LEGACY RESERVES LP
Form 424B5
November 09, 2011

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

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

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

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

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

PROSPECTUS SUPPLEMENT
(To the Prospectus dated September 6, 2011)

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

3,400,000 Units

Legacy Reserves LP

Representing Limited Partner Interests

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

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

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

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

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

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

Joint Book-Running Managers

UBS Investment Bank **Raymond James** **Citigroup**

Co-Lead Manager

RBC Capital Markets

Co-Managers

Baird **Stifel Nicolaus Weisel** **Wunderlich Securities**

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

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CURRENT AREAS OF OPERATIONS

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PROSPECTUS SUPPLEMENT

PROSPECTUS DATED SEPTEMBER 6, 2011

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

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

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

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

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

Summary

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

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

Legacy Reserves LP

OVERVIEW

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

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

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

- We had proved reserves of approximately 52.8 million barrels of crude oil equivalent (MMBoe), of which 74% were oil and natural gas liquids and 86% were classified as proved developed producing (PDP), 2% were proved developed non-producing, and 12% were proved undeveloped;

- Our proved reserves had a standardized measure of $774.8 million; and

- Our proved reserves to production ratio was approximately 14.0 years based on our average daily net production of 10,337 barrels of oil equivalent per day (Boe/d) (approximately 70% operated) for the three months ended December 31, 2010.

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

2011 ACQUISITIONS

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

BUSINESS STRATEGY

The key elements of our business strategy are to:

- Make accretive acquisitions of producing properties generally characterized by long-lived reserves with stable production and reserve development potential;

- Add proved reserves and maximize cash flow and production through development projects and operational efficiencies;

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

COMPETITIVE STRENGTHS

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

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

RECENT DEVELOPMENTS

Pending Acquisitions

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

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

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

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

2011 Capital Budget

On October 21, 2011, the board of directors of our general partner approved an increase in our 2011 development capital budget to $70.0 million, excluding acquisitions. As of September 30, 2011, we spent $52.1 million of our 2011 capital budget. The 2011 capital budget primarily consists of development drilling and completion expenditures, recompletions, and restimulations of existing wells. We may adjust our capital budget during the remainder of the year in response to changes in oil and natural gas prices, cash flow, results of operations and acquisitions.

Third Quarter Cash Distribution

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

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Our Ownership and Organizational Structure

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

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

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

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

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The offering

Units offered by Legacy Reserves LP	3,400,000 units; 3,910,000 units if the underwriters exercise in full their option to purchase additional units.
Units outstanding after this offering	47,160,533 units, or 47,670,533 units if the underwriters exercise in full their option to purchase additional units (excluding 278,396 units to be issued in connection with the pending acquisition of the Permian Basin properties).
Use of proceeds	We will receive net proceeds from this offering of approximately $93.9 million, after deducting underwriting discounts and commissions and estimated offering expenses payable by us. We plan to use the net proceeds from the offering and from any exercise of the underwriters option to purchase additional units to repay outstanding borrowings under our revolving credit facility. Please read Use of Proceeds.
Cash distributions	We distribute all of our cash on hand at the end of each quarter, after payment of fees and expenses, less reserves (including reserves for capital expenditures) established by our general partner in its discretion. Unlike most publicly traded partnerships, we do not pay incentive distributions to our general partner. In general, we distribute 99.96% of our available cash each quarter to our unitholders and approximately 0.04% of our available cash to our general partner. We refer to this cash as available cash , and we define its meaning in our partnership agreement. We declared a quarterly distribution for our third quarter of 2011 of $0.545 per unit, or $2.18 on an annualized basis. On November 14, 2011, we will pay this cash distribution to unitholders of record at the close of business on November 2, 2011. Purchasers of units in this offering will not be entitled to such distribution.
Conflicts of interest	As described in Use of Proceeds, affiliates of UBS Securities LLC and RBC Capital Markets, LLC are lenders under our revolving credit facility and may receive more than 5% of the proceeds from this offering pursuant to the repayment of borrowings under that facility. Nonetheless, in accordance with the Financial Industry Authority Rule 5121, the appointment of a qualified independent underwriter is not necessary in connection with this offering because the units offered hereby are interests in a direct participation program. Investor suitability with respect to the units will be judged similarly to the suitability with respect to other securities that are listed for trading on a national securities exchange. Please read Underwriting Conflicts of Interest.
Estimated ratio of taxable income to distribution	We estimate that if you purchase units in this offering and own them through the record date for the distribution with respect to the fourth calendar quarter of 2014, then you will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be less

	than 20% of the amount of cash distributed to you with respect to that period. If you continue to own units purchased in this offering after that period, the percentage of federal taxable income allocated to you may be higher. Please read Material Tax Considerations in this prospectus supplement for the basis of this estimate.
Exchange listing	Our units are traded on the NASDAQ Global Select Market under the symbol LGCY .

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Risk factors

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

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Use of proceeds

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

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

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

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Capitalization

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

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

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

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

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Price range of units and distributions

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

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

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

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

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Material tax considerations

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

PARTNERSHIP TAX TREATMENT

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

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

RATIO OF TAXABLE INCOME TO DISTRIBUTIONS

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

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

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

TAX-EXEMPT ORGANIZATIONS & OTHER INVESTORS

Ownership of units by tax-exempt entities, including employee benefit plans and individual retirement accounts (known as IRAs), and non-U.S. investors raises issues unique to such persons. Please read Material Tax Considerations Tax-Exempt Organizations and Other Investors in the accompanying base prospectus.

