LEGACY RESERVES LP
Form 424B5
January 12, 2010

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Registration No. 333-150111

PROSPECTUS SUPPLEMENT
(To the Prospectus Dated April 16, 2008)

4,250,000 Units

LEGACY RESERVES LP
Representing Limited Partner Interests

We are selling 4,250,000 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 January 11, 2010 was $21.50 per unit.

Investing in our units involves risks. You should carefully consider each of the factors described under Risk Factors beginning on page S-6 of this prospectus supplement and on page 5 of the accompanying prospectus.

	Per Unit	Total
Public Offering Price	$ 20.42	$ 86,785,000
Underwriting Discounts and Commissions	$ 0.86	$ 3,655,000
Proceeds, Before Expenses, to Legacy Reserves LP	$ 19.56	$ 83,130,000

The underwriters expect to deliver the units on or about January 15, 2010.

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.

We have granted the underwriters a 30-day option to purchase up to an additional 637,500 units from us on the same terms and conditions as set forth above if the underwriters sell more than 4,250,000 units in this offering.

Joint Book-Running Managers

Wells Fargo Securities **BofA Merrill Lynch** **UBS Investment Bank**

Senior Co-Managers

Raymond James **RBC Capital Markets**

Co-Managers

Oppenheimer & Co. **Stifel Nicolaus** **Wunderlich Securities**

The date of this prospectus supplement is January 12, 2010.

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CURRENT AREAS OF OPERATIONS

PROPOSED WYOMING ACQUISITION

* The Wyoming Acquisition is scheduled to close on February 17, 2010, but may not close on such date or at all.

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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 prior to March 15, 2006 refer to the Moriah Group, Legacy Reserves LP s predecessor, including the oil and natural gas properties we acquired in exchange for units and cash from the Moriah Group, the Brothers Group, H2K Holdings, MBN Properties, our Founding Investors, as discussed in Note 4 to the Consolidated Financial Statements of our Annual Report on Form 10-K for the year ended December 31, 2008 incorporated by reference herein, and certain charitable foundations in connection with our private equity offering on March 15, 2006. When used for periods from March 15, 2006 forward, those 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 and Mid-continent 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.

We have grown primarily through two activities: the acquisition of producing oil and natural gas properties and the development of producing properties as opposed to higher risk exploration of unproved properties.

Our oil and natural gas production and reserve data as of December 31, 2008 are as follows:

- We had proved reserves of approximately 30.8 MMBoe, of which 68% were oil and natural gas liquids and 89% were classified as proved developed producing, 2% were proved developed non-producing, and 9% were proved undeveloped;

- Our proved reserves had a standardized measure of $235.0 million based on a price of $41.00 per barrel of oil and a price of $5.71 per MMBtu of natural gas held constant over the remaining life of the properties; and

- Our proved reserves to production ratio was approximately 10 years based on our average daily net production of 8,553 Boe/d for the three months ended December 31, 2008.

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;
- Maintain financial flexibility; and
- Reduce commodity price risk through oil, NGL and natural gas derivative transactions.

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Competitive Strengths

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

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

Recent Developments

Acquisition of Oil and Gas Properties in Wyoming

On December 18, 2009, we announced the addition of Wyoming as another core operating area by entering into an agreement to purchase working interests in 13 operated oil fields in the Big Horn and Wind River Basins of Wyoming for $130 million in cash from St. Mary Land and Exploration Company. The properties to be acquired in the Wyoming Acquisition produce 1,478 Boe/d, of which 93% is oil, adding approximately 17% to our existing average daily production. Proved reserves are estimated to be 8.8 MMBoe, 90% of which is considered proved developed producing. The reserve-to-producing ratio of these stable, long-lived properties is approximately 15 years. We expect future potential for tertiary recovery in some of the fields. The closing is anticipated to occur on February 17, 2010 and is subject to customary purchase price adjustments.

We have existing ownership in the Big Horn Basin pursuant to an operating contract with Iron Creek Energy Group based in Cody, Wyoming. Iron Creek will be providing support to Legacy in the operation and administration of the Wyoming properties similar to Iron Creek s current support to Legacy in the Homestead Field in Wyoming and the East Binger Unit in Oklahoma.

Upon completion of this offering and the application of the net proceeds therefrom to fund a portion of the purchase price of the Wyoming Acquisition, we expect that the remaining portion of the purchase price will be funded with borrowings under our revolving credit facility. Our revolving credit facility limits the amounts we can borrow to a borrowing base amount, determined by the lenders in their sole discretion. As of December 31, 2009, the borrowing base under our revolving credit facility was $340 million and we had $237 million of outstanding borrowings. Related to the Wyoming Acquisition, we entered into additional commodity swap transactions. For a current summary of our swap agreements, please read Commodity Derivatives on page S-3.

