

LEGACY RESERVES LP
Form DEF 14A
April 14, 2009

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

SCHEDULE 14A

**PROXY STATEMENT PURSUANT TO SECTION 14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934 (Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for use of the Commission only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to Section 240.14a-12

Legacy Reserves LP
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

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- (3) Filing Party:
- (4) Date Filed:

Legacy Reserves LP
303 W. Wall, Suite 1400
Midland, Texas 79701

April 14, 2009

To Our Limited Partners:

You are cordially invited to attend the 2009 Annual Meeting of Unitholders of Legacy Reserves LP to be held on May 14, 2009 commencing at 10:30 a.m. local time at the Hilton Midland Plaza located at 117 W. Wall, Midland, Texas 79701. Proxy materials, which include a Notice of the Meeting, Proxy Statement and proxy card, are enclosed with this letter. The attached proxy statement is first being mailed to unitholders of Legacy Reserves LP on or about April 14, 2009. We have also enclosed our 2008 Annual Report on Form 10-K for the fiscal year ended December 31, 2008.

The board of directors of our general partner has called this Annual Meeting for you to consider and act upon the election of directors of our general partner's board of directors to serve until the next Annual Meeting of Unitholders. The current board of directors of our general partner unanimously recommends that you approve this proposal.

Even if you plan to attend the meeting, you are requested to sign, date and return the proxy card in the enclosed envelope. If you attend the meeting after having returned the enclosed proxy card, you may revoke your proxy, if you wish, and vote in person. A proxy may also be revoked at any time before it is exercised by giving written notice to, or filing a duly exercised proxy bearing a later date with, our Secretary. If you would like to attend and your units are not registered in your own name, please ask the broker, trust, bank or other nominee that holds the units to provide you with evidence of your unit ownership.

We look forward to seeing you at the meeting.

Sincerely,

Cary D. Brown
Chief Executive Officer and Chairman of the Board,
Legacy Reserves GP, LLC, general partner of
Legacy Reserves LP

**Legacy Reserves LP
303 W. Wall, Suite 1400
Midland, Texas 79701**

**NOTICE OF THE 2009
ANNUAL MEETING OF UNITHOLDERS**

The Annual Meeting of the Unitholders of Legacy Reserves LP, or the Partnership, will be held on Thursday, May 14, 2009, at 10:30 a.m. local time at the Hilton Midland Plaza located at 117 W. Wall, Midland, Texas 79701 for the following purposes:

1. To elect seven (7) directors to the board of directors of our general partner, each to serve until the next Annual Meeting of Unitholders; and

2. To transact any other business as may properly come before the Annual Meeting or any adjournment thereof, including, without limitation, the adjournment of the annual meeting in order to solicit additional votes from unitholders in favor of adopting the foregoing proposals.

Only unitholders of record at the close of business on April 3, 2009, are entitled to notice of and to vote at the Annual Meeting and at any adjournment or postponement thereof. A list of such unitholders will be open to examination, during regular business hours, by any unitholder for at least ten days prior to the Annual Meeting, at our offices at 303 W. Wall, Suite 1400, Midland, Texas 79701. Unitholders holding at least a majority of the outstanding units representing limited partner interests are required to be present or represented by proxy at the meeting to constitute a quorum.

Please note that space limitations make it necessary to limit attendance at the meeting to unitholders, though each unitholder may be accompanied by one guest. Admission to the meeting will be on a first-come, first-served basis. Registration will begin at 9:30 a.m. Each unitholder may be asked to present valid picture identification, such as a driver's license or passport. Unitholders holding units in brokerage accounts must bring a copy of a brokerage statement reflecting unit ownership as of the record date. Cameras, recording devices and other electronic devices will not be permitted at the meeting.

By Order of the Board of Directors,

Cary D. Brown
Chief Executive Officer and Chairman of the Board,
Legacy Reserves GP, LLC, general partner of
Legacy Reserves LP

Midland, Texas
April 14, 2009

YOUR VOTE IS IMPORTANT

To ensure your representation at the meeting, please sign, date and return your proxy as promptly as possible. An envelope, which requires no postage if mailed in the United States, is enclosed for this purpose.

Mailing your completed proxy will ensure your representation at the meeting, whether you attend or not.

If you do attend the meeting and prefer to vote in person, you may do so.

**Proxy Statement for the
Annual Meeting of Unitholders of**

LEGACY RESERVES LP
To Be Held on Thursday, May 14, 2009

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**Legacy Reserves LP
303 W. Wall, Suite 1400
Midland, Texas 79701**

**PROXY STATEMENT
FOR THE 2009 ANNUAL MEETING OF UNITHOLDERS
TO BE HELD ON MAY 14, 2009**

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING AND VOTING

The Annual Meeting

Unless otherwise indicated, the terms "Partnership," "we," "our," and "us" are used in this proxy statement to refer to Legacy Reserves LP together with our subsidiaries. The terms "board" and "board of directors" refer to our general partner's board of directors.

What is a proxy statement and why is it important?

We hold a meeting of unitholders annually. This year's meeting will be held on May 14, 2009. Our board of directors is seeking your proxy to vote at the 2009 Annual Meeting of Unitholders. This proxy statement contains important information about the Partnership and the election of directors to be voted on at the meeting. Please read these materials carefully so that you have the information you need to make informed decisions.

You do not need to attend the Annual Meeting to vote. Instead, you may simply complete, sign and return the enclosed proxy card.

When and where is the Annual Meeting?

The 2009 Annual Meeting of Unitholders of Legacy Reserves LP will be held on Thursday, May 14, 2009, at 10:30 a.m., local time, at the Hilton Midland Plaza located at 117 W. Wall, Midland, Texas 79701.

What am I being asked to vote upon?

You are being asked to approve the election of the directors nominated to our general partner's board of directors to serve until the next Annual Meeting of Unitholders, and to consider and vote upon such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

Voting and Proxy Procedures

Who may vote at the Annual Meeting?

Only unitholders of record at the close of business on April 3, 2009, the record date for the Annual Meeting, are entitled to receive notice of and to participate in the Annual Meeting. If you were a unitholder of record on that date, you will be entitled to vote all of the units representing limited partner interests of Legacy Reserves LP, each referred to as a Unit, that you held on that date at the Annual Meeting, or any postponements or adjournments of the Annual Meeting. We are mailing this proxy statement to unitholders on or about April 14,

2009.

What are the voting rights of the holders of Units?

Each Unit is entitled to one vote on all matters. Your proxy card indicates the number of units that you owned as of the record date.

Who is soliciting my proxy?

Our general partner's board of directors on behalf of the Partnership is soliciting proxies to be voted at the Annual Meeting.

What different methods can I use to vote?

By Written Proxy. Whether you plan to attend the Annual Meeting or not, we urge you to complete, sign and date the enclosed proxy card and return it promptly in the envelope provided. Returning the proxy card will not affect your right to attend the Annual Meeting and vote in person.

If you properly fill in your proxy card and send it to us in time to vote, your "proxy" (Steven H. Pruett or William M. Morris are the individuals named as proxies on your proxy card) will vote your units as you have directed. Unless otherwise directed in the proxy card, your proxy will vote your units for the election of the seven director nominees proposed by our general partner's board of directors.

If any other matter is presented, it is the intention of the persons named in the enclosed proxy card to vote proxies held by them in accordance with their best judgment. At the time this proxy statement was first mailed to unitholders, we knew of no matters that needed to be acted on at the Annual Meeting other than those discussed in this proxy statement.

In Person. All unitholders of record may vote in person at the Annual Meeting. If you plan to attend the Annual Meeting and vote in person, we will give you a ballot when you arrive. However, if your units are held in the name of your broker, bank or other nominee, you must bring an account statement or letter from the nominee indicating that you were the beneficial owner of the units on the record date.

How may I revoke my signed proxy card?

You may revoke your proxy card or change your vote at any time before your proxy is voted at the Annual Meeting. You can do this in one of three ways:

- First, you can send a written notice in advance of the meeting to our Secretary at 303 W. Wall, Suite 1400, Midland, Texas 79701, stating that you would like to revoke your proxy.
- Second, you can complete and submit a later-dated proxy card.
- Third, you can attend the Annual Meeting and vote in person. Your attendance at the Annual Meeting will not alone revoke your proxy unless you vote at the meeting as described below.

If you have instructed a broker to vote your units, you must follow directions received from your broker to change those instructions.

What does it mean if I get more than one proxy card?

It indicates that your units are held in more than one account, such as two brokerage accounts registered in different names. You should complete each of the proxy cards to ensure that all of your units are voted. We encourage you to register all of your brokerage accounts in the same name and address for better service. You should contact your broker, bank or nominee for more information. Additionally, our transfer agent, Computershare Trust Company, N.A., can assist you if you want to consolidate multiple accounts registered in your name by contacting our transfer agent at P.O. Box 43078, Providence, RI 02940-3078, Telephone: (781)

Quorum and Required Votes

How many votes are needed to hold the meeting?

