LEGACY RESERVES LP
Form 424B3
November 08, 2012

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Registration No. 333-174434

This preliminary prospectus supplement relates to an effective registration statement under the Securities Act of 1933, but the information in this preliminary prospectus supplement is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus are not an offer to sell, and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED NOVEMBER 7, 2012

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

8,700,000 Units

LEGACY RESERVES LP

Representing Limited Partner Interests

We are selling 8,700,000 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 6, 2012 was $27.24 per unit.

Investing in our units involves risks. You should carefully consider each of the factors described under "Risk Factors" beginning on page S-14 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 1,305,000 units from us on the same terms and conditions as set forth above if the underwriters sell more than 8,700,000 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
Public offering price	$	$
Underwriting discounts and commissions	$	$
Proceeds, before expenses, to Legacy Reserves LP	$	$

The underwriters expect to deliver the units on or about , 2012.

Joint Book-Running Managers

Wells Fargo Securities **Barclays** **BofA Merrill Lynch**

Citigroup **J.P. Morgan** **Raymond James**

RBC Capital Markets **UBS Investment Bank**

Co-Managers

Baird **Stifel Nicolaus Weisel** **Global Hunter Securities**

Janney Montgomery Scott **MLV & Co.** **Wunderlich Securities**

The date of this prospectus supplement is , 2012.

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.

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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, 2011 are as follows:

- We had proved reserves of approximately 63.4 million barrels of crude oil equivalent (MMBoe), of which 68% were oil and natural gas liquids (NGLs) and 85% were classified as proved developed producing (PDP), 2% were proved developed non-producing, and 13% were proved undeveloped;

- Our proved reserves had a standardized measure of $1.1 billion; and

- Our proved reserves to production ratio was approximately 12.6 years based on our average daily net production of 13,750 barrels of oil equivalent per day (Boe/d) (approximately 73% operated) for the three months ended December 31, 2011.

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 October 31, 2012, we completed 106 acquisitions of oil and natural gas properties for a total of approximately $1.0 billion. 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.

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 exploitation potential.* We seek to acquire long-lived reserves with moderate production decline rates and reserve exploitation potential that we believe will generate attractive risk-adjusted returns that are accretive to distributable cash flow per unit. Our diverse property base includes numerous fields spread across three geographic producing regions that provide opportunities for "bolt-on" acquisitions and the ability to increase our

ownership in fields in which we already have a working interest. We also seek to acquire interests in new fields and geographic regions that are consistent with our business strategy. We believe that our experience positions us to identify, evaluate, execute, integrate and exploit suitable acquisitions.

Add proved reserves and maximize cash flow and production through exploitation activities and operational efficiencies. We have a history of growing proved reserves and maximizing production through exploitation activities while remaining focused on operational efficiencies. We have identified a substantial inventory of development drilling opportunities and numerous workover and recompletion opportunities throughout our properties. We intend to pursue such opportunities to increase our proved reserves, production and cash flow in the future.

Maintain a Conservative Capital Structure and Financial Flexibility. Our long-term strategy is to keep our debt at a moderate level and to fund our acquisition program with cash flow from operations, borrowings under our revolving credit facility and the issuance of equity and debt securities. Since our initial public offering we have raised approximately $477 million through the issuance of our units. We also intend to maintain adequate borrowing capacity under our revolving credit facility. We believe our internally generated cash flows and our borrowing capacity will provide us with the financial flexibility to execute our exploitation activities and pursue additional acquisitions of producing properties.

Reduce Cash Flow Volatility Through Commodity Price Derivatives. We routinely enter into hedge arrangements to reduce the impact of oil and natural gas price volatility on our cash flow from operations. Our strategy includes hedging a significant portion of our future production over a three- to five-year period. With respect to acquisitions, we regularly hedge a high percentage of the acquired production in connection with the execution of the definitive agreement related to the transaction in order to lock-in the expected returns. Our hedge positions are primarily in the form of swap contracts and collars that are designed to provide a fixed price or range of prices between a price floor and a price ceiling.

