carried at fair value, as determined in good faith by the Company's Board of Directors. On a quarterly basis, the investment team of our manager prepares valuations for all of the assets in our portfolio companies and presents the valuations to the Company's Valuation Committee and Board of Directors. The valuations are determined and recommended by the Valuation Committee to the Board of Directors, which reviews and ratifies the final portfolio valuations.

Investments in securities for which market quotations are readily available are recorded in the financial statements at such market quotations as of the valuation date adjusted for appropriate liquidity discounts, if applicable. For investments in securities for which market quotations are unavailable, or which have various degrees of trading restrictions, the investment team prepares valuation analyses, as generally described below.

Using the most recently available financial statements, forecasts and, when applicable, comparable transaction data, the investment team prepares

valuation analyses for the various securities in the Company's investment portfolio. These valuation analyses are prepared using traditional valuation methodologies which rely on estimates of the asset values and enterprise values of portfolio companies issuing securities.

The methodologies for determining asset valuations include estimates based on the liquidation or sale value of a portfolio company's assets, the discounted value of expected future net cash flows from the assets, third party valuations of the portfolio company's assets (such as engineering reserve reports of oil and gas properties) or multiples from transactions involving the sale of comparable assets. Some or all of the above valuation methods are considered to determine the estimated asset value of a portfolio company.

The methodologies for determining enterprise valuations include estimates based on valuations of comparable public companies, recent sales of comparable companies, the value of recent investments in the equity securities of the portfolio company and the asset valuation methodologies described in the above section. Some or all of the above valuation methods are considered to determine the estimated enterprise value of a portfolio company.

Debt Securities: The Company values its investments in non-convertible debt securities at its original net book value plus amortized original issue discount, or OID, to the extent that the estimated asset or enterprise value of the portfolio company exceeds the outstanding debt of the portfolio company. The Company values convertible debt securities at the higher of: 1) cost plus amortized OID, to the extent that the estimated asset or enterprise value of the portfolio company equals or exceeds the outstanding debt of the portfolio company; and 2) the Company's pro rata share, upon conversion, of the residual equity value of the portfolio company available after deducting all outstanding debt from its estimated enterprise value. If the estimated asset or enterprise value is less than the sum of the value of the Company's debt investment and all other debt securities of the portfolio company *pari passu* or senior to the Company's debt investment, the Company reduces the value of its debt investment beginning with its junior-most debt investment such that the asset or enterprise value less the value of the outstanding *pari passu* or senior debt is zero.

Equity Securities: The Company values its investments in preferred and common equity securities (including warrants or options to acquire equity securities) based on its pro rata share of the residual equity value available after deducting all outstanding debt from the estimated enterprise value.

Property-Based Equity Participation Rights: The Company values investments in overriding royalty and net profits interests based on a multiple of cash flows generated by such investments, multiples from transactions involving the sale of comparable assets and/or the discounted value of expected future net cash flows from such investments. The Company derives appropriate cash flow multiples from the review of comparable transactions involving similar assets. The Company derives the discounted value of future net cash flows, when appropriate, from third party valuations of a portfolio company's assets, such as engineering reserve reports of oil and gas properties.

Due to the uncertainty inherent in the valuation process, such estimates of fair value may differ significantly from the values that would have been used had a ready market for the securities existed, and the differences could be material. Additionally, changes in the market environment and other events that may occur over the life of the investments may cause the gains or losses ultimately realized on these investments to be different from the valuations currently assigned.

Securities Transactions, Interest and Dividend Income Recognition

All securities transactions are accounted for on a trade-date basis. Interest income is recorded on the accrual basis to the extent that such amounts are expected to be collected. Premiums and discounts are accreted into interest income using the effective interest method. Detachable warrants, other equity securities or property interests such as overriding royalty interests obtained in conjunction with the acquisition of debt securities are recorded separately from the debt securities at their initial fair value, with a corresponding amount recorded as a discount to the associated debt security. Income from overriding royalty interests is recognized as received and the recorded assets are charged depletion using the unit of production depletion method. The portion of the loan origination fees paid that represent additional yield or discount on a loan are deferred and accreted into interest income over the life of the loan using the effective interest method. Upon the prepayment of a loan or debt security, any unamortized loan origination fees are recorded as interest income and any unamortized premium or discount is recorded as a realized gain or loss. Market premiums or discounts on acquired loans or fixed income investments are accreted into interest income using the effective interest method. Dividend income is recognized on the ex-dividend date. Accruing interest or dividends on investments is deferred when it is determined that the interest or dividend is not collectible. Collectibility of the interest and dividends is assessed, based on many factors including the portfolio company's ability to service its loan based on current and projected cash flows, as well as the current valuation of the company's assets.

Payment-in-Kind Interest and Dividends

The Company may have investments in its portfolio that contain a payment-in-kind ("PIK") provision. PIK interest or dividends, computed at the contractual rate specified in each investment agreement, are added to the principal balance of the investment and recorded as interest or dividend income. For investments with PIK interest or dividends, the Company bases income accruals on the principal balance including any PIK. If the portfolio company's asset valuation is not sufficient to cover the contractual interest, management will not accrue interest or dividend income on the investment. To maintain our RIC status, this non-cash source of income must be paid out to stockholders in the form of dividends, even though we have not yet collected the cash. For the three and nine months ended September 30, 2007, we earned approximately \$1,030,891 and \$2,966,423 in PIK interest income, respectively, and \$0 and \$93,710 in PIK dividend income, respectively.

Net Realized Gains or Losses and Net Change in Unrealized Appreciation or Depreciation

Realized gains or losses are measured by the difference between the net proceeds from the repayment or sale and the amortized cost basis of the investment, considering unamortized fees and prepayment premiums, and without regard to unrealized appreciation or depreciation previously recognized, and include investments charged off during the year, net of recoveries. Net unrealized appreciation or depreciation reflects the change in portfolio investment values during the reporting period including the reversal of previously recorded unrealized appreciation or depreciation, when capital gains or losses are realized.

Fee Income Recognition

Fees primarily include financial advisory, transaction structuring, loan administration, commitment and prepayment fees. Financial advisory fees represent amounts received for providing advice and analysis to companies and are recognized as earned when such services are performed provided collection is probable. Transaction structuring fees represent amounts received for structuring, financing and executing transactions and are generally payable only if the transaction closes. Such fees are deferred and accreted into interest income over the life of the loan using the effective interest method. Commitment fees represent amounts received for committed funding and are generally payable whether or not the transaction closes. On transactions that

close within the commitment period, commitment fees are deferred and accreted into interest income over the life of the loan using the effective interest method. Commitment fees on transactions that do not close are generally recognized over the period the commitment is outstanding. Prepayment and loan administration fees are recognized as they are received. In the third quarter of 2007, the Company accreted approximately \$681,000 of fee income into interest income, compared to accreted income of approximately \$311,000 during the third quarter of 2006. For the nine months ended September 30, 2007, the Company accreted approximately \$2.2 million of fee income into interest income, compared to accreted income of approximately \$585,000 during the same period of 2006. The increase is primarily due to overall higher fee income balances and accelerated recognition due to early transaction repayments.

Dividends

Dividends to stockholders are recorded on the ex-dividend date. For tax purposes, the Company intends to continue to qualify as a RIC under the Code for 2005 and later years. In order to maintain the Company's status as a RIC, the Company is required to distribute at least 90% of its investment company taxable income. In addition, the Company must distribute at least 98% of its taxable income (both ordinary income and net capital gains) to avoid excise tax. The Company intends to make distributions to stockholders on a quarterly basis of substantially all net taxable income. The Company also intends to make distributions of net realized capital gains, if any, at least annually. However, the Company may in the future decide to retain capital gains for investment and designate such retained dividends as a deemed distribution. The amount to be paid out as a dividend is determined by the Company's Board of Directors each quarter and is based on the annual taxable earnings estimated by the Manager. Based on that estimate, a dividend is declared each quarter and paid shortly thereafter.

For the period ended December 31, 2004, the Company was treated as a “C” corporation and had no taxable income and therefore did not declare a dividend for that period. The following table summarizes the Company’s dividend history:

Dividend History

Declaration Date	Amount	Record Date	Payment Date
March 18, 2005	\$ 0.120	March 31, 2005	April 15, 2005
June 17, 2005	\$ 0.125	June 30, 2005	July 15, 2005
September 19, 2005	\$ 0.140	September 30, 2005	October 14, 2005
December 15, 2005	\$ 0.275	December 27, 2005	January 4, 2006
March 10, 2006	\$ 0.160	March 31, 2006	April 17, 2006
June 14, 2006	\$ 0.180	June 30, 2006	July 14, 2006
September 14, 2006	\$ 0.250	September 29, 2006	October 13, 2006
December 7, 2006	\$ 0.330	December 19, 2006	December 29, 2006
March 19, 2007	\$ 0.265	March 30, 2007	April 13, 2007
June 13, 2007	\$ 0.310	June 29, 2007	July 13, 2007
September 12, 2007	\$ 0.350	September 28, 2007	October 12, 2007

The Company has established an “opt out” dividend reinvestment plan, operated by its transfer agent, for its common stockholders. As a result, if the Company declares a cash dividend, a stockholder’s cash dividend will be automatically reinvested in additional shares of the Company’s common stock unless the stockholder, or his or her broker, specifically “opts out” of the dividend reinvestment plan and elects to receive cash dividends. It is customary practice for many brokers to “opt out” of dividend reinvestment plans on behalf of their clients unless specifically instructed otherwise. Stockholders whose shares are registered in his or her name are eligible for the dividend reinvestment plan through our stock transfer agent. Stockholders whose shares are held in a brokerage account or registered in street name can contact their broker regarding drip plan eligibility. As of September 30, 2007, holders of 1,438,143 shares, or approximately 8.2% of outstanding shares, were participants in the Company’s dividend reinvestment plan.

The Company’s plan provides for the plan agent to purchase shares in the open market for credit to the accounts of plan participants unless the average of the closing sales prices for the shares for the five days immediately preceding the payment date exceeds 110% of the most recently reported net asset value per share. Through the third quarter of 2006, all shares credited to participants’ accounts were purchased in the open market. The table below summarizes participation in the Company’s dividend reinvestment plan:

Dividend	Dividend Reinvestment Plan Participation				Common Stock Dividends		
	Participating Shares	Percentage of Outstanding Shares	Total Distribution	Cash Dividends	Purchased in Open Market	Newly Issued Shares	
						Amount	Shares
March 2005	-	0.0%	\$ 2,088,012	\$ 2,088,012	\$ -	\$ -	-
June 2005	1,215,870	7.0%	\$ 2,175,013	\$ 2,023,029	\$ 151,984	\$ -	-
September 2005	1,488,904	8.6%	\$ 2,436,014	\$ 2,227,567	\$ 208,447	\$ -	-
December 2005	1,660,140	9.5%	\$ 4,785,028	\$ 4,328,488	\$ 456,540	\$ -	-
March 2006	1,618,940	9.3%	\$ 2,784,016	\$ 2,524,986	\$ 259,030	\$ -	-
June 2006	1,410,227	8.1%	\$ 3,132,018	\$ 2,878,177	\$ 253,841	\$ -	-
September 2006	1,270,634	7.3%	\$ 4,350,025	\$ 4,032,366	\$ 317,659	\$ -	-
December 2006	1,111,045	6.4%	\$ 5,742,033	\$ 5,375,388	\$ -	\$ 366,645	22,168
March 2007	1,355,671	7.8%	\$ 4,616,901	\$ 4,257,648	\$ -	\$ 359,253	22,692
June 2007	1,363,066	7.8%	\$ 5,407,938	\$ 4,985,387	\$ -	\$ 422,550	24,694
September 2007	1,438,143	8.2%	\$ 6,114,379	\$ 5,611,029	\$ -	\$ 503,350	30,678 (1)

(1) Shares were issued on October 12, 2007 for the September 2007 dividend. See above and Note 4 for further detail.

