October 25, 2016

Legacy Reserves LP Announces Execution of $300 Million Second Lien Term Loan Credit Agreement, Additional Director, and Upcoming Q3 2016 Conference Call

MIDLAND, Texas, Oct. 25, 2016 (GLOBE NEWSWIRE) -- Legacy Reserves LP ("Legacy") (NASDAQ:LGCY) today announced that it has executed a second lien term loan credit agreement (the "Second Lien") with GSO Capital Partners LP ("GSO") to provide loans in an aggregate amount up to $300 million. Advances under the Second Lien will be issued with an upfront fee of 2%, bear interest of 12.0% per annum and mature, subject to certain conditions, on August 31, 2021. Legacy intends to use the initial $60 million of gross loan proceeds to repay outstanding indebtedness and pay associated transaction expenses.

In connection with the foregoing transaction, Legacy entered into an amendment (the "Amendment") to its revolving credit facility agreement to permit the Second Lien and included a reduction of the borrowing base from $630 million to $600 million. In addition, the Second Lien and the Amendment added a secured debt asset coverage covenant of 1.00 times starting with the fiscal quarter ended June 30, 2017 and a Secured Debt / EBITDA covenant starting with the fiscal quarter ended December 31, 2018, increased the mortgage requirement to 95% of the value of oil and natural gas properties, required 75% of projected oil and natural gas production from proved developed producing reserves to be hedged through 2018, and amended the interest coverage ratio to 2.00 times.

Also, D. Dwight Scott, Senior Managing Director of Blackstone Group L.P. and Head of GSO's Energy business, will be added to the Board of Directors of Legacy Reserves GP, LLC, the general partner of Legacy, pursuant to the terms of a Director Nominating Agreement.

Paul T. Horne, the Chairman, President and CEO of Legacy's general partner said, "As previously communicated, our management and Board have been working diligently in this prolonged period of depressed commodity prices to position Legacy for increased chances of success. After considerable evaluation of numerous alternatives, we are pleased to announce this second lien term loan agreement with GSO that reduces our outstanding bank debt and provides a source of future capital for the business. GSO's investment expertise in the oil and gas industry makes them an ideal capital provider for Legacy. We are eager to pursue additional opportunities and have provided GSO the ability to participate in up to 50% of our future debt or equity financings. Additionally, we are pleased to welcome Dwight Scott to our Board of Directors. Dwight's extensive experience and industry knowledge will be a valued asset in Legacy's boardroom. We look forward to continuing to work with GSO as we navigate these tough and uncertain times in the industry."

Dwight Scott added, "We have watched the progress made on many fronts by the Legacy team over the last year, and are excited to be a part of the Company's continued focus on strengthening its balance sheet and in the ultimate growth of the business as the industry recovery continues."

Jefferies LLC acted as sole financial advisor and Kirkland & Ellis LLP acted as legal advisor to Legacy in this transaction. Latham & Watkins LLP acted as legal advisor to GSO.

Conference Call to Report Third Quarter 2016 Results

Legacy will provide details of its third quarter 2016 operating and financial performance with its earnings report which is scheduled to be released on Wednesday, November 2, 2016, following the close of NASDAQ trading. A teleconference and webcast will be held on Thursday, November 3, 2016, beginning at 9:00 a.m. Central Time. Those wishing to participate in the conference call should dial 877-266-0479. A replay of the call will be available through Thursday, November 10, 2016, by dialing 855-859-2056 or 404-537-3406 and entering replay code 98590760. Those wishing to listen to the live or archived webcast via the Internet should go to the Investor Relations tab of our website at www.LegacyLP.com.

Additional Information for Holders of Legacy Units

Although Legacy has suspended distributions to both the 8% Series A and Series B Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units (the "Preferred Units"), such distributions continue to accrue. Pursuant to the terms of Legacy's partnership agreement, Legacy is required to pay or set aside for payment all accrued but unpaid distributions with respect to the Preferred Units prior to or contemporaneously with making any distribution with respect to Legacy's units.

Accruals of distributions on the Preferred Units are treated for tax purposes as guaranteed payments and will generally be taxable to the holders of such Preferred Units as ordinary income even in the absence of contemporaneous distributions.

In addition, as partners in a partnership for federal income tax purposes, Legacy unitholders, just like unitholders of other master limited partnerships, are allocated taxable income irrespective of the amount of cash, if any, distributed to the unitholders. The tax allocation of taxable income may require the payment of United States federal income taxes and, in some cases, state and local income taxes by our unitholders. As of January 21, 2016, Legacy has suspended all cash distributions to unitholders and holders of the Preferred Units. Legacy may engage in transactions to de-lever the Partnership and manage its liquidity that may result in income and gain to unitholders without a corresponding cash distribution. For example, unitholders may be allocated taxable income and gain resulting from asset sales. Further, if Legacy engages in debt exchanges, debt repurchases, or modifications of our existing debt, these or similar transactions could result in "cancellation of indebtedness income" (also referred to as "COD income") being allocated to unitholders as taxable income. Unitholders may be allocated gain and income from asset sales and COD income and may owe income tax as a result of such allocations notwithstanding the fact that we have currently suspended cash distributions to unitholders. The ultimate effect of any such allocations will depend on the unitholder's individual tax position with respect to its units. Unitholders are encouraged to consult their tax advisors with respect to the consequences of potential partnership or unitholder transactions that may result in income and gain to unitholders.

Additionally, if Legacy's unitholders, just like unitholders of other master limited partnerships, sell any of their units, they will recognize gain or loss equal to the difference between the amount realized and their tax basis in those units. Prior distributions to Legacy's unitholders that were in the aggregate in excess of the cumulative net taxable income they were allocated for a unit, and therefore decreased their adjusted tax basis in that unit, will, in effect, become taxable income to Legacy's unitholders if the unit is sold at a price greater than their tax basis in that unit, even if the price Legacy's unitholders receive is less than their original cost. A substantial portion of the amount realized, whether or not representing gain, may be ordinary income to Legacy's unitholders due to the potential recapture items, including depreciation, depletion and intangible drilling costs.

About Legacy Reserves LP

Legacy Reserves LP is a master limited partnership headquartered in Midland, Texas, focused on the acquisition and development of oil and natural gas properties primarily located in the Permian Basin, East Texas, Rocky Mountain and Mid-Continent regions of the United States. Additional information is available at www.LegacyLP.com.

Cautionary Statement Relevant to Forward-Looking Information

This press release contains forward-looking statements relating to our operations that are based on management's current expectations, estimates and projections about its operations. Words such as "anticipates," "expects," "intends," "plans," "targets," "projects," "believes," "seeks," "schedules," "estimated," and similar expressions are intended to identify such forward-looking statements. These statements are not guarantees of future performance and are subject to certain risks, uncertainties and other factors, some of which are beyond our control and are difficult to predict. Among the important factors that could cause actual results to differ materially from those in the forward-looking statements are: realized oil and natural gas prices; production volumes, lease operating expenses, general and administrative costs and finding and development costs; future operating results and the factors set forth under the heading "Risk Factors" in our annual and quarterly reports filed with the SEC. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. The reader should not place undue reliance on these forward-looking statements, which speak only as of the date of this press release. Unless legally required, Legacy undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

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