

LEGACY RESERVES LP  
Form 424B5  
November 09, 2011

**Table of Contents**

<b>Title of Each Class to be Registered</b>	<b>Amount to</b>	<b>Offering</b>	<b>Aggregate</b>	<b>Registration</b>
	<b>Be</b>			<b>Price</b>
	<b>Registered</b>	<b>per Unit</b>	<b>Offering Price</b>	<b>(2)(3)</b>
Units representing limited partner interests	(1) 3,910,000	\$ 28.850	\$ 112,803,500	\$ 12,928(4)

(1) Assumes that the over-allotment amount of 510,000 units is exercised.

(2) Calculated in accordance with Rule 457(r) under the Securities Act of 1933, as amended.

(3) This Calculation of Registration Fee table shall be deemed to update the Calculation of Registration Fee table in the Company's Registration Statement on Form S-3 (File No. 333-174434) in accordance with Rules 456(b) and 457(r) under the Securities Act.

(4) Pursuant to Rule 457(p) of the Securities Act, the registrant hereby offsets a portion of this registration fee by \$9,925, representing the amount of the registration fee associated with unsold securities, which registration fee was previously paid in connection with the filing of the Registration Statement on Form S-3 (Registration No. 333-150111) originally filed on April 7, 2008. The remaining portion of the registration fee, of \$3,003, will be transmitted to the Securities and Exchange Commission on or before November 10, 2011.

**PROSPECTUS SUPPLEMENT**

(To the Prospectus dated September 6, 2011)

**Filed Pursuant to Rule 424(b)(5)  
Registration No. 333-174434**

**3,400,000 Units**

**Legacy Reserves LP**

**Representing Limited Partner Interests**

We are selling 3,400,000 units representing limited partner interests of Legacy Reserves LP. Our units trade on the NASDAQ Global Select Market under the symbol LGCY. The last reported sales price of our units on the NASDAQ Global Select Market on November 7, 2011 was \$30.05 per unit.

**Investing in our units involves risks. You should carefully consider each of the factors described under Risk Factors beginning on page S-5 of this prospectus supplement and on page 3 of the accompanying prospectus.**

We have granted the underwriters a 30-day option to purchase up to an additional 510,000 units from us on the same terms and conditions as set forth above if the underwriters sell more than 3,400,000 units in this offering.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

	<b>Per Unit</b>	<b>Total</b>
Initial price to public	\$ 28.850	\$ 98,090,000
Underwriting discounts and commissions	\$ 1.154	\$ 3,923,600
Proceeds, before expenses, to Legacy Reserves LP	\$ 27.696	\$ 94,166,400

The underwriters expect to deliver the units on or about November 14, 2011

*Joint Book-Running Managers*

**UBS Investment Bank**

**Raymond James**

**Citigroup**

*Co-Lead Manager*

**RBC Capital Markets**

*Co-Managers*

**Baird**

**Stifel Nicolaus Weisel**

**Wunderlich Securities**

The date of this prospectus supplement is November 8, 2011.

---

**Table of Contents**

**CURRENT AREAS OF OPERATIONS**

---

**Table of Contents**

TABLE OF CONTENTS

**PROSPECTUS SUPPLEMENT**

	<b>Page</b>
Summary	S-1
The offering	S-4
Risk factors	S-5
Use of proceeds	S-6
Capitalization	S-7
Price range of units and distributions	S-8
Material tax considerations	S-9
Underwriting (conflicts of interest)	S-11
Legal matters	S-15
Experts	S-15
Incorporation by reference	S-16
Forward-looking statements	S-17

**PROSPECTUS DATED SEPTEMBER 6, 2011**

	<b>Page</b>
About this prospectus	1
Cautionary note regarding forward-looking statements	1
About Legacy Reserves LP	2
Risk factors	3
Use of proceeds	20
Ratio of earnings to fixed charges	20
Description of our units	21
Cash distribution policy	23
Material provisions of our partnership agreement	25
Description of debt securities	36
Description of guarantees of debt securities	47
Conflicts of interest and fiduciary duties	48
Material tax considerations	54
Legal matters	72
Experts	72
Where you can find more information	72
Incorporation by reference	73



**Table of Contents**

Important notice about information in this prospectus supplement and the accompanying prospectus

This document is in two parts. The first part is the prospectus supplement, which describes the specific terms of this offering and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part is the accompanying prospectus, which gives more general information about securities we may offer from time to time, some of which may not apply to this offering of units.