A majority of the outstanding units as of the record date must be represented at the meeting in order to hold the meeting and conduct business. This is called a quorum. As of the record date, April 3, 2009, there were 31,074,339 units outstanding held by approximately 11,721 holders. Unitholders are entitled to one vote, exercisable in person or by proxy, for each unit, held by such Unitholder on the record date. Our partnership agreement does not provide for cumulative voting.

Units are counted as present at the Annual Meeting if:

- the unitholder is present and votes in person at the meeting,
- the unitholder has properly submitted a proxy card, or
- under certain circumstances, the unitholder's broker votes the units.

Who will count the vote?

Representatives of Computershare Trust Company, N.A., our transfer agent, will tabulate the votes.

How many votes must the director nominees have to be elected?

The affirmative vote of holders of a plurality of the units present or represented by proxy at the meeting and entitled to vote is required for the election of each director nominee. Therefore, abstentions and broker non-votes will not be taken into account in determining the outcome of the election of directors.

How are abstentions and broker non-votes counted?

Abstentions and broker non-votes are included in determining whether a quorum is present, but will not be included in vote totals and will not affect the outcome of the vote.

How are proxies solicited?

Proxies may be solicited by mail, telephone, or other means by our general partner's officers, directors and our employees. No additional compensation will be paid to these individuals in connection with proxy solicitations. We will pay for distributing and soliciting proxies and will reimburse banks, brokers and other custodians their reasonable fees and expenses for forwarding proxy materials to unitholders.

Additional Questions and Information

If you would like additional copies of this proxy statement (which copies will be provided to you without charge) or if you have questions, including the procedures for voting your units, you should contact:

Legacy Reserves LP
303 W. Wall, Suite 1400
Midland, Texas 79701
Attention: Steven H. Pruett
President, Chief Financial Officer and Secretary

IMPORTANT NOTICE REGARDING THE AVAILABILITY OF PROXY MATERIALS FOR THE ANNUAL MEETING OF UNITHOLDERS TO BE HELD ON MAY 14, 2009

The Notice of Annual Meeting, Proxy Statement and Annual Report on Form 10-K for the year ended December 31, 2008 are available at <http://ir.legacylp.com/annual-proxy.cfm>.

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PROPOSAL 1

ELECTION OF DIRECTORS

Board of Directors

The Amended and Restated Limited Liability Company Agreement of our general partner provides that our general partner's board of directors will consist of a number of directors as determined from time to time by resolution adopted by a majority of directors then in office, but shall not be less than seven, nor more than nine. Currently, our general partner's board of directors has seven directors. Each of the nominees for election to the board of directors is currently a director of Legacy Reserves GP, LLC. If elected at the annual meeting, each of the nominees will be elected to hold office for a one year term and thereafter until his successor has been elected and qualified, or until his earlier death, resignation or removal.

Voting

Directors are elected by a plurality of the votes present in person or represented by proxy and entitled to vote at the annual meeting. Units represented by executed proxies will be voted, if authority to do so is not withheld, for the election of the nominees named below. In the event that any nominee should be unavailable for election as a result of an unexpected occurrence, such units will be voted for the election of such substitute nominee as may be nominated by our general partner's board of directors. Each person nominated for election has agreed to serve if elected, and we have no reason to believe that any nominee will be unable to serve.

Recommendation and Proxies

The board of directors recommends a vote FOR each of the nominees named below.

The persons named in the enclosed proxy card will vote all units over which they have discretionary authority FOR the election of the nominees named below. Although our general partner's board of directors does not anticipate that any of the nominees will be unable to serve, if such a situation should arise prior to the meeting, the appointed persons will use their discretionary authority pursuant to the proxy and vote in accordance with their best judgment.

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Set forth below is biographical information for each person nominated for a one-year term expiring at the 2010 Annual Meeting. Each of the director nominees is an existing director standing for re-election.

Nominees for Election

Name	Principal Occupation	Age	Director Since
Cary D. Brown	Mr. Brown is Chairman of the board of directors of our general partner and Chief Executive Officer of our general partner and has served in such capacities since our founding in October 2005. Prior to October 2005, Mr. Brown co-founded two businesses, Moriah Resources, Inc. and Petroleum Strategies, Inc. Moriah Resources, Inc. was formed in 1992 to acquire oil and natural gas reserves. Petroleum Strategies, Inc. was	42	October 2005

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	<p>formed in 1991 to serve as a qualified intermediary in connection with the execution of Section 1031 transactions for major oil companies, public independents and private oil and natural gas companies. Mr. Brown has served as Executive Vice President of Petroleum Strategies, Inc. since its inception in 1991. Mr. Brown served as an auditor for Grant Thornton in Midland, Texas from January 1990 to June 1991 and for Deloitte & Touche in Houston, Texas from June 1989 to December 1989. In 1995, Mr. Brown also founded and organized The Executive Oil Conference held in Midland, Texas, which draws over 300 oil and natural gas industry professionals each year. Mr. Brown has a Bachelor of Business Administration degree, with honors, from Abilene Christian University. Mr. Brown has 19 years of experience in the oil and natural gas industry with 17 years of experience in the Permian Basin.</p>		
<p>Kyle A. McGraw</p>	<p>Mr. McGraw is a member of the board of directors of our general partner and also serves as the Executive Vice President of Business Development and Land of our general partner and has served in such capacities since our founding in October 2005. Mr. McGraw joined Brothers Production Company in 1983, and has served as its General Manager since 1991 and became President in 2003. During his 23 year tenure at Brothers Production Company, Mr. McGraw has served in numerous capacities including reservoir and production engineering, acquisition evaluation and land management. Mr. McGraw is a registered professional engineer (inactive status) in the state of Texas. Mr. McGraw has a Bachelor of Science degree in Petroleum Engineering from Texas Tech University. Mr. McGraw has 26 years of experience in the oil and natural gas industry in the Permian Basin.</p>	<p>49</p>	<p>October 2005</p>

Name	Principal Occupation	Age	Director Since
<p>Dale A. Brown</p>	<p>Mr. Brown is a member of the board of directors of our general partner and has served in such capacity since our founding in October 2005. Mr. Brown has been President of Moriah Resources, Inc. since its inception in 1992 and President of Petroleum Strategies, Inc. since he co-founded it in 1991 with his son, Cary D. Brown. Mr. Brown is a retired certified public accountant. Mr. Brown has a Bachelor of Science degree in Accounting from Pepperdine University.</p>	<p>66</p>	<p>October 2005</p>
<p>G. Larry Lawrence</p>	<p>Mr. Lawrence has been a member of the board of directors of our general partner since May 1, 2006. Since June 2006, Mr. Lawrence has been self-employed as a management consultant doing business as Crescent Consulting. From September 2006 to the present, he has served as Chief Financial Officer on a contract basis for Lynx Operating Company, a private company engaged in oil and gas operations with a primary business focus on gas processing. From May 2004 through April 2006 Mr.</p>	<p>57</p>	<p>May 2006</p>

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Lawrence served as Controller of Pure Resources, an exploration and production company and a wholly-owned subsidiary of Unocal Corporation which was acquired by Chevron Corporation. From June 2000 through May 2004, Mr. Lawrence was a practice manager of the Parson Group, LLC, a financial management consulting firm whose services included Sarbanes Oxley engagements with oil and natural gas industry clients. From 1973 through May 2000, Mr. Lawrence was employed by Atlantic Richfield Company (ARCO) where he most recently (from 1993 through 2000) served as Controller of ARCO Permian. Mr. Lawrence has a Bachelor of Arts degree in Accounting, with honors, from Dillard University.

<p>William D. (Bill) Sullivan</p>	<p>Mr. Sullivan was appointed to the board of directors of our general partner upon completion of our private equity offering on March 15, 2006. Since May 2004, Mr. Sullivan has served as a director of St. Mary Land & Exploration Company, a publicly traded exploration and production company and Targa Resources GP, LLC (the general partner of Targa Resource Partners LP) since February 14, 2007. Mr. Sullivan has served as a Director of Tetra Technologies, Inc. since August 2007. From May 2004 through its sale in August 2005, Mr. Sullivan served as a director of Gryphon Exploration Company, a privately held exploration and production company. Prior to joining the board of directors of St. Mary Land & Exploration Company and Gryphon Exploration Company, Mr. Sullivan was employed in various capacities by Anadarko Petroleum Corporation from 1981 to August 2003, most recently as Executive Vice President, Exploration and Production (from August 2001 through August 2003). From June 15, 2005 to August 5, 2005, Mr. Sullivan was president and CEO of Leor Energy L.P., a privately held exploration and production company. Mr. Sullivan has a Bachelor of Science degree in Mechanical Engineering, with high honors, from Texas A&M University.</p>	<p>52</p>	<p>March 2006</p>
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Name	Principal Occupation	Age	Director Since
<p>William R. Granberry</p>	<p>Mr. Granberry was appointed to the board of directors of our general partner on January 23, 2008. Mr. Granberry has over 40 years of experience in the oil and gas industry. Mr. Granberry has been a member of the Board of Directors of The Williams Companies, Inc. since November 2005 and a member of Compass Operating Company, LLC, a small, private oil and gas exploration, development and producing company with properties in West Texas and Southeast New Mexico since October 2004. From 1999 through September 2004, he managed investments and consulted with oil and gas companies. Mr. Granberry was President and Chief Operating Officer of Tom Brown, Inc. from 1996 to 1999. Tom Brown, Inc. was a public oil and gas company with exploration, development, acquisition and production activities</p>	<p>66</p>	<p>January 2008</p>

	throughout the central United States. Mr. Granberry earned B.S. and M.S. degrees in Petroleum Engineering from the University of Texas and upon graduation, worked for Amoco Production Company for 16 years.		
Kyle D. Vann	Mr. Vann was appointed to the board of directors of our general partner upon completion of our private equity offering on March 15, 2006. From 1979 through January 2001, Mr. Vann was employed by Koch Industries. From February 2001 through December 2004, Mr. Vann served as Chief Executive Officer of Entergy □ Koch, LP, an energy trading and transportation company. Mr. Vann continues to serve Entergy as a consultant and serves on the board and consults with Texon, LP, a private petroleum transportation company. On May 8, 2006, Mr. Vann was appointed to the board of directors of Crosstex Energy, L.P., a publicly traded midstream master limited partnership. Mr. Vann has a Bachelor of Science in Chemical Engineering, with honors, from the University of Kansas.	61	March 2006

