LEGACY RESERVES LP
Form 8-K/A
December 14, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **December 14, 2007 (October 4, 2007)**

Legacy Reserves LP

(Exact name of registrant as specified in its charter)

Delaware	**1-33249**	**16-1751069**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

303 W. Wall, Suite 1400 Midland, Texas	**79701**
(Address of principal executive offices)	(Zip Code)

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

NOT APPLICABLE

(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:

[ ] 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))

This Current Report on Form 8-K/A ("*Amendment No. 1*") amends the Current Report on Form 8-K filed with the Securities and Exchange Commission ("*SEC*") by Legacy Reserves LP ("*Legacy*") on October 4, 2007 in connection with its acquisition of certain oil and natural gas producing properties located in the Texas Panhandle from The Operating Company and private parties for an aggregate purchase price of approximately $60.5 million, subject to customary purchase price adjustments, paid in cash (the "*TOC Acquisition*").

The Current Report on Form 8-K filed on October 4, 2007 is being amended by this Amendment No. 1 to amend Item 9.01 (a) and (b) because financial statements and pro forma financial information for the TOC Acquisition are no longer required.

On June 29, 2007, Legacy filed a Form 8-K providing financial information required by three significant acquisitions made prior to the TOC Acquisition: (1) the acquisition of the Binger Properties located in Caddo County, Oklahoma on April 16, 2007 for $45 million, (2) the acquisition of the Ameristate Properties located in the Permian Basin of Southeast New Mexico on May 1, 2007 for $5.5 million and (3) the acquisition of the TSF Properties located in the Permian Basin of west Texas on May 25, 2007 for $15.3 million.

On October 17, 2007, Legacy filed a Form 8-K providing financial information related to a significant acquisition made prior to the TOC Acquisition, the acquisition of the Raven OBO properties located in Alabama, Arkansas, Colorado, Mississippi, North Dakota, New Mexico, Oklahoma, Texas and Wyoming on August 3, 2007 for $20.3 million.

Since Legacy made significant acquisitions subsequent to the latest fiscal year-end and filed a report on Form 8-K which included audited financial statements of such acquired businesses for the periods required by Rule 3-05 and the pro forma financial information required by Rule 11, Rule 3-05(b)(3) provides that the significance determination may be made by using pro forma amounts for the latest fiscal year in the report on Form 8-K rather than by using the historical amounts of Legacy. By comparing the financial information for the TOC Acquisition to the updated financial information filed with the SEC on June 29, 2007 and October 17, 2007, we have determined that the TOC Acquisition is insignificant for purposes of Rule 3-05 and Article 11 of Regulation S-X, and therefore Legacy is no longer required to provide financial statements or exhibits with respect to such acquisition.

No other amendments to the Form 8-K filing on October 4, 2007 are being made by this Amendment No. 1.

Item 9.01 Financial Statements and Exhibits.

(a) **Financial statements of businesses acquired**

Not required.

(b) **Pro forma financial information**

Not required.

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: December 14, 2007

By: /s/ Steven H. Pruett
Steven H. Pruett
President, Chief Financial Officer and Secretary

2" face="Times New Roman" style="font-size:10.0pt;">

142

Net earnings

$

22,525

$

28,546

$

14,451

$

51,071

$

31,854

Average interest-earning assets

$

4,119,662

$

4,446,620

$

3,430,264

$

4,282,238

$

3,261,186

Profitability measures:

Basic earnings per share:

Net earnings before accounting change

$

0.78

$

0.99

$

0.64

$

1.77

$

1.51

Accounting change

0.01

Basic earnings per share

$

0.78

$

0.99

$

0.64

$

1.77

$

1.52

Diluted earnings per share:

Net earnings before accounting change

$

0.78

$

0.98

$

0.64

$

1.76

$

1.50

Accounting change(1)

Diluted earnings per share

$

0.78

$

0.98

$

0.64

$

1.76

$

1.50

Net interest margin

6.47

%

6.33

%

6.79

%

6.40

%

6.80

%

Return on average assets

1.75

%

2.10

%

1.39

%

1.93

%

1.64

%

Return on average equity

7.6

%

9.9

%

7.5

%

8.8

%

9.5

%

Efficiency ratio

48.7

%

42.2

%

45.6

%

45.3

%

46.3

%

(1) Less than $0.01 per diluted share for the six months ended June 30, 2006.

The decrease in net earnings and diluted earnings per share for the second quarter of 2007 compared to the first quarter of 2007 is attributed mostly to lower net interest income, lower noninterest income, and higher reorganization charges. The decrease in both net interest income and noninterest income relates to the sale of a participating interest of approximately $353 million in commercial real estate mortgage loans at the end of the first quarter of 2007; this sale generated an after-tax gain of $3.9 million and a portion of the proceeds were used to repay overnight borrowings. In addition, noninterest income decreased due to the gain from an unearned discount of $1.1 million (after tax) on a loan payoff recognized in the first quarter. The increases in net earnings and diluted earnings per share for both the second quarter and six months ended June 30, 2007 compared to the same periods of 2006 were driven by increased average loans, gain on sale of loans and a lower credit loss provision.

Net Interest Income. Net interest income, which is our principal source of revenue, represents the difference between interest earned on assets and interest paid on liabilities. Net interest margin is net interest income expressed as a percentage of average interest-earning assets. Net interest income is affected by changes in both interest rates and the volume of average interest-earning assets and

24

interest-bearing liabilities. The following table presents, for the periods indicated, the distribution of average assets, liabilities and shareholders equity, as well as interest income and yields earned on average interest-earning assets and interest expense and costs on average interest-bearing liabilities:

	Quarter Ended 6/30/07			**3/31/07**			**6/30/06**		
	Average Balance	**Interest Income or Expense**	**Average Yield or Cost**	**Average Balance**	**Interest Income or Expense**	**Average Yield or Cost**	**Average Balance**	**Interest Income or Expense**	**Average Yield or Cost**
	(Dollars in thousands)								
ASSETS									
Interest-earning assets:									
Loans, net of unearned income(1)(2)	$ 3,945,574	$ 84,277	8.57%	$ 4,316,266	$ 90,949	8.55%	$ 3,163,362	$ 68,330	8.66%
Investment securities(2)	104,005	1,362	5.25%	113,278	1,376	4.93%	260,536	2,588	3.98%
Federal funds sold	69,585	909	5.24%	16,590	214	5.23%	5,898	66	4.49%
Other earning assets	498	6	4.83%	486	6	5.01%	468	5	4.29%
Total interest-earning assets	4,119,662	86,554	8.43%	4,446,620	92,545	8.44%	3,430,264	70,989	8.30%
Noninterest-earning assets:									
Other assets	1,033,326			1,061,067			726,071		
Total assets	$ 5,152,988			$ 5,507,687			$ 4,156,335		
LIABILITIES AND SHAREHOLDERS EQUITY									
Interest-bearing liabilities:									
Deposits									
Interest checking	$ 318,185	552	0.70%	$ 274,303	165	0.24%	$ 251,208	107	0.17%
Money market	1,062,334	7,872	2.97%	1,089,677	7,329	2.73%	820,823	3,654	1.79%
Savings	130,129	63	0.19%	138,517	58	0.17%	132,483	67	0.20%
Time certificates of deposit	507,162	5,244	4.15%	571,930	5,873	4.16%	409,367	3,308	3.24%
Total interest-bearing deposits	2,017,810	13,731	2.73%	2,074,427	13,425	2.62%	1,613,881	7,136	1.77%
Other interest-bearing liabilities	423,439	6,369	6.03%	677,663	9,685	5.80%	383,804	5,815	6.08%
Total interest-bearing liabilities	2,441,249	20,100	3.30%	2,752,090	23,110	3.41%	1,997,685	12,951	2.60%
Noninterest-bearing liabilities:									
Demand deposits	1,464,362			1,530,242			1,342,328		
Other liabilities	60,595			56,959			41,947		
Total liabilities	3,966,206			4,339,291			3,381,960		
Shareholders equity	1,186,782			1,168,396			774,375		
Total liabilities and shareholders equity	$ 5,152,988			$ 5,507,687			$ 4,156,335		
Net interest income		$ 66,454			$ 69,435			$ 58,038	
Net interest spread			5.13%			5.03%			5.70%
Net interest margin			6.47%			6.33%			6.79%

(1) Includes nonaccrual loans and loan fees.

(2) Yields on loans and securities have not been adjusted to a tax-equivalent basis because the impact is not material.

Second Quarter Analysis. The decrease in net interest income compared to first quarter of 2007 was due mainly to a decline in interest income resulting from the sale of commercial real estate mortgage loans at the end of the first quarter. Interest expense also decreased as the proceeds from the loan sale were used to repay borrowings.

The increase in net interest income for the second quarter of 2007 compared to the same period in 2006 was mainly a result of higher interest income from loan growth offset by higher interest expense on funding sources. Average earning assets increased $689.4 million to $4.1 billion for the second quarter of 2007 when compared to the same period for 2006, due primarily to the increase in average loans. The increase in loans was predominately due to loans acquired. Notwithstanding the 25 basis point increase in our base lending rate since June 30, 2006, the yield on average loans declined 9 basis points for the second quarter of 2007 when compared to the same period of 2006 and is attributable to the loans acquired through our 2006 acquisitions and competitive pricing on new loans.

25

Interest expense increased $7.1 million for the second quarter of 2007 compared to the same period of 2006 as the volume of our funding sources increased to support loan growth and the cost of such funds increased due to higher market interest rates and competitive forces. Average interest-bearing deposits increased $403.9 million to $2.0 billion for the second quarter of 2007 when compared to the same period of 2006 and is attributed mostly to the deposits acquired in our 2006 acquisitions. This volume increase contributed $2.2 million to the increase in interest expense for the second quarter of 2007 when compared to the same period of 2006. We continue to increase rates on money market and selected time deposit account categories in response to competition. We used FHLB borrowings to fund loan demand and to manage liquidity in the absence of sufficient deposit flows.

Our net interest margin for the second quarter of 2007 was 6.47%, an increase of 14 basis points from the first quarter of 2007 and a decrease of 32 basis points when compared to the same period of 2006. The increase in the net interest margin in the second quarter of 2007 compared to the first quarter of 2007 is due, in part, to the effect of the first quarter sale of commercial real estate mortgage loans and the repayment of borrowings. The decrease in the net interest margin in the second quarter of 2007 compared to the second quarter of 2006 is due mainly to an increase in the cost of our funding sources mostly due to competitive pressure on deposit pricing. The average cost of deposits was 1.58% for the second quarter of 2007 compared to 1.51% for the first quarter of 2007 and 0.97% for the second quarter of 2006. Our relatively low cost of deposits is driven by demand deposit balances, which averaged 42% of average total deposits during the second quarter of 2007. The increases in the cost of deposits is due to competitive pressures and the deposit structures of the banks we acquired which tended to have a higher concentration of more costly time deposits.

	Six Months Ended June 30, 2007			**2006**		
	Average Balance	**Interest Income or Expense**	**Average Yield or Cost**	**Average Balance**	**Interest Income or Expense**	**Average Yield or Cost**
	(Dollars in thousands)					
ASSETS						
Interest-earning assets:						
Loans, net of unearned income(1)(2)	$ 4,129,896	$ 175,226	8.56 %	$ 3,003,629	$ 128,279	8.61 %
Investment securities(2)	108,616	2,738	5.08 %	249,730	4,754	3.84 %
Federal funds sold	43,234	1,123	5.24 %	6,654	130	3.94 %
Other earning assets	492	12	4.92 %	1,173	20	3.44 %
Total interest-earning assets	4,282,238	179,099	8.43 %	3,261,186	133,183	8.24 %
Noninterest-earning assets:						
Other assets	1,047,120			659,364		
Total assets	$ 5,329,358			$ 3,920,550		
LIABILITIES AND SHAREHOLDERS EQUITY						
Interest-bearing liabilities:						
Deposits						
Interest checking	$ 296,365	717	0.49 %	$ 225,169	143	0.13 %
Money market	1,075,930	15,201	2.85 %	802,090	6,261	1.57 %
Savings	134,300	121	0.18 %	120,136	115	0.19 %
Time certificates of deposit	539,367	11,117	4.16 %	410,746	6,246	3.07 %
Total interest-bearing deposits	2,045,962	27,156	2.68 %	1,558,141	12,765	1.65 %
Other interest-bearing liabilities	549,849	16,054	5.89 %	352,743	10,428	5.96 %
Total interest-bearing liabilities	2,595,811	43,210	3.36 %	1,910,884	23,193	2.45 %
Noninterest-bearing liabilities:						
Demand deposits	1,497,120			1,290,829		
Other liabilities	58,787			40,751		
Total liabilities	4,151,718			3,242,464		
Shareholders equity	1,177,640			678,086		
Total liabilities and shareholders equity	$					