If the information relating to the offering varies between the prospectus supplement and the accompanying prospectus, you should rely on the information in this prospectus supplement.

You should rely only on the information contained in or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus prepared by or on behalf of us. We have not, and the underwriters have not, authorized anyone to provide you with additional or different information. If anyone provides you with additional, different or inconsistent information, you should not rely on it. This prospectus supplement and accompanying prospectus are not an offer to sell or a solicitation of an offer to buy our units in any jurisdiction where such offer and any sale would be unlawful. You should not assume that the information contained in this prospectus supplement or the accompanying prospectus is accurate as of any date other than the date on the front of those documents or that any information we have incorporated by reference is accurate as of any date other than the date of the document incorporated by reference. Our business, financial condition, results of operations and prospects may have changed since such dates.

The information in this prospectus supplement is not complete. You should review carefully all of the detailed information appearing in this prospectus supplement, the accompanying prospectus and the documents we have incorporated by reference before making any investment decision.

**S-ii**

---

**Table of Contents**

Summary

*This summary highlights information included or incorporated by reference in this prospectus supplement. It does not contain all of the information that may be important to you. You should read carefully the entire prospectus supplement, the accompanying prospectus, the documents incorporated by reference and the other documents to which we refer herein for a more complete understanding of this offering.*

*Unless the context otherwise requires, references to Legacy Reserves , Legacy , we , our , us , or like terms refer to Legacy Reserves LP and its subsidiaries.*

Legacy Reserves LP

**OVERVIEW**

We are an independent oil and natural gas limited partnership headquartered in Midland, Texas, and are focused on the acquisition and development of oil and natural gas properties primarily located in the Permian Basin, Mid-Continent and Rocky Mountain regions of the United States. We were formed in October 2005 to own and operate the oil and natural gas properties that we acquired from our Founding Investors and three charitable foundations in connection with the closing of our private equity offering on March 15, 2006. On January 18, 2007, we completed our initial public offering.

Our primary business objective is to generate stable cash flows allowing us to make cash distributions to our unitholders and to support and increase quarterly cash distributions per unit over time through a combination of acquisitions of new properties and development of our existing oil and natural gas properties.

Our oil and natural gas production and reserve data as of December 31, 2010 are as follows:

- Ø We had proved reserves of approximately 52.8 million barrels of crude oil equivalent (MMBoe), of which 74% were oil and natural gas liquids and 86% were classified as proved developed producing (PDP), 2% were proved developed non-producing, and 12% were proved undeveloped;
- Ø Our proved reserves had a standardized measure of \$774.8 million; and
- Ø Our proved reserves to production ratio was approximately 14.0 years based on our average daily net production of 10,337 barrels of oil equivalent per day (Boe/d) (approximately 70% operated) for the three months ended December 31, 2010.

We have grown primarily through two activities: the acquisition of producing oil and natural gas properties and the development of properties in established producing trends. From 2007 through 2010, we completed 65 acquisitions of oil and natural gas properties for a total of approximately \$705 million, excluding \$49.2 million of non-cash asset retirement obligations. These acquisitions of primarily long-lived, oil-weighted assets, along with our ongoing development activities and operational improvements, have allowed us to achieve significant operational and financial growth during this time period.