CORPORATE GOVERNANCE

Management of Legacy Reserves LP

The directors and officers of Legacy Reserves GP, LLC, as our general partner, manage our operations and activities. Our general partner is not elected by our unitholders and will not be subject to re-election on a regular basis in the future. Other than through their ability to elect directors of our general partner as described below, unitholders will not be entitled to directly or indirectly participate in our management or operation.

Our general partner owes a fiduciary duty to our unitholders. Our general partner will be liable, as general partner, for all of our debts (to the extent not paid from our assets), except for indebtedness or other obligations that are made specifically nonrecourse to it. Our general partner therefore may cause us to incur indebtedness or other obligations that are nonrecourse to it.

The limited liability company agreement of our general partner provides for a board of directors of not less than seven and not more than nine members.

Our unitholders, including affiliates of our general partner, are entitled to annually elect all of the directors of our general partner. Directors of our general partner hold office until the earlier of their death, resignation, removal or disqualification or until their successors have been elected and qualified.

Board of Directors

During the fiscal year ended December 31, 2008, our general partner's board of directors held eleven meetings. Each director attended at least 91% of the aggregate number of meetings of the board of directors during their term. It is the policy of our general partner's board of directors to encourage directors to attend each meeting of unitholders. All of our directors attended the Annual Meeting held in 2008.

Director Independence

Three members of the board of directors of our general partner serve on a conflicts committee to review specific matters that the board believes may involve conflicts of interest. The conflicts committee will determine if the resolution of the conflict of interest is fair and reasonable to us. The members of the conflicts committee

may not be officers or employees of our general partner or directors, officers, or employees of its affiliates, and must meet the independence and experience standards established by any national securities exchange on which our securities may be listed and the Securities Exchange Act of 1934, as amended, or Exchange Act, and other federal securities laws. Under NASDAQ Global Select Market, or NASDAQ, listing standards the board of directors must affirmatively determine that a director is independent. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to us, approved by all of our partners and not a breach by our general partner of any duties it may owe us or our unitholders. In addition, the board of directors of our general partner has an audit committee of three directors who meet the independence and experience standards established by NASDAQ and the Exchange Act. The audit committee reviews our external financial reporting, recommends engagement of our independent auditors and reviews procedures for internal auditing and the adequacy of our internal accounting controls. The board of directors of our general partner also has a compensation committee, consisting of three independent members, that administers the Legacy Reserves LP Long-Term Incentive Plan, or LTIP. Additionally, the board of directors of our general partner has a nominating and governance committee, consisting of three independent members, that will nominate candidates to serve on the board of directors of our general partner.

The board annually reviews all relevant business relationships any director may have with Legacy and the independence standards established by the NASDAQ. As a result of its annual review and nomination process, the board has determined that none of the Messrs. Sullivan, Lawrence, Vann and Granberry has a material relationship with the Partnership and, as a result, such directors are determined to be independent. We are not required to have a majority of independent directors on the board of directors of our general partner; however, we currently have a majority of independent directors on the board of directors of our general partner.

Independent members of the board of directors of our general partner serve as the members of the conflicts (Messrs. Sullivan (chairman), Granberry, Lawrence and Vann), audit (Messrs. Lawrence (chairman), Granberry and Sullivan), compensation (Messrs. Vann (chairman), Lawrence and Sullivan) and nominating and governance (Messrs. Sullivan (chairman), Lawrence and Vann) committees.

The audit committee met five times, the compensation committee met three times, the nominating and governance committee met once, and the conflicts committee met once during 2008. Each director attended 100% of the aggregate number of meetings of the committees of the board of directors on which he served during 2008.

Audit Committee

Membership

The audit committee has been established in accordance with Rule 10A-3 promulgated under the Exchange Act. The board of directors of our general partner has appointed Messrs. Lawrence, Sullivan and Granberry as members of the audit committee. Mr. Lawrence serves as the chair of the committee. Each of the members of the audit committee have been determined by the board of directors to be independent under NASDAQ's standards for audit committee members to serve on its audit committee. In addition, the board of directors has determined that at least one member of the audit committee (Mr. Lawrence) has such accounting or related financial management expertise sufficient to qualify such person as the audit committee financial expert in accordance with Item 407 of Regulation S-K and NASDAQ requirements.

Responsibilities

The audit committee assists the general partner's board of directors in overseeing:

- our accounting and financial reporting processes;
- the integrity of our financial statements;
- our compliance with legal and regulatory requirements;

- the qualifications and independence of our independent auditors; and
- the performance of our internal audit function and our independent auditors.

The audit committee is also charged with making regular reports to the board of directors of the general partner and preparing any reports that may be required under rules of NASDAQ or the Securities and Exchange Commission, or SEC.

Charter

The board of directors has adopted a charter for the audit committee, a copy of which is available on our website at www.legacylp.com. Please note that the preceding Internet address is for information purposes only and is not intended to be a hyperlink. Accordingly, no information found or provided at that Internet address or at our website in general is intended or deemed to be incorporated by reference herein.

Compensation Committee

Membership

The compensation committee consists of three members of the board of directors, Messrs. Lawrence, Sullivan and Vann, all of whom have been determined by the board of directors of our general partner to be independent under NASDAQ listing standards. In addition, each member of the compensation committee qualifies as a "non-employee" director within the meaning of Rule 16b-3 promulgated under the Exchange Act, and as an "outside director" within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended. Mr. Vann is the chair of the compensation committee.

Responsibilities

The committee's responsibilities under its charter are to:

- evaluate and/or develop the compensation policies applicable to the executive officers of the our general partner, which are required to include guidance regarding the specific relationship of performance to executive compensation;
- review and approve on an annual basis the corporate goals and objectives with respect to compensation for the Chief Executive Officer;
- evaluate at least once a year the Chief Executive Officer's performance in light of established goals and objectives;
- determine and approve the Chief Executive Officer's compensation;
- make recommendations to the board with respect to the compensation to be paid to the general partner's other executive officers based on the approval of the compensation committee of the Chief Executive Officer's report and recommendation;
- periodically review the compensation paid to non-employee directors (including board and committee chairpersons) and to make recommendations to the board regarding any adjustments;
- review and make recommendations to the board with respect to our incentive compensation and other unit-based plans;

-
- assist the full board with respect to the administration of the incentive compensation and other unit-based plans; and

- prepare and publish an annual executive compensation report.

Charter

The board of directors has adopted a charter for the compensation committee, a copy of which is available on our website at www.legacylp.com. Please note that the preceding Internet address is for information purposes only and is not intended to be a hyperlink. Accordingly, no information found or provided at that Internet address or at our website in general is intended or deemed to be incorporated by reference herein.

Nominating and Governance Committee

Membership

The nominating and governance committee consists of Messrs. Lawrence, Sullivan and Vann. Mr. Sullivan serves as the chair of the committee. The board of directors has determined that all members of the nominating and governance committee are independent under NASDAQ listing standards. The purpose of the nominating and governance committee is to:

- identify, recruit, evaluate and recommend individuals for election to the board and the committees thereof as well as to fill any vacancies, consistent with criteria approved by the board,
- develop and oversee the general partner's policies and procedures regarding compliance with applicable laws and regulations relating to the honest and ethical conduct of the general partner's directors, officers and employees, and senior financial officers (as well as the sole responsibility for granting any waivers thereunder),
- evaluate annually, based on input from the entire board, the performance of the general partner's Chief Executive Officer and report the results of the evaluation to the compensation committee, and
- oversee the evaluations of the board, the committees of the board and management.