RECENT LEGISLATIVE DEVELOPMENTS

The present federal income tax treatment of publicly traded partnerships, including us, or an investment in our units, may be modified by administrative, legislative or judicial interpretation at any time. For example, the Obama Administration and members of Congress have considered substantive changes to the existing federal income tax laws that would affect the tax treatment of certain publicly traded partnerships. Any modification to the federal income tax laws and interpretations thereof may or may not be applied retroactively. Although we are unable to predict whether any of these changes, or other proposals, will ultimately be enacted, any such changes could negatively impact the value of an investment in our units.

Both the Obama Administration s budget proposal for fiscal year 2012 and the proposed American Jobs Act of 2011 include potential legislation that would, if enacted, make significant changes to United States tax laws, including the elimination of certain key U.S. federal income tax incentives currently available to oil and natural gas exploration and production companies. These changes include, but are not limited to, (i) the repeal of the percentage depletion allowance for oil and natural gas properties, (ii) the elimination of current deductions for intangible drilling and development costs, (iii) the elimination of the deduction for certain domestic production activities, and (iv) an extension of the amortization period for certain geological and geophysical expenditures. It is unclear whether these or similar changes will be enacted and, if enacted, how soon any such changes could become effective. The passage of any legislation as a result of these proposals or any other similar changes in U.S. federal income tax laws could eliminate or postpone certain tax deductions that are currently available with respect to oil and natural gas exploration and development, and any such change could increase the taxable income allocable to our unitholders and negatively impact the value of an investment in our units.

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Underwriting

UBS Securities LLC, Raymond James & Associates, Inc. and Citigroup Global Markets Inc. are acting as joint book-running managers of the underwritten offering and representatives of the underwriters named below. Subject to the terms and conditions stated in the underwriting agreement dated the date of this prospectus supplement, each underwriter named below has agreed to purchase, and we have agreed to sell to that underwriter, the number of units set forth opposite the underwriter s name.

Underwriters	**Number of Units**
UBS Securities LLC	935,000
Raymond James & Associates, Inc.	867,000
Citigroup Global Markets Inc.	714,000
RBC Capital Markets, LLC	340,000
Robert W. Baird & Co. Incorporated	204,000
Stifel, Nicolaus & Company, Incorporated	204,000
Wunderlich Securities, Inc.	136,000
Total	3,400,000

The underwriting agreement provides that the obligations of the underwriters to purchase the units included in this offering are subject to approval of legal matters by counsel and to other conditions. The underwriters are obligated to purchase all of the units (other than those covered by the underwriters option to purchase additional units described below) if they purchase any of the units.

OPTION TO PURCHASE ADDITIONAL UNITS

We have granted to the underwriters an option, exercisable for up to 30 days from the date of this prospectus supplement, to purchase up to 510,000 additional units at the public offering price less the underwriting discount. To the extent the option is exercised, each underwriter must purchase the number of additional units approximately proportionate to that underwriter s initial purchase commitment.

UNDERWRITING DISCOUNT AND EXPENSES

The underwriters propose to offer some of the units directly to the public at the public offering price set forth on the cover page of this prospectus supplement and some of the units to dealers at the public offering price less a concession not to exceed $0.692 per unit. If all of the units are not sold at the initial offering price, the underwriters may change the public offering price and the other selling terms. All compensation received by the underwriters in connection with this offering will not exceed 8% of the gross offering proceeds.

The following table shows the underwriting discounts that we are to pay to the underwriters in connection with this offering. These amounts are shown assuming both no exercise and full exercise of the underwriters option to purchase additional units.

	No Exercise	Full Exercise
Per Unit	$ 1.154	$ 1.154
Total	$ 3,923,600	$ 4,512,140

Underwriting

We estimate that our total expenses of this offering, excluding underwriting discounts, will be approximately $300,000.

LOCK-UP AGREEMENTS

We, our general partner and the directors and executive officers of certain of our affiliates have agreed that during the 45 days after the date of this prospectus supplement, we and they will not, without the prior written consent of UBS Securities LLC, directly or indirectly, offer for sale, contract to sell, sell, distribute, grant any option, right or warrant to purchase, pledge, hypothecate, enter into any derivative transaction with similar effect as a sale or otherwise dispose of any units, any securities convertible into, or exercisable or exchangeable for, units or any other rights to acquire such units within the time period of the lock-up, other than (1) pursuant to our long-term incentive plan, (2) in connection with acquisitions of assets or businesses in which units are issued as consideration, provided, however, any such recipient of units will agree to be bound by these provisions for the remainder of the 45-day period, or (3) pursuant to the underwriters option to purchase additional units. UBS Securities LLC may, in its sole discretion, allow any of these parties to offer for sale, contract to sell, sell, distribute, grant any option, right or warrant to purchase, pledge, hypothecate, enter into any derivative transaction with similar effect as a sale or otherwise dispose of any units, any securities convertible into, or exercisable or exchangeable for, units or any other rights to acquire such units prior to the expiration of such 45-day period in whole or in part at anytime without notice. UBS Securities LLC has informed us that in the event that consent to a waiver of these restrictions is requested by us or any other person, UBS Securities LLC, in deciding whether to grant its consent, will consider the unitholder s reasons for requesting the release, the number of units for which the release is being requested and market conditions at the time of the request for such release. However, UBS Securities LLC has informed us that as of the date of this prospectus supplement there are no agreements between UBS Securities LLC and any party that would allow such party to transfer any units, nor does it have any intention of releasing any of the units subject to the lock-up agreements prior to the expiration of the lock-up period at this time.