Income Taxes

The Company adopted the Financial Accounting Standards Board’s Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109 (“FIN 48”)*, effective January 1, 2007. FIN 48 establishes a single model to address accounting for uncertain tax positions. FIN 48 clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 also provides guidance on derecognition, measurement classification, interest and penalties, accounting in interim periods, disclosure and transition. The adoption of FIN 48 did not have a material effect on the Company’s consolidated financial position or results of operations. See Note 6 for additional information.

In conjunction with the adoption of FIN 48, the Company implemented its policy to record estimated interest and penalties related to the underpayment of income tax as a component of tax expense in the Consolidated Statement of Operations. However, there were no amounts for tax-related interest or penalties incurred for the quarter ended September 30, 2007.

Note 3: Credit Facility

On August 31, 2007, the Company entered into a First Amendment to Treasury Secured Revolving Credit Agreement, effective as of August 31, 2006, which amended certain provisions of the Company's Treasury Secured Revolving Credit Agreement, dated as of August 31, 2006 and entered into a First Amendment to Amended and Restated Revolving Credit Agreement, effective as of August 31, 2006, which amended certain provisions of the Company's Amended and Restated Revolving Credit Agreement, dated as of August 31, 2006. These amendments clarified certain (i) covenants relating to the maximum permitted amount of the Company's unfunded commitments to provide loans, advances or guarantees with respect to certain of its investments, (ii) covenants relating to the Company's use of proceeds under the Amended and Restated Revolving Credit Agreement and (iii) defined terms. The Treasury Credit Agreement was also amended on October 18, 2007. See Note 9 for additional information.

On August 31, 2006, the Company simultaneously repaid its original credit facility and entered into an Amended and Restated Revolving Credit Agreement (the "Investment Credit Agreement") among the Company, the syndicated lenders party thereto and SunTrust Bank, as administrative agent for the lenders. Also on August 31, 2006, the Company entered into a Treasury Secured Revolving Credit Agreement (as amended, restated, supplemented or otherwise modified from time to time, the "Treasury Credit Agreement") among the Company, the syndicated lenders party thereto and SunTrust Bank, as administrative agent for the lenders.

Under the Investment Credit Agreement, the lenders have agreed to extend revolving credit to the Company in an amount not to exceed \$80 million, which includes a \$10 million letter of credit subfacility; however, the Company has the ability to increase the credit available under the Investment Credit Agreement to an amount not to exceed \$175 million by obtaining additional commitments from existing lenders or new lenders. The Investment Credit Agreement has a three-year term and bears interest, at the Company's option, at either (i) LIBOR plus 125 to 225 basis points, based on the degree of leverage of the Company or (ii) the base rate plus 0 to 75 basis points, based on the degree of leverage of the Company. Proceeds from the Investment Credit Agreement will be used to supplement the Company's equity capital to make portfolio investments. As of September 30, 2007, the Company has borrowed \$51 million under the Investment Credit Agreement. The interest rates were 7.75% (Prime) on \$30 million, 6.37875% (LIBOR rate of 5.12875% plus 125 basis points) on \$11 million, and 7.0025% (LIBOR rate of 5.7525% plus 125 basis points) on \$10 million.

The obligations under the Investment Credit Agreement are collateralized by substantially all of the Company's assets, except certain assets that collateralize the Treasury Credit Agreement and are guaranteed by the Company's existing and future subsidiaries, other than special purpose subsidiaries and certain other subsidiaries. The Investment Credit Agreement contains affirmative and reporting covenants and certain financial ratio and restrictive covenants, including: (a) maintaining a ratio of net asset value to consolidated total indebtedness (excluding net hedging liabilities) of the Company and its subsidiaries, of not less than 2.25:1.0, (b) maintaining a ratio of net asset value to consolidated total indebtedness (including net hedging liabilities) of the Company and its subsidiaries, of not less than 2.0:1.0, (c) maintaining a ratio of net income (excluding revenue from collateral under the Treasury Credit Agreement) plus interest, taxes, depreciation and amortization expenses ("EBITDA") to interest expense (excluding interest on loans under the Treasury Credit Agreement) of the Company and its subsidiaries of not less than 3.0:1.0, (d) limitations on additional indebtedness, (e) limitations on liens, (f) limitations on mergers and other fundamental changes, (g) limitations on dividends, (h) limitations on disposition of assets other than in the normal course of business, (i) limitations on transactions with affiliates, (j) limitations on agreements that prohibit liens on properties of the Company and its subsidiary guarantors, (k) limitations on sale and leaseback transactions, (l) limitations on speculative hedging transactions and (m) limitations on the aggregate amount of unfunded commitments. From time to time, certain of the lenders may provide customary commercial and investment banking services to the Company.

Under the Treasury Credit Agreement, the lenders have agreed to extend revolving credit loans to the Company in an amount not to exceed \$100 million. See Note 9 for additional information. Proceeds from the Treasury Credit Agreement have been used to facilitate the growth of the Company's investment portfolio and provide flexibility in the sizing of its portfolio investments. The Treasury Credit Agreement has a three-year term and bears interest, at the Company's option, at either (i) LIBOR plus 25 basis points or (ii) the base rate. As of September 30, 2007, the interest rate was 6.0025% (LIBOR rate of 5.7525% plus 25 basis points) on the Company's \$100 million outstanding balance under the Treasury Credit Agreement. Prepayments of loans under the Treasury Credit Agreement made during the first year are subject to a premium equal to 1% of the amount so prepaid.

The obligations under the Treasury Credit Agreement are collateralized by certain securities account assets and are guaranteed by the Company's existing and future subsidiaries, other than special purpose subsidiaries and certain other subsidiaries. The Treasury Credit Agreement contains affirmative and reporting covenants and certain financial ratio and restrictive covenants, including: (a) maintaining a ratio of net asset value to consolidated total indebtedness (excluding net hedging liabilities) of the Company and its subsidiaries, of not less than 2.25:1.0, (b) maintaining a ratio of net asset value to consolidated total indebtedness (including net hedging liabilities) of the Company and its subsidiaries, of not less than 2.0:1.0, (c) maintaining a ratio of EBITDA (excluding revenue from cash collateral) to interest expense (excluding interest on loans under the Treasury Credit Agreement) of the Company and its subsidiaries of not less than 3.0:1.0, (d) maintaining a ratio of collateral to the aggregate principal amount of loans under the Treasury Credit Agreement of not less than 1.01:1.0, (e) limitations on additional indebtedness, (f) limitations on liens, (g) limitations on mergers and other fundamental changes, (h) limitations on dividends, (i) limitations on disposition of assets other than in the normal course of business, (j) limitations on transactions with affiliates, (k) limitations on agreements that prohibit liens on properties of the Company and its subsidiary guarantors, (l) limitations on sale and leaseback transactions, (m) limitations on speculative hedging transactions and (n) limitations on the aggregate amount of unfunded commitments. From time to time, certain of the lenders may provide customary commercial and investment banking services to the Company.

Note 4: Issuance of Common Stock

On August 6, 2004, the Company, in its initial capitalization transaction, sold 100 shares of common stock to Natural Gas Partners, LLC for \$15.00 per share. On November 9, 2004, the Company's Registration Statement (Registration No. 333-118279) was declared effective by the SEC in connection with the public offering of 16,000,000 shares of common stock (plus up to 2,400,000 additional shares of common stock upon the exercise of the underwriters' over-allotment option), which commenced on November 10, 2004. The number of securities registered, including the shares of common stock subject to the underwriters' over-allotment option, was 18,400,000, of which 17,400,000 were sold to the public at a price of \$15.00 per share.

The net proceeds from the initial public offering of the shares of common stock, after deducting expenses of approximately \$2,308,000 and underwriting discounts and commissions of \$0.825 per share, were approximately \$244,337,000.

The Company's dividend reinvestment plan provides for the plan agent to purchase shares in the open market for credit to the accounts of plan participants unless the average of the closing sales prices for the shares for the five days immediately preceding the payment date exceeds 110% of the most recently reported net asset value per share. Through the third quarter of 2006, all shares credited to participants' accounts were purchased in the open market. See Note 2, Dividends, for a table summary of Dividend Reinvestment Plan Participation.

Note 5: Investment Management

The Company has entered into an investment advisory agreement with the Manager under which the Manager, subject to the overall supervision of the Company's Board of Directors, manages the day-to-day operations of, and provides investment advisory services to, the Company. The investment advisory agreement was originally approved by the Company's Board of Directors on November 9, 2004, and on October 25, 2006, the Company's Board of Directors, including all of the independent directors, approved an extension of the investment advisory agreement through November 9, 2007. The investment advisory agreement provides that unless terminated earlier as described below, the agreement shall remain in effect from year-to-year provided such continuance is approved at least annually by the Board of Directors or by the affirmative vote of the holders of a majority of the Company's outstanding voting securities, including, in either case, approval by a majority of the Company's directors who are not interested persons. See Note 9 for additional information.

For providing these services, the Manager receives a fee from the Company, consisting of two components, a base management fee and an incentive fee.

Under the investment advisory agreement, the base management fee is calculated quarterly as 0.45% of the average of total assets of the Company as of the end of the two previous quarters. The base management fee is payable quarterly in arrears. Of the \$2,061,266 management and incentive fees payable as of September 30, 2007, \$1,626,857 was payable to the Manager for the base management fee for the third quarter of 2007. See Note 9 for additional information.

The incentive fee under the investment advisory agreement consists of two parts. The first part, which is calculated and payable quarterly in arrears, equals 20% of the excess, if any, of the Company's net investment income for the quarter that exceeds a quarterly hurdle rate equal to 2% (8% annualized) of the Company's net assets.