Responsibilities

In addition to the purposes of the board listed above, the duties of the nominating and governance committee include:

- develop a process to be used by the committee in identifying and evaluating candidates for membership on the board and its committees,
- annually present to the board a list of nominees recommended for election to the board at the annual meeting of unitholders,
- adopt a policy regarding the consideration of any director candidates recommended by unitholders of the Partnership and the procedures to be followed by such unitholders in making such recommendations,
- adopt a process for unitholders of the Partnership to send communications to the board, and
- recommend general matters for consideration by the board including, but not limited to: (i) the structure of board meetings, (ii) director retirement policies, (iii) director and officer insurance policy requirements, (iv) policies regarding the number of boards on which a director may serve, (v) director orientation and training, and (vi) the role of the general partner's executive officers and the outside directorships of such directors.

Under our amended and restated agreement of limited partnership, unitholders desiring to suggest a board nominee must give prior written notice to our Secretary regarding the persons to be nominated. The notice must be received at our principal executive offices at the address shown on the cover page within the specified period and must be accompanied by the information and documents specified in the amended and restated agreement of limited partnership. A copy of the amended and restated agreement of limited partnership may be obtained by writing to our Secretary at the address shown on the cover page.

Recommendations by unitholders for directors to be nominated at the 2010 annual meeting of unitholders must be in writing and include sufficient biographical and other relevant information such that an informed judgment as to the proposed nominee's qualifications can be made and the name, address and the class and number of units owned by such unitholder. Recommendations must be accompanied by a notarized statement executed by the proposed nominee consenting to be named in the proxy statement, if nominated, and to serve as a director, if elected. Notice and the accompanying information must be received at our principal executive office at the address shown on the cover page no later than January 14, 2010 and no earlier than December 30, 2009.

The amended and restated agreement of limited partnership does not affect any unitholder's right to request inclusion of proposals in our proxy statement pursuant to Rule 14a-8 promulgated under the Exchange Act. Rule 14a-8 specifies what constitutes timely submission for a unitholder proposal to be included in our proxy statement. Under the SEC's proxy solicitation rules, to be considered for inclusion in the proxy materials for the 2010 annual meeting of unitholders, unitholder proposals must be received by our Secretary at our principal offices in Midland, Texas by December 18, 2009. Unitholders are urged to review all applicable rules and consult legal counsel before submitting a nomination or proposal to us.

Nomination Criteria

The nominating and governance committee is responsible for assessing the skills and characteristics that candidates for election to our general partner's board of directors should possess, as well as the composition of our general partner's board of directors as a whole. The assessments include qualifications under applicable independence standards and other standards applicable to our general partner's board of directors and its committees, as well as consideration of skills and experience in the context of the needs of our general partner's board of directors. Each candidate must meet certain minimum qualifications, including:

- the ability to dedicate sufficient time, energy and attention to the performance of her or his duties, taking into consideration the nominee's service on other public company boards; and
- skills and expertise complementary to the skills and expertise of the existing members of our general partner's board of directors; in this regard, the board of directors will consider its need for operational, managerial, financial, governmental affairs or other relevant expertise.

The nominating and governance committee may also consider the ability of a prospective candidate to work with the then-existing interpersonal dynamics of our general partner's board of directors and the candidate's ability to contribute to the collaborative culture among the members of the board of directors of our general partner.

Based on this initial evaluation, the committee will determine whether to interview the candidate, and if warranted, will recommend that one or more of its members, other members of our general partner's board of directors or senior management, as appropriate, interview the candidate in person or by telephone. After completing this evaluation and interview process, the committee ultimately determines its list of nominees and submits it to the full board of directors of our general partner for consideration and approval.

Charter

Our general partner's board of directors has adopted a charter for the nominating and governance committee, a copy of which is available on our website at www.legacylp.com. Please note that the preceding Internet address is for information purposes only and is not intended to be a hyperlink. Accordingly, no information found or

provided at that Internet address or at our website in general is intended or deemed to be incorporated by reference herein.

Conflicts Committee

Membership

The conflicts committee consists of Messrs. Granberry, Lawrence, Sullivan and Vann. The board of directors has determined that all members of the conflicts committee are independent under NASDAQ listing standards. Mr. Sullivan serves as the chair of the conflicts committee.

Responsibilities

The conflicts committee, at the request of the board of directors of our general partner, will review specific matters that the board of directors of our general partner believes may involve a conflict of interest. The conflicts committee will determine if the resolution of the conflict of interest is fair and reasonable to us. Any matters approved by the conflicts committee will be conclusively deemed to be fair and reasonable to us, approved by all of our partners and not a breach by our general partner of any duties it may owe us or our unitholders.

Code of Ethics

The board of directors of our general partner has adopted a Code of Ethics and Business Conduct applicable to officers, directors of our general partner and our employees, including the principal executive officer, principal financial officer, principal accounting officer and controller, or those persons performing similar functions, of our general partner. The Code of Ethics and Business Conduct is available on our website at www.legacylp.com and in print to any unitholder who requests it. Amendments to, or waivers from, the Code of Ethics and Business Conduct will also be available on our website and reported as may be required under SEC rules; however, any technical, administrative or other non-substantive amendments to the Code of Ethics and Business Conduct may not be posted. Please note that the preceding Internet address is for information purposes only and is not intended to be a hyperlink. Accordingly, no information found or provided at that Internet addresses or at our website in general is intended or deemed to be incorporated by reference herein.

COMPENSATION DISCUSSION AND ANALYSIS

The following discussion and analysis of compensation arrangements of the named executive officers of our general partner, Legacy Reserves GP, LLC, should be read together with the compensation tables and related disclosures set forth below.

Introduction

Our general partner manages our operations and activities through its board of directors. Under our amended and restated agreement of limited partnership, we reimburse our general partner for direct and indirect general and administrative expenses incurred on our behalf, including the compensation of our general partner's executive officers. Our general partner has not incurred any reimbursable expenses related to the compensation of our general partner's executive officers for their management of us. Currently, our general partner's executive officers are employed by our wholly-owned subsidiary, Legacy Reserves Services, Inc., and are directly compensated for their management of us pursuant to their employment agreements. The compensation amounts disclosed in this section and under "Executive Compensation" reflect the total compensation paid to the executive officers of our general partner. Please read "Executive Compensation" Employment Agreements."

The five named executive officers of our general partner are Cary D. Brown, Chairman and Chief Executive Officer; Steven H. Pruet, President, Chief Financial Officer and Secretary; Kyle A. McGraw, Director and Executive Vice President of Business Development and Land; Paul T. Horne, Executive Vice President of Operations; and William M. Morris, Vice President, Chief Accounting Officer and Controller.

Corporate Governance

Compensation Committee Authority

Executive officer compensation is administered by the compensation committee of the board of directors of our general partner, which is composed of three members, Messrs. Vann, Lawrence and Sullivan. The board of directors appoints the compensation committee members and delegates to the compensation committee the direct responsibility for, among other things, determining and approving the Chief Executive Officer's compensation, recommending compensation for the general partner's other named executive officers, establishing equity and non-equity incentive plans, and administering our LTIP.

The board of directors has determined that each committee member is independent under NASDAQ listing standards, SEC rules and the relevant securities laws, and that each member qualifies as a "non-employee" director within the meaning of Rule 16b-3 promulgated under the Exchange Act, and as an "outside director" as defined in Section 162(m) of the Internal Revenue Code of 1986, as amended. The compensation committee met three times in 2008.

Role of Compensation Experts in Determining 2008 Executive Officer Compensation

The compensation committee is authorized to obtain, at the Partnership's expense, compensation surveys, reports on the design and implementation of compensation programs for directors, officers and employees, and other data and documentation as the compensation committee considers appropriate. In addition, the compensation committee has the sole authority to retain and terminate any outside counsel or other experts or consultants engaged to assist it in the evaluation of compensation of our directors and executive officers, including the sole authority to approve such consultants' fees and other retention terms.

The compensation committee retained BDO Seidman, LLP as a compensation consultant for 2008. BDO Seidman, LLP was engaged to provide a study of compensation programs related to named executive officers and outside directors offered by a broad peer group of exploration and production companies and master limited partnerships. The compensation committee charged BDO Seidman, LLP with undertaking this study to ascertain how the members of this peer group structure their compensation and to assist the compensation committee in establishing and maintaining a competitive compensation program to better enable the Partnership to attract and retain highly qualified executive officers and to further align the interests of our executive officers with those of our unitholders.

Factors we considered in determining the salaries include:

- the qualifications, skills and experience level of the respective named executive officer;
- the position, role, responsibility, and performance of the respective named executive officer in the Partnership; and
- the direct experience of the respective named executive officer in the oil industry as a whole, and specifically, in the Permian Basin.

Selection of Compensation Comparative Data

With the assistance of our compensation committee consultant, we selected a peer group of exploration and production companies and master limited partnerships as a reference for determining competitive total compensation packages. The compensation committee will review and adjust the peer group to ensure that it remains pertinent for comparison purposes going forward. Our peer group for the purposes of examining our 2008 compensation program consisted of the following: Concho Resources Inc.; Whiting Petroleum

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L.L.C.; EV Energy Partners, L.P.; Linn Energy LLC; Encore Energy Partners LP; Pioneer Southwest Energy Partners L.P.; Quest Energy Partners, L.P.; and Vanguard Natural Resources, LLC. These entities were selected because we share some but not all of the following attributes: geographic focus, market capitalization, operations, financial and structural similarities. The comparative data was compiled and analyzed by our compensation committee consultant.