LISTING

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

PASSIVE MARKET MAKING

In connection with the offering, the underwriters may engage in passive market making transactions in the units on the NASDAQ Global Select Market in accordance with Rule 103 of Regulation M under the Securities Exchange Act of 1934 during the period before the commencement of offers or sales of units and extending through the completion of distribution. A passive market maker must display its bids at a price not in excess of the highest independent bid of the security. However, if all independent bids are lowered below the passive market maker s bid, that bid must be lowered when specified purchase limits are exceeded.

PRICE STABILIZATION, SHORT POSITIONS AND PENALTY BIDS

In connection with the offering, the representatives, on behalf of the underwriters, may purchase and sell units in the open market. These transactions may include short sales, syndicate covering transactions and stabilizing transactions. Short sales involve syndicate sales of units in excess of the number of units to be purchased by the underwriters in the offering, which creates a syndicate short position. Covered short sales are sales of units made in an amount up to the number of units represented by the underwriters over-allotment option. In determining the source of units to close out the covered syndicate short position, the underwriters will consider, among other things, the price of units available for purchase in the open market as compared to the price at which they may purchase

Underwriting

units through the over-allotment option. Transactions to close out the covered syndicate short position involve either purchases of the units in the open market after the distribution has been completed or the exercise of the over-allotment option. The underwriters may also make naked short sales of units in excess of the over-allotment option. The underwriters must close out any naked short position by purchasing units in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the units in the open market after pricing that could adversely affect investors who purchase in the offering. Stabilizing transactions consist of bids for or purchases of units in the open market while the offering is in progress.

The underwriters also may impose a penalty bid. Penalty bids permit the underwriters to reclaim a selling concession from a syndicate member when the representatives repurchase units originally sold by that syndicate member in order to cover syndicate short positions or make stabilizing purchases.

Any of these activities may have the effect of preventing or retarding a decline in the market price of the units. They may also cause the price of the units to be higher than the price that would otherwise exist in the open market in the absence of these transactions. The underwriters may conduct these transactions on the NASDAQ Global Select Market or in the over-the-counter market, or otherwise. If the underwriters commence any of these transactions, they may discontinue them at any time.

RELATIONSHIPS WITH UNDERWRITERS

Some of the underwriters and their affiliates have performed investment and commercial banking and advisory services for us and our affiliates from time to time for which they have received customary fees and expenses. The underwriters and their affiliates may, from time to time in the future, engage in transactions with and perform services for us in the ordinary course of their business. In the ordinary course of their various business activities, the underwriters and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments.

CONFLICTS OF INTEREST

Affiliates of UBS Securities LLC and RBC Capital Markets, LLC are lenders under our revolving credit facility and may receive a portion of the proceeds from this offering pursuant to the repayment of borrowings under that facility. Because the Financial Industry Regulatory Authority, or FINRA, views the common units offered hereby as interests in a direct participation program, there is no conflict of interest between us and the underwriters under FINRA Rule 5121, and this offering is being made in compliance with FINRA Rule 5110. Investor suitability with respect to the units will be judged similarly to the suitability with respect to other securities that are listed for trading on a national securities exchange.

ELECTRONIC DISTRIBUTION

This prospectus supplement and the accompanying prospectus in electronic format may be made available on the websites maintained by one or more of the underwriters. The underwriters may agree to allocate a number of units for sale to their online brokerage account holders. The units will be allocated to underwriters that may make Internet distributions on the same basis as other allocations. In addition, units may be sold by the underwriters to securities dealers who resell units to online brokerage account holders.

Other than this prospectus supplement and the accompanying prospectus in electronic format, information contained in any website maintained by an underwriter is not part of this prospectus supplement or the accompanying prospectus or registration statement of which the accompanying

Underwriting

prospectus forms a part, has not been endorsed by us and should not be relied on by investors in deciding whether to purchase units. The underwriters are not responsible for information contained in websites that they do not maintain.

INDEMNIFICATION

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended, or to contribute to payments the underwriters may be required to make because of any of those liabilities.

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Legal matters

The validity of the units offered in this prospectus supplement will be passed upon for us by Andrews Kurth LLP, Houston, Texas. Certain legal matters in connection with the units offered hereby will be passed upon for the underwriters by Vinson & Elkins L.L.P., Houston, Texas.

Experts

Information about our estimated net proved reserves and the future net cash flows attributable to the oil and natural gas reserves of Legacy Reserves LP as of December 31, 2010 contained in Legacy Reserves LP s annual report for the year ended December 31, 2010 filed on Form 10-K and included or incorporated herein by reference was prepared by LaRoche Petroleum Consultants, Ltd., an independent reserve engineer and geological firm, and is included or incorporated herein in reliance upon their authority as experts in reserves and present values.