2010 Capital Budget

On November 12, 2009, the board of directors of our general partner approved a 2010 development capital budget of $25.0 million, excluding acquisitions. The 2010 capital budget consists of development drilling and completion expenditures, recompletions, and restimulations of existing wells. We may adjust our capital budget during 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 13, 2009, we paid a cash distribution attributable to the third quarter of 2009 of $0.52 per unit to unitholders of record at the close of business on November 2, 2009. This quarterly distribution represents an annualized distribution of $2.08 per unit and maintains the distribution amount paid with respect to the prior five quarters.

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Commodity Derivatives

We have entered into the following fixed price swaps for oil and natural gas to help mitigate the risk of changing commodity prices. As of January 1, 2010, we had entered into swap agreements to receive average NYMEX West Texas Intermediate oil and Henry Hub, Waha, ANR-Oklahoma and CIG index natural gas prices as summarized below starting with January 1, 2010 through December 2014:

Calendar Year	Annual Volumes (Bbls)	Average Price per Bbl	Price Range per Bbl
2010	1,812,978	$ 81.16	$60.15 - $140.00
2011	1,535,312	$ 86.64	$67.33 - $140.00
2012	1,324,466	$ 82.01	$67.72 - $109.20
2013	881,445	$ 83.62	$80.10 - $89.35
2014	356,710	$ 87.88	$87.50 - $90.50

Calendar Year	Volumes (MMBtu)	Average Price per MMBtu	Price Range per MMBtu
2010	3,923,359	$ 7.18	$5.33 - $9.73
2011	3,038,316	$ 7.49	$5.74 - $8.70
2012	2,357,990	$ 7.49	$5.72 - $8.70
2013	1,402,754	$ 6.58	$5.78 - $6.89
2014	609,104	$ 6.36	$5.95 - $6.47

Additionally, we have entered into NYMEX WTI derivative collar contracts with the following attributes:

Calendar Year	Annual Volumes (Bbl)	Average Put ($/Bbl)	Average Call ($/Bbl)
2010	71,800	$ 120.00	$ 156.30
2011	68,300	$ 120.00	$ 156.30
2012	65,100	$ 120.00	$ 156.30

The agreements provide for monthly settlement based on the difference between the agreement fixed price and the actual reference oil and natural gas index prices.

We have entered into natural gas basis swaps to receive floating NYMEX prices less a fixed basis differential and pay prices based on the floating Waha index, a natural gas hub in West Texas. The prices that we receive for our Permian Basin natural gas sales follow Waha more closely than the NYMEX Henry Hub natural gas index. The basis swaps thereby provide a better correlation between our natural gas sales and the derivative settlement payments on our natural gas swaps. The following table summarizes, for the periods indicated, our NYMEX-Waha basis swaps currently in place for production months through December 31, 2010:

Calendar Year	Annual Volumes (MMBtu)	Average Basis Differential	Basis Differential per MMBtu
2010	1,200,000	$ (0.57)	$ (0.57)

We enter into derivative transactions with unaffiliated third parties with respect to oil, NGL and natural gas prices to achieve more predictable cash flows and to reduce our exposure to short-term fluctuations in oil, NGL and natural gas prices. These derivative instruments are accounted for in accordance with SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities. These instruments are intended to mitigate a portion of our price risk and may be considered hedges for economic purposes but we have chosen not to designate them as cash flow hedges for accounting purposes. Therefore, all derivative instruments are recorded on the balance sheet at fair value which requires us to mark our future derivatives positions to market each quarter resulting in unrealized gains or losses, which impact reported net income. Unrealized gains or losses represent current period mark-to-market adjustments for commodity derivatives which will be settled in future periods. Unrealized gains or losses result in a non-cash impact on earnings and do not affect our ability to make our expected cash distributions. The majority of our derivative instruments now in place are in the form of swaps of floating prices for fixed prices paid by the counterparty.

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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	67.20%
Founding Investors, Directors and Management	32.75%
General Partner Interest	0.05%
Total	100.00%

(a) The Founding Investors include the Moriah Group, the Brothers Group, H2K Holdings, Ltd. and SHP Capital LP.