As discussed in greater detail below, central to our compensation philosophy is the alignment of the interests of our named executive officers with the interests of our unitholders. It is the goal of our compensation philosophy to provide financial incentives to our executive officers to focus on business strategies designed to increase the distributions we pay to our unitholders. Except for comparing compensation packages of our named executive officers and outside directors with the compensation of their counterparts within our peer group of exploration and production companies and master limited partnerships, other specific performance levels or benchmarks were not used in 2008 to establish the compensation packages of our named executive officers and outside directors.

Decision-Making Process and Role of Executive Officers

Compensation decisions for executive officers involve both objective and subjective criteria. In 2008, the first step was the compensation committee consultant providing information to the compensation committee regarding competitive market data. The second component of the decision making process was our Chief Executive Officer providing a written overview of performance by the Partnership, including an overview of the performance by each named executive officer other than himself, in light of established corporate goals and objectives. After reviewing this written overview, the compensation committee met with the Chief Executive Officer in order to ask questions regarding the information set forth in the written overview and to gather any additional information needed in order to make recommendations to the board of directors regarding the compensation of the named executive officers other than the Chief Executive Officer.

In determining the compensation of the Chief Executive Officer, the compensation committee took into account the information provided by the compensation committee consultant. The compensation committee then evaluated the Chief Executive Officer's performance in light of established corporate goals and objectives and determined as a committee, together with any other independent directors participating in the process, the Chief Executive Officer's compensation.

Executive Officer Compensation Strategy and Philosophy

Our executive officer compensation strategy is designed to attract and retain highly qualified executive officers and to better align their interests with those of our unitholders by linking significant components of executive officer compensation with the achievement of our overall goals of operating and financial performance and growth in distributions per unit. We provide financial incentives to our executive officers for performance, achievement of goals and enhancement of unitholder value. Our compensation philosophy is to drive and support the long-term goal of sustainable growth in unit distributions and total unitholder return by paying for performance. In meeting the goal of sustainable growth, we intend to invest in our long-term opportunities while meeting our short-term commitments.

As many of our executive officers hold units in the Partnership, we have attempted to maintain competitive levels of compensation while focusing on the growth of our business and distributions. Through this approach, our executives receive salaries for the market value of their services and their performance is further rewarded through the distributions they receive on their holdings of our units, which creates alignment of interests with our unitholders.

At our named executive officers' 2008 compensation levels and due to our organizational structure, we did not believe that Internal Revenue Code Section 162(m) would be applicable and accordingly, did not consider it in setting 2008 compensation levels.

Components of Compensation

Named Executive Officer Compensation

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Total compensation to our executive officers is comprised of base salary, annual incentives and long-term incentive compensation. We have limited the magnitude of non-equity incentive awards to date due to our desire to conserve cash which fuels our distribution growth and reduces general and administrative expenses.

2008 Performance Goals and Objectives

For the 2008 performance year, the operational and financial goals and objectives were as follows:

- Increase cash distributions to \$0.52 per unit with respect to the fourth quarter of 2008 with a distribution coverage ratio of approximately 1.2 times;
- Adjusted EBITDA of \$87 million from our base assets with development expenditures of \$15 million on our base assets;
- Acquire \$230 million of producing properties;
- Create a Development Partnership;
- Attract and retain the personnel to accomplish our corporate goals; and
- Experience zero lost-time accidents.

These goals and objectives, as supplemented by more detailed supporting goals and objectives put forth by our named executive officers, provided a framework for the compensation committee to assess our 2008 performance and to determine named executive officers' compensation. Relative weight is not assigned to any or all of these goals and objectives. Additionally, the various financial goals were based on various assumptions, with the understanding that our actual financial performance would be assessed based on factors considered relevant by the compensation committee at the time named executive officer compensation was reviewed and determined.

2008 Performance Assessment

The compensation committee assessed our 2008 performance based on the attainment of the foregoing goals and objectives and the performance-related factors that it considered to be relevant. Among other things, the compensation committee considered the following:

- Increased cash distributions to \$0.52 per unit with respect to the fourth quarter of 2008, paid on February 14, 2009 with the 2008 distribution coverage ratio at 0.94 times, or 1.15 times adjusting for \$12.3 million of growth capital expenditures;
- Adjusted EBITDA of \$83 million from our base assets with development capital expenditures of \$17 million on our base assets;
- Acquired \$220 million in properties in 2008 in 15 transactions;
- Entered into joint operating agreement with Black Oak Resources;
- Addition of 41 employees during 2008 providing a foundation of outstanding performers on which to grow our business; and
- Zero lost-time accidents in 2008.

In considering performance on the financial objectives, the compensation committee concluded that the Partnership, after adjusting for price and other relevant items, performance relative to Adjusted EBITDA on our assets owned as of the beginning of 2008 met the targeted goal. In terms of operational performance, the compensation committee considered the notable accomplishments of the successful acquisition of properties in 15 transactions, continued progress with developmental efforts and the outstanding operational performance, among others, and concluded that the Partnership and the named executive officers exceeded target operational performance during 2008.

Base Salaries

Overview

We pay base salary to attract talented executives and provide a fixed base of cash compensation. The compensation committee determines and approves the Chief Executive Officer's compensation, including salary, based on a review of the Chief Executive Officer's performance in light of established corporate goals and objectives. The compensation committee, with the assistance of the compensation committee consultant and input of the Chief Executive Officer, also makes recommendations to the board of directors as a whole with respect to the compensation, including base salary, to be paid to the other executive officers of our general partner.

It is the intent of the compensation committee to have the base salaries of our named executive officers reviewed on an annual basis as well as at the time of a promotion or other material change in responsibilities.

2008 Base Salary Determinations

In determining the level of base salary for each named executive officer, in addition to their contributions during the 2008 performance year and the overall nature and responsibility of each position, relative comparability to the median base salary paid to those in similar roles within the peer group was considered. The compensation committee also considered input from the compensation committee consultant. Adjustments in base salary may be based on an evaluation of individual performance, our company-wide performance and the individual's contribution to our performance. Effective September 1, 2008, the board approved the following increased salaries to each of our named executive officers: Cary D. Brown, \$325,000; Steven H. Pruett, \$275,000; Paul T. Horne, \$250,000; Kyle A. McGraw, \$235,000; and William M. Morris, \$220,000.

In its review of Mr. Brown's performance, the compensation committee considered, among other accomplishments, Mr. Brown's successful leadership in our S-3 registration process, successful implementation of internal controls over financial reporting as required by the Sarbanes-Oxley Act and his development and execution of a measured operational and acquisition strategy focused on self-disciplined growth, as carried out by our executive officers and discussed below.

In considering the performance during 2008 for the other named executive officers, the compensation committee considered, among others, the following notable accomplishments:

- Mr. Pruett's major accomplishments included successfully executing our two S-3 registration statements in early 2008 and negotiating our \$410 million borrowing base under our revolving credit facility in a period of unprecedented credit and financial market turmoil. Mr. Pruett also supported Mr. Brown in general entity management including organizational capability improvement, acquisition and development strategy, and implementation of internal controls over financial reporting as required by the Sarbanes-Oxley Act. Mr. Pruett is primarily responsible for investor relations and with Mr. Brown executed quarterly non-deal road shows to expand the Partnership's investor base.
- Mr. McGraw led us in the acquisition of approximately \$220 million of properties in 15 different transactions at just over five times cash flow. He was able to hire an evaluation engineer. His group evaluated 48 deals with approximately \$2 billion worth of properties.
- Mr. Horne led his operations group to an outstanding year, averaging 6,505 Boepd on our base assets, which was 229 Boepd above our 2008 plan. Mr. Horne also led his group in successfully integrating 15 acquisitions while adding personnel resources to continue to improve effectiveness, including the development of our Panhandle operations as a second strategic operational area. The operations group also implemented a safety program during 2008.
- Mr. Morris led the accounting group to an outstanding year, continuing to work effectively with our independent accountants to file timely and accurate financial statements. Mr. Morris' group also facilitated the two S-3 registration processes completed in 2008. The accounting group continues to

refine processes, financial reporting and planning to ensure accuracy in our financial reporting and achieved compliance with the Sarbanes-Oxley Act and applicable rules and regulations related to financial statement reporting in our first year of being audited under the guidelines of the Sarbanes-Oxley Act.

From a performance perspective, Messrs. Brown, Pruet, McGraw, Horne and Morris each met or exceeded expectations during 2008. Their individual and collective leadership efforts contributed to our overall performance for the year and a continued commitment to maximizing unitholder value through strong financial and operating performance.