**2011 ACQUISITIONS**



During the nine-month period ended September 30, 2011, we acquired oil and natural gas properties in 23 transactions for an aggregate purchase price of \$95.4 million, which we funded with borrowings under our revolving credit facility and cash flow from operations.

## **BUSINESS STRATEGY**

The key elements of our business strategy are to:

- Ø Make accretive acquisitions of producing properties generally characterized by long-lived reserves with stable production and reserve development potential;
- Ø Add proved reserves and maximize cash flow and production through development projects and operational efficiencies;

**S-1**

---

## **Table of Contents**

- Ø Maintain financial flexibility; and
- Ø Reduce commodity price risk through oil, natural gas liquids (NGLs) and natural gas derivative transactions.

## **COMPETITIVE STRENGTHS**

We believe that we are positioned to successfully execute our business strategy because of the following competitive strengths:

- Ø Proven acquisition and exploitation track record;
- Ø Predictable, long-lived reserve base;
- Ø Diversified operations and operational control of over 70% of our current production; and
- Ø Experienced management team with a vested interest in our success.

## **RECENT DEVELOPMENTS**

### **Pending Acquisitions**

Legacy recently entered into two agreements for the acquisition of oil and natural gas properties. The first of these acquisitions involves an agreement to purchase Permian Basin properties from a private seller for \$20 million in cash and 278,396 units. The properties are located in Lea, Eddy and Chaves Counties, New Mexico, have net daily production of approximately 1.26 MMcf of natural gas and 110 barrels of oil, and are 100% operated. Legacy estimates that the properties contain proved reserves of approximately 1.64 MMBoe, of which 88% are estimated to be PDP. The closing of this Permian Basin acquisition is anticipated to occur on or about November 14, 2011.

In addition, Legacy has entered an agreement to purchase natural gas properties for \$45 million in cash. These properties, which are located in Fremont County, Wyoming, have net daily production of approximately 12.9 MMcf of natural gas and 15 barrels of oil, and are 100% operated. Legacy estimates that the properties contain proved reserves of approximately 41.6 Bcfe, all of which are estimated to be PDP. This Wyoming acquisition includes a natural gas gathering system, gas processing plant, and related compression facilities gathering gas from the wells to be acquired. The closing of the Wyoming acquisition is anticipated to occur on or about December 1, 2011.

Our pending acquisitions are subject to customary closing conditions, including title and environmental due diligence, and purchase price adjustments.

Assuming the closing of the Permian Basin acquisition described above, Legacy's borrowing base under its revolving credit facility will expand from \$535 million to \$550 million. Legacy plans to finance these acquisitions with its borrowings under its revolving credit facility. There is no assurance that one or both of our pending acquisitions will be consummated.

### **2011 Capital Budget**

On October 21, 2011, the board of directors of our general partner approved an increase in our 2011 development capital budget to \$70.0 million, excluding acquisitions. As of September 30, 2011, we spent \$52.1 million of our 2011 capital budget. The 2011 capital budget primarily consists of development drilling and completion expenditures,

recompletions, and restimulations of existing wells. We may adjust our capital budget during the remainder of the year in response to changes in oil and natural gas prices, cash flow, results of operations and acquisitions.

### **Third Quarter Cash Distribution**

On November 14, 2011, we will pay a cash distribution attributable to the third quarter of 2011 of \$0.545 per unit to unitholders of record at the close of business on November 2, 2011. Purchasers of units in this offering will not be entitled to such distribution. This quarterly distribution is a \$0.005 increase from the prior quarter and represents an annualized distribution of \$2.18 per unit.

**S-2**

---

**Table of Contents**

**Our Ownership and Organizational Structure**

The chart below depicts our organization and ownership structure as of the date of this prospectus supplement before giving effect to this offering.