For this purpose, net investment income means interest income, dividend income and any other income (including any other fees, such as commitment, origination, syndication, structuring, diligence, managerial assistance, monitoring and consulting fees or other fees that the Company receives from portfolio companies) accrued during the fiscal quarter, minus the Company's operating expenses for the quarter (including the base management fee, expenses payable under the administration agreement, any interest expense and dividends paid on issued and outstanding preferred stock, if any, but excluding the incentive fee). Net investment income includes, in the case of investments with a deferred interest feature (such as premium and discount, debt instruments with payment-in-kind interest and zero coupon securities), accrued income that the Company has not yet received in cash. Net investment income does not include any realized capital gains, realized capital losses or unrealized capital appreciation or depreciation.

The incentive fees due in any fiscal quarter are calculated as follows:

- no incentive fee in any fiscal quarter in which the Company's net investment income does not exceed the hurdle rate.
- 20% of the amount of the Company's net investment income, if any, that exceeds the hurdle rate in any fiscal quarter.

There were no investment income incentive fees earned for the third quarter of 2006 and 2007. Investment income incentive fees were \$88,060 and \$0 for the nine months ended September 30, 2007 and 2006, respectively.

The second part of the incentive fee (the "Capital Gains Fee") is determined and payable in arrears as of the end of each fiscal year (or upon termination of the investment advisory agreement, as of the termination date), and equals (1) 20% of (a) the Company's net realized capital gain (realized capital gains less realized capital losses, but not less than zero) on a cumulative basis from the closing date of the Company's initial public offering to the end of such fiscal year, less (b) any unrealized capital depreciation at the end of such fiscal year, less (2) the aggregate amount of all Capital Gains Fees paid to the Manager in prior fiscal years. Capital Gains Fees are estimated as of the end of the each fiscal quarter based on the gains realized during such quarter and the unrealized losses as of the end of such quarter. To the extent that Capital Gains Fees are earned by the Manager, an accrual is made in the amount of the estimated Capital Gains Fee. Because unrealized losses may fluctuate from quarter to quarter, the accrual, if any, may fluctuate as well. There were no Capital Gains Fees earned or accrued for the three and nine month periods ended September 30, 2006. The balance of the estimated Capital Gains Fee accrual account as of September 30, 2007 was \$434,409.

Realized capital gains on a security are calculated as the excess of the net amount realized from the sale or other disposition of such security over the amortized cost for the security. Realized capital losses on a security are calculated as the amount by which the net amount realized from the sale or other disposition of such security is less than the amortized cost of such security. Unrealized capital depreciation on a security is calculated as the amount by which the original cost of such security exceeds the fair value of such security at the end of a fiscal year. All period-end valuations are determined by the Company in accordance with GAAP and the 1940 Act.

The Manager has agreed that, beginning on November 9, 2006, and to the extent permissible under federal securities laws and regulations, including Regulation M, it will utilize 30% of the fees it receives from the capital gains portion of the incentive fee (up to a maximum of \$5 million of fees received in the aggregate) to purchase shares of the Company's common stock in open market purchases through an independent trustee or agent. Any sales of such stock will comply with any applicable six-month holding period under Section 16(b) of the Securities Act of 1933, as amended, and all other restrictions contained in any law or regulation, to the fullest extent applicable to any such sale. Any change in this voluntary agreement will not be implemented without at least 90 days' prior notice to stockholders and compliance with all applicable laws and regulations. No shares have been repurchased under this agreement.

The investment advisory agreement may be terminated at any time, without the payment of any penalty, by a vote of the Company's Board of Directors or the holders of a majority of the Company's shares on 60 days' written notice to the Manager, and would automatically terminate in the event of its "assignment" (as defined in the 1940 Act).

The investment advisory agreement provides that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, the Manager, its partners and the Managers' and its partners' respective officers, managers, partners, agents, employees, controlling persons, members and any other person or entity affiliated with it are entitled to indemnification from the Company for any damages, liabilities, costs and expenses (including reasonable attorneys' fees and amounts reasonably paid in settlement) arising out of or otherwise based upon any of the Manager's duties or obligations under the investment advisory agreement or otherwise as the Company's investment adviser.

Pursuant to the investment advisory agreement, the compensation and routine overhead expenses of the investment professionals of the Company's management team and their respective staffs, when and to the extent engaged in providing management and investment advisory services to the Company, will be paid for by the Manager. The Company will bear all other costs and expenses of the Company's operations and transactions.

The Manager, NGP Investment Advisor, LP, was formed in 2004 and maintains an office at 1221 McKinney Street, Suite 2975, Houston, Texas 77010. The Manager's sole activity is to perform management and investment advisory services for the Company. The Manager is a registered investment adviser under the Investment Advisers Act of 1940, as amended.

The foregoing description of the investment advisory agreement is qualified in its entirety by reference to the full text of the document, a copy of which was filed as Exhibit 10.1 to the Company's Form 10-K for the year ended December 31, 2004, and is incorporated herein by reference.

The Company has entered into an administration agreement with the Administrator, under which the Administrator furnishes the Company with office facilities, equipment and clerical, bookkeeping and record keeping services at such facilities and performs, or oversees the performance of, administrative services, which include being responsible for the financial records that the Company is required to maintain and preparing reports to the Company's stockholders and reports filed with the SEC.

In addition, the Administrator assists in determining and publishing the Company's net asset value, oversees the preparation and filing of the Company's tax returns and the printing and dissemination of reports to the Company's stockholders and generally oversees the payment of the Company's expenses and the performance of administrative and professional services rendered to the Company by others. Payments under the administration agreement are equal to amounts based upon the allocable portion of the Administrator's costs and expenses in performing its obligations under the administration agreement. The Administrator bills the Company for charges under the administration agreement monthly in arrears.

Of the \$709,406 in accounts payable as of September 30, 2007, \$208,611 is due to the Administrator for expenses incurred on the Company's behalf for the month of September 2007. As of September 30, 2006, \$156,041 of the \$916,528 in accounts payable was due to the Administrator for expenses incurred on the Company's behalf for the month of September 2006.

The administration agreement was originally approved by the Company's Board of Directors on November 9, 2004. The administration agreement provides that unless terminated earlier as described below, the agreement will continue in effect from year-to-year provided such continuance is approved at least annually by (i) the Company's Board of Directors and (ii) a majority of the Company's directors who are not parties to the administration agreement or "interested persons" of any such party. On October 25, 2006, the Board of Directors, including all of the independent directors, approved an extension of the administration agreement through November 9, 2007. See Note 9 for additional information.

The foregoing description of the administration agreement is qualified in its entirety by reference to the full text of the document, a copy of which was filed as Exhibit 10.2 to the Company's Form 10-K for the year ended December 31, 2004, and is incorporated herein by reference.

Note 6: Federal Income Taxes

The Company adopted FIN 48, effective January 1, 2007. The adoption of FIN 48 did not have a material effect on the Company's consolidated financial position or results of operations. As a result, there was no cumulative effect related to adopting FIN 48. For federal income tax purposes, as of September 30, 2007, the tax years ended December 31, 2004, 2005 and 2006 remain subject to examination.

The Company intends to qualify for tax purposes as a RIC under the Code for 2005 and later years. As a RIC, the Company generally will not be subject to federal income tax on the portion of its investment company taxable income and gains distributed to stockholders. To qualify as a RIC, the Company is required, among other things, to distribute to its stockholders at least 90% of investment company taxable income, as defined by the Code, and to meet certain asset diversification requirements. At December 31, 2004, the Company's temporary investments included commercial paper of certain issuers that exceeded 5% of the value of its total assets. These investments were classified as cash equivalents for financial statement purposes. The Company was advised, however, that for purposes of the federal income tax rules governing RIC status, these commercial paper investments could not be classified as cash items, in which case the Company did not meet the RIC asset diversification requirements at December 31, 2004 and was instead treated as a "C" corporation for tax purposes for 2004.

For the years ended December 31, 2005 and 2006, the Company met all RIC requirements. The Company distributed substantially all of its investment company taxable income for 2005 and for 2006. Thus, the Company did not incur any federal income tax liability for either period.

Differences between the effective income tax rate and the statutory federal tax rate for the periods ended September 30, 2007 and September 30, 2006 were as follows:

	For the Nine Months ended September 30, 2007 (unaudited)	For the Nine Months ended September 30, 2006 (unaudited)
Statutory federal rate on loss from continuing operations	34%	34%
Effect of net deferred tax assets	(34%)	(34%)
Effective tax rate on earnings from continuing operations	0%	0%

The tax effects of temporary differences that give rise to the deferred tax assets and liabilities are as follows:

	For the period ended September 30, 2007 (unaudited)	Year ended December 31, 2006 (audited)
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Deferred tax assets			
Net operating loss carryforwards	\$	156,674	\$ 156,674
Net organization costs		87,866	123,811
Total gross deferred tax assets		244,540	280,485
Less valuation allowance		(244,540)	(280,485)
Net deferred tax assets		-	-
Deferred tax liabilities			
Unrealized gains, net		-	-
Prepaid expenses		-	-
Total gross deferred tax liabilities		-	-
Net deferred tax assets	\$	-	\$ -

When a “C” corporation qualifies to be taxed as a RIC, it is subject to corporate-level tax on appreciation inherent in its assets on the date it becomes a RIC (i.e., built-in gain) that it recognizes within the first 10 years of its RIC status. A RIC generally may use loss carryforwards arising in taxable years while it was a “C” corporation to reduce its net recognized built-in gain, although a RIC is not otherwise allowed to utilize such loss carryforwards. Because the Company intends to qualify as a RIC under Subchapter M of the Code for 2005 and later years, it is uncertain whether the Company will fully utilize the tax benefit of its loss carryforward of approximately \$142,000 at December 31, 2004. The valuation allowance for deferred tax assets for the period August 6, 2004 (commencement of operations) through December 31, 2004 was primarily included to reflect this uncertainty. The loss carryforward will expire in the year 2024.

The Company’s consolidated subsidiaries, NGPC Asset Holdings, LP, NGPC Asset Holdings II, LP, NGPC Asset Holdings III, LP, and NGPC Asset Holdings IV, LP, collectively (“NGPCAH”), are subject to federal income taxes. For the period ended September 30, 2007, NGPCAH operated at a profit. However, as management believes that NGPCAH will not generate taxable income for the tax year ending December 31, 2007, no provision for income taxes has been recorded for the period ended September 30, 2007. For the period ended December 31, 2006, NGPCAH operated at a small profit. However, management believes that the realization of the net deferred tax liability is not likely based on expectations as to future taxable income and, accordingly, NGPCAH recorded no provision for income taxes for the period ended December 31, 2006.