Annual Incentives

Overview

As a component of total compensation, the compensation committee chooses to pay annual incentives to drive the achievement of key results and to recognize individuals based on their contributions to those results. The compensation committee recognizes that short-term results contribute to achieving long-term goals. The amount of annual incentives is based upon our results and the achievement of corporate goals and objectives. The range and target amounts are recommended to the compensation committee by our Chief Executive Officer.

Annual Incentive Determinations

In determining short-term incentive awards for 2008, our performance and the contributions of each named executive officer during the 2008 performance year were considered. See "2008 Base Salary Determinations." The executive cash bonus pool is determined 50% based on annualized growth in distributions and 50% based on subjective criteria. The chart below illustrates the annual incentive award for each named executive officer and the amount earned as a percent of his 2008 base salary.

Named Executive Officer	Short-Term	Award Earned	Award Amount
	Incentive Target (As a percent of base salary)	as a Percent of 2008 Base Salary	
Cary D. Brown	0-100%	56.9%	\$ 184,889
Steven H. Pruet	0-100%	60.9%	\$ 167,444
Kyle A. McGraw	0-100%	56.9%	\$ 133,689
Paul T. Horne	0-100%	58.9%	\$ 147,222
William M. Morris	0-100%	58.9%	\$ 129,556

Long-Term Incentive Compensation

Overview

We provide performance-based long-term equity compensation opportunities to our executive officers as part of the compensation program because we believe that this element of compensation ties the interests of our executive officers directly to the interests of our unitholders. We also believe that long-term incentive compensation serves as an important retention tool.

More specifically, the long-term incentive compensation program adopted by the board of directors and compensation committee of our general partner is designed to reward our named executive officers for their long-term performance by aligning grants of phantom units with associated distribution equivalent rights, or DERs, with the growth of distributions to unitholders. The DERs entitle the recipient of the award with a payment equivalent to the amount of per unit distribution payable to unitholders.

We also currently administer long-term incentive compensation awards through our LTIP adopted in March 2006 and amended and restated on August 17, 2007. The plan is administered by the compensation committee of the board of directors of our general partner and permits the grant of awards covering an aggregate of 2,000,000 units. The purpose of the plan is to promote the interests of our unitholders by encouraging our employees, directors and other service providers to acquire or increase their equity interest in us, thereby giving them the added incentive to work toward our continued growth and success. The plan permits awards of unit grants, restricted units, phantom units, unit options, unit appreciation rights, performance based units and other forms of equity compensation.

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As of December 31, 2008, grants of awards, net of forfeitures, covering 736,916 units have been made including 65,116 restricted units, 620,050 unit options and unit appreciation rights and 51,750 phantom units. We have awarded unit options and phantom units as the primary forms of equity compensation. We selected these forms because of the favorable accounting and tax treatment and the expectation by key employees that part of their compensation would be derived from options to purchase units in the Partnership.

Unit option awards have been tied to the performance of our named executive officers in expanding the business and increasing the cash flow available for distribution. All unit-based awards we have made have been time-based. Time-based awards vest in accordance with vesting schedules determined by our general partner's board of directors and its compensation committee. The unit options, restricted units and phantom units we have awarded to our named executive officers in 2008 vest in one-third increments each year over a three-year period. Our belief is that time-based awards more closely align our executives' interests with those of our unitholders by providing a greater incentive for long-term performance.

We consider long-term equity incentive compensation to be an important element of our compensation program for named executive officers. We believe meaningful equity participation by each named executive officer to be a strong motivating factor that will result in significant increases in value and in growth. This belief is reflected in the aggregate awards of unit options and restricted units that have been made to named executive officers that did not already have a significant interest in our units.

Our general partner's board of directors, or its compensation committee, in its discretion may terminate, suspend or discontinue the LTIP at any time with respect to any award that has not yet been granted. Our general partner's board of directors, or its compensation committee, also has the right to alter or amend the LTIP or any part of the plan from time to time, including increasing the number of units that may be granted, subject to unitholder approval as required by the exchange upon which the units are listed at that time. However, no change in any outstanding grant may be made that would materially impair the rights of the participant without the consent of the participant.

Unit grants

The LTIP permits the grant of units. A unit grant is a grant of units that vests immediately upon issuance.

Restricted Units and Phantom Units

A restricted unit is a unit that is subject to forfeiture prior to the vesting of the award. A phantom unit is a notional unit that entitles the grantee to receive a unit upon the vesting of the phantom unit or, in the discretion of the compensation committee, cash equivalent to the value of a unit. The compensation committee may make grants under the plan of restricted units and phantom units to employees, consultants and directors containing such terms, consistent with the plan, as the compensation committee shall determine. The compensation committee will determine the period over which the restricted units and phantom units granted to employees, consultants and directors will vest. The compensation committee may base vesting upon the achievement of specified financial objectives or on the grantee's completion of a period of service. In addition, the restricted units and phantom units will vest upon a change of control of the Partnership or our general partner, unless provided otherwise by the compensation committee in the award agreement.

If the grantee's employment, service relationship or membership on the board of directors terminates for any reason, the grantee's restricted units and phantom units will be automatically forfeited unless, and to the extent, the compensation committee provides otherwise in the award agreement or waives (in whole or in part) any such forfeiture. Units to be delivered in connection with the grant of restricted units or upon the vesting of phantom units may be units acquired by us on the open market, or from any other person, or we may issue new units, or

any combination of the foregoing. Our general partner is entitled to reimbursement by us for the cost incurred in acquiring units. Thus, the cost of the restricted units and the delivery of units upon the vesting of phantom units will be borne by us. If we issue new units in connection with the grant of restricted units or upon vesting of the phantom units, the total number of units outstanding will increase. The compensation committee, in its discretion, may provide for tandem distribution rights with respect to restricted units and grant tandem distribution equivalent rights with respect to phantom units that entitle the holder to receive cash equal to any cash distributions made on units prior to the vesting of a restricted or phantom unit.

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Unit Options and Unit Appreciation Rights

The LTIP permits the grant of options covering units and the grant of unit appreciation rights. A unit appreciation right is an award that, upon exercise, entitles the participant to receive the excess of the fair market value of a unit on the exercise date over the exercise price established for the unit appreciation right. Such excess may be paid in units, cash, or a combination thereof, as determined by the compensation committee in its discretion. The compensation committee will be able to make grants of unit options and unit appreciation rights under the plan to employees, consultants and directors containing such terms as the committee shall determine consistent with the plan. Unit options and unit appreciation rights may not have an exercise price that is less than the fair market value of the units on the date of grant. In general, unit options and unit appreciation rights granted will become exercisable over a period determined by the compensation committee. In addition, the unit options and unit appreciation rights will become exercisable upon a change in control of the Partnership or our general partner, unless provided otherwise by the committee in the award agreement. The compensation committee, in its discretion may grant tandem distribution equivalent rights with respect to unit options and unit appreciation rights.

Upon exercise of a unit option (or a unit appreciation right settled in units), we will acquire units on the open market or from any other person or we may issue new units, or any combination of the foregoing. If we issue new units upon exercise of the unit options (or a unit appreciation right settled in units), the total number of units outstanding will increase, and our general partner will pay us the proceeds it receives from an optionee upon exercise of a unit option. The availability of unit options and unit appreciation rights is intended to furnish additional compensation to employees, consultants and directors and to align their economic interests with those of unitholders.

Unit Option Practices

Although our LTIP permits us to award options under a variety of circumstances, we have not yet analyzed a uniform standard for the type of awards that we will make or any standard vesting schedule tied to the options or other rights we may grant. We have not back-dated any option awards. The option grants we have made to date had an exercise price that corresponded with the offering price to purchasers of our units in a private offering we conducted in March 2006, the price at which our units traded on the Portal Market, the price to the public of our units in our January 2007 initial public offering, or the market value of our units at the close of trading on the date of the grant. Any option grants we may make in the future will have an exercise price equal to the market value of our units at the close of trading on the date of the grant. We have chosen to replace the use of unit options in the future with unit appreciation rights to reduce the administrative costs associated with unit options.

Perquisites and Other Personal Benefits

We maintain a 401(k) plan. The plan permits eligible full-time employees, including named executive officers, to make voluntary, pre-tax contributions to the plan up to a specified percentage of compensation, subject to applicable tax limitations. We may make a discretionary matching contribution to the plan for each eligible employee equal to 4.0% of an employee's annual compensation not in excess of \$230,000 for 2008, and equal to 6.0% of an employee's annual compensation not in excess of \$245,000 for 2009, subject to applicable tax limitations. Eligible employees who elect to participate in the plan are generally vested in any matching contribution after commencement of employment with the company. The plan is intended to be qualified under Section 401(a) of the Internal Revenue Code so that contributions to the plan, and income earned on plan contributions, are not taxable to employees until withdrawn from the plan, and so that contributions, if any, will be deductible when made.

We maintain an employee benefit plan that provides our employees with the opportunity to enroll in our health, dental and life insurance plans. We pay all of our employees' health and life insurance premiums. Our dental plan requires the employee to pay a portion of the premium, with the company picking up the remainder. We provide these benefits so that we will remain competitive in the employment market and offer the benefits to all employees on the same basis.