The consolidated balance sheets of Legacy Reserves LP as of December 31, 2010 and 2009 and the related consolidated statements of operations, unitholders equity, and cash flows for each of the years in the three year period ended December 31, 2010 of Legacy Reserves LP incorporated in this prospectus by reference from Legacy Reserves LP s annual report for the year ended December 31, 2010 filed on Form 10-K have been audited by BDO USA, LLP (formerly known as BDO Seidman, LLP), an independent registered public accounting firm, as stated in their report, which is incorporated herein by reference, and such financial statements have been so incorporated in reliance upon the report of such firm, given on the authority of said firm as experts in auditing and accounting.

Incorporation by reference

The SEC allows us to incorporate by reference the information we have filed with the SEC. This means that we can disclose important information to you without actually including the specific information in this prospectus supplement by referring you to other documents filed separately with the SEC. These other documents contain important information about us, our financial condition and results of operations. The information incorporated by reference is an important part of this prospectus supplement and the accompanying prospectus. Information that we file later with the SEC will automatically update and may replace information in this prospectus supplement, the accompanying prospectus and information previously filed with the SEC.

We are incorporating by reference into this prospectus supplement the documents listed below and any subsequent filings we make with the SEC under Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 (File no. 001-33249) (excluding information deemed to be furnished and not filed with the SEC) until all the units are sold:

We incorporate by reference into this prospectus supplement the documents listed below:

- Our Annual Report on Form 10-K for the year ended December 31, 2010;
- Our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2011, June 30, 2011 and September 30, 2011;
- Our Current Reports on Form 8-K filed February 22, 2011, March 17, 2011, April 21, 2011, May 16, 2011 and August 25, 2011; and
- The description of our units in our registration statement on Form 8-A filed January 10, 2007.

You may obtain any of the documents incorporated by reference in this prospectus supplement or the accompanying prospectus from the SEC through the SEC s website at *www.sec.gov*. You also may request a copy of any document incorporated by reference in this prospectus supplement and the accompanying prospectus (including exhibits to those documents specifically incorporated by reference in this document), at no cost, by visiting our internet website at *http://www.legacylp.com*, or by writing or calling us at the address set forth below. Information on our website is not incorporated into this prospectus supplement, the accompanying prospectus or our other securities filings and is not a part of this prospectus supplement or the accompanying prospectus.

Legacy Reserves LP
303 W. Wall St., Suite 1400
Midland, Texas 79701
Attention: Investor Relations
Telephone: (432) 689-5200

Forward-looking statements

Some of the information included in this prospectus supplement and the documents we incorporate by reference herein contain forward-looking statements that are subject to a number of risks and uncertainties, many of which are beyond our control, which may include statements about:

- the amount of oil and natural gas we produce;
- the level of capital expenditures;
- the price at which we are able to sell our oil and natural gas production;
- our ability to acquire additional oil and natural gas properties at economically attractive prices;
- our ability to consummate the Permian Basin and Wyoming acquisitions described in Summary Recent Developments ;
- our drilling locations and our ability to continue our development activities at economically attractive costs;
- the level of our lease operating expenses, general and administrative costs and finding and development costs, including payments to our general partner;
- our future operating results; and
- our business strategy, plans, objectives, expectations and intentions.

All of these types of statements, other than statements of historical fact included in this prospectus supplement and the documents we incorporate by reference herein, are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may , could , should , expect , plan , project , intend , ant believe , estimate , predict , potential , pursue , target , continue , the negative of such terms or other comparab terminology.

These forward-looking statements are largely based on our expectations, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on market conditions and other factors known at the time such statements are made. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, management s assumptions about future events may prove to be inaccurate. All readers are cautioned that the forward-looking statements included in this prospectus supplement and the documents we incorporate by reference herein are not guarantees of future performance, and our expectations may not be realized or the forward-looking events and circumstances may not occur. Actual results may differ materially from those anticipated or implied in the forward-looking statements due to factors described under the caption Risk Factors in this prospectus supplement and in the accompanying prospectus, as well as the risk factors included in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2010, and our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2011. We disclaim any obligation to update these statements unless required by securities law, and we caution you not to rely on them unduly.

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PROSPECTUS

Legacy Reserves LP
Legacy Reserves Finance Corporation

Units Representing Limited Partner Interests
Debt Securities

We may offer, from time to time, in one or more series, the following securities under this prospectus:

units representing limited partnership interests in Legacy Reserves LP; and

debt securities, which may be secured or unsecured senior debt securities or secured or unsecured subordinated debt securities.

Legacy Reserve Finance Corporation may act as co-issuer of the debt securities. All other direct or indirect subsidiaries of Legacy Reserves LP, other than minor subsidiaries (except Legacy Reserves Finance Corporation) as such item is interpreted in securities regulations governing financial reporting for guarantors, may guarantee the debt securities.

Our units are listed on The NASDAQ Global Select Market, or NASDAQ, under the symbol LGCY. We will provide information in a prospectus supplement, for the trading market, if any, for any debt securities we may offer.