Competitive Strengths

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

Proven Acquisition Track Record. Since 2007, we have announced or completed 109 acquisitions of producing oil and natural gas properties representing over $1.5 billion in total transaction value. Our acquisition activity has been primarily focused within our three primary operating regions, specifically the Permian Basin, Mid-Continent and Rocky Mountain areas, where we believe we have a distinct competitive advantage. We believe our experience and expertise in making acquisitions will allow us to continue to prudently grow our asset base and business in the future.

Long-Lived, Liquids-Weighted Reserve Base. Our properties are primarily located in mature fields characterized by a long history of stable production and low-to-moderate rates of production decline. As of December 31, 2011 we had proved reserves of approximately 63.4 MMBoe of which 68% were oil and NGLs and 85% were classified as PDP, 2% were proved developed non-producing, and 13% were proved undeveloped. As of December 31, 2011 our proved reserves had a standardized measure of $1.1 billion and a proved reserves to production ratio of approximately 12.6 years based on an average daily net production of 13,750 Boe/d (approximately 73% operated) for the three months ended December 31, 2011.

Diversified Operations and Significant Operational Control. Our producing oil and natural gas assets encompass approximately 6,170 producing wells spanning three geographic producing

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regions, each with established oil and natural gas production histories. For the quarter ended September 30, 2012, we operated approximately 75% of our net daily production of oil and natural gas. Retaining operational control of our assets allows us to leverage our technical and operational expertise to manage overhead, production and drilling costs as well as control the timing and quantity of capital expenditures.

Extensive, Low-Risk Development Drilling Inventory. We have an extensive inventory of low-risk development opportunities throughout our properties, comprised of drilling locations and recompletion and workover opportunities. In 2012, we intend to spend approximately $66 million in capital expenditures on development drilling opportunities and workover and recompletion activities, all of which are targeting oil and NGL projects.

Experienced Management Team with a Vested Interest in Our Success. The members of our management team have an average of over 20 years of experience in the oil and natural gas industry. We believe this experience will help our management team to successfully navigate periods of commodity price volatility and to successfully identify, evaluate, execute, integrate and exploit acquisition opportunities. Additionally, members of our management team, directors and other insiders beneficially own an approximate 21% limited partner interest in us, aligning their interests with those of our investors.

Recent Developments

Pending Acquisition of Oil and Natural Gas Properties in the Permian Basin

On November 7, 2012, we announced the execution of a definitive agreement to purchase Permian Basin oil and natural gas properties from Concho Resources Inc. for $520 million in cash, subject to customary purchase price adjustments (Pending Permian Basin Acquisition). We have internally estimated that as of September 30, 2012, the properties to be acquired in the Pending Permian Basin Acquisition had an estimated 25.6 MMBoe of proved reserves, 71% of which are considered proved developed producing, 14% of which are proved developed non-producing and 62% of which are oil. The properties are expected to produce 5,238 Boe/d in the three months ending March 31, 2013 (our expected first full quarter of ownership) from 1,584 producing wells yielding a total reserve-to-production ratio of approximately 13.4 years. We expect to operate approximately 90.5% of the properties based on proved reserves.

All of the reserves are located in counties in which we currently have operations or are adjacent thereto, and over 99.8% of these reserves are throughout the Permian Basin, including the Lower Abo play and the Deep Rock, Shafter Lake, Fullerton and Ackerly fields. Given the significant geographic overlap with our existing properties, we expect to benefit from our operational expertise and existing field-level infrastructure. We believe the acreage associated with the Pending Permian Basin Acquisition supports substantial long-term development potential including 236 currently identified development locations. The closing is anticipated to occur in December 2012 with an effective date of October 1, 2012 and is subject to customary conditions to closing.

The information presented above is based on our internal evaluation and interpretation of reserve and other information provided to us in the course of our due diligence with respect to the Pending Permian Basin Acquisition and has not been independently verified or estimated.