Long-Term Incentive Determinations

Each of our named executive officers may receive grants of phantom units with associated DERs upon attaining increased levels of annualized distributions per unit to unitholders above the initial distribution rate of \$1.64 per unit attributable to the fourth quarter of each year beginning in 2007. Officers receive corresponding increasing percentages of their respective total potential award. The table below demonstrates, on an example basis, what number of awards each named executive officer would be entitled to assuming specified increases in annualized distribution. The board of directors of our general partner has established an initial pool of 175,000 phantom units with associated DERs available for each of the five named executives. The board of directors has established a five-year period for the potential earning and award of this pool, based entirely on the increase in annualized quarterly distributions. The maximum award will be granted only if the annualized quarterly distribution reaches \$2.64 per unit (\$0.66 quarterly), within five years or less. That level of increase was chosen as it represents an approximate 10% annualized increase in the quarterly distribution. If the maximum target level of distribution is not reached within five years, any phantom units not awarded would be once again available for issuance under our LTIP. Likewise, if the maximum target level of distribution is achieved in less than five years, the full pool of phantom units would be awarded sooner. The board of directors believes that this incentive program helps ensure that the senior management keep close focus on all issues that impact our ability to increase quarterly distributions. The phantom units are to be awarded annually, following the determination by the board of directors of the actual distribution attributable to the fourth quarter of each year. The compensation committee expects that following the full award of the initial pool, or the passing of five years, another pool would be created to similarly provide long-term financial incentives to and reward senior management for achievement of further distribution increases.

Assumed Percentage of Phantom Units Granted at

Name	Various Assumed Distribution Levels	Maximum Number of Phantom Units	\$1.80	\$1.98	\$2.18	\$2.40	\$2.64
			16%	34%	54%	76%	100%
Cary D. Brown		42,000	6,720	14,280	22,680	31,920	42,000
Steven H. Pruett		42,000	6,720	14,280	22,680	31,920	42,000
Paul T. Horne		35,000	5,600	11,900	18,900	26,600	35,000
Kyle A. McGraw		35,000	5,600	11,900	18,900	26,600	35,000
William M. Morris		21,000	3,360	7,140	11,340	15,960	21,000

The compensation committee approved the following grants of phantom units with associated DERs, which were granted to our named executive officers on January 29, 2009, with respect to the declared distribution of \$0.52 per unit (\$2.08 on an annualized basis) with respect to the fourth quarter of 2008:

Named Executive Officer	Phantom Units with associated DERs
Cary D. Brown	11,760
Steven H. Pruett	11,760
Kyle A. McGraw	9,800
Paul T. Horne	9,800
William M. Morris	5,880

The phantom units vest annually in one-third increments, beginning on the first anniversary of the grant date, over a three-year period.

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These grants of phantom units with associated DERs were in addition to the following grants of phantom units with associated DERs that were granted on February 4, 2008 with respect to the declared distribution of \$0.45 per unit (\$1.80 on an annualized basis) with respect to the fourth quarter of 2007:

Named Executive Officer	Phantom Units with associated DERs
Cary D. Brown	6,720
Steven H. Pruett	6,720
Kyle A. McGraw	5,600
Paul T. Horne	5,600
William M. Morris	3,360

These phantom units also vest annually in one-third increments, beginning on the first anniversary of the grant date, over a three-year period. One third of each of these phantom unit grants vested on February 4, 2009.

Unit Ownership Guidelines

We do not currently have any policy or guideline that requires a specified ownership of our units by our directors or executive officers or unit retention guidelines applicable to equity-based awards granted to directors and executive officers. Although we do not have a policy requiring ownership, each of our named executive officers directly or indirectly owns units.

As of December 31, 2008, our named executive officers as a group beneficially owned 6,351,713 units and options to acquire 93,320 units. If all options were exercised, our named executive officers would have beneficially owned approximately 20.7% of our issued and outstanding units. See "Executive Compensation Outstanding Equity Awards at 2008 Fiscal Year-End" for outstanding options held by our named executive officers.

REPORT OF THE COMPENSATION COMMITTEE

The compensation committee of the board of directors of Legacy Reserves GP, LLC held three meetings during fiscal year 2008. The compensation committee has reviewed and discussed the Compensation Discussion and Analysis with management. Based upon such review, the related discussions and such other matters deemed relevant and appropriate by the compensation committee, the compensation committee has recommended to the board of directors of Legacy Reserves GP, LLC that the Compensation Discussion and Analysis be included in this proxy statement.

Members of the compensation committee of the board of directors of Legacy Reserves GP, LLC:

Kyle D. Vann (Chair)
G. Larry Lawrence
William D. Sullivan

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EXECUTIVE COMPENSATION

Summary Compensation Table

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The following table sets forth the aggregate compensation awarded to, earned by or paid to our named executive officers serving at December 31, 2006, 2007 and 2008 and reflects the total compensation paid to the executive officers of our general partner.

Name and Principal Position	Year	Salary \$(a)	Bonus (\$)	Unit Awards \$(b)	Option Awards \$(c)	Non-Equity	Change in Pension Value and Nonqualified
						Incentive Plan Compensation (\$)	Deferred Compensation Earnings
Cary D. Brown <i>Chairman of the Board and Chief Executive Officer</i>	2006	\$ 150,000			\$ 9,338		
	2007	\$ 216,667	\$ 161,000	\$ 10,651	\$ 52,495		
	2008	\$ 275,000	\$ 184,889	\$ 54,874	\$ (1,298)		
Steven H. Pruett <i>President, Chief Financial Officer and Secretary</i>	2006	\$ 131,250	\$ 14,000		\$ 9,338		
	2007	\$ 191,667	\$ 122,000	\$ 10,651	\$ 52,495		
	2008	\$ 241,667	\$ 167,444	\$ 54,874	\$ (1,298)		
Kyle A. McGraw <i>Director, Executive Vice President of Business Development and Land</i>	2006	\$ 112,500			\$ 9,338		
	2007	\$ 165,000	\$ 98,000	\$ 8,876	\$ 52,495		
	2008	\$ 208,333	\$ 133,689	\$ 45,728	\$ (1,298)		
Paul T. Horne <i>Executive Vice President of Operations</i>	2006	\$ 112,625	\$ 12,000		\$ 9,338		
	2007	\$ 165,000	\$ 112,000	\$ 8,876	\$ 52,495		
	2008	\$ 213,333	\$ 147,222	\$ 45,728	\$ (1,298)		
William M. Morris <i>Vice President, Chief Accounting Officer and Controller</i>	2006	\$ 111,797	\$ 40,000	\$ 158,462(h)	\$ 9,338		
	2007	\$ 165,000	\$ 102,000	\$ 204,096(h)	\$ 34,962		
	2008	\$ 203,333	\$ 129,556	\$ 226,207(h)	\$ (864)		

- (a) Salaries for 2006 were paid to officers beginning April 1, 2006. Annual salary adjustments for 2007 became effective on September 1, 2007. Annual salary adjustments for 2008 became effective on September 1, 2008.
- (b) Phantom units were granted to officers on February 4, 2008. The amount shown is the compensation expense recognized in 2007 and 2008 in accordance with FAS 123(R) using the liability method.
- (c) All options granted have an exercise price equal to the market value of the option on the date of grant in accordance with FAS 123(R). The exercise price for these options was determined by our compensation committee based on an approximation of the current value of our units in relation to the price at which our units were (i) sold in our March 2006 private equity offering, (ii) traded on the Portal Market, (iii) were sold to the public in the January 2007 initial public offering or (iv) the market value of our units at the close of trading on the date of the grant. The amount shown for 2006 is the compensation expense recognized for the year ended December 31, 2006, which was based upon the straight-line amortization of the grant date fair value. The amounts shown for 2007 and 2008 are the compensation expense for the years ended December 31, 2007 and 2008, respectively, which are based upon the liability method.

- (d) Reflects for 2007 \$8,056 of 401(k) employer matching contributions and \$14,615 of health, life and disability insurance premiums (which are provided to all employees on a non-discriminatory basis). Reflects for 2008 \$9,200 of 401(k) employer matching contributions, \$14,395 of health, life and disability insurance premiums and \$13,306 of unit distributions received by Mr. Brown on his unvested phantom units.
- (e) Reflects for 2006 the value of perquisites we paid for Mr. Pruett's travel to and from our offices in Midland from his former residence in Houston. Reflects for 2007 the \$9,220 value of perquisites we paid for Mr. Pruett's travel to and from our offices in Midland from his former residence in Houston, \$15,273 of packing and moving expenses to move from Houston to Midland, \$7,667 of 401(k) employer matching contributions and \$14,615 of health, life and disability insurance premiums (which are provided

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to all employees on a non-discriminatory basis). Reflects for 2008 \$9,200 of 401(k) employer matching contributions, \$14,395 of health, life and disability insurance premiums and \$13,306 of unit distributions received by Mr. Pruett on his unvested phantom units.