Ownership of Legacy Reserves LP	
Public Unitholders	76.34%
Founding Investors, Directors and Management	23.62%
General Partner Interest	0.04%
Total	100.00%

*(a) The Founding Investors include entities controlled by various Brown and McGraw family members, respectively, as well as by Messrs. Horne and Pruett.*

*(b) Does not include 278,396 units to be issued with a pending acquisition.*

**Table of Contents**

The offering

Units offered by Legacy Reserves LP 3,400,000 units; 3,910,000 units if the underwriters exercise in full their option to purchase additional units.

Units outstanding after this offering 47,160,533 units, or 47,670,533 units if the underwriters exercise in full their option to purchase additional units (excluding 278,396 units to be issued in connection with the pending acquisition of the Permian Basin properties).

Use of proceeds We will receive net proceeds from this offering of approximately \$93.9 million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We plan to use the net proceeds from the offering and from any exercise of the underwriters option to purchase additional units to repay outstanding borrowings under our revolving credit facility. Please read Use of Proceeds.

Cash distributions We distribute all of our cash on hand at the end of each quarter, after payment of fees and expenses, less reserves (including reserves for capital expenditures) established by our general partner in its discretion. Unlike most publicly traded partnerships, we do not pay incentive distributions to our general partner. In general, we distribute 99.96% of our available cash each quarter to our unitholders and approximately 0.04% of our available cash to our general partner. We refer to this cash as available cash , and we define its meaning in our partnership agreement. We declared a quarterly distribution for our third quarter of 2011 of \$0.545 per unit, or \$2.18 on an annualized basis. On November 14, 2011, we will pay this cash distribution to unitholders of record at the close of business on November 2, 2011. Purchasers of units in this offering will not be entitled to such distribution.

Conflicts of interest As described in Use of Proceeds, affiliates of UBS Securities LLC and RBC Capital Markets, LLC are lenders under our revolving credit facility and may receive more than 5% of the proceeds from this offering pursuant to the repayment of borrowings under that facility. Nonetheless, in accordance with the Financial Industry Authority Rule 5121, the appointment of a qualified independent underwriter is not necessary in connection with this offering because the units offered hereby are interests in a direct participation program. Investor suitability with respect to the units will be judged similarly to the suitability with respect to other securities that are listed for trading on a national securities exchange. Please read Underwriting Conflicts of Interest.

Estimated ratio of taxable income to distribution We estimate that if you purchase units in this offering and own them through the record date for the distribution with respect to the fourth calendar quarter of 2014, then you will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be less

than 20% of the amount of cash distributed to you with respect to that period. If you continue to own units purchased in this offering after that period, the percentage of federal taxable income allocated to you may be higher. Please read **Material Tax Considerations** in this prospectus supplement for the basis of this estimate.

Exchange listing

Our units are traded on the NASDAQ Global Select Market under the symbol **LGCY** .

S-4

---

**Table of Contents**

Risk factors

*An investment in our units involves risk. You should carefully read the risk factors included under the caption **Risk Factors** beginning on page 3 of the accompanying prospectus, as well as the risk factors included in Item 1A. **Risk Factors** in our Annual Report on Form 10-K for the year ended December 31, 2010, and our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011, together with all of the other information included or incorporated by reference in this prospectus supplement. If any of these risks were to occur, our business, financial condition, results of operations or prospects could be materially adversely affected. In such case, the trading price of our units could decline, and you could lose all or part of your investment.*

**S-5**

---

**Table of Contents**

Use of proceeds

We will receive net proceeds of approximately \$93.9 million from the sale of 3,400,000 units offered by this prospectus supplement, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters exercise their option to purchase additional units in full, we will receive additional net proceeds of approximately \$14.1 million. We plan to use all of the net proceeds from this offering to repay outstanding borrowings under our revolving credit facility. Assuming the closing of our pending acquisitions, we plan to reborrow amounts under our revolving credit facility to fund the purchase of our pending Permian Basin and Wyoming acquisitions. Please read [Summary Recent Developments](#) for a description of the Permian Basin and Wyoming acquisitions.

