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BERRY PETROLEUM COMPANY, LLC

FORM 10-Q
(Quarterly Report)

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended June 30, 2016

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from_____ to _____

Commission file number 1-9735

BERRY PETROLEUM COMPANY, LLC

(Successor in interest to Berry Petroleum Company)
(Exact name of registrant as specified in its charter)

Delaware	**77-0079387**
(State of incorporation or organization)	(I.R.S. Employer Identification Number)

600 Travis, Suite 5100
Houston, Texas 77002
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code:
(281) 840-4000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☒

Pursuant to the terms of its senior note indentures, the registrant is a voluntary filer of reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, and has filed all such reports as required by its senior note indentures during the preceding 12 months.

The registrant meets the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q as it is an indirect wholly owned subsidiary of Linn Energy, LLC, which is a reporting company under the Securities Exchange Act of 1934 and which has filed with the SEC all materials required to be filed pursuant to Section 13, 14 or 15(d) thereof, and the registrant is therefore filing this Form 10-Q with a reduced disclosure format.

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

On December 16, 2013, the registrant was acquired (see Note 1 of Notes to Condensed Financial Statements), as a result of which 100% of its membership interest is currently held by a single member and the registrant deregistered its equity under the Securities Exchange Act of 1934.

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GLOSSARY OF TERMS

As commonly used in the oil and natural gas industry and as used in this Quarterly Report on Form 10-Q, the following terms have the following meanings:

Bbl. One stock tank barrel or 42 United States gallons liquid volume.

Bbls/d. Bbls per day.

Bcf. One billion cubic feet.

BOE. Barrel of oil equivalent, determined using the ratio of one Bbl of oil, condensate or natural gas liquids to six Mcf of natural gas.

BOE/d. BOE per day.

Btu. One British thermal unit, which is the heat required to raise the temperature of a one-pound mass of water from 58.5 degrees to 59.5 degrees Fahrenheit.

MBbls. One thousand barrels of oil or other liquid hydrocarbons.

MBbls/d. MBbls per day.

Mcf. One thousand cubic feet.

MMBbls. One million barrels of oil or other liquid hydrocarbons.

MBOE. One thousand barrels of oil equivalent.

MBOE/d. MBOE per day.

MMBOE. One million barrels of oil equivalent.

MMBtu. One million British thermal units.

MMcf. One million cubic feet.

MMcf/d. MMcf per day.

Mwh. One thousand kilowatts of electricity used continuously for one hour.

Mwh/d. Mwh per day.

NGL. Natural gas liquids, which are the hydrocarbon liquids contained within natural gas.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

BERRY PETROLEUM COMPANY, LLC (DEBTOR-IN-POSSESSION)

CONDENSED BALANCE SHEETS

(Unaudited)

	June 30, 2016	December 31, 2015
	(in thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 15,008	$ 1,023
Accounts receivable – trade, net	51,304	46,053
Derivative instruments	185	13,218
Other current assets	19,213	20,897
Total current assets	85,710	81,191
Noncurrent assets:		
Oil and natural gas properties (successful efforts method)	5,019,722	5,011,061
Less accumulated depletion and amortization	(2,719,219)	(1,596,165)
	2,300,503	3,414,896
Other property and equipment	118,875	111,495
Less accumulated depreciation	(16,571)	(12,522)
	102,304	98,973
Restricted cash	197,418	250,359
Other noncurrent assets	17,548	16,057
	214,966	266,416
Total noncurrent assets	2,617,773	3,780,285
Total assets	$ 2,703,483	$ 3,861,476
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	$ 122,892	$ 125,748
Derivative instruments	1,694	2,241
Current portion of long-term debt	874,959	873,175
Other accrued liabilities	2,810	16,735
Total current liabilities	1,002,355	1,017,899
Long-term debt, net	—	845,368
Other noncurrent liabilities	180,522	212,050
Liabilities subject to compromise	852,426	—
Commitments and contingencies (Note 8)		
Member's equity:		
Additional paid-in capital	2,798,713	2,798,713
Accumulated deficit	(2,130,533)	(1,012,554)
	668,180	1,786,159
Total liabilities and member's equity	$ 2,703,483	$ 3,861,476

The accompanying notes are an integral part of these condensed financial statements.

