

LEGACY RESERVES LP
Form 8-K
September 14, 2009

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 8-K
CURRENT REPORT**

Pursuant to Section 13 OR 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): September 14, 2009

Legacy Reserves LP

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation)

1-33249

(Commission
File Number)

16-1751069

(IRS Employer
Identification No.)

303 W. Wall, Suite 1400

Midland, Texas

(Address of principal executive offices)

79701

(Zip Code)

Registrant's telephone number, including area code: **(432) 689-5200**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 8.01. Other Events*Non-GAAP Financial Measures*

The management of Legacy Reserves LP uses Adjusted EBITDA and Distributable Cash Flow as a tool to provide additional information and metrics relative to the performance of Legacy's business, such as the cash distributions Legacy expects to pay to its unitholders, as well as its ability to meet debt covenant compliance tests. Legacy's management believes that these financial measures indicate to investors whether or not cash flow is being generated at a level that can sustain or support an increase in quarterly distribution rates. Adjusted EBITDA and Distributable Cash Flow may not be comparable to a similarly titled measure of other publicly traded limited partnerships or limited liability companies because all companies may not calculate Adjusted EBITDA in the same manner.

The following presents a reconciliation of Adjusted EBITDA and Distributable Cash Flow, both of which are non-GAAP measures, to their nearest comparable GAAP measure. Adjusted EBITDA and Distributable Cash Flow should not be considered as alternatives to GAAP measures, such as net income, operating income or any other GAAP measure of liquidity or financial performance.

Adjusted EBITDA is defined in Legacy's revolving credit facility as net income (loss) plus:

Interest expense;

Income taxes;

Depletion, depreciation, amortization and accretion;

Impairment of long-lived assets;

(Gain) loss on sale of partnership investment;

(Gain) loss on disposal of assets;

Unit-based compensation expense related to LTIP unit awards accounted for under the equity or liability methods;

Unrealized (gain) loss on oil and natural gas derivatives; and

Equity in (income) loss of partnerships.

Distributable Cash Flow is defined as Adjusted EBITDA less:

Cash interest expense;

Cash income taxes;

Cash settlements of LTIP unit awards; and

Development capital expenditures.

The following table presents a reconciliation of Legacy's consolidated net income (loss) to Adjusted EBITDA and Distributable Cash Flow for the three months ended June 30, 2009 and March 31, 2009 and the six months ended June 30, 2009 and June 30, 2008:

| Three Months Ended | | Six Months Ended | |
|---------------------------|--------------|-------------------------|-----------------|
| | March | | |
| June 30, | 31, | June 30, | June 30, |
| 2009 | 2009 | 2009 | 2008 |

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(\$ in thousands)

| | | | | |
|---|-------------|----------|-------------|--------------|
| Net income (loss) | \$ (56,992) | \$ 3,489 | \$ (53,503) | \$ (196,881) |
| Plus: | | | | |
| Interest expense (income) | (1,761) | 4,259 | 2,498 | 2,966 |
| Income taxes | 160 | 111 | 270 | 507 |
| Depletion, depreciation, amortization and accretion | 13,549 | 16,621 | 30,170 | 20,140 |
| | 2 | | | |

| | Three Months Ended | | Six Months Ended | |
|---|---------------------------|------------------|-------------------------|------------------|
| | June | March | June | June 30, |
| | 30, | 31, | 30, | 2008 |
| | 2009 | 2009 | 2009 | |
| | (\$ in thousands) | | | |
| Impairment of long-lived assets | 452 | 1,156 | 1,608 | 108 |
| (Gain) loss on disposal of assets | | (60) | (60) | (4,942) |
| Equity in (income) loss of partnership | | 2 | 3 | (87) |
| Unit-based compensation expense | 817 | (281) | 536 | 1,477 |
| Unrealized (gain) loss on oil and natural gas derivatives | 75,827 | (526) | 75,300 | 235,352 |
| Adjusted EBITDA | \$ 32,052 | \$ 24,771 | \$ 56,822 | \$ 58,640 |
| Less: | | | | |
| Cash interest expense | 4,655 | 4,955 | 9,610 | 3,786 |
| Cash settlements of LTIP unit awards | 59 | 176 | 235 | 34 |
| Development capital expenditures | 2,647 | 4,769 | 7,416 | 7,364 |
| Distributable Cash Flow | \$ 24,691 | \$ 14,871 | \$ 39,561 | \$ 47,456 |
| <i>Capital Expenditures</i> | | | | |

Excluding acquisitions, we expect to make capital expenditures of approximately \$15 million during the year ending December 31, 2009, including drilling 12 gross (6.8 net) development wells and executing 21 gross (12.2 net) re-completions and re-fracture stimulations. This is an increase from Legacy's previously reported capital expenditure budget of \$10.7 million for the year ending December 31, 2009. Legacy's planned capital expenditures predominantly consist of drilling, re-completion and re-fracture stimulation projects.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Legacy Reserves LP

By: Legacy Reserves GP, LLC,
its General Partner

Date: September 14, 2009

By: /s/ Steven H. Pruet
Name: Steven H. Pruet
Title: President, Chief Financial Officer
and Secretary