As of November 4, 2011, approximately \$411 million of borrowings were outstanding under our revolving credit facility. As of November 4, 2011, interest on borrowings under our revolving credit facility had a weighted average effective interest rate of approximately 2.80%. The revolving credit facility matures on March 10, 2016. The proceeds of borrowings under our revolving credit facility are used primarily to finance acquisitions and for general partnership purposes.

The underwriters may, from time to time, engage in transactions with and perform services for us and our affiliates in the ordinary course of their business. Affiliates of UBS Securities LLC and RBC Capital Markets, LLC are lenders under our revolving credit facility and may receive a portion of the proceeds from this offering through repayment of indebtedness under the revolving credit facility. Please read [Underwriting Conflicts of Interest](#).

**S-6**

---



**Table of Contents**

## Capitalization

The following table shows our capitalization as of September 30, 2011 on an actual basis and as adjusted to reflect this offering of units, and the application of the net proceeds as described under Use of Proceeds.

You should read this information in conjunction with Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations and Item 1. Financial Statements contained in our Quarterly Report on Form 10-Q for the nine months ended September 30, 2011, which we incorporate by reference into this prospectus supplement.

	<b>September 30, 2011</b>	
	<b>Actual</b>	<b>As Adjusted</b>
	<b>(in thousands)</b>	
Cash and cash equivalents	\$ 1,605	\$ 2,471
Debt, including current maturities:		
Revolving credit facility <sup>(1)</sup>	406,000	313,000
Total long-term debt	406,000	313,000
Owners' equity:		
Unitholders	455,993	549,859
General partner interest	161	161
Total owners' equity	\$ 456,154	\$ 550,020
Total capitalization	\$ 862,154	\$ 863,020

*(1) We plan to use all of the net proceeds from this offering to repay outstanding borrowings under our revolving credit facility. We plan to reborrow amounts under our revolving credit facility to fund the purchase prices of our pending Permian Basin and Wyoming acquisitions. Please read Summary Recent Developments for a description of the Permian Basin and Wyoming acquisitions.*

**Table of Contents**

## Price range of units and distributions

Our units are listed on the NASDAQ Global Select Market under the symbol LGCY . The last reported sales price of the units on November 7, 2011 was \$30.05. As of November 4, 2011, we had issued and outstanding 43,760,533 units, which were held by approximately 80 holders of record, including units held by our Founding Investors. The following table presents the high and low sales prices for our units during the periods indicated (as reported on the NASDAQ Global Select Market) and the amount of the quarterly cash distributions we paid on each of our units with respect to such periods:

	Price Ranges		Cash Distribution per Unit
	High	Low	
<b>2011</b>			
Fourth Quarter (through November 7, 2011)	\$ 30.85	\$ 23.84	\$ (a)
Third Quarter	\$ 30.85	\$ 22.00	\$ 0.545(b)
Second Quarter	\$ 33.71	\$ 27.01	\$ 0.540
First Quarter	\$ 32.24	\$ 27.84	\$ 0.530
<b>2010</b>			
Fourth Quarter	\$ 29.19	\$ 24.66	\$ 0.525
Third Quarter	\$ 26.09	\$ 21.25	\$ 0.520
Second Quarter	\$ 24.75	\$ 17.86	\$ 0.520
First Quarter	\$ 23.22	\$ 17.04	\$ 0.520
<b>2009</b>			
Fourth Quarter	\$ 20.18	\$ 15.13	\$ 0.520
Third Quarter	\$ 17.04	\$ 11.73	\$ 0.520
Second Quarter	\$ 13.58	\$ 8.95	\$ 0.520
First Quarter	\$ 13.99	\$ 7.50	\$ 0.520

(a) The distribution attributable to the quarter ending December 31, 2011 has not been declared or paid. We expect to declare and pay a cash distribution within 45 days following the end of the quarter.

(b) The distribution attributable to the quarter ended September 30, 2011 will be paid on November 14, 2011 to holders of record of November 2, 2011. Purchasers of units in this offering will not be entitled to such a distribution.