BERRY PETROLEUM COMPANY, LLC (DEBTOR-IN-POSSESSION)

CONDENSED STATEMENTS OF OPERATIONS

(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in thousands)			
Revenues and other:				
Oil, natural gas and natural gas liquids sales	$ 99,831	$ 173,381	$ 183,297	$ 329,967
Electricity sales	5,118	6,609	9,329	11,760
Gains (losses) on oil and natural gas derivatives	1,026	(4,474)	1,534	(1,207)
Marketing revenues	851	839	1,884	3,220
Other revenues	1,813	1,535	3,861	3,431
	108,639	177,890	199,905	347,171
Expenses:				
Lease operating expenses	42,416	49,896	92,509	117,085
Electricity generation expenses	3,941	4,993	7,743	9,563
Transportation expenses	10,945	12,978	23,874	25,584
Marketing expenses	637	1,005	1,290	2,080
General and administrative expenses	24,748	37,102	49,920	58,289
Depreciation, depletion and amortization	41,186	63,052	100,029	136,031
Impairment of long-lived assets	—	—	1,030,588	272,000
Taxes, other than income taxes	9,995	22,196	24,308	45,528
(Gains) losses on sale of assets and other, net	425	(811)	233	(5,284)
	134,293	190,411	1,330,494	660,876
Other income and (expenses):				
Interest expense, net of amounts capitalized	(16,352)	(22,690)	(36,304)	(44,111)
Gain on extinguishment of debt	—	6,831	—	6,831
Other, net	(76)	(463)	(10)	(633)
	(16,428)	(16,322)	(36,314)	(37,913)
Reorganization items, net	49,086	—	49,086	—
Income (loss) before income taxes	7,004	(28,843)	(1,117,817)	(351,618)
Income tax expense (benefit)	164	(11)	162	(61)
Net income (loss)	$ 6,840	$ (28,832)	$ (1,117,979)	$ (351,557)

The accompanying notes are an integral part of these condensed financial statements.

BERRY PETROLEUM COMPANY, LLC (DEBTOR-IN-POSSESSION)

CONDENSED STATEMENT OF MEMBER'S EQUITY

(Unaudited)

	Additional Paid-In Capital	Accumulated Deficit	Total Member's Equity
		(in thousands)	
December 31, 2015	$ 2,798,713	$ (1,012,554)	$ 1,786,159
Net loss	—	(1,117,979)	(1,117,979)
June 30, 2016	$ 2,798,713	$ (2,130,533)	$ 668,180

The accompanying notes are an integral part of these condensed financial statements.

BERRY PETROLEUM COMPANY, LLC (DEBTOR-IN-POSSESSION)

CONDENSED STATEMENTS OF CASH FLOWS

(Unaudited)

	Six Months Ended June 30,	
	2016	**2015**
	(in thousands)	
Cash flow from operating activities:		
Net loss	$ (1,117,979)	$ (351,557)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation, depletion and amortization	100,029	136,031
Impairment of long-lived assets	1,030,588	272,000
Gain on extinguishment of debt	—	(6,831)
Amortization and write-off of deferred financing fees	602	854
Gains on sale of assets and other, net	(642)	(2,991)
Deferred income taxes	71	(61)
Reorganization items, net	(56,968)	—
Derivatives activities:		
Total (gains) losses	2,871	(1,853)
Cash settlements	8,022	32,943
Cash settlements on canceled derivatives	1,593	—
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable – trade, net	(8,296)	15,281
(Increase) decrease in other assets	(1,035)	3,515
Increase in accounts payable and accrued expenses	25,677	11,378
Decrease in other liabilities	(2,556)	(10,310)
Net cash provided by (used in) operating activities	(18,023)	98,399
Cash flow from investing activities:		
Development of oil and natural gas properties	(12,360)	(3,076)
Purchases of other property and equipment	(7,599)	(2,982)
Decrease in restricted cash	53,418	—
Proceeds from sale of properties and equipment and other	142	11,302
Net cash provided by investing activities	33,601	5,244
Cash flow from financing activities:		
Repayments of debt	(1,593)	(45,353)
Financing fees and other, net	—	11
Distribution to affiliate	—	(57,223)
Net cash used in financing activities	(1,593)	(102,565)
Net increase in cash and cash equivalents	13,985	1,078
Cash and cash equivalents:		
Beginning	1,023	1,586
Ending	$ 15,008	$ 2,664