Note 7: Commitments and Contingencies

As of September 30, 2007, the Company had investments in or commitments to fund loan facilities to 16 portfolio companies totaling \$331 million, on which \$262 million was drawn. In addition, the Company has continuing obligations under the investment advisory agreement with the Manager and the administration agreement with the Administrator. The agreements provide that, absent willful misfeasance, bad faith or gross negligence in the performance of its duties or by reason of the reckless disregard of its duties and obligations, the Manager, the Administrator and its officers, managers, agents, employees, controlling persons, members and any other person or entity affiliated with them will be entitled to indemnification from the Company for any damages, liabilities, costs and expenses (including reasonable attorneys’ fees and amounts reasonably paid in settlement) arising from the rendering of the Manager’s or Administrator’s services under the agreements or otherwise as the Company’s investment adviser or administrator. The agreements also provide that the Manager, the Administrator and their affiliates will not be liable to the Company or any stockholder for any error of judgment, mistake of law, any loss or damage with respect to any of the Company’s investments or any action taken or omitted to be taken by the Manager or the Administrator in connection with the performance of any of their duties or obligations under the agreements or otherwise as investment adviser or administrator to the Company, except to the extent specified in Section 36(b) of the 1940 Act concerning loss resulting from a breach of fiduciary duty with respect to the receipt of compensation for services. In the normal course of business, the Company enters into a variety of undertakings containing a variety of representations that may expose the Company to some risk of loss. The amount of future loss, if any, arising from such undertakings, while not quantifiable, is not expected to be significant.

Note 8: Reclassifications

GAAP requires that certain components of net assets be adjusted to reflect permanent differences between financial and tax reporting. These reclassifications have no effect on total net assets or net asset value per share. For the years ended December 31, 2006 and December 31, 2005, \$15,710 and \$586,225 respectively, were reclassified to Undistributed net investment income (loss) from Paid-in capital in excess of par. These reclassifications were primarily due to non-deductible meal expenses, organization costs, and income and expenses from a wholly owned subsidiary.

Note 9: Subsequent Events

On October 18, 2007, the Company entered into a Second Amendment to Treasury Secured Revolving Credit Agreement (the “Second Amendment”), among the Company, the lenders party thereto and SunTrust Bank, as administrative agent for the lenders. Pursuant to the Second Amendment, the Company has the ability to increase the credit available under the Treasury Credit Agreement to an amount not to exceed \$175 million by obtaining additional commitments from existing lenders or new lenders. The Second Amendment was made effective as of September 28, 2007. The Company has borrowed \$126.25 million as of November 9, 2007 under the Treasury Secured Revolving Credit Agreement. The Manager has agreed to waive permanently, subsequent to September 30, 2007, that portion of the management fee attributable to U.S. Treasury securities acquired with borrowings under our credit facilities to the extent the amount of such securities exceeds \$100 million.

Also on October 18, 2007, commitments on the Company’s Amended and Restated Revolving Credit Agreement increased from \$80 million to \$100 million. The Company has borrowed \$34.75 million as of November 9, 2007 under the Amended and Restated Revolving Credit Agreement.

On October 26, 2007, Excel Mining Systems LLC (“Excel”) redeemed in its entirety the Company’s \$5 million investment in the Second Lien Term Loan. The redemption included a prepayment premium and acceleration of OID totaling \$149,000, which will be recognized in the fourth quarter of 2007.

On November 1, 2007, the Company’s Board of Directors, including all of the independent directors, approved an extension of the investment advisory agreement and the administration agreement through November 9, 2008.

Note 10: New Accounting Interpretations and Standards

In September 2006, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (“SFAS 157”), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP), and expands disclosures about fair value measurements. SFAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, although earlier application is encouraged. The Company is currently reviewing the requirements of SFAS 157 to determine the effect, if any, on its financial position or results of operations.

In February 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159, *The Fair Value Options for Financial Assets and Financial Liabilities* (“SFAS 159”), which gives entities the option to measure eligible financial assets and financial liabilities at fair value on an instrument by instrument basis that are otherwise not permitted to be accounted for at fair value under other accounting standards. The election to use the fair value option is available when an entity first recognizes a financial asset or financial liability. Subsequent changes in fair value must be recorded in earnings. SFAS 159 is effective as of the beginning of a company’s first fiscal year after November 15, 2007. The Company is currently reviewing the requirements of SFAS 159 to determine the effect, if any, on its consolidated financial position or results of operations.

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following analysis of our financial condition and results of operations should be read in conjunction with our financial statements and the notes thereto contained elsewhere in this report.

Forward-Looking Statements

Certain statements in this report that relate to estimates or expectations of our future performance or financial condition may constitute “forward-looking statements” as defined under the Private Securities Litigation Reform Act of 1995. These forward-looking statements are subject to various risks and uncertainties, which could cause actual results and conditions to differ materially from those projected, including, but not limited to,

- uncertainties associated with the timing of transaction closings;
- changes in the prospects of our portfolio companies;
- changes in interest rates;
- changes in regional, national or international economic conditions and their impact on the industries in which we invest;
- the future operating results of our portfolio companies and their ability to achieve their objectives;
- changes in the conditions of the industries in which we invest;
- the adequacy of our cash resources and working capital;
- the timing of cash flows, if any, from the operations of our portfolio companies;
- the ability of our Manager to locate suitable investments for us and to monitor and administer the investments; and
- other factors enumerated in our filings with the SEC.

We may use words such as “anticipates,” “believes,” “expects,” “intends,” “will,” “should,” “may” and similar expressions to identify forward-looking statements. Such statements are based on currently available operating, financial and competitive information and are subject to various risks and uncertainties that could cause actual results to differ materially from our historical experience and present expectations. Undue reliance should not be placed on such forward-looking statements, as such statements speak only as of the date on which they are made. Additional information regarding these and other risks and uncertainties is contained in our periodic filings with the SEC.

Overview

We are a financial services company created to invest primarily in debt securities of small and mid-size private energy companies, which we generally define as companies that have net asset values or annual revenues of less than \$500 million and are not issuers of publicly traded securities. We have elected to be regulated as a business development company, or BDC under the 1940 Act and, as such, we are required to comply with certain regulatory requirements. For instance, we generally have to invest at least 70% of our total assets in “qualifying assets,” which are securities of private or thinly traded public U.S. companies, cash, cash equivalents, U.S. government securities and high-quality debt investments that mature in one year or less. In addition, for federal income tax purposes we operate so as to be treated as a RIC under the Code. Pursuant to these elections, we generally will not have to pay corporate-level taxes on any income and capital gains we distribute to our stockholders.

Our investment objective is to generate both current income and capital appreciation primarily through debt and equity investments with certain equity or property components. A key focus area for our targeted investments in the energy industry is domestic exploration and production businesses and midstream businesses that gather, process and transport oil and natural gas. We also evaluate investment opportunities in such businesses as coal, power, electricity, energy services and alternative energy. Our investments will generally range in size from \$10 million to \$50 million; however, we may invest more or less depending on market conditions and our manager’s view of a particular investment opportunity. Our targeted investments primarily consist of debt instruments, including senior and subordinated loans combined in one facility, sometimes with an equity component, and subordinated loans with equity or property components. We may also invest in preferred stock and other equity securities.

Our level of investment activity can and does vary substantially from period to period depending on many factors, including the amount of debt and equity capital available to energy companies, the level of acquisition and divestiture activity for such companies, the level and volatility of energy commodity prices, the general economic environment and the competitive environment for the types of investments we make. We believe that, for energy companies, the availability of debt capital from banks, mezzanine providers and alternative investment vehicles such as hedge funds continues to be readily available. Competition for deals remains strong with continued downward pressure on spreads. However, we do not expect this intensely competitive market to impair our ability to make good long-term investment decisions with our capital. We remain committed to our underwriting and investment disciplines in selectively investing in appropriate risk-reward opportunities within the energy sector.

We generate revenue in the form of interest income on the debt securities that we own, dividend income on any common or preferred stock that we own, and capital gains or losses on any debt or equity securities that we acquire in portfolio companies and subsequently sell. Our investments, if in the form of debt securities, typically have a term of three to seven years and bear interest at a fixed or floating rate. To the extent achievable, we seek to collateralize our investments by obtaining security interests in our portfolio companies’ assets. We also may acquire minority or majority equity interests in our portfolio

companies, which may pay cash or in-kind dividends on a recurring or otherwise negotiated basis. In addition, we may generate revenue in other forms including commitment, origination, structuring, administration or due diligence fees; fees for providing managerial assistance; and possibly consultation fees. Any such fees generated in connection with our investments are recognized as earned.

Portfolio and Investment Activity

During the three months ended September 30, 2007, we added one company to our portfolio. On August 1, 2007, the Company purchased \$5 million of the \$85 million Second Lien Term Loan (the "Second Lien TL") for Excel Mining Systems LLC ("Excel"), a private company headquartered in Bowerston, Ohio. The Second Lien TL earns interest at LIBOR plus 725 basis points and is secured by second liens on substantially all of Excel's assets. Proceeds from the Second Lien TL will be used primarily to refinance existing indebtedness and pay a dividend. See Note 9 for additional information.

Following this transaction, as of September 30, 2007, our investment portfolio consisted of 16 portfolio companies invested as follows: 36.5% in senior secured term loans, 9.2% in senior subordinated secured notes, 0.8% in participating convertible preferred stock, 2.2% in corporate notes, 6.6% in member and partnership units and 12.0% in net profits interests. The balance of our investment portfolio (as a percentage of the whole portfolio) was comprised 31.0% in U.S. Treasury Bills, and 1.7% in cash and cash equivalents. At September 30, 2007, the weighted average yield on targeted portfolio investments, exclusive of capital gains, was 12.2%. The weighted average yield of our corporate notes was 5.8%. The weighted average yield of our U.S. Treasury Bills and cash equivalents was 3.9%. The weighted average yield on our total capital invested at September 30, 2007 was 9.3%. Yields are computed using interest rates as of the balance sheet date and include amortization of loan discount points, original issue discount and market premium or discount, weighted by their respective costs when averaged.

Results of Operations

Investment Income

Investment income for the quarter ended September 30, 2007 was \$9.1 million with \$7.7 million attributable to targeted investments in thirteen portfolio companies, \$0.2 million from corporate notes and \$1.2 million attributable to investments in cash equivalents. This compares to investment income for the quarter ended September 30, 2006 of \$7.6 million with \$5.7 million attributable to targeted investments in fourteen portfolio companies, \$0.3 million from corporate notes, \$0.2 million in fee income from third parties and affiliates, and \$1.4 million attributable to investments in cash equivalents, agency notes and auction rate securities.

For the nine months ended September 30, 2007, investment income increased by \$8.7 million, or approximately 47%, to \$27.3 million from \$18.6 million for the same period in 2006. For the nine months ended September 30, 2007, we recorded \$21.9 million of investment income attributable to targeted investments in portfolio companies, \$0.7 million from corporate notes, \$4.4 million attributable to investments in cash equivalents, and \$0.3 million in fee income from third parties and affiliates. This compares to investment income of \$13.5 million attributable to targeted investments in portfolio companies, \$0.9 million from corporate notes, \$0.4 million in fee income from third parties and affiliates, and \$3.8 million attributable to investments in cash equivalents and auction rate securities for the same period in 2006. The increase in investment income is primarily due to the 58% increase in the average quarterly balance of targeted investments as of September 30, 2007 compared to September 30, 2006.

