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## Legacy Reserves LP Q1 2009 Earnings Call Transcript

### Question-and-Answer Session

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**Operator**

(Operator Instructions) Our first question today comes from Michael Hall, Stifel Nicolaus.

**Cary Brown**

Good morning Michael.

**Michael Hall - Stifel Nicolaus**

Looking at the deal proposal, it's looking like a pretty good price relative to some recent transactions. Just trying to kind of think about what are the values maybe asides from risk proved reserves and maybe starting with mark-to-market value of your hedges at the end of the first quarter. Could you provide any details as to where that was?

**Steve Pruett**

Michael I will start with the second part of the question. Our mark-to-market was approximately \$135 million. That was really a \$0.5 million gain from the prior period, which is just right at 135, so I think we're about 135.5; pretty static just due to roll of and prices didn't change dramatically over that period, at least in the forward curve. I'll pass it to Cary for the first question, regarding process and the sources of value.

**Cary Brown**

Mike I'd love to talk about it, but we pretty much have said all about that process we can say about.

**Michael Hall - Stifel Nicolaus**

Yes and I was more trying to get there in my own thinking; that hedge value is pretty significant as I think about proved reserve values, relative to kind of stock transaction in the basin right now, that aren't necessarily hedged; they would buying the hedge on these reserves, correct?

**Steve Pruett**

That is correct. They would seem to be throughout of the hedge asset if you will and that's a transparent value that clearly our banks give us credit for our hedge portfolio as we've said before. I would assume that Apollo and any other buyer would give credit to that asset where we sit today. I'll just say its deferred duties in the eye of the holder, so.

**Michael Hall - Stifel Nicolaus**

Yes. Then where you guys are at kind of unproven reserves; any thoughts about probables and possibles on your assets; any comments there?

**Steve Pruett**

No, we've never evaluated probables and possibles. The SEC is encouraging companies that have been promoting their probables and possibles in investor presentations to now in a more organized fashion and put those in their Annual Report and hurts them to have third party engineering review of them, but we've never talked about probables and possibles.

The primary reason that we haven't is our capital structure and our distribution model really hasn't permitted a whole lot of booking, other than value associated with probables. Even though every year we drill probables and substitute probable opportunities and maybe possibles for some opportunities that are considered proved in our reserve reports, just because Paul Horne and his team did a good job of high grading our capital opportunities and substituting projects that they think offer a higher rate of return than some of our proved projects.

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