## **Table of Contents**

### Material tax considerations

The tax consequences to you of an investment in our units will depend in part on your own tax circumstances. For a discussion of the principal federal income tax considerations associated with our operations and the purchase, ownership and disposition of our units, please read [Tax Risks to Unitholders](#) and [Material Tax Considerations](#) in the accompanying base prospectus. You are urged to consult with your own tax advisor about the federal, state, local and foreign tax consequences particular to your circumstances.

### **PARTNERSHIP TAX TREATMENT**

The anticipated after-tax economic benefit of an investment in our units depends largely on our being treated as a partnership for federal income tax purposes. We have not requested a ruling from the IRS with respect to our partnership status. In order to be treated as a partnership for federal income tax purposes, at least 90% or more of our gross income must be qualifying income. Qualifying income includes income and gains derived from the exploration, development, mining or production, processing, transportation and marketing of natural resources, including natural gas, oil and products thereof. For a more complete description of this qualifying income requirement, please read [Material Tax Considerations Taxation of Legacy Reserves LP Partnership Status](#) in the accompanying base prospectus.

If we were treated as a corporation for federal income tax purposes, we would pay federal income tax on our taxable income at the corporate tax rate, which is currently a maximum of 35%, and would likely pay state income tax at varying rates. Distributions to you would generally be taxed again as corporate distributions, and no income, gains, losses or deductions would flow through to you. Because a tax would be imposed upon us as a corporation, our cash available for distribution to you would be substantially reduced. Therefore, treatment of us as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to the limited partners, likely causing a substantial reduction in the value of our units.

### **RATIO OF TAXABLE INCOME TO DISTRIBUTIONS**

We estimate that if you purchase units in this offering and own them through the record date for the distribution with respect to the fourth calendar quarter of 2014, then you will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be less than 20% of the amount of cash distributed to you with respect to that period. If you continue to own units purchased in this offering after that period, the percentage of federal taxable income allocated to you may be higher. Our estimate is based upon many assumptions regarding our business and operations, including assumptions as to tariffs, capital expenditures, cash flows and anticipated cash distributions. Our estimate assumes our available cash will approximate the amount necessary to continue to distribute the current quarterly distribution throughout the referenced period. This estimate and the assumptions are subject to, among other things, numerous business, economic, regulatory, competitive and political uncertainties beyond our control. Further, this estimate is based on current tax law and certain tax reporting positions that we have adopted. Current tax law may change (see [Recent Legislative Developments](#) below) and the IRS could disagree with our tax reporting positions. Accordingly, we cannot assure you that the estimate will be correct. The actual percentage of taxable income to distributions could be higher or lower, and any differences could be material and could materially affect the value of units. For example, the ratio of taxable income to cash distributions to a purchaser of units

**Table of Contents**

**Material tax considerations**

in this offering will be greater, and perhaps substantially greater, than our estimate with respect to the period described above if:

- Ø gross income from operations exceeds the amount required to make the current quarterly distribution on all units, yet we only distribute the current quarterly distribution on all units;
- Ø we drill fewer well locations than we anticipate or spend less than we anticipate in connection with our drilling and completion activities contemplated in our capital budget; or
- Ø we make a future offering of units and use the proceeds of such offering in a manner that does not produce substantial additional deductions during the period described above, such as to repay indebtedness outstanding at the time of such offering or to acquire property that is not eligible for depletion, depreciation or amortization for federal income tax purposes or that is depletable, depreciable, or amortizable at a rate significantly slower than the rate applicable to our assets at the time of such offering.

**TAX-EXEMPT ORGANIZATIONS & OTHER INVESTORS**

Ownership of units by tax-exempt entities, including employee benefit plans and individual retirement accounts (known as IRAs), and non-U.S. investors raises issues unique to such persons. Please read [Material Tax Considerations Tax-Exempt Org](#)