We may offer and sell these securities to or through one or more underwriters, dealers and agents, or directly to purchasers, on a continuous or delayed basis. This prospectus describes some of the general terms that may apply to these securities and the general manner in which these securities may be offered. Specific terms of any securities to be offered and the specific manner in which we will offer such securities will be provided in one or more supplements to this prospectus. A prospectus supplement may also add, update, or change information contained in this prospectus.

You should carefully read this prospectus and any applicable prospectus supplement before you invest. You also should read the documents we have referred you to under the headings Where You Can Find More Information and Incorporation By Reference of this prospectus for information on us and our financial statements.

This prospectus may not be used to consummate sales of securities unless accompanied by a prospectus supplement.

Investing in our securities involves a high degree of risk. Limited partnerships are inherently different from corporations. For a discussion of the factors you should consider before deciding to purchase our securities, please see Risk Factors on page 3 of this prospectus, any risk factors contained in any applicable prospectus supplement, as well as any additional risk factors that may be contained in the documents incorporated by reference herein and therein.

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

The date of this prospectus is September 6, 2011.

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In making your investment decision, you should rely only on the information contained in this prospectus, any prospectus supplement and the documents we have incorporated by reference. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any state where the offer is not permitted. You should not assume that the information contained in this prospectus or any prospectus supplement, as well as or that the information contained in any document incorporated by reference herein or therein, is accurate as of any date other than its respective date.

ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement on Form S-3 that we filed with the Securities and Exchange Commission, or SEC, utilizing a shelf registration process or continuous offering process for well-known seasoned issuers. Under this shelf registration process, we may sell from time to time any combination of the securities described in this prospectus in one or more offerings.

This prospectus provides you with only a general description of the securities that we may offer. This prospectus does not contain all of the information set forth in the registration statement of which this prospectus is a part, as permitted by the rules and regulations of the SEC. Each time we offer securities, we will provide you with a prospectus supplement that will describe, among other things, the specific number, amounts and prices of the securities being offered, the specific manner in which they may be offered and the terms of the offering, including in the case of debt securities, the specific terms of the securities. The prospectus supplement may include additional risk factors or other special considerations applicable to those securities. The prospectus supplement may also add, update, or change information contained in this prospectus. If there is any inconsistency between the information in this prospectus and any prospectus supplement, you should rely on the information in the prospectus supplement.

The rules of the SEC allow us to incorporate by reference information into this prospectus and any prospectus supplement. Any information incorporated by reference is considered to be a part of this prospectus and any applicable prospectus supplement, and information that we file later with the SEC that is incorporated by reference herein will automatically update and supersede this information. Additional information, including our financial statements and the notes thereto, is incorporated in this prospectus by reference to our reports filed with the SEC. See Where You Can Find More Information and Incorporation By Reference. In particular, you should carefully consider the risks and uncertainties described under the heading Risk Factors in this prospectus and those included in our periodic reports, which are all incorporated by reference in this prospectus, or otherwise included in any applicable prospectus supplement. Before investing in any of our securities, you are urged to carefully read this prospectus and any applicable prospectus supplement relating to the securities offered to you, together with the information and documents described under the headings Where You Can Find More Information and Incorporation By Reference of this prospectus and the information and documents incorporated by reference in the prospectus supplement.

References in this prospectus to Legacy Reserves, Legacy, we, our, us, or like terms refer to Legacy Reserves L its subsidiaries unless the context otherwise requires.

CAUTIONARY STATEMENT
REGARDING FORWARD-LOOKING INFORMATION

This prospectus and the documents we incorporate by reference herein contain forward-looking statements that are subject to a number of risks and uncertainties, many of which are beyond our control, which may include statements about:

- our business strategy;
- the amount of oil and natural gas we produce;
- the price at which we are able to sell our oil and natural gas production;
- our ability to acquire additional oil and natural gas properties at economically attractive prices;

our drilling locations and our ability to continue our development activities at economically attractive costs;

the level of our lease operating expenses, general and administrative costs and finding and development costs, including payments to our general partner;

the level of our capital expenditures;

the level of cash distributions to our unitholders;

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our future operating results; and

our plans, objectives, expectations and intentions.

All of these types of statements, other than statements of historical fact included in this prospectus, are forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may, could, should, expect, plan, project, intend, anticipate, believe, estimate, predict, potential, pu negative of such terms or other comparable terminology.

The forward-looking statements contained in this prospectus and any documents incorporated by reference are largely based on our expectations, which reflect estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions and other factors. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. In addition, management s assumptions about future events may prove to be inaccurate. All readers are cautioned that the forward-looking statements contained in this prospectus are not guarantees of future performance, and our expectations may not be realized or the forward-looking events and circumstances may not occur. Actual results may differ materially from those anticipated or implied in the forward-looking statements due to factors set forth under the heading Risk Factors in this prospectus, in our filings with the SEC, including those factors described in our most recent annual report on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K that are incorporated by reference into this prospectus, or those factors otherwise included in any applicable prospectus supplement. The forward-looking statements in this prospectus speak only as of the date of this prospectus; we disclaim any obligation to update these statements unless required by securities law, and we caution you not to unduly rely on them.

ABOUT LEGACY RESERVES LP

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

Our operations are conducted through, and our operating assets are owned by, our subsidiaries. Legacy Reserves Finance Corporation, our wholly owned subsidiary, has no material assets or any liabilities other than as a co-issuer of our debt securities. Its activities are limited to co-issuing our debt securities and activities incidental to its role as a co-issuer.

Our principal executive offices are located at 303 W. Wall Street, Suite 1400, Midland, Texas 79701 and our telephone number is (432) 689-5200.

THE SUBSIDIARY GUARANTORS

Certain of our subsidiaries may fully and unconditionally guarantee our payment obligations under any series of debt securities offered using this prospectus. Financial information concerning our subsidiary guarantors and any non-guarantor subsidiaries will, to the extent required by SEC rules and regulations, be included in our consolidated financial statements filed as part of our periodic reports pursuant to the Exchange Act.

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RISK FACTORS

Limited partner interests are inherently different from the capital stock of a corporation, although many of the business risks to which we are subject are similar to those that would be faced by a corporation engaged in a similar business. Before you invest in our securities, you should carefully consider the following risk factors, those included in our most-recent annual report on Form 10-K, in our quarterly reports on Form 10-Q and in our current reports on Form 8-K that are incorporated herein by reference and those that may be included in the applicable prospectus supplement, together with all of the other information included in this prospectus, any prospectus supplement and the documents we incorporate by reference.

If any of these risks were actually to occur, our business, financial condition, results of operations, or cash flow could be materially adversely affected. In that case, our ability to make distributions to our unitholders or pay interest on, or the principal of, any debt securities, may be reduced, the trading price of our securities could decline and you could lose all or part of your investment.

Risks Related to our Business

We may not have sufficient available cash to pay the full amount of our current quarterly distribution or any distribution at all following establishment of cash reserves and payment of fees and expenses, including payments to our general partner.

We may not have sufficient available cash each quarter to pay the full amount of our current quarterly distribution or any distribution at all. The amount of cash we distribute in any quarter to our unitholders may fluctuate significantly from quarter to quarter and may be significantly less than our current quarterly distribution. Under the terms of our partnership agreement, the amount of cash otherwise available for distribution will be reduced by our operating expenses and the amount of any cash reserves that our general partner establishes to provide for future operations, future capital expenditures, future debt service requirements and future cash distributions to our unitholders. Further, our debt agreements contain restrictions on our ability to pay distributions. The amount of cash we can distribute on our units principally depends upon the amount of cash we generate from our operations, which will fluctuate from quarter to quarter based on, among other things:

- the amount of oil, NGL and natural gas we produce;
- the price at which we are able to sell our oil, NGL and natural gas production;
- the amount and timing of settlements on our commodity and interest rate derivatives;
- whether we are able to acquire additional oil and natural gas properties at economically attractive prices;
- whether we are able to continue our development projects at economically attractive costs;
- the level of our lease operating expenses, general and administrative costs and development costs, including payments to our general partner;
- the level of our interest expense, which depends on the amount of our indebtedness and the interest payable thereon; and

the level of our capital expenditures.

If we are not able to acquire additional oil and natural gas reserves on economically acceptable terms, our reserves and production will decline, which would adversely affect our business, results of operations and financial condition and our ability to make cash distributions to our unitholders.

We may be unable to sustain distributions at the current level without making accretive acquisitions or substantial capital expenditures that maintain or grow our asset base. Oil and natural gas reserves are characterized by declining production rates, and our future oil and natural gas reserves and production and, therefore, our cash flow and our ability to make distributions are highly dependent on our success in economically finding or acquiring additional recoverable reserves and efficiently developing and exploiting our current reserves. Further, the rate of estimated decline of our oil and natural gas reserves may increase if our wells do not produce as expected. We may not be able to find, acquire or develop additional reserves to replace our current and future production at acceptable costs, which would adversely affect our business, results of operations, financial condition and our ability to make cash distributions to our unitholders.

Our future growth may be limited because we distribute all of our available cash to our unitholders, and potential future disruptions in the financial markets may prevent us from obtaining the financing necessary for growth and acquisitions.

Since we will distribute all of our available cash (as defined in our partnership agreement) to our unitholders, our growth may not be as fast as businesses that reinvest their available cash to expand ongoing operations. Further, since we depend on financing provided by commercial banks and other lenders and the issuance of debt and equity securities to finance any significant growth or acquisitions, potential future disruptions in the global financial markets and any associated severe tightening of credit supply may prevent us from obtaining adequate financing from these sources, and, as a result, our ability to grow, both in terms of additional drilling and acquisitions, will be limited.

Increases in the cost of or failure of costs to adjust downward for drilling rigs, service rigs, pumping services and other costs in drilling and completing wells could reduce the viability of certain of our development projects.

Higher oil and natural gas prices may increase the rig count and thus the cost of rigs and oil field services necessary to implement our development projects while also decreasing their availability. Increased capital requirements for our projects will result in higher reserve replacement costs which could reduce cash available for distribution. Higher project costs could cause certain of our projects to become uneconomic and therefore not to be implemented, reducing our production and cash available for distribution. Decreased availability of drilling equipment and services could significantly impact the planned execution of our scheduled development program.

If commodity prices decline and remain depressed for a prolonged period, a significant portion of our development projects may become uneconomic and cause write downs of the value of our oil and gas properties, which may adversely affect our financial condition and our ability to make distributions to our unitholders.

Lower oil and natural gas prices may not only decrease our revenues, but also reduce the amount of oil and natural gas that we can produce economically. For example, the drastically lower oil and natural gas prices experienced in the fourth quarter of 2008 rendered more than half of the development projects we had planned at such time uneconomic and resulted in a substantial downward adjustment to our estimated proved reserves. Further, deteriorating commodity prices may cause us to recognize impairments in the value of our oil and gas properties. In addition, if our estimates of development costs increase, production data factors change or drilling results deteriorate, accounting rules may require us to write down, as a non-cash charge to earnings, the carrying value of our oil and natural gas properties for impairments. We may incur impairment charges in the future, which could have a material adverse effect on our results of operations in the period taken.

Due to regional fluctuations in the actual prices received for our production, the derivative contracts we enter into may not provide us with sufficient protection against price volatility since they are based on indexes related to different and remote regional markets.

We sell our natural gas into local markets, the majority of which is produced in West Texas, Southeast New Mexico, the Texas Panhandle, Central Oklahoma and Wyoming and shipped to the Midwest, West Coast and Texas Gulf Coast. These regions account for over 90% of our natural gas sales. Our existing natural gas swaps are based on Waha, ANR-Oklahoma and CIG-Rockies directly. While we are paid a local price indexed to or closely related to

Waha, ANR-Oklahoma and CIG-Rockies, these indexes are heavily influenced by prices received in remote regional consumer markets less transportation costs and thus may not be effective in protecting us against local price volatility.

Fluctuations in price and demand for our natural gas may force us to shut in a significant number of our producing wells, which may adversely impact our revenues and ability to pay distributions to our unitholders.

We are subject to great fluctuations in the prices we are paid for our natural gas due to a number of factors including regional demand, weather, demand for NGLs which are recovered from our gas stream, and new natural gas pipelines such as the REX pipeline from the Rocky Mountains to the Midwest which competes with our natural gas in the Midwest. Drilling in shale resources has developed large amounts of new natural gas supplies that have depressed the prices paid for our natural gas, and we expect the shale resources to continue to be drilled and developed by our competitors. We also face the potential risk of shut-in natural gas due to high levels of natural gas and NGL inventory in storage, weak demand due to mild weather and the effects of any economic downturns on industrial demand. Lack of NGL storage in Mont Belvieu where our West Texas and New Mexico NGLs are shipped for processing could cause the processors of our natural gas to curtail or shut-in our natural gas wells and potentially force us to shut-in oil wells that produce associated natural gas. For example, following Hurricanes Gustav and Ike, when certain Permian Basin natural gas processors were forced to shut down their plants due to the shutdown of the Texas Gulf Coast NGL fractionators, we were able to produce our oil wells and vent or flare the associated natural gas. There is no certainty we will be able to vent or flare natural gas again due to potential changes in regulations. Furthermore we may encounter problems in restarting production of previously shut-in wells.

Our commodity derivative activities may limit our ability to profit from price gains, could result in cash losses and expose us to counterparty risk and as a result could reduce our cash available for distributions.

We have entered into, and we may in the future enter into, oil and natural gas derivative contracts intended to offset the effects of commodity price volatility related to a significant portion of our oil and natural gas production. Many derivative instruments that we employ require us to make cash payments to the extent the applicable index exceeds a predetermined price, thereby limiting our ability to realize the benefit of increases in oil and natural gas prices.

There is always substantial risk that counterparties in any derivative transaction cannot or will not perform under our derivative contracts. If a counterparty fails to perform and the derivative transaction is terminated, our cash flow and ability to pay distributions could be adversely impacted.

Further, if our actual production and sales for any period are less than our expected production covered by derivative contracts and sales for that period (including reductions in production due to involuntary shut-ins or operational delays) or if we are unable to perform our drilling activities as planned, we might be forced to satisfy all or a portion of our derivative contracts without the benefit of the cash flow from our sale of the underlying physical commodity, resulting in a substantial diminution of our liquidity. Under our revolving credit facility, we are prohibited from entering into derivative contracts covering all of our production, and we therefore retain the risk of a price decrease on our volumes not covered by derivative contracts.

The substantial restrictions and financial covenants of our revolving credit facility, any negative redetermination of our borrowing base by our lenders and any potential disruptions of the financial markets could adversely affect our business, results of operations, financial condition and our ability to make cash distributions to our unitholders.

We depend on our revolving credit facility for future capital needs. Our revolving credit facility limits the amounts we can borrow to a borrowing base amount, determined by the lenders in their sole discretion.

Our revolving credit facility restricts, among other things, our ability to incur debt and pay distributions, and requires us to comply with certain financial covenants and ratios. We may not be able to comply with these restrictions and covenants in the future and will be affected by the levels of cash flow from our operations and events or circumstances beyond our control, such as any potential disruptions in the financial markets. Our failure to comply with any of the restrictions and covenants under our revolving credit facility could result in a default under our revolving credit facility. A default under our revolving credit facility could cause all of our existing indebtedness to be immediately due and payable.

Outstanding borrowings in excess of the borrowing base must be repaid, and, if mortgaged properties represent less than 80% of total value of oil and gas properties used to determine the borrowing base, we must pledge other oil and natural gas properties as additional collateral. We may not have the financial resources in the future to make any mandatory principal prepayments required under our revolving credit facility.

The occurrence of an event of default or a negative redetermination of our borrowing base, such as a result of lower commodity prices or a deterioration in the condition of the financial markets, could adversely affect our business, results of operations, financial condition and our ability to make distributions to our unitholders.

Our estimated reserves are based on many assumptions that may prove inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves.

No one can measure underground accumulations of oil and natural gas in an exact way. Oil and natural gas reserve engineering requires subjective estimates of underground accumulations of oil and natural gas and assumptions concerning future oil and natural gas prices, production levels, and operating and development costs. As a result, estimated quantities of proved reserves and projections of future production rates and the timing of development expenditures may prove to be inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of our reserves which could adversely affect our business, results of operations, financial condition and our ability to make cash distributions to our unitholders.

Further, the present value of future net cash flows from our proved reserves may not be the current market value of our estimated natural gas and oil reserves. In accordance with SEC requirements, we base the estimated discounted future net cash flows from our proved reserves on the 12-month average oil and gas index prices, calculated as the un-weighted arithmetic average for the first-day-of-the-month price for each month and costs in effect on the date of the estimate, holding the prices and costs constant throughout the life of the properties. Actual future prices and costs may differ materially from those used in the net present value estimate, and future net present value estimates using then current prices and costs may be significantly less than the current estimate. In addition, the 10% discount factor we use when calculating discounted future net cash flows for reporting requirements in compliance with the FASB in Accounting Standards Codification 932 may not be the most appropriate discount factor based on interest rates in effect from time to time and risks associated with us or the natural gas and oil industry in general.

Our business depends on gathering and transportation facilities owned by others. Any limitation in the availability of those facilities would interfere with our ability to market the oil and natural gas we produce.

The marketability of our oil and natural gas production depends in part on the availability, proximity and capacity of gathering and pipeline systems owned by third parties. The amount of oil and natural gas that can be produced and sold is subject to curtailment in certain circumstances, such as pipeline interruptions due to scheduled and unscheduled maintenance, excessive pressure, physical damage to the gathering or transportation system, or lack of contracted capacity on such systems. The curtailments arising from these and similar circumstances may last from a few days to several months. In many cases, we are provided only with limited, if any, notice as to when these circumstances will arise and their duration. Any significant curtailment in gathering system or pipeline capacity, or significant delay in the construction of necessary gathering and transportation facilities, could adversely affect our business, results of operations, financial condition and our ability to make cash distributions to our unitholders.

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Our development projects require substantial capital expenditures, which will reduce our cash available for distribution. We may be unable to obtain needed capital or financing on satisfactory terms, which could lead to a decline in our oil and natural gas reserves.

We make and expect to continue to make substantial capital expenditures in our business for the development, production and acquisition of oil and natural gas reserves. These expenditures will reduce our cash available for distribution. We intend to finance our future capital expenditures with cash flow from operations and borrowings under our revolving credit facility. Our cash flow from operations and access to capital are subject to a number of variables, including:

- our proved reserves;
- the level of oil and natural gas we are able to produce from existing wells;
- the prices at which our oil and natural gas are sold; and
- our ability to acquire, locate and produce new reserves.

If our revenues or the borrowing base under our revolving credit facility decrease as a result of lower oil and/or natural gas prices, operating difficulties, declines in reserves or for any other reason, we may have limited ability to obtain the capital necessary to sustain our operations at current levels. Our revolving credit facility restricts our ability to obtain new financing. If additional capital is needed, we may not be able to obtain debt or equity financing. If cash generated by operations or available under our revolving credit facility is not sufficient to meet our capital requirements, the failure to obtain additional financing could result in a curtailment of our operations relating to development of our prospects, which in turn could lead to a decline in our oil and natural gas reserves, and could adversely affect our business, results of operations, financial condition and our ability to make cash distributions to our unitholders.

We do not control all of our operations and development projects and failure of an operator of wells in which we own partial interests to adequately perform could adversely affect our business, results of operations, financial condition and our ability to make cash distributions to our unitholders.

Many of our business activities are conducted through joint operating agreements under which we own partial interests in oil and natural gas wells. If we do not operate wells in which we own an interest, we do not have control over normal operating procedures, expenditures or future development of underlying properties. The success and timing of our development projects on properties operated by others is outside of our control.

The failure of an operator of wells in which we own partial interests to adequately perform operations, or an operator s breach of the applicable agreements, could reduce our production and revenues and could adversely affect our business, results of operations, financial condition and our ability to make cash distributions to our unitholders.

Drilling for and producing oil and natural gas are high risk activities with many uncertainties that could adversely affect our business, results of operations, financial condition and our ability to make cash distributions to our unitholders.

Our drilling activities are subject to many risks, including the risk that we will not discover commercially productive reservoirs. Drilling for oil and natural gas can be uneconomic, not only from dry holes, but also from productive wells that do not produce sufficient revenues to be commercially viable.

In addition, our drilling and producing operations may be curtailed, delayed or canceled as a result of other factors, including:

- the high cost, shortages or delivery delays of equipment and services;
- unexpected operational events;
- adverse weather conditions;

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