

SETTLEMENT AGREEMENT

The Wyoming Department of Environmental Quality, Air Quality Division (DEQ/AQD), Herschler Building, 122 West 25th Street, Cheyenne, WY 82002, and Legacy Reserves Operating LP, P.O. Box 2850 Cody, Wyoming 82414 (Legacy) enter into this Settlement Agreement (Agreement) to fully and finally resolve without litigation the alleged violations cited in DEQ Notice of Violation Docket No. 5102-13 (Notice of Violation). As more fully set forth below, the Notice of Violation alleges that Legacy failed to re-inject acid gas and failed to obtain an air quality permit for a change in operation which would increase emissions at the Sand Draw Gas Plant facility (Facility) located in Fremont County, Wyoming, thereby violating the permit waiver, the Wyoming Environmental Quality Act (Act), and applicable Wyoming Air Quality Standards and Regulations (Air Quality Rules).

Wyo. Stat. Ann. § 35-11-901(a)(ii)(2012) authorizes stipulated settlement, including payment of a penalty, implementation of compliance schedules or other settlement conditions in lieu of litigation. To that end, Legacy and the DEQ/AQD hereby stipulate and agree as follows:

1. Legacy is a Delaware limited partnership that owned and/or operated the Facility at the time DEQ/AQD issued the Notice of Violation.
2. The DEQ/AQD is responsible for enforcing the Act, the Air Quality Rules, and permits and permit waivers issued thereunder.
3. Wyo. Stat. Ann. § 35-11-801(a) states: “[i]n granting permits, the director may impose such conditions as may be necessary to accomplish the purpose of this act which are not inconsistent with the existing rules, regulations and standards.”
4. Chapter 6, Section 2 of the Air Quality Rules prescribes the applicability and procedures for issuing permits to sources under Wyoming’s construction and modification permitting program.
5. On July 7, 1992, the DEQ/AQD issued a permit waiver in accordance with Wyo. Stat. Ann. § 35-11-801 and Chapter 6, Section 2 of the Air Quality Rules to Wold Oil Properties, Inc., which waiver St. Mary's Land & Exploration Company subsequently acquired. On or about November 10, 2010, Legacy acquired the permit waiver. The permit waiver was based on the premise that to control sulfur dioxide emissions, all of the Facility’s acid gas would be re-injected.
6. On November 19, 2012, a DEQ/AQD Engineer/Inspector observed gas flaring from the Facility.
7. On January 9, 2013, the DEQ/AQD issued the Notice of Violation to Legacy, alleging that Legacy’s failure to re-inject acid gas and failure to obtain an air quality permit for a change in operation which would increase emissions violated the Act, the Air Quality Rules, and the permit waiver.
8. Without admitting liability and in lieu of litigation under Wyo. Stat. Ann. § 35-11-901(a)(ii), Legacy agrees to resolve the alleged violations described above and also set forth

in the Notice of Violation for a total amount of five thousand dollars and no cents (\$5,000.00) payable as a stipulated civil penalty. Legacy shall make full payment by check made payable to the Wyoming Department of Environmental Quality, Air Quality Division, within thirty (30) days after Legacy has been notified by the DEQ/AQD that the final signature has been affixed to this Agreement. Legacy shall mail the payment to Matthias Sayer, Asst. Attorney General, 123 Capitol Building, Cheyenne, WY 82002.

9. Legacy, by entering into this Agreement, does not concede or admit to any liability or fault, and this Agreement constitutes no admission of liability or fault.

10. Full compliance with this Agreement shall constitute full satisfaction and release for all claims by the DEQ/AQD against Legacy based on the Notice of Violation and, solely in reliance on this Agreement, the DEQ/AQD will refrain from taking further enforcement action against Legacy for these particular alleged violations.

11. In the event that Legacy fails to fulfill its obligations under this Agreement, Legacy waives any statute of limitation claims which may apply in an enforcement action by the DEQ/AQD involving the specific matters described in the Notice of Violation.

12. This Agreement shall be admissible by either Legacy or the DEQ/AQD (hereinafter Legacy and the DEQ/AQD may be referred to individually as "Party" and collectively as "Parties") without objection by the other Party only in an action between these Parties relating to the specific Notice of Violation herein; provided, however, that nothing herein constitutes an admission by Legacy of liability or fault.

13. Neither Party hereto shall have any claim against the other for attorneys' fees or other costs incurred with the allegations resolved hereby, including costs incurred in the preparation of this Agreement. Each Party shall bear its own attorney fees and costs, if any, incurred through the date this Agreement is signed by both Parties. Each Party assumes the risk of any liability arising from its own conduct. Neither Party agrees to insure, defend or indemnify the other.

14. Any changes, modifications, revisions or amendments to this Agreement which are mutually agreed upon by the Parties shall be incorporated by written instrument, executed and signed by all Parties to this Agreement.

15. The construction, interpretation and enforcement of this Agreement shall be governed by the laws of the State of Wyoming. The courts of the State of Wyoming shall have jurisdiction over this Agreement and the Parties, and the venue shall be the First Judicial District, Laramie County, Wyoming.

16. This Agreement consisting of three (3) pages represents the entire and integrated agreement between the Parties and supersedes all prior negotiations, representations, and agreements, whether written or oral.

17. The State of Wyoming and the DEQ/AQD do not waive sovereign immunity by entering into this Agreement and specifically retain immunity and all defenses available to them as sovereigns pursuant to Wyo. Stat. Ann. § 1-39-104(a) and all other state law.

18. The Parties do not intend to create in any other individual or entity the status of third party beneficiary, and this Agreement shall not be construed so as to create such status. The rights, duties and obligations contained in this Agreement shall operate only between the Parties to this Agreement. The Parties to this Agreement intend and expressly agree that only Parties signatory to this Agreement shall have any legal or equitable right to seek to enforce this Agreement, to seek any remedy arising out of Party's performance or failure to perform any term or condition of this Agreement, or to bring an action for the breach of this Agreement.

19. Each Party represents that they are authorized to enter into this Agreement and agree to be bound hereby. This Agreement shall become binding upon the Parties once executed by all parties.

IN WITNESS THEREOF, the Parties, by their duly authorized representatives, have executed this Agreement on the days and dates set out below, and certify that they have read, understood, and agreed to the terms and conditions of this Agreement.

LEGACY RESERVES OPERATING LP:

By: Legacy Reserves Operating GP LLC,
Its general partner

By: Paul T. Horne
Paul T. Horne, Executive Vice President and
Chief Operating Officer

Date: 4/3/13

STATE OF WYOMING, DEPARTMENT OF ENVIRONMENTAL QUALITY:

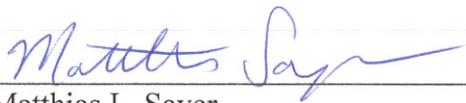
By: Steven A. Dietrich
Steven A. Dietrich, AQD Administrator

Date: 4-25-13

By: Todd Parfitt
Todd Parfitt, DEQ Director

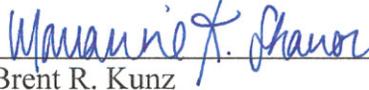
Date: 4/26/13

APPROVAL AS TO FORM:



Matthias L. Sayer
Assistant Attorney General
Attorney for DEQ/AQD

Date: 3/25/13

Brent R. Kunz
Marianne K. Shanor
Hathaway & Kunz, P.C.
Attorneys for Legacy Reserves Operating LP

Date: 4/10/13