- (f) Reflects for 2007 \$6,600 of 401(k) employer matching contributions and \$14,596 of health, life and disability insurance premiums (which are provided to all employees on a non-discriminatory basis). Reflects for 2008 \$8,560 of 401(k) employer matching contributions, \$14,364 of health, life and disability insurance premiums and \$11,088 of unit distributions received by Mr. McGraw on his unvested phantom units.
- (g) Reflects for 2007 \$6,600 of 401(k) employer matching contributions and \$14,596 of health, life and disability insurance premiums (which are provided to all employees on a non-discriminatory basis). Reflects for 2008 \$8,760 of 401(k) employer matching contributions, \$14,364 of health, life and disability insurance premiums and \$11,088 of unit distributions received by Mr. Horne on his unvested phantom units.
- (h) Reflects the 2006, 2007 (\$198,700) and 2008 (\$198,770) compensation expense recognized upon the straight-line amortization of the grant date fair value of the 35,077 restricted units granted to Mr. Morris on March 15, 2006 under his employment agreement using the price at which our units were sold in our March 2006 private equity offering. Reflects also for 2007 the \$5,326 and for 2008 the \$27,437 of compensation expense recorded for the phantom units granted on February 4, 2008.
- (i) Reflects for 2006 the unit distributions received by Mr. Morris on his unvested restricted units. Reflects for 2007 \$43,847 of unit distributions received by Mr. Morris on his unvested restricted units, \$5,300 of 401(k) employer matching contributions and \$2,641 of health, life and disability insurance premiums (which are provided to all employees on a non-discriminatory basis). Reflects for 2008 \$28,414 of unit distributions received by Mr. Morris on his unvested restricted units, \$8,269 of 401(k) employer matching contributions, \$3,104 of health, life and disability insurance premiums and \$6,653 of unit distributions received by Mr. Morris on his unvested phantom units.

Grants of Plan-Based Awards for Fiscal Year 2008

The following table sets forth the payments that may be made under our LTIP.

Grant	Date Action	Estimated Future Payouts Under Equity Incentive Plan Awards	All Other Unit Awards: Number	All Other Option Exercise or Base Price of Grant Date		Fair Value of Unit and
				Number of Securities Underlying	Option Awards	

Name	Date(a)	Taken(b)	Threshold	Target	Maximum	of Units(c)	Options	(\$/Unit)	Option Awards
Cary D. Brown	2/4/2008	2/4/2008				6,720		\$	\$ 128,285
	1/29/2009	1/29/2009				11,760		\$	\$ 147,118
Steven H. Pruett	2/4/2008	2/4/2008				6,720		\$	\$ 128,285
	1/29/2009	1/29/2009				11,760		\$	\$ 147,118
Kyle A. McGraw	2/4/2008	2/4/2008				5,600		\$	\$ 106,904
	1/29/2009	1/29/2009				9,800		\$	\$ 122,598
Paul T. Horne	2/4/2008	2/4/2008				5,600		\$	\$ 106,904
	1/29/2009	1/29/2009				9,800		\$	\$ 122,598
William M. Morris	2/4/2008	2/4/2008				3,360		\$	\$ 64,142
	1/29/2009	1/29/2009				5,880		\$	\$ 73,559

- (a) Reflects grants made in fiscal year 2008 and 2009 with respect to performance in fiscal year 2007 and 2008, respectively.
- (b) Reflects the date on which the compensation committee was deemed to take action in making a grant of unit options.
- (c) Phantom units vest annually in one-third increments beginning on the first anniversary of their respective grant dates and are payable in cash or, at the discretion of the compensation committee of the board of directors of our general partner, in units.

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Employment Agreements

Through our wholly-owned subsidiary Legacy Reserves Services, Inc. we have employment agreements with each of our executive officers. These agreements establish that each of our named executive officers is employed by Legacy Reserves Services, Inc., and provide for the employment of Mr. Brown as Chief Executive Officer, Mr. Pruett as President and Chief Financial Officer, Mr. McGraw as Executive Vice President Business Development and Land, Mr. Horne as Vice President Operations and Mr. Morris as Controller of our general partner. Each of these agreements became effective upon the completion of our private placement on March 15, 2006, and is terminable either by the executive or by us at any time.

Base Salaries

The employment agreements provide that Messrs. Brown, Pruett, McGraw, Horne and Morris will receive an annual base salary of \$200,000, \$175,000, \$150,000, \$150,000 and \$125,000, respectively. On August 20, 2007, the board of directors of our general partner approved increased salaries for each of the named executive officers effective September 1, 2007, as follows: Mr. Brown, \$250,000; Mr. Pruett, \$225,000; Mr. McGraw, \$195,000; Mr. Horne, \$195,000; and Mr. Morris, \$195,000. On August 26, 2008, the board of directors of our general partner approved increased salaries for each of the named executive officers effective September 1, 2008, as follows: Mr. Brown, \$325,000; Mr. Pruett, \$275,000; Mr. McGraw, \$235,000; Mr. Horne, \$250,000; and Mr. Morris, \$220,000. The employment agreements provide that each executive officer is entitled to participate in equity and non-equity incentive programs that we may establish from time to time and incentive compensation will be paid at the discretion of the board of directors of our general partner. See Compensation Discussion and Analysis Components of Compensation Named Executive Officer Compensation.

Intellectual Property and Non-Compete Clauses

The employment agreements with each of our named executive officers require that the executive officer must promptly disclose and assign any individual rights that he may have in any intellectual property and business opportunities to us. For purposes of the employment agreements, intellectual property includes inventions, discoveries, processes, designs, methods, substances, articles, computer programs, or improvements and business opportunities include business ideas, prospects, proposals or other opportunities pertaining to the lease,

acquisition, exploration, production, gathering or marketing of hydrocarbons and related products and the exploration potential of geographical areas on which hydrocarbon exploration prospects are located. Under the non-compete provisions of these agreements, the executive officers are prohibited from engaging or participating, with any person or entity, in any activity pertaining to the leasing, acquiring, exploring, producing, gathering or marketing of hydrocarbons during the term of the executive officer's employment and the executive officer may not invest in any other such business unless prior approval is granted in writing by our general partner's board of directors. The non-compete provisions limit the executives' right to engage in these activities for a period of six months after termination of employment in counties where we do business, six months in adjacent counties, and limit investment to \$500,000 in publicly traded companies engaged in similar businesses for a period of one year after termination unless such competitive activity is approved in writing by a majority of the independent directors of our general partner's board of directors. The employment agreements also prohibit the executive officer from soliciting any of our employees or customers for two years following termination.

The employment agreements prohibit the executive officers from engaging in or participating in any publicly traded partnership or limited liability company or privately held company contemplating an initial public offering as a limited partnership or a limited liability company that is in direct competition with us for one year following the termination of employment.

The non-compete provisions contained in the employment agreements will not apply to investments by the executive officers made prior to the effective date of their respective employment agreements, provided that the investments were identified in the employment agreement. In addition, the non-compete provisions will not apply if we terminate the executive officer's employment within one year following a change of control.

Severance and Change in Control Payments

Pursuant to the terms of the employment agreements, we may be obligated to make severance payments to our named executive officers following the termination of their employment. These benefits are described below under "Benefits Payable Upon Termination or Change in Control."

In the event that any payments to which any named executive officer is entitled become subject to the excise tax imposed by Section 4999 of the Internal Revenue Code, then the board shall provide for the payment of, or otherwise reimburse the executive for the amount of the excise tax. These gross-up payments will be in an amount such that, after payment by the named executive officer of all taxes, including any income tax or excise tax imposed on the gross-up payments, the named executive officer retains an amount equal to the payment before any excise tax is imposed. The gross-up payments, if applicable, will be in addition to any payments made below under "Severance Benefits" or "Change in Control Benefits." Additionally, to the extent any payments to which any named executive officer is entitled is deemed to constitute non-qualified deferred compensation subject to Section 409A of the Internal Revenue Code, then we will have the discretion to adjust the terms of such payment or benefit as we deem necessary to comply with the requirements of Section 409A to avoid the imposition of any additional tax or other penalty or interest with respect to such payment or benefit under Section 409A.

Benefits Payable Upon Termination or Change in Control

The following table presents, for each named executive officer, the potential post-employment payments and payments upon a change in control as of December 31, 2008. Set forth below the table is a description of certain post-employment arrangements with our named executive officers, including the severance benefits and change in control benefits to which they are entitled under their employment agreements.

Named Executive Officer	Benefit	Before	After
		Change in Control w/o Cause or for Good Reason	Change in Control w/o Cause or for Good Reason
Cary D. Brown	Severance(a)	\$ 650,000	\$ 975,000

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	Bonus(b)	\$ 345,889	\$ 518,833
	Benefits(c)	\$ 25,512	\$ 38,268
	Unit Options(d)	\$ 52,400	\$ 52,400
	Phantom Units(f)	\$ 128,285	\$ 128,285
	Estimated Tax Gross-Ups(g)(h)	\$ 264,962	\$ 425,686
Steven H. Pruett	Severance(a)	\$ 550,000	\$ 825,000
	Bonus(b)	\$ 289,444	\$ 434,166
	Benefits(c)		