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THE OFFERING

Units offered by Legacy Reserves LP	4,250,000 units; 4,887,500 units if the underwriters exercise in full their option to purchase additional units.
Units outstanding after this offering	39,135,474 units, or 39,772,974 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 $82.8 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 the underwriters exercise of their option to purchase additional units, if any, to fund a portion of the purchase price of the Wyoming Acquisition. Pending the use of the proceeds as described above, we may use some or all of the net proceeds for general partnership purposes, which may include repayment of outstanding borrowings under our revolving credit facility. Please read Use of Proceeds. Affiliates of Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and RBC Capital Markets Corporation 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.
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 99.9% of our available cash each quarter to our unitholders and approximately 0.1% 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 2009 of $0.52 per unit, or $2.08 on an annualized basis. We paid this cash distribution on November 13, 2009 to unitholders of record at the close of business on November 2, 2009.
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 2012, then you will be allocated, on a cumulative basis, an amount of federal taxable income for that period that will be less than 30% 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.

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 5 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, 2008, and our Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2009, June 30, 2009 and September 30, 2009, respectively, 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.

The present value of future net cash flows from our proved reserves may not be the same as the current market value of our estimated crude oil, natural gas and NGL reserves.

The standardized measure of, or present value of future net revenues from, our proved reserves referred to in this prospectus was the then current market value of our estimated crude oil, natural gas and natural gas liquids reserves as of December 31, 2008. In accordance with the requirements of the Securities and Exchange Commission (SEC), the estimated discounted future net cash flows from our proved reserves are based on prices and costs on the date of the estimate, held flat for the life of the properties. Actual future prices and costs may differ materially from those used in the present value estimate. The present value of future net revenues from our proved reserves as of December 31, 2008 was based on a West Texas Intermediate posted price of $41.00 per barrel for crude oil and a Henry Hub spot market price of $5.71 per MMbtu for natural gas on December 31, 2008.

If crude oil prices were $1.00 per Bbl lower than the price used, our standardized measure as of December 31, 2008 would have decreased from $235.0 million to $226.5 million. If natural gas prices were $0.10 per Mcf lower than the price used, our standardized measure as of December 31, 2008, would have decreased from $235.0 million to $232.5 million. Any adjustments to the estimates of proved reserves or decreases in the price of crude oil or natural gas may decrease the value of our units.

Actual future net cash flows will also be affected by increases or decreases in oil and gas demand and changes in governmental regulations or taxation. The timing of both the production and the incurrence of expenses in connection with the development and production of oil and natural gas properties affects the timing of actual future net cash flows from proved reserves. In addition, the 10% discount factor, which is required by the SEC to be used in calculating discounted future net cash flows for reporting purposes, is not necessarily the most appropriate discount factor. The effective interest rate at various times and the risks associated with our business or the oil and gas industry in general will affect the accuracy of the 10% discount factor.

Our estimates of proved reserves and standardized measure of discounted future net cash flows as of December 31, 2008, which were prepared and presented under the SEC rules effective for such period, may change materially as a result of the new SEC rules effective for fiscal years ending on or after December 31, 2009.

This prospectus supplement presents estimates of our proved reserves and standardized measure of discounted future net cash flows as of December 31, 2008, which estimates have been prepared and presented under the SEC rules effective for such period. The SEC has adopted new rules that are effective for fiscal years ending on or after December 31, 2009, which require SEC reporting companies to prepare their reserves estimates using revised reserve definitions and revised pricing based on 12-month unweighted first-day-of-the-month average pricing. The pricing utilized for estimates of our reserves as of December 31, 2009 is based on an unweighted twelve month average West

Texas Intermediate posted price of $57.65 per Bbl of crude oil and a Henry Hub spot price of $3.87 per MMBtu for natural gas. The present value of future net revenues from our proved reserves as of December 31, 2008 was based on a West Texas Intermediate posted price of $41.00 and a Henry Hub spot price of $5.71 per MMbtu of natural gas. This change in methodology of preparing proved reserve estimates, which is no longer based on a year-end price point but a twelve-month average, as

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well as the revised definitions provided by the new SEC oil and gas rules, may have a significant impact on the calculation of the estimated amount of our proved reserves and future net cash flows.

We may not be able to consummate our Wyoming Acquisition, which could adversely affect our business operations and cash available for distribution.

The purchase agreement related to the Wyoming Acquisition contains customary closing conditions. It is possible that one or more closing conditions may not be satisfied or, if not satisfied, that such condition may not be waived by the other party. If we were unable to consummate the Wyoming Acquisition, we would not realize the expected benefits of the proposed acquisition, including, without limitation, an expected increase in our distributable cash flow. If we are unable to successfully complete the Wyoming Acquisition, it could have a material adverse effect on our business, financial condition and results of operations.

Further, until January 31, 2010, properties holding reserves representing approximately 24.6% of the total purchase price for the Wyoming Acquisition are subject to rights of first refusal held by non-operating owners. If all or a portion of these rights of first refusal are exercised, the size of our acquisition and the consideration that we would be required to pay therefore could decrease by up to approximately 24.6%.

Any acquisitions we complete, including the Wyoming Acquisition, are subject to substantial risks that could adversely affect our financial condition and results of operations and reduce our ability to make distributions to unitholders.

The Wyoming Acquisition is our largest acquisition to date and as such may consume a significant amount of our management resources. Further, the Wyoming Acquisition represents an expansion of our operations into a new geographic core area, with operating conditions and a regulatory environment that may not be as familiar to us as our existing core operating areas. As a result, we may not achieve the expected results of the Wyoming Acquisition, and any adverse conditions or developments related to the Wyoming Acquisition may have a negative impact on our operations and financial condition.

Further, even if we complete acquisitions such as the Wyoming Acquisition, which we expect will increase pro forma distributable cash per unit, actual results may differ from our expectations and the impact of these acquisitions may actually result in a decrease in pro forma distributable cash per unit. Any acquisition involves potential risks, including, among other things:

- the validity of our assumptions about reserves, future production, revenues, capital expenditures and operating costs;
- an inability to successfully integrate the businesses we acquire;
- a decrease in our liquidity by using a portion of our available cash or borrowing capacity under our revolving credit facility to finance acquisitions;
- a significant increase in our interest expense or financial leverage if we incur additional debt to finance acquisitions;
- the assumption of unknown liabilities, losses or costs for which we are not indemnified or for which our indemnity is inadequate;
- the diversion of management s attention from other business concerns;

the incurrence of other significant charges, such as impairment of oil and natural gas properties, goodwill or other intangible assets, asset devaluation or restructuring charges;

unforeseen difficulties encountered in operating in new geographic areas; and

the loss of key purchasers.

Our decision to acquire a property depends in part on the evaluation of data obtained from production reports and engineering studies, geophysical and geological analyses, seismic data and other information, the results of which are often inconclusive and subject to various interpretations.

Also, our reviews of newly acquired properties are inherently incomplete because it is generally not feasible to perform an in-depth review of the individual properties involved in each acquisition given time constraints imposed by sellers. Even a detailed review of records and properties may not necessarily reveal existing or potential problems, nor will it permit a buyer to become sufficiently familiar with the properties to fully assess their deficiencies and potential. Inspections may not always be performed on every well, and environmental problems, such as groundwater contamination, are not necessarily observable even when an inspection is undertaken.

Our sales of oil, natural gas, NGLs and other energy commodities, and related hedging activities, expose us to potential regulatory risks.

The Federal Trade Commission, the Federal Energy Regulatory Commission and the Commodity Futures Trading Commission hold statutory authority to monitor certain segments of the physical and futures energy commodities markets. These agencies have imposed broad regulations prohibiting fraud and manipulation of such markets. With regard to our physical sales of oil, natural gas, NGLs or other energy commodities, and any related hedging activities that we undertake, we are required to observe the market-related regulations enforced by these agencies, which hold substantial enforcement authority. Our sales may also be subject to certain reporting and other requirements. Failure to comply with such regulations, as interpreted and enforced, could have a material adverse effect on our business, results of operations, financial condition and our ability to make cash distributions to our unitholders.

Federal and state legislation and regulatory initiatives relating to hydraulic fracturing could result in increased costs and additional operating restrictions or delays.

Congress is currently considering legislation to amend the federal Safe Drinking Water Act to require the disclosure of chemicals used by the oil and natural gas industry in the hydraulic fracturing process. Hydraulic fracturing is an important and commonly used process in the completion of unconventional natural gas wells in shale formations, as well as tight conventional formations including many of those that Legacy completes and produces. This process involves the injection of water, sand and chemicals under pressure into rock formations to stimulate natural gas production. Sponsors of these bills, which are currently pending in the Energy and Commerce Committee and the Environmental and Public Works Committee of the House of Representatives and Senate, respectively, have asserted that chemicals used in the fracturing process could adversely affect drinking water supplies. The proposed legislation would require the reporting and public disclosure of chemicals used in the fracturing process, which could make it easier for third parties opposing the hydraulic fracturing process to initiate legal proceedings based on allegations that specific chemicals used in the fracturing process could adversely affect groundwater. In addition, these bills, if adopted, could establish an additional level of regulation at the federal level that could lead to operational delays or increased operating costs and could result in additional regulatory burdens that could make it more difficult to perform hydraulic fracturing and increase our costs of compliance and doing business.

Climate change legislation or regulations restricting emissions of greenhouse gases could result in increased operating costs and reduced demand for the oil, natural gas and NGLs that we produce.

On December 15, 2009, the U.S. Environmental Protection Agency (EPA) officially published its findings that emissions of carbon dioxide, methane and other greenhouse gases present an endangerment to human health and the environment because emissions of such gases are, according to the EPA, contributing to warming of the Earth s atmosphere and other climatic changes. These findings by the EPA allow the agency to proceed with the adoption and

implementation of regulations that would restrict emissions of greenhouse gases under existing provisions of the federal Clean Air Act. In late September 2009, the EPA had proposed two sets of regulations in anticipation of finalizing its findings that would require a reduction in emissions of greenhouse gases from motor vehicles and that could also lead to the imposition of greenhouse gas emission

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limitations in Clean Air Act permits for certain stationary sources. In addition, on September 22, 2009, the EPA issued a final rule requiring the reporting of greenhouse gas emissions from specified large greenhouse gas emission sources in the United States beginning in 2011 for emissions occurring in 2010. The adoption and implementation of any regulations imposing reporting obligations on, or limiting emissions of greenhouse gases from, our equipment and operations could require us to incur costs to reduce emissions of greenhouse gases associated with our operations or could adversely affect demand for the oil, natural gas and NGL that we produce.

Also, on June 26, 2009, the U.S. House of Representatives passed the American Clean Energy and Security Act of 2009, or ACESA, which would establish an economy-wide cap-and-trade program to reduce U.S. emissions of greenhouse gases including carbon dioxide and methane. ACESA would require a 17% reduction in greenhouse gas emissions from 2005 levels by 2020 and just over an 80% reduction of such emissions by 2050. Under this legislation, the EPA would issue a capped and steadily declining number of tradable emissions allowances to certain major sources of greenhouse gas emissions so that such sources could continue to emit greenhouse gases into the atmosphere. These allowances would be expected to escalate significantly in cost over time. The net effect of ACESA will be to impose increasing costs on the combustion of carbon-based fuels such as oil, refined petroleum products, and natural gas. The U.S. Senate has begun work on its own legislation for restricting domestic greenhouse gas emissions and the Obama Administration has indicated its support of legislation to reduce greenhouse gas emissions through an emission allowance system. Although it is not possible at this time to predict when the Senate may act on climate change legislation or how any bill passed by the Senate would be reconciled with ACESA, any future federal laws or implementing regulations that may be adopted to address greenhouse gas emissions could require us to incur increased operating costs and could adversely affect demand for the oil, natural gas and NGLs that we produce.

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USE OF PROCEEDS

We will receive net proceeds of approximately $82.8 million from the sale of 4,250,000 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 $12.5 million. We plan to use all of the net proceeds from this offering to fund a portion of the purchase price of the Wyoming Acquisition. Please read Summary Recent Developments for a description of the Wyoming Acquisition. Pending the use of the proceeds as described above, we may use some or all of the net proceeds for general partnership purposes, which may include repayment of outstanding borrowings under our revolving credit facility.

We expect to fund the remaining portion of the purchase price for the Wyoming Acquisition with borrowings under our revolving credit facility.

As of January 11, 2010, approximately $237.0 million of borrowings were outstanding under our revolving credit facility. As of January 11, 2010, interest on borrowings under our revolving credit facility had a weighted average effective interest rate of approximately 3.0%. The revolving credit facility matures on April 1, 2012. The proceeds of borrowings under our revolving credit facility are used primarily to finance acquisitions and for general partnership purposes. The closing of this offering is not contingent upon the closing of the Wyoming Acquisition. Accordingly, if you decide to purchase our units, you should be willing to do so whether or not we complete the Wyoming Acquisition. If we do not complete the Wyoming Acquisition, we will use the net proceeds from this offering for general partnership purposes, which may include repayments of outstanding borrowings under our revolving credit facility.

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 Wells Fargo Securities, LLC, Merrill Lynch, Pierce, Fenner & Smith Incorporated and RBC Capital Markets Corporation 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, 2009 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 three months ended September 30, 2009, which we incorporate by reference into this prospectus supplement.

	September 30, 2009	
	Actual	As Adjusted
	(In thousands)	
Cash and cash equivalents	$ 3,887	$ 3,887
Debt, including current maturities:		
Revolving credit facility	230,000	147,170
Total long-term debt	230,000	147,170
Owners equity:		
Unitholders	335,360	418,190
General partner interest	63	63
Total owners equity	$ 335,423	$ 418,253
Total capitalization	$ 565,423	$ 565,423