We anticipate that the Pending Permian Basin Acquisition will add approximately $80 million of cash flow from operations in 2013 assuming (i) average NYMEX oil and natural gas prices of $88.77/Bbl and $4.03/Mcf, respectively, (ii) regional price differentials, and (iii) operating costs of approximately $18.69/Boe, including production and ad valorem taxes and general and administrative expenses.

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While our management believes the estimates of proved reserves, forecasts of production and additions to cash flow, and the underlying assumptions used in determining the foregoing are reasonable based upon its evaluation of information provided in connection with the Pending Permian Basin Acquisition, actual proved reserves, production and cash flow from operations realized in 2013 from the Pending Permian Basin Acquisition will be dependent on actual oil and gas prices, operating costs, well performance and the success of our anticipated developmental drilling program. Any such estimates are inherently uncertain and are subject to significant business, economic, regulatory, environmental and competitive risks and uncertainties that could cause actual results to differ materially from those we anticipate, as set forth under "Forward-Looking Statements" and "Risk Factors Our 2012 acquisitions and our Pending Permian Basin Acquisition may prove to be worth less than we paid, or provide less than anticipated proved reserves, production or cash flow because of uncertainties in evaluating recoverable reserves, well performance, and potential liabilities as well as uncertainties in forecasting oil and gas prices and development, production and marketing costs."

Upon completion of this offering and the application of the net proceeds therefrom to fund a portion of the purchase price of the Pending Permian Basin Acquisition, we expect that the remaining portion of the purchase price will be funded with borrowings under our revolving credit facility or, subject to market conditions, proceeds from the issuance of private or public securities.

2012 Acquisitions

In May 2012 we purchased oil properties in North Dakota and Montana for approximately $69 million in cash. The North Dakota properties are primarily located in Billings County as well as Golden Valley and McKenzie Counties and produce mainly from the Madison, Bakken and Birdbear formations. The Montana properties are located primarily in Blaine County and produce mainly from the Sawtooth and Bowes formations.

Further, from January 1, 2012 through October 1, 2012, we closed an additional 14 acquisitions of oil and natural gas properties for an aggregate purchase price of approximately $58 million as well as prospective acreage acquisitions for approximately $7 million. All acquisitions were funded with borrowings under our revolving credit facility and cash flow from operations.

Set forth below is a summary of our oil and natural gas reserve data as of December 31, 2011 as well as the oil and natural gas reserve data for each of our completed and pending 2012 acquisitions:

Proved Reserves by Operating Region as of December 31, 2011

Operating Regions	Oil (MBbls)	Natural Gas (MMcf)	NGLs (MBbls)	Total (MBoe)	% Liquids	% PDP
Permian Basin	28,186	101,176(a)	802	45,851	63.2%	82.0%
Mid-Continent	3,513	18,334	4,000	10,569	71.1%	98.4%
Rocky Mountain	6,411	2,452	10	6,830	94.0%	85.1%
Other	68	642	22	197	45.7%	100.0%
Total	**38,178**	**122,604**	**4,834**	**63,447**	**67.8%**	**85.2%**

(a) We primarily report and account for our Permian Basin natural gas volumes inclusive of the NGL content in those natural gas volumes. Given the price disparity between an equivalent amount of NGLs compared to natural gas, our realized natural gas prices in the Permian Basin are substantially higher than NYMEX Henry Hub natural gas prices due to NGL content.

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2012 Acquisitions Estimated Proved Reserves