The accompanying notes are an integral part of these condensed financial statements.

BERRY PETROLEUM COMPANY, LLC (DEBTOR-IN-POSSESSION)

NOTES TO CONDENSED FINANCIAL STATEMENTS

(Unaudited)

Note 1 – Basis of Presentation

Nature of Business

Berry Petroleum Company, LLC ("Berry" or the "Company") was formed as a Delaware limited liability company on December 16, 2013, and is an indirect wholly owned subsidiary of Linn Energy, LLC ("LINN Energy") engaged in the production and development of oil and natural gas. The Company's predecessor, Berry Petroleum Company, was publicly traded from 1987 until December 2013. On December 16, 2013, the Company completed the transactions contemplated by the merger agreement between LINN Energy, LinnCo, LLC ("LinnCo"), an affiliate of LINN Energy, and Berry under which LinnCo acquired all of the outstanding common shares of Berry and the contribution agreement between LinnCo and LINN Energy, under which LinnCo contributed Berry to LINN Energy in exchange for LINN Energy units. Linn Acquisition Company, LLC, a direct subsidiary of LINN Energy, is currently the Company's sole member.

The Company's properties are located in the United States ("U.S."), in California (San Joaquin Valley and Los Angeles basins), Kansas and the Oklahoma Panhandle (Hugoton Basin), Utah (Uinta Basin), Colorado (Piceance Basin) and east Texas.

Principles of Reporting

The information reported herein reflects all normal recurring adjustments that are, in the opinion of management, necessary for the fair presentation of the results for the interim periods. Certain information and note disclosures normally included in annual financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted under Securities and Exchange Commission ("SEC") rules and regulations; as such, this report should be read in conjunction with the financial statements and notes in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. The results reported in these unaudited condensed financial statements should not necessarily be taken as indicative of results that may be expected for the entire year.

Investments in noncontrolled entities over which the Company exercises significant influence are accounted for under the equity method.

The condensed financial statements for previous periods include certain reclassifications that were made to conform to current presentation. Such reclassifications have no impact on previously reported net income (loss), member's equity or cash flows.

Bankruptcy Accounting

As discussed further in Note 2, on May 11, 2016 (the "Petition Date"), the Company, LINN Energy and LinnCo (collectively, the "Debtors"), filed voluntary petitions ("Bankruptcy Petitions") for relief under Chapter 11 of the U.S. Bankruptcy Code ("Bankruptcy Code") in the U.S. Bankruptcy Court for the Southern District of Texas ("Bankruptcy Court"). During the pendency of the Chapter 11 proceedings, the Debtors will operate their businesses as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code.

The condensed financial statements have been prepared as if the Company is a going concern and reflect the application of Accounting Standards Codification 852 "Reorganizations" ("ASC 852"). ASC 852 requires that the financial statements, for periods subsequent to the Chapter 11 filing, distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain expenses, gains and losses that are realized or incurred in the bankruptcy proceedings are recorded in "reorganization items, net" on the Company's condensed statements of operations. In addition, prepetition unsecured and under-secured obligations that may be impacted by the bