



LINN
Energy

NASDAQ:LINE



**2nd Quarter 2009
Supplemental Information**

2nd Quarter 2009 Highlights

- **Average production at the high end of the Company's guidance range of 219 million cubic feet of natural gas equivalent per day (MMcfe/d), compared to mid-point guidance of 215 MMcfe/d**
- **Continued improvement of lease operating expenses to \$1.67 per thousand cubic feet of natural gas equivalent (Mcf), compared to mid-point guidance of \$1.74 per Mcfe**
- **Adjusted EBITDA of \$143 million, compared to mid-point guidance of \$138 million (a non-GAAP financial measure – see page 5)**
- **Distribution coverage ratio of 1.21x, compared to mid-point guidance of 1.11x**
- **Adjusted net income per unit of \$0.45 for second quarter 2009 (a non-GAAP financial measure – see page 8)**
- **Completion of \$250 million senior notes offering and \$103 million public equity offering, which provide additional financial flexibility for potential acquisition opportunities and an enhanced borrowing capacity, including available cash, of approximately \$590 million at quarter end**
- **Announcement of two asset acquisitions in the Permian Basin for a combined contract price \$118 million**
- **Repositioned hedge portfolio with increased weighted average prices in 2010 and 2011**

The financial summary follows; all amounts within are unaudited.

Statement of Operations

	Three Months Ended			Six Months Ended	
	June 30, 2009	March 31, 2009	June 30, 2008	June 30, 2009	June 30, 2008
	(in thousands, except per unit amounts)				
Revenues and other:					
Oil, gas and natural gas liquid sales	\$ 91,906	\$ 79,864	\$ 255,586	\$ 171,770	\$ 431,458
Gain (loss) on oil and gas derivatives	(232,775)	161,315	(870,804)	(71,460)	(1,139,598)
Gas marketing revenues	1,183	516	3,593	1,699	6,409
Other revenues	641	966	642	1,607	1,121
	<u>(139,045)</u>	<u>242,661</u>	<u>(610,983)</u>	<u>103,616</u>	<u>(700,610)</u>
Expenses:					
Lease operating expenses	33,137	33,732	25,161	66,869	44,651
Transportation expenses	2,516	2,967	3,663	5,483	6,991
Gas marketing expenses	880	340	3,103	1,220	5,520
General and administrative expenses	20,291	23,301	18,020	43,592	37,096
Exploration costs	2,199	1,565	61	3,764	2,681
Depreciation, depletion and amortization	50,390	52,104	50,885	102,494	95,255
Taxes, other than income taxes	7,882	7,567	17,628	15,449	30,601
(Gain) loss on sale of assets and other, net	(5)	(26,711)	—	(26,716)	—
	<u>117,290</u>	<u>94,865</u>	<u>118,521</u>	<u>212,155</u>	<u>222,795</u>
Other income and (expenses):					
Interest expense, net of amounts capitalized	(23,262)	(14,409)	(23,332)	(37,671)	(48,625)
Gain (loss) on interest rate swaps	11,918	(11,571)	31,604	347	(7,789)
Other, net	(837)	(393)	(4,313)	(1,230)	(4,476)
	<u>(12,181)</u>	<u>(26,373)</u>	<u>3,959</u>	<u>(38,554)</u>	<u>(60,890)</u>
Income (loss) from continuing operations before income taxes	(268,516)	121,423	(725,545)	(147,093)	(984,295)
Income tax benefit (expense)	(185)	(136)	164	(321)	(45)
Income (loss) from continuing operations	<u>(268,701)</u>	<u>121,287</u>	<u>(725,381)</u>	<u>(147,414)</u>	<u>(984,340)</u>
Discontinued operations:					
Gain (loss) on sale of assets, net of taxes	330	(1,048)	(1,028)	(718)	(1,322)
Income (loss) from discontinued operations, net of taxes	(101)	(838)	14,267	(939)	14,161
	<u>229</u>	<u>(1,886)</u>	<u>13,239</u>	<u>(1,657)</u>	<u>12,839</u>
Net income (loss)	<u>\$ (268,472)</u>	<u>\$ 119,401</u>	<u>\$ (712,142)</u>	<u>\$ (149,071)</u>	<u>\$ (971,501)</u>
Income (loss) per unit – continuing operations:					
Units – basic	\$ (2.31)	\$ 1.06	\$ (6.35)	\$ (1.28)	\$ (8.63)
Units – diluted	<u>\$ (2.31)</u>	<u>\$ 1.06</u>	<u>\$ (6.35)</u>	<u>\$ (1.28)</u>	<u>\$ (8.63)</u>
Income (loss) per unit – discontinued operations:					
Units – basic	\$ 0.01	\$ (0.02)	\$ 0.12	\$ (0.02)	\$ 0.11
Units – diluted	<u>\$ 0.01</u>	<u>\$ (0.02)</u>	<u>\$ 0.12</u>	<u>\$ (0.02)</u>	<u>\$ 0.11</u>
Net income (loss) per unit:					
Units – basic	\$ (2.30)	\$ 1.04	\$ (6.23)	\$ (1.30)	\$ (8.52)
Units – diluted	<u>\$ (2.30)</u>	<u>\$ 1.04</u>	<u>\$ (6.23)</u>	<u>\$ (1.30)</u>	<u>\$ (8.52)</u>
Weighted average units outstanding:					
Units – basic	116,497	113,473	114,252	114,993	114,005
Units – diluted	<u>116,497</u>	<u>113,502</u>	<u>114,252</u>	<u>114,993</u>	<u>114,005</u>
Distributions declared per unit	<u>\$ 0.63</u>	<u>\$ 0.63</u>	<u>\$ 0.63</u>	<u>\$ 1.26</u>	<u>\$ 1.26</u>

Selected Balance Sheet Data

	June 30, 2009	December 31, 2008
	(in thousands)	
Assets		
Total current assets	\$ 466,012	\$ 563,931
Oil and gas properties, net	3,551,694	3,552,378
Other property and equipment, net	97,563	98,288
Other noncurrent assets, net	317,437	507,423
Total assets	<u>\$ 4,432,706</u>	<u>\$ 4,722,020</u>
Liabilities and Unitholders' Capital		
Total current liabilities	\$ 190,134	\$ 237,830
Credit facility	1,118,000	1,403,393
Senior notes, net	488,167	250,175
Other noncurrent liabilities	66,218	69,936
Total liabilities	<u>1,862,519</u>	<u>1,961,334</u>
Unitholders' capital	<u>2,570,187</u>	<u>2,760,686</u>
Total liabilities and unitholders' capital	<u><u>\$ 4,432,706</u></u>	<u><u>\$ 4,722,020</u></u>

Adjusted EBITDA

The following presents a reconciliation of income (loss) from continuing operations to adjusted EBITDA:

	Three Months Ended		
	June 30, 2009	March 31, 2009	June 30, 2008
	(in thousands)		
Income (loss) from continuing operations	\$ (268,701)	\$ 121,287	\$ (725,381)
Plus:			
Net operating cash flow from acquisitions and divestitures, effective date through closing date ⁽¹⁾	—	—	343
Interest expense, cash	8,402	20,610	24,054
Interest expense, noncash	14,860	(6,201)	(722)
Depreciation, depletion and amortization	50,390	52,104	50,885
Write-off of deferred financing fees and other	204	—	3,377
(Gain) loss on sale of assets, net	60	(25,711)	—
Unrealized (gain) loss on commodity derivatives	343,919	(37,246)	773,397
Unrealized (gain) loss on interest rate derivatives	(22,535)	1,457	(35,825)
Realized loss on interest rate derivatives ⁽²⁾	10,557	10,114	4,221
Realized (gain) loss on canceled derivatives	60	(4,257)	68,197
Unit-based compensation expenses	3,651	4,303	3,874
Exploration costs	2,199	1,565	61
Income tax (benefit) expense	185	136	(164)
Adjusted EBITDA from continuing operations	<u>\$ 143,251</u>	<u>\$ 138,161</u>	<u>\$ 166,317</u>

⁽¹⁾ Includes net operating cash flow from acquisitions and divestitures through the date of this report.

⁽²⁾ During the first quarter of 2009, the Company revised its definition of adjusted EBITDA to include realized (gains) losses on interest rate derivatives in order to match the related interest expense. All prior periods amounts have been reclassified to conform to current period presentation. This reclassification had no effect on the Company's reported net income.

Commodity Hedge Portfolio

The following table summarizes open positions as of July 31, 2009, and represents, as of such date, derivatives in place through December 31, 2013, on annual production volumes:

	<u>Year 2009</u>	<u>Year 2010</u>	<u>Year 2011</u>	<u>Year 2012</u>	<u>Year 2013</u>
Gas Positions:					
Fixed Price Swaps:					
Hedged Volume (MMMBtu)	16,494	39,566	31,901	—	—
Average Price (\$/MMBtu)	\$ 8.53	\$ 8.90	\$ 9.50	\$ —	\$ —
Puts:					
Hedged Volume (MMMBtu)	2,900	6,960	6,960	—	—
Average Price (\$/MMBtu)	\$ 7.50	\$ 8.50	\$ 9.50	\$ —	\$ —
PEPL Puts: ⁽¹⁾					
Hedged Volume (MMMBtu)	2,223	10,634	13,259	—	—
Average Price (\$/MMBtu)	\$ 7.85	\$ 7.85	\$ 8.50	\$ —	\$ —
Total:					
Hedged Volume (MMMBtu)	21,617	57,160	52,120	—	—
Average Price (\$/MMBtu)	\$ 8.32	\$ 8.66	\$ 9.25	\$ —	\$ —
Oil Positions:					
Fixed Price Swaps:					
Hedged Volume (MBbls)	1,015	2,150	2,073	—	—
Average Price (\$/Bbl)	\$ 90.00	\$ 90.00	\$ 90.00	\$ —	\$ —
Puts: ⁽²⁾					
Hedged Volume (MBbls)	768	2,250	2,352	—	—
Average Price (\$/Bbl)	\$ 120.00	\$ 110.00	\$ 75.00	\$ —	\$ —
Collars:					
Hedged Volume (MBbls)	104	250	276	—	—
Average Floor Price (\$/Bbl)	\$ 90.00	\$ 90.00	\$ 90.00	\$ —	\$ —
Average Ceiling Price (\$/Bbl)	\$ 114.25	\$ 112.00	\$ 112.25	\$ —	\$ —
Total:					
Hedged Volume (MBbls)	1,887	4,650	4,701	—	—
Average Price (\$/Bbl)	\$ 102.21	\$ 99.68	\$ 82.50	\$ —	\$ —
Gas Basis Differential Positions:					
PEPL Basis Swaps: ⁽³⁾					
Hedged Volume (MMMBtu)	19,548	43,166	35,541	34,066	31,700
Hedged Differential (\$/MMBtu)	\$ (0.97)	\$ (0.97)	\$ (0.96)	\$ (0.95)	\$ (1.01)

Notes to Hedge Portfolio:

- (1) Settle on the PEPL spot price of gas to hedge basis differential associated with gas production in the Mid-Continent Deep and Mid-Continent Shallow regions.
- (2) The Company utilizes oil puts to hedge revenues associated with its NGL production.
- (3) Represents a swap of the basis between NYMEX and PEPL spot price of gas for the volumes hedged.

Coverage Ratio Calculation

	Three Months Ended	
	March 31, 2009	June 30, 2009
	(in thousands, except per unit data)	
Adjusted EBITDA ⁽¹⁾	\$ 138,161	\$ 143,251
Less: interest expense ^{(2) (3)}	(24,215)	(29,046)
Less: maintenance capital expenditures	(24,250)	(24,250)
Distributable cash flow	<u>\$ 89,696</u>	<u>\$ 89,955</u>
Distributable cash flow per unit ⁽⁴⁾	\$ 0.78	\$ 0.76
Distribution per unit ^{(4) (5)}	\$ 0.63	\$ 0.63
Distribution coverage ratio ^{(4) (5)}	1.24x	1.21x

- (1) Includes effects of the Company's hedge positions, cash flow adjustments from acquisition and divestiture activities, and other expenses.
- (2) Includes cash payments for interest expense and accrued interest on the Company's outstanding senior notes.
- (3) Includes the effects of the Company's interest rate swaps.
- (4) Assumes for the three months ended March 31 and June 30, 2009, 114.7 million and 118 million units outstanding, respectively.
- (5) Based on current quarterly distribution of \$0.63 per unit, or \$2.52 per unit on an annualized basis.

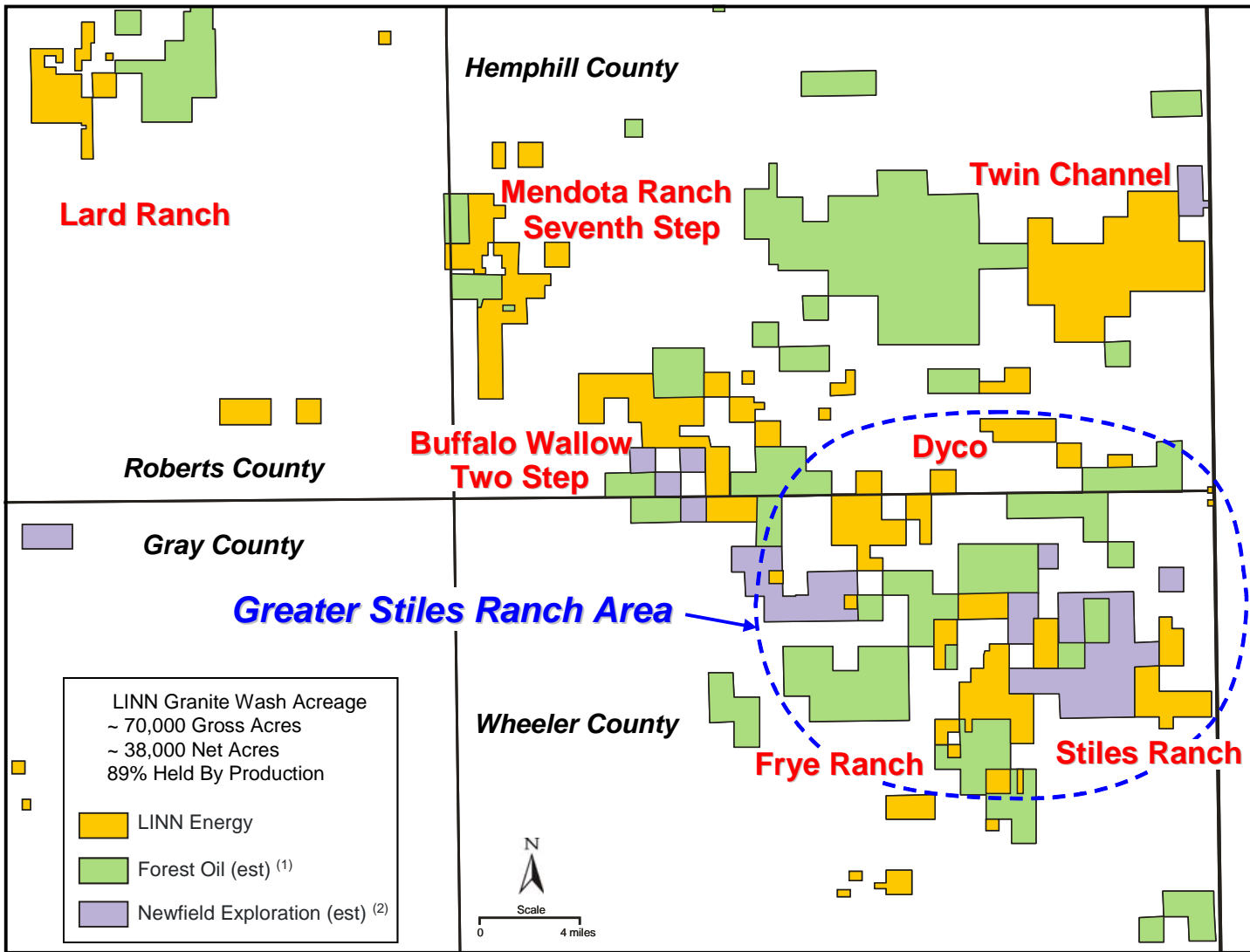
Adjusted Net Income

Adjusted Net Income from Continuing Operations

Adjusted net income from continuing operations is a non-GAAP performance measure used by Company management to evaluate its operational performance from oil and gas properties, prior to derivative gains and losses, impairment of goodwill and long-lived assets and (gain) loss on sale of assets, net. The following presents a reconciliation of income (loss) from continuing operations to adjusted net income from continuing operations:

	Three Months Ended		
	June 30, 2009	March 31, 2009	June 30, 2008
	(in thousands, except per unit amounts)		
Income (loss) from continuing operations	\$ (268,701)	\$ 121,287	\$ (725,381)
Plus:			
Unrealized (gain) loss on commodity derivatives	343,919	(37,246)	773,397
Unrealized (gain) loss on interest rate derivatives	(22,535)	1,457	(35,825)
Realized (gain) loss on canceled derivatives	60	(4,257)	68,197
(Gain) loss on sale of assets, net	60	(25,711)	—
Adjusted net income from continuing operations	<u>\$ 52,803</u>	<u>\$ 55,530</u>	<u>\$ 80,388</u>
Income (loss) from continuing operations per unit – basic	\$ (2.31)	\$ 1.06	\$ (6.35)
Plus, per unit:			
Unrealized (gain) loss on commodity derivatives	2.95	(0.33)	6.76
Unrealized (gain) loss on interest rate derivatives	(0.19)	0.01	(0.31)
Realized (gain) loss on canceled derivatives	—	(0.04)	0.60
(Gain) loss on sale of assets, net	—	(0.22)	—
Adjusted net income from continuing operations per unit – basic	<u>\$ 0.45</u>	<u>\$ 0.48</u>	<u>\$ 0.70</u>

Mid-Continent: Acreage Comparison



(1) Estimated based on public data.

(2) Estimated based on available industry producing and permitting data.



Mid-Continent: Greater Stiles Ranch Area

Texas Panhandle Granite Wash Horizontal Well Activity