	Oil (MBbls)	Natural Gas (MMcf)	NGLs (MBbls)	Total (MBoe)	% Liquids	% PDP
Year-To-Date-Acquisitions:(b)						
Permian Basin (March 2012)	46	7		47	97.6%	100.0%
Permian Basin (April 2012)	84	707		202	41.7%	81.6%
Permian Basin (May 2012)	69	0		69	100.0%	100.0%
Permian Basin (June 2012)	91	2,247	350	816	54.1%	97.5%
Permian Basin (July 2012)	25	42		32	78.4%	100.0%
Permian Basin (August 2012)	76	129		98	78.0%	100.0%
Permian Basin (September 2012)	21	732	140	284	57.0%	100.0%
Permian Basin (October 2012)	571	839	7	718	80.5%	77.4%
Pending Permian Basin Acquisition	15,957	58,091		25,639	62.2%	70.9%
Rocky Mountain (April 2012)	702	76		715	98.2%	100.0%
Rocky Mountain (May 2012)	271	67		282	96.0%	77.8%
Rocky Mountain (May 2012)	3,117	538	76	3,283	97.3%	100.0%
Rocky Mountain (May 2012)	246			246	100.0%	95.2%
Rocky Mountain (August 2012)	166			166	100.0%	100.0%

(b) For each acquisition listed above, reserves were calculated using oil and natural gas prices that represent the unweighted average of the first-day-of-the-month prices for each of the most recent twelve-month period prior to the closing date of each of the acquisitions listed above. For the Pending Permian Basin Acquisition, proved reserves were calculated using a price of $95.33/Bbl for oil, and $2.88/MMBtu for natural gas, which represent the unweighted average of the first-day-of-the-month prices for each of the twelve months ending September 30, 2012, the most recent twelve-month period prior to the anticipated effective date of the Pending Permian Basin Acquisition. The table above excludes two immaterial acquisitions completed in 2012 for approximately $2.8 million.

Borrowing Base Redetermination

On October 1, 2012, the borrowing base under our revolving credit facility was increased from $565 million to $600 million. As of November 6, 2012, we had $462.1 million of borrowings outstanding under our revolving credit facility, resulting in approximately $137.9 million of available borrowing capacity. Our lenders redetermine the borrowing base semi-annually with the next redetermination scheduled on or around April 1, 2013. However, we intend to seek an interim redetermination of the borrowing base in connection with the Pending Permian Basin Acquisition to be effective at the time of closing.

Increase to Quarterly Cash Distribution

On October 22, 2012, the board of directors of our general partner approved a distribution of $0.565 per unit payable on November 14, 2012 to unitholders of record on November 1, 2012. Purchasers of units in this offering will not be entitled to receive a distribution in respect of the third quarter of 2012. This quarterly distribution is a $0.005 per unit increase from the prior quarterly distribution and represents an annualized distribution of $2.26 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	78.78%
Founding Investors, Directors and Management	21.18%
General Partner Interest	0.04%
Total	100.00%

(a) Includes entities controlled by Cary Brown, our Chairman, President and Chief Executive Officer, Dale Brown, a Director, and Kyle McGraw, Executive Vice President and Chief Development Officer as well as certain members of Mr. McGraw's family.

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THE OFFERING

Units offered by Legacy Reserves LP	8,700,000 units; 10,005,000 units if the underwriters exercise in full their option to purchase additional units.
Units outstanding after this offering	56,799,419 units, or 58,104,419 units if the underwriters exercise in full their option to purchase additional units.
Use of proceeds	We will receive net proceeds from this offering of approximately $ 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 fund a portion of the purchase price of the Pending Permian Basin Acquisition. Prior to funding the Pending Permian Basin Acquisition, we may use some or all of the net proceeds for general partnership purposes, which may include repayment of borrowings outstanding 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. On October 22, 2012, the board of directors of our general partner approved a quarterly distribution for the third quarter of 2012 of $0.565 per unit, or $2.26 on an annualized basis, which will be paid on November 14, 2012 to unitholders of record at the close of business on November 1, 2012. Purchasers of units in this offering will not be entitled to the distribution in respect of the third quarter of 2012.

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Conflicts of interest	As described in "Use of Proceeds," affiliates of Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated, Citigroup Global Markets Inc., RBC Capital Markets, LLC and UBS Securities 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 U.S. 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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SUMMARY HISTORICAL CONSOLIDATED FINANCIAL DATA

The following summary historical consolidated financial data as of December 31, 2011, 2010 and 2009 and for the years en