Operating Expenses

For the quarter ended September 30, 2007, operating expenses were \$3.8 million compared to \$2.8 million for the quarter ended September 30, 2006. The 2007 amount consisted of investment advisory and management and incentive fees of \$1.1 million, insurance expenses, administrative services fees, professional fees, directors' fees and other general and administrative expenses of \$1.0 million and credit facility interest and fees of \$1.7 million. In comparison, for the quarter ended September 30, 2006, investment advisory and management fees were \$1.1 million, insurance expenses, administrative services fees, professional fees, directors' fees and other general and administrative expenses were \$0.9 million and credit facility fees were \$0.8 million.

For the nine months ended September 30, 2007, operating expenses were \$13.1 million compared to \$6.9 million for the same period of 2006. The 2007 amount consisted of investment advisory and management and incentive fees of \$5.3 million, insurance expenses, administrative services fees, professional fees, directors' fees and other general and administrative expenses of \$2.9 million and credit facility interest and fees of \$4.9 million. In comparison, for the nine months ended September 30, 2006, investment advisory and management fees were \$3.4 million, insurance expenses, administrative services fees, professional fees, directors' fees and other general and administrative expenses were \$2.5 million and credit facility fees were \$1.0 million. The increase in operating expenses from 2006 compared to 2007 is attributable to higher investment advisory and management fees resulting from higher average total assets, increased interest expenses and fees due to higher borrowings, and increased incentive fees resulting from favorable portfolio performance.

Operating expenses for the three and nine month periods include our allocable portion of the total organizational and operating expenses incurred by us, our Manager, and our Administrator, as determined by our Board of Directors and representatives of our Manager and our Administrator. According to the terms of the investment advisory agreement, the base management fee is calculated quarterly as 0.45% of the average of the total assets of the Company as of the end of the two previous quarters.

Net Investment Income

For the third quarter of 2007, net investment income was \$5.3 million compared to \$4.7 million for the third quarter of 2006, primarily due to increased interest income on the higher portfolio balances partially offset by higher management and incentive fees, general and administrative expenses and interest and credit facility fees. Net investment income for the nine months ended September 30, 2007 was \$14.2 million compared to \$11.6 million for nine months ended September 30, 2006 primarily due to increased interest income on the higher portfolio balances partially offset by higher management and incentive fees, general and administrative expenses and interest and credit facility fees.

Unrealized Appreciation or Depreciation on Investments

For the third quarter of 2007, net unrealized depreciation was \$0.7 million, compared to \$0.8 million net unrealized appreciation for the third quarter of 2006. The \$1.5 million decrease is attributable to a \$0.7 million net decrease in the fair values of our targeted investments and a \$0.8 million decrease in market prices of our corporate notes. For the nine months ended September 30, 2007, net unrealized appreciation was \$5.3 million, compared to \$1.7 million net unrealized depreciation for the same period of 2006. The \$7.0 million increase is attributable to a \$6.0 million increase in the fair values of our targeted investments and a \$1.0 million increase in market prices of our corporate notes.

Net Realized Gains

For the quarter ended September 30, 2007, we realized a capital loss of \$0.4 million from the sale of \$6 million in corporate notes. For the nine months ended September 30, 2007, we realized a net capital gain of \$6.3 million from the sale of client warrants, overriding royalty interests and corporate notes. For the quarter and nine months ended September 30, 2006, we realized a capital loss of \$174,401 on the sale of \$2 million in corporate notes.

Net Increase in Stockholders' Equity from Operations

For the quarter ended September 30, 2007, we had a net increase in stockholders' equity (net assets) resulting from operations of \$4.2 million, or \$0.24 per share, compared to \$5.3 million, or \$0.31 per share for the quarter ended September 30, 2006. For the nine months ended September 30, 2007 the net increase in stockholders' equity (net assets) resulting from operations was \$25.8 million, or \$1.49 per share, compared to \$9.7 million, or \$0.56 per share for the nine months ended September 30, 2006. The \$16.1 million, or \$0.93 per share net increase in stockholders' equity (net assets) resulting from operations is attributable to overall increased investment income and \$6.3 million in net realized capital gains during the nine months ended September 30, 2007.

Financial Condition, Liquidity and Capital Resources

During the first nine months of this fiscal year, we generated cash from operations, including interest earned on our portfolio securities, as well as our investments in corporate notes, U.S. government securities and other high quality debt securities that mature in one year or less. At September 30, 2007, we had cash and cash equivalents of \$7.1 million, investments in U.S. Treasury Bills of \$127.8 million and investments in corporate notes of \$8.9 million.

As of September 30, 2007, we had investments in or commitments to fund loan facilities to 16 portfolio companies totaling \$331 million, of which \$262 million was drawn. We expect to fund our investments in 2007 from income earned on our portfolio and temporary investments and from borrowings under our Credit Facilities. (See description under "Note 3: Credit Facility" above.) In the future, we may also fund a portion of our investments with issuances of equity or senior debt securities. We may also securitize a portion of our investments. We expect our primary use of funds to be investments in portfolio companies, cash distributions to holders of our common stock and payment of fees and other operating expenses.

On August 31, 2006, we simultaneously repaid our original credit facility and entered into two new syndicated credit facilities totaling \$180 million, with SunTrust Bank as the administrative agent, each with a three year term. The first facility, the Senior Secured Revolving Credit Facility (the "Investment Facility") has an initial availability of \$80 million with the ability to increase availability to \$175 million over time. Proceeds from the Investment Facility will be used to supplement the Company's equity capital in making portfolio investments. Interest on the Investment Facility will be charged at either (i) LIBOR plus 125 to 225 basis points, based on the Company's outstanding borrowings, or (ii) the higher of the lender prime rate plus 0 to 75 basis points or the federal funds rate plus 50 basis points. The second facility, the Senior Treasury Secured Revolving Credit Facility (as amended, restated, supplemented or otherwise modified from time to time, the "Treasury Facility") permits the Company to borrow up to \$100 million. See Note 9 for additional information. Proceeds from the Treasury Facility have been used to facilitate the growth of the Company's investment portfolio and provide flexibility in the sizing of its portfolio investments. Interest on the Treasury Facility will be charged at either (i) LIBOR plus 25 basis points, or (ii) the higher of the lender prime rate or the federal funds rate plus 50 basis points. The credit facilities are collateralized by substantially all of our assets. As of September 30, 2007, the Company had \$100 million outstanding under the Treasury Facility and \$51 million outstanding under the Investment Facility.

Dividends

We have elected to operate our business so as to be taxed as a RIC under Subchapter M of the Code. To maintain our RIC status, we must distribute at least 90% of our "investment company taxable income" (which generally consists of ordinary income and realized net short-term gains in excess of realized net long-term capital losses, if any, reduced by deductible expenses) and net tax-exempt interest. In order to avoid certain excise taxes imposed on RICs, we will be required to distribute at least 98% of our ordinary income and net capital gains, and 100% of any income realized, but not distributed or deemed distributed, in preceding years. We currently intend to make sufficient distributions to satisfy the annual distribution requirement and to avoid the excise taxes.

We may not be able to achieve operating results that will allow us to make distributions at a specific level or to increase the amount of these distributions from time to time. In addition, we may be limited in our ability to make distributions due to the asset coverage test for borrowings when applicable to us as a BDC under the 1940 Act and due to provisions in our credit facilities. If we do not distribute a certain percentage of our income annually, we will suffer adverse tax consequences, including possible loss of our status as a RIC. We cannot assure stockholders that they will receive any distributions or distributions at a particular level.

Portfolio Credit Quality

We maintain a system to evaluate the credit quality of our investments. While incorporating quantitative analysis, this system is a qualitative assessment. This system is intended to reflect the overall performance of a portfolio company's business, the collateral coverage of an investment, and other relevant factors. Based on this system, the overall credit quality of our targeted investment portfolio remained satisfactory in the quarter ended September 30, 2007. Of the nineteen rated investments as of September 30, 2007, six improved in rating, five declined in rating, and eight retained the same rating when compared to the prior quarter end. Investments approximating \$28 million, or approximately 10% of the \$267.5 million in targeted investments, are carried on the Company's watch list due to slower than expected development of the assets supporting the investments or deterioration in asset coverage.

During the quarter ended September 30, 2007, we recorded additional unrealized appreciation of \$2.1 million on our targeted investments, reflecting the fair value of expected future income and gains from those investments. Also during the third quarter of 2007, we recorded aggregate unrealized depreciation of \$2.9 million in the fair value of targeted investments to reflect the potential for loss of capital inherent in those investments. We placed one of these investments on non-accrual status effective July 1, 2007. The net change to the value of our portfolio resulting from these changes is a \$0.8 million increase in unrealized depreciation for the quarter ended September 30, 2007.

Recently Issued Accounting Pronouncements

See Note 10: New Accounting Interpretations and Standards in the accompanying notes to consolidated financial statements for details of recently issued accounting pronouncements and their expected impact on the Company's financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes from the information provided in Item 7A of the Company's Annual Report on Form 10-K for the year ended December 31, 2006.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

We maintain controls and procedures designed to ensure that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported on a timely basis and accumulated and made known to management, including the Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosures. Based on an evaluation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report conducted by our management, with the participation of the Chief Executive and Chief Financial Officers, the Chief Executive and Chief Financial Officers believe that as of September 30, 2007, these controls and procedures are effective to ensure that we are able to collect, process and disclose the information we are required to disclose in the reports we file with the SEC within the required time periods.

In evaluating changes in internal control over financial reporting during the quarter ended September 30, 2007, management identified no changes in its internal control over financial reporting that occurred during the quarter ended September 30, 2007 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

We are not currently a defendant in any material legal proceeding, nor to our knowledge, is any material legal proceeding threatened against us.

Item 1A. Risk Factors.

There have been no material changes to the Company's risk factors as disclosed in Item 1A, "Risk Factors", in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2006.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

Not applicable.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Submission of Matters to a Vote of Security Holders.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.**No. Exhibit**

- 3.1 - Articles of Incorporation of NGP Capital Resources Company dated as of July 15, 2004 (filed as Exhibit (a)(1) to the Company's Registration Statement on Form N-2 dated November 9, 2004 (Registration No. 333-118279) and incorporated herein by reference)
 - 3.2 - Articles of Amendment and Restatement of NGP Capital Resources Company dated as of October 29, 2004 (filed as Exhibit 3.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and incorporated herein by reference)
 - 3.3 - Bylaws of NGP Capital Resources Company (filed as Exhibit (b) to the Company's Registration Statement on Form N-2 dated August 16, 2004 (Registration No. 333-118279) and incorporated herein by reference)
 - 10.1 - Investment Advisory Agreement dated as of November 9, 2004, between NGP Capital Resources Company and NGP Investment Advisor, LP (filed as Exhibit 10.1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and incorporated herein by reference)
 - 10.2 - Administration Agreement dated as of November 9, 2004, by and between NGP Capital Resources Company and NGP Administration, LLC (filed as Exhibit 10.2 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and incorporated herein by reference)
 - 10.3 - License Agreement dated as of November 9, 2004, by and between NGP Capital Resources Company and Natural Gas Partners, LLC (filed as Exhibit 10.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and incorporated herein by reference)
 - 10.4 - Joint Code of Ethics (filed as Exhibit (r) to the Company's Registration Statement on Form N-2 dated November 9, 2004 (Registration No. 333-118279) and incorporated herein by reference)
 - 10.5 - Form of Indemnity Agreement (filed as Exhibit 10.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 2004, and incorporated herein by reference)
 - 10.6 - Amended and Restated Revolving Credit Agreement dated as of August 31, 2006, by and between NGP Capital Resources Company, the lenders from time to time party thereto and SunTrust Bank (filed as Exhibit 10.6 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006, and incorporated herein by reference)
 - 10.7 - First Amendment to Amended and Restated Revolving Credit Agreement effective as of August 31, 2006, by and between NGP Capital Resources Company, the lenders from time to time party thereto and SunTrust Bank
 - 10.8 - Treasury Secured Revolving Credit Agreement dated as of August 31, 2006, by and between NGP Capital Resources Company, the lenders from time to time party thereto and SunTrust Bank (filed as Exhibit 10.7 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2006, and incorporated herein by reference)
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 - 10.10 - Second Amendment to Treasury Secured Revolving Credit Agreement effective as of September 28, 2007, by and between NGP Capital Resources Company, the lenders from time to time party thereto and SunTrust Bank (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K on October 24, 2007, and incorporated herein by reference)
 - 31.1 - Certification required by Rule 13a-14(a)/15d-14(a) by the Chief Executive Officer
 - 31.2 - Certification required by Rule 13a-14(a)/15d-14(a) by the Chief Financial Officer
 - 32.1 - Section 1350 Certification by the Chief Executive Officer
 - 32.2 - Section 1350 Certification by the Chief Financial Officer
-

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 thereunto duly authorized.

NGP CAPITAL RESOURCES COMPANY

By: /s/ John H. Homier
John H. Homier
President and Chief Executive Officer

NGP CAPITAL RESOURCES COMPANY

By: /s/ Stephen K. Gardner
Stephen K. Gardner
Chief Financial Officer, Treasurer and Secretary

Date: November 9, 2007

Index to Exhibits

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31.2	- Certification required by Rule 13a-14(a)/15d-14(a) by the Chief Financial Officer
32.1	- Section 1350 Certification by the Chief Executive Officer
32.2	- Section 1350 Certification by the Chief Financial Officer

**Certification Required by Rule 13a-14(a)
or Rule 15d-14(a)**

I, John H. Homier, certify that:

1. I have reviewed this quarterly report on Form 10-Q of NGP Capital Resources Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2007

By: /s/ John H. Homier
John H. Homier
President and Chief Executive Officer

Exhibit 31.2

**Certification Required by Rule 13a-14(a)
or Rule 15d-14(a)**

I, Stephen K. Gardner certify that:

1. I have reviewed this quarterly report on Form 10-Q of NGP Capital Resources Company;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2007

By: /s/ Stephen K. Gardner
Stephen K. Gardner
Chief Financial Officer, Treasurer and Secretary

**Certification required by Rule 13a-14(b) or
Rule 15d-14(b) and Section 906 of
the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of NGP Capital Resources Company (the "Company") on Form 10-Q for the period ended September 30, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John H. Homier, President and Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 9, 2007

By: /s/ John H. Homier
John H. Homier
President and Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to NGP Capital Resources Company and will be retained by NGP Capital Resources Company and furnished to the Securities and Exchange Commission or its staff upon request.

**Certification required by Rule 13a-14(b) or
Rule 15d-14(b) and Section 906 of
the Sarbanes-Oxley Act of 2002**

In connection with the Quarterly Report of NGP Capital Resources Company (the "Company") on Form 10-Q for the period ended September 30, 2007, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Stephen K. Gardner, Chief Financial Officer and Treasurer of the Company, certify pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

November 9, 2007

By: /s/ Stephen K. Gardner
Stephen K. Gardner
Chief Financial Officer, Treasurer and Secretary

A signed original of this written statement required by Section 906 has been provided to NGP Capital Resources Company and will be retained by NGP Capital Resources Company and furnished to the Securities and Exchange Commission or its staff upon request.

**FIRST AMENDMENT TO AMENDED AND RESTATED
REVOLVING CREDIT AGREEMENT**

THIS FIRST AMENDMENT TO AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT (this "*Amendment*"), is made effective as of August 31, 2006, by and among **NGP CAPITAL RESOURCES COMPANY**, a Maryland corporation (the "*Borrower*"), the several banks and other financial institutions from time to time party hereto (collectively, the "*Lenders*") and **SUNTRUST BANK**, in its capacity as Administrative Agent for the Lenders (the "*Administrative Agent*").

WITNESSETH:

WHEREAS, the Borrower, the Lenders and the Administrative Agent are parties to a certain Amended and Restated Revolving Credit Agreement, dated as of August 31, 2006 (as amended, restated, supplemented or otherwise modified from time to time, the "*Credit Agreement*"; capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Credit Agreement), pursuant to which the Lenders have made certain financial accommodations available to the Borrower;

WHEREAS, the Borrower has requested that the Lenders and the Administrative Agent amend certain provisions of the Credit Agreement to clarify such provisions, and subject to the terms and conditions hereof, the Lenders are willing to do so;

NOW, THEREFORE, for good and valuable consideration, the sufficiency and receipt of all of which are acknowledged, the Borrower, the Lenders and the Administrative Agent agree as follows:

1. **Amendments.**

(a) Section 1.1 of the Credit Agreement is hereby amended by:

(i) adding the following definitions of "Approved Dealer", "Fair Market Value", "Investment Grade Rating", "Marketable Securities", "Non-Investment Grade Rating" and "Total Asset Value" in appropriate alphabetical order:

"*Approved Dealer*" shall mean in the case of any Marketable Security, a bank or a broker-dealer registered under the Securities Exchange Act of 1934 of nationally recognized standing or an Affiliate thereof.

"*Fair Market Value*" shall mean, as of any date of determination, in the case of any Marketable Security, the mean prices as determined by two Approved Dealers mutually acceptable to the Borrower and the Administrative Agent.

"*Investment Grade Rating*" shall mean, with respect to any Marketable Securities, any actual or implied rating of such Marketable Securities which is at or above BBB- from S&P and at or above Baa3 from Moody's.

"*Marketable Securities*" shall mean (i) those certain 7.20% Senior Notes due 2028 issued by Pioneer Natural Resources Company, (ii) those certain 5.00% Senior Notes due 2015 issued by XTO Energy Inc., or (iii) those certain 8.75% Senior Notes due 2011 issued by Venoco, Inc.

"*Non-Investment Grade Rating*" shall mean, with respect to any Marketable Securities, any actual or implied rating of such Marketable Securities which is below BBB- from S&P or below Baa3 from Moody's.

"*Total Asset Value*" shall mean, for the Borrower and its Subsidiaries for any period determined on a consolidated basis in accordance with GAAP, the sum of (i) the Borrower's and its Subsidiaries' total assets as reported in the most recent public disclosures filed with the Securities and Exchange Commission (which shall include all loans and investments of the Borrower in its Subsidiaries, including those that are not Subsidiary Guarantors), plus (ii) the value, determined in accordance with GAAP, of assets acquired (including loans made) by the Borrower or its Subsidiaries subsequent to the most recent public disclosures filed with the Securities and Exchange Commission, to the extent reported to the Administrative Agent in a certificate of a Responsible Officer, minus (iii) to the extent reported or required to be reported to the Administrative Agent in a report of a Responsible Officer under Section 5.1(g), the value, determined in accordance with GAAP, of assets disposed of by the Borrower or its Subsidiaries (including loans repaid to the Borrower or its Subsidiaries) subsequent to the most recent public disclosures filed with the Securities and Exchange Commission.

(ii) replacing the definition of "Eligible Net Asset Value" in its entirety with the following:

"*Eligible Net Asset Value*" shall mean Total Asset Value, including fair market value of Unencumbered Overriding Royalty Interests to the extent that the fair market value of all Unencumbered Overriding Royalty Interests does not exceed in the aggregate five percent (5%) of Total Asset Value but excluding (i) all warrant positions, (ii) any assets of a subsidiary that is not a Guarantor and any assets of the Borrower and its subsidiaries not pledged to the Administrative Agent on terms and conditions satisfactory to Administrative Agent, (iii) the fair market value of all other Unencumbered Overriding Royalty Interests to the extent not expressly included as provided for above, (v) any Treasury Revolving Credit Facility Collateral, and (vi) such other assets that are not otherwise satisfactory to the Administrative Agent in its reasonable discretion.

(iii) and deleting the definition of "Net Asset Value."

(b) Section 7.12 of the Credit Agreement is hereby amended by replacing such Section in its entirety with the following:

Section 7.12 Loans, Etc. The Borrower will not permit at any time the aggregate amount of all unfunded commitments of the Borrower and its Subsidiaries to provide loans, advances or Guarantees with respect to such Investments (but excluding any "unapproved capital expenditure amount" as defined below) to exceed 100% of the sum of (i) all cash of the Borrower and its Subsidiaries held in deposit accounts that are subject to a Control Agreement granting the Agent a first priority security interest therein, excluding the Cash Collateral (as such term is defined in the Treasury Credit Agreement), plus (ii) the difference between (x) the Senior

Revolving Commitment Amount minus (y) the Senior Revolving Credit Exposure, plus (iii) 95% of the Fair Market Value of all Marketable Securities with an Investment Grade Rating, plus (iv) 85% of the Fair Market Value of all Marketable Securities with a Non-Investment Grade Rating. For purposes of this Section 7.12, “unapproved capital expenditure amount” means the portion of any commitment that (i) may only be used for capital expenditures (including drilling and completion of wells, the purchase of assets or other capital expenditures) that are approved by (or consented to by) the Borrower or such Subsidiary in its sole discretion or words of similar effect (whether under a specific approval or under a budget that must be approved) and (ii) exceeds the amount of the capital expenditures that have been so approved and that, if applicable, will not be paid from cash flow from operations under the approved budget. In addition, for purposes of this Section 7.12, with respect to all Marketable Securities, the Borrower shall, not less frequently than once each calendar week, determine the Fair Market Value of each such Marketable Securities; provided, however, following the occurrence and continuation of an Event of Default, the Administrative Agent shall have the right to require the Borrower to make such determination on a more frequent basis and provide such information to the Administrative Agent. Borrower shall also provide to the Administrative Agent evidence of compliance with this Section 7.12 on each Compliance Certificate that it delivers pursuant to Section 5.1(c), in form and substance acceptable to the Administrative Agent.

(c) Section 5.1(g) of the Credit Agreement is hereby amended by replacing such Section in its entirety with the following:

(g) a report of a Responsible Officer of the Total Asset Value of assets disposed of by the Borrower or its Subsidiaries (including loans repaid to the Borrower or its Subsidiaries) subsequent to the most recent public disclosures filed with the Securities and Exchange Commission, promptly following such disposition to the extent that the Total Asset Value of such assets (to the extent not previously reported) exceeds \$10,000,000.

(d) Section 5.9 of the Credit Agreement is hereby amended by replacing such Section in its entirety with the following:

Section 5.9 **Use of Proceeds and Letters of Credit.** The Borrower will use the proceeds of all Senior Revolving Loans for general corporate purposes and for investments in loan portfolios and other similar investments permitted under the Internal Revenue Code. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that would violate any rule or regulation of the Board of Governors of the Federal Reserve System, including Regulations T, U or X. All Letters of Credit will be used for general corporate purposes.

(e) Section 5.11(b) of the Credit Agreement is hereby amended by replacing such Section in its entirety with the following:

(b) Upon the occurrence of a Triggering Event, Borrower shall promptly, but in any event within 10 days of such Triggering Event enter into a mortgage or deed of trust covering such overriding royalty interest in favor of the Administrative Agent and recorded in the real property records where such overriding royalty interest is located (the “Mortgaged Property”); provided, however, such Loan Party shall not be obligated to enter into a mortgage or deed of trust in respect of any overriding interest that the Borrower has, by notice to the Administrative Agent, then excluded from the determination of Total Asset Value.

2. **Conditions to Effectiveness of this Amendment.** Notwithstanding any other provision of this Amendment and without affecting in any manner the rights of the Lenders hereunder, it is understood and agreed that this Amendment shall not become effective, and the Borrower shall have no rights under this Amendment, until the Administrative Agent shall have received (i) reimbursement or payment of its costs and expenses incurred in connection with this Amendment or the Credit Agreement (including reasonable fees, charges and disbursements of King & Spalding LLP, counsel to the Administrative Agent), and (ii) executed counterparts to this Amendment from the Borrower, each of the Subsidiary Guarantors and the Lenders.

3. **Representations and Warranties.** To induce the Lenders and the Administrative Agent to enter into this Amendment, Borrower hereby represents and warrants to the Lenders and the Administrative Agent that:

(a) The execution, delivery and performance by Borrower of this Amendment (i) is within Borrower’s power and authority; (ii) has been duly authorized by all necessary corporate and shareholder action; (iii) is not in contravention of any provision of Borrower’s certificate of incorporation or bylaws or other organizational documents; (iv) does not violate any law or regulation, or any order or decree of any Governmental Authority; (v) does not conflict with or result in the breach or termination of, constitute a default under or accelerate any performance required by, any indenture, mortgage, deed of trust, lease, agreement or other instrument to which Borrower or any of its Subsidiaries is a party or by which Borrower or any such Subsidiary or any of their respective property is bound; (vi) does not result in the creation or imposition of any Lien upon any of the property of Borrower or any of its Subsidiaries; and (vii) does not require the consent or approval of any Governmental Authority or any other person;

(b) This Amendment has been duly executed and delivered for the benefit of or on behalf of Borrower and constitutes a legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with its terms except as the enforceability hereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors’ rights and remedies in general; and

(c) After giving effect to this Amendment, the representations and warranties contained in the Credit Agreement and the other Loan Documents are true and correct in all material respects, and no Default or Event of Default has occurred and is continuing as of the date hereof.

4. **Reaffirmations and Acknowledgments.**

(a) **Reaffirmation of Subsidiary Guaranty.** Each Subsidiary Guarantor consents to the execution and delivery by the Borrower of this Amendment and jointly and severally ratify and confirm the terms of the Subsidiary Guarantee Agreement with respect to the indebtedness now or hereafter outstanding under the Credit Agreement as amended hereby and all promissory notes issued thereunder. Each Subsidiary Guarantor acknowledges that, notwithstanding anything to the contrary contained herein or in any other document evidencing any indebtedness of the Borrower to the Lenders or any other obligation of the Borrower, or any actions now or hereafter taken by the Lenders with respect to any obligation of the Borrower, the Subsidiary Guarantee Agreement (i) is and shall continue to be a primary obligation of the Guarantors, (ii) is and shall continue to be an absolute, unconditional, joint and several, continuing and irrevocable guaranty of payment, and (iii) is and shall continue to be in full force and effect in accordance with its terms. Nothing contained herein to the contrary shall release, discharge, modify, change or affect the original liability of the Subsidiary Guarantors under the Subsidiary Guarantee Agreement.

(b) **Acknowledgment of Perfection of Security Interest.** Borrower and each Subsidiary Guarantor hereby acknowledges that, as of the date hereof, the security interests and liens granted to the Administrative Agent and the Lenders under the Credit Agreement and the other Loan Documents are in full force and effect, are properly perfected and are enforceable in accordance with the terms of the Credit Agreement and the other Loan Documents.

5. **Effect of Amendment.** Except as set forth expressly herein, all terms of the Credit Agreement, as amended hereby, and the other Loan Documents shall be and remain in full force and effect and shall constitute the legal, valid, binding and enforceable obligations of the Borrower to the Lenders and the Administrative Agent. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Lenders under the Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement. This Amendment shall constitute a Loan Document for all purposes of the Credit Agreement.

6. **Governing Law.** This Amendment shall be governed by, and construed in accordance with, the internal laws of the State of New York and all applicable federal laws of the United States of America.

7. **No Novation.** This Amendment is not intended by the parties to be, and shall not be construed to be, a novation of the Credit Agreement or an accord and satisfaction in regard thereto.

8. **Costs and Expenses.** The Borrower agrees to pay on demand all costs and expenses of the Administrative Agent in connection with the preparation, execution and delivery of this Amendment, including, without limitation, the reasonable fees and out-of-pocket expenses of outside counsel for the Administrative Agent with respect thereto.

9. **Counterparts.** This Amendment may be executed by one or more of the parties hereto in any number of separate counterparts, each of which shall be deemed an original and all of which, taken together, shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart of this Amendment by facsimile transmission or by electronic mail in pdf form shall be as effective as delivery of a manually executed counterpart hereof.

10. **Binding Nature.** This Amendment shall be binding upon and inure to the benefit of the parties hereto, their respective successors, successors-in-titles, and assigns.

11. **Entire Understanding.** This Amendment sets forth the entire understanding of the parties with respect to the matters set forth herein, and shall supersede any prior negotiations or agreements, whether written or oral, with respect thereto.

[Signature Pages To Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed, under seal in the case of the Borrower and the Subsidiary Guarantors, by their respective authorized officers as of the day and year first above written.

BORROWER:

NGP CAPITAL RESOURCES COMPANY

By: /s/ Stephen K. Gardner
Name: Stephen K. Gardner
Title: Chief Financial Officer

SUBSIDIARY GUARANTORS:

NGPC FUNDING GP, LLC

By: /s/ Stephen K. Gardner
Name: Stephen K. Gardner
Title: Chief Financial Officer

NGPC FUNDING, LP

By: NGPC Funding GP, LLC
Its general partner

By: /s/ Stephen K. Gardner
Name: Stephen K. Gardner
Title: Chief Financial Officer

NGPC ASSET HOLDINGS GP, LLC

By: /s/ Stephen K. Gardner
Name: Stephen K. Gardner
Title: Chief Financial Officer

NGPC ASSET HOLDINGS, LP
By: NGPC Asset Holdings GP, LLC

Its general partner

By: /s/ Stephen K. Gardner
Name: Stephen K. Gardner
Title: Chief Financial Officer

NGPC NEVADA, LLC

By: /s/ Stephen K. Gardner
Name: Stephen K. Gardner
Title: Chief Financial Officer

LENDERS:

SUNTRUST BANK, individually and as Administrative Agent and Collateral Agent

By: /s/ James Warren
Name: James Warren
Title: Managing Director
BRANCH BANK & TRUST CO.

By: /s/ Greg Drabik
Name: Greg Drabik
Title: Assistant Vice President

RAYMOND JAMES BANK, FSB

By: /s/ Thomas F. Macina
Thomas F. Macina
Senior Vice President
COMERICA BANK

By: /s/ Huma Vadgama
Name: Huma Vadgama
Title: Vice President

AMEGY BANK National Association

By: /s/ W. Bryan Chapman

W. Bryan Chapman
Senior Vice President
Energy Lending

**FIRST AMENDMENT TO TREASURY SECURED
REVOLVING CREDIT AGREEMENT**

THIS FIRST AMENDMENT TO TREASURY SECURED REVOLVING CREDIT AGREEMENT (this "*Amendment*"), is made effective as of August 31, 2006, by and among **NGP CAPITAL RESOURCES COMPANY**, a Maryland corporation (the "*Borrower*"), the several banks and other financial institutions from time to time party hereto (collectively, the "*Lenders*") and **SUNTRUST BANK**, in its capacity as Administrative Agent for the Lenders (the "*Administrative Agent*").

WITNESSETH:

WHEREAS, the Borrower, the Lenders and the Administrative Agent are parties to a certain Treasury Secured Revolving Credit Agreement, dated as of August 31, 2006 (as amended, restated, supplemented or otherwise modified from time to time, the "*Credit Agreement*"; capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Credit Agreement), pursuant to which the Lenders have made certain financial accommodations available to the Borrower;

WHEREAS, the Borrower has requested that the Lenders and the Administrative Agent amend certain provisions of the Credit Agreement to clarify such provisions, and subject to the terms and conditions hereof, the Lenders are willing to do so;

NOW, THEREFORE, for good and valuable consideration, the sufficiency and receipt of all of which are acknowledged, the Borrower, the Lenders and the Administrative Agent agree as follows:

1. **Amendments.**

(a) Section 1.1 of the Credit Agreement is hereby amended by:

(i) adding the following definitions of "Fair Market Value", "Investment Grade Rating", "Marketable Securities", "Non-Investment Grade Rating" and "Total Asset Value" in appropriate alphabetical order:

"*Fair Market Value*" shall mean, as of any date of determination, in the case of any Marketable Security, the value determined as the Fair Market Value thereof pursuant to the Investment Credit Agreement.

"*Investment Grade Rating*" shall mean, with respect to any Marketable Securities, any actual or implied rating of such Marketable Securities which is at or above BBB- from S&P and at or above Baa3 from Moody's.

"*Marketable Securities*" shall mean (i) those certain 7.20% Senior Notes due 2028 issued by Pioneer Natural Resources Company, (ii) those certain 5.00% Senior Notes due 2015 issued by XTO Energy Inc., or (iii) those certain 8.75% Senior Notes due 2011 issued by Venoco, Inc..

"*Non-Investment Grade Rating*" shall mean, with respect to any Marketable Securities, any actual or implied rating of such Marketable Securities which is below BBB- from S&P or below Baa3 from Moody's.

"*Total Asset Value*" shall mean, for the Borrower and its Subsidiaries for any period determined on a consolidated basis in accordance with GAAP, the sum of (i) the Borrower's and its Subsidiaries' total assets as reported in the most recent public disclosures filed with the Securities and Exchange Commission (which shall include all loans and investments of the Borrower in its Subsidiaries, including those that are not Subsidiary Guarantors), plus (ii) the value, determined in accordance with GAAP, of assets acquired (including loans made) by the Borrower or its Subsidiaries subsequent to the most recent public disclosures filed with the Securities and Exchange Commission, minus (iii) the value, determined in accordance with GAAP, of assets disposed of by the Borrower or its Subsidiaries (including loans repaid to the Borrower or its Subsidiaries) subsequent to the most recent public disclosures filed with the Securities and Exchange Commission.

(ii) replacing the definition of "Eligible Net Asset Value" in its entirety with the following:

"*Eligible Net Asset Value*" shall mean Total Asset Value, including fair market value of Unencumbered Overriding Royalty Interests to the extent that the fair market value of all Unencumbered Overriding Royalty Interests does not exceed in the aggregate five percent (5%) of Total Asset Value but excluding the following assets to the extent that they are excluded from the determination of the Eligible Net Asset Value under the Investment Credit Agreement (i) all warrant positions, (ii) any assets of a subsidiary that is not a Guarantor under the Investment Credit Agreement and any assets of the Borrower and its Subsidiaries not pledged to the administrative agent under the Investment Credit Agreement, (iii) the fair market value of all other Unencumbered Overriding Royalty Interests to the extent not expressly included as provided for above, (iv) any Cash Collateral, and (v) such other assets that are not otherwise satisfactory to the administrative agent under the Investment Credit Agreement. So long as the Borrower is required to maintain the Asset Coverage Ratio and Adjusted Asset Coverage Ratio under the Investment Credit Agreement, the determination of Eligible Net Asset Value pursuant to the Investment Credit Agreement shall be used in this Agreement.

(iii) and deleting the definition of "Net Asset Value."

(b) Section 7.12 of the Credit Agreement is hereby amended by replacing such Section in its entirety with the following:

Section 7.12

Loans, Etc. The Borrower will not permit at any time the aggregate amount of all unfunded commitments of the Borrower and its Subsidiaries to provide loans, advances or Guarantees with respect to such Investments (but excluding any "unapproved capital expenditure amount" as defined below) to exceed 100% of the sum of (i) all cash of the Borrower and its Subsidiaries held in deposit accounts that are subject to a Control Agreement granting the administrative agent under the Investment Credit Agreement a first priority security interest therein, excluding Cash Collateral, plus (ii) the difference between (x) the Senior Revolving Commitment Amount minus (y) the Senior Revolving Credit Exposure, plus (iii) 95% of the Fair Market Value of all Marketable Securities with an Investment Grade Rating, plus (iv) 85% of the Fair Market Value of all Marketable Securities with a Non-Investment Grade

Rating. For purposes of this Section 7.12, “unapproved capital expenditure amount” means the portion of any commitment that (i) may only be used for capital expenditures (including drilling and completion of wells, the purchase of assets or other capital expenditures) that are approved by (or consented to by) the Borrower or such Subsidiary in its sole discretion or words of similar effect (whether under a specific approval or under a budget that must be approved) and (ii) exceeds the amount of the capital expenditures that have been so approved and that, if applicable, will not be paid from cash flow from operations under the approved budget. In addition, for purposes of this Section 7.12, with respect to all Marketable Securities, the Borrower shall, not less frequently than once each calendar week (or on such more frequent basis as may be required under the Investment Credit Agreement), determine the Fair Market Value of such Marketable Securities.

2. **Conditions to Effectiveness of this Amendment.** Notwithstanding any other provision of this Amendment and without affecting in any manner the rights of the Lenders hereunder, it is understood and agreed that this Amendment shall not become effective, and the Borrower shall have no rights under this Amendment, until the Administrative Agent shall have received (i) reimbursement or payment of its costs and expenses incurred in connection with this Amendment or the Credit Agreement (including reasonable fees, charges and disbursements of King & Spalding LLP, counsel to the Administrative Agent), and (ii) executed counterparts to this Amendment from the Borrower, each of the Subsidiary Guarantors and the Lenders.

3. **Representations and Warranties.** To induce the Lenders and the Administrative Agent to enter into this Amendment, Borrower hereby represents and warrants to the Lenders and the Administrative Agent that:

(a) The execution, delivery and performance by Borrower of this Amendment (i) is within Borrower’s power and authority; (ii) has been duly authorized by all necessary corporate and shareholder action; (iii) is not in contravention of any provision of Borrower’s certificate of incorporation or bylaws or other organizational documents; (iv) does not violate any law or regulation, or any order or decree of any Governmental Authority; (v) does not conflict with or result in the breach or termination of, constitute a default under or accelerate any performance required by, any indenture, mortgage, deed of trust, lease, agreement or other instrument to which Borrower or any of its Subsidiaries is a party or by which Borrower or any such Subsidiary or any of their respective property is bound; (vi) does not result in the creation or imposition of any Lien upon any of the property of Borrower or any of its Subsidiaries; and (vii) does not require the consent or approval of any Governmental Authority or any other person;

(b) This Amendment has been duly executed and delivered for the benefit of or on behalf of Borrower and constitutes a legal, valid and binding obligation of Borrower, enforceable against Borrower in accordance with its terms except as the enforceability hereof may be limited by bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors’ rights and remedies in general; and

(c) After giving effect to this Amendment, the representations and warranties contained in the Credit Agreement and the other Loan Documents are true and correct in all material respects, and no Default or Event of Default has occurred and is continuing as of the date hereof.

4. **Reaffirmations and Acknowledgments.**

(a) **Reaffirmation of Subsidiary Guaranty.** Each Subsidiary Guarantor consents to the execution and delivery by the Borrower of this Amendment and jointly and severally ratify and confirm the terms of the Subsidiary Guarantee Agreement with respect to the indebtedness now or hereafter outstanding under the Credit Agreement as amended hereby and all promissory notes issued thereunder. Each Subsidiary Guarantor acknowledges that, notwithstanding anything to the contrary contained herein or in any other document evidencing any indebtedness of the Borrower to the Lenders or any other obligation of the Borrower, or any actions now or hereafter taken by the Lenders with respect to any obligation of the Borrower, the Subsidiary Guarantee Agreement (i) is and shall continue to be a primary obligation of the Guarantors, (ii) is and shall continue to be an absolute, unconditional, joint and several, continuing and irrevocable guaranty of payment, and (iii) is and shall continue to be in full force and effect in accordance with its terms. Nothing contained herein to the contrary shall release, discharge, modify, change or affect the original liability of the Subsidiary Guarantors under the Subsidiary Guarantee Agreement.

(b) **Acknowledgment of Perfection of Security Interest.** Borrower and each Subsidiary Guarantor hereby acknowledges that, as of the date hereof, the security interests and liens granted to the Administrative Agent and the Lenders under the Credit Agreement and the other Loan Documents are in full force and effect, are properly perfected and are enforceable in accordance with the terms of the Credit Agreement and the other Loan Documents.

5. **Effect of Amendment.** Except as set forth expressly herein, all terms of the Credit Agreement, as amended hereby, and the other Loan Documents shall be and remain in full force and effect and shall constitute the legal, valid, binding and enforceable obligations of the Borrower to the Lenders and the Administrative Agent. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Lenders under the Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement. This Amendment shall constitute a Loan Document for all purposes of the Credit Agreement.

6. **Governing Law.** This Amendment shall be governed by, and construed in accordance with, the internal laws of the State of New York and all applicable federal laws of the United States of America.

7. **No Novation.** This Amendment is not intended by the parties to be, and shall not be construed to be, a novation of the Credit Agreement or an accord and satisfaction in regard thereto.

8. **Costs and Expenses.** The Borrower agrees to pay on demand all costs and expenses of the Administrative Agent in connection with the preparation, execution and delivery of this Amendment, including, without limitation, the reasonable fees and out-of-pocket expenses of outside counsel for the Administrative Agent with respect thereto.

9. **Counterparts.** This Amendment may be executed by one or more of the parties hereto in any number of separate counterparts, each of which shall be deemed an original and all of which, taken together, shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart of this Amendment by facsimile transmission or by electronic mail in pdf form shall be as effective as delivery of a manually executed counterpart hereof.

10. **Binding Nature.** This Amendment shall be binding upon and inure to the benefit of the parties hereto, their respective successors, successors-in-titles, and assigns.

11. **Entire Understanding.** This Amendment sets forth the entire understanding of the parties with respect to the matters set forth herein, and shall supersede any prior negotiations or agreements, whether written or oral, with respect thereto.

[Signature Pages To Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed, under seal in the case of the Borrower and the Subsidiary Guarantors, by their respective authorized officers as of the day and year first above written.

BORROWER:

NGP CAPITAL RESOURCES COMPANY

By: /s/ Stephen K. Gardner
Name: Stephen K. Gardner
Title: Chief Financial Officer

SUBSIDIARY GUARANTORS:

NGPC FUNDING GP, LLC

By: /s/ Stephen K. Gardner
Name: Stephen K. Gardner
Title: Chief Financial Officer

NGPC FUNDING, LP

By: NGPC Funding GP, LLC
Its general partner

By: /s/ Stephen K. Gardner
Name: Stephen K. Gardner
Title: Chief Financial Officer

NGPC ASSET HOLDINGS GP, LLC

By: /s/ Stephen K. Gardner
Name: Stephen K. Gardner
Title: Chief Financial Officer

NGPC ASSET HOLDINGS, LP

By: NGPC Asset Holdings GP, LLC
Its general partner

By: /s/ Stephen K. Gardner
Name: Stephen K. Gardner
Title: Chief Financial Officer

NGPC NEVADA, LLC

By: /s/ Stephen K. Gardner
Name: Stephen K. Gardner
Title: Chief Financial Officer

LENDERS:

SUNTRUST BANK, individually and as Administrative Agent and as a Lender

By: /s/ James Warren
Name: James Warren
Title: Managing Director

COMMERZBANK, AG

By: /s/ Carl Kemmerer
Name: Carl Kemmerer
Title: Vice President

Name: Janet Berry
Title: Assistant Treasurer

By: /s/ Janet Berry

LANDESBANK BADEN-WÜRTTEMBERG

By: /s/ Karen Richard
Name: Karen Richard
Title: Vice President

By: /s/ Carolyn Gutbrod
Name: Carolyn Gutbrod
Title: Vice President

BRANCH BANK & TRUST CO.

By: /s/ Greg Drabik
Name: Greg Drabik
Title: Assistant Vice President

AMERICAN NATIONAL BANK

By: /s/ Gary W. Vick
Name: Gary W. Vick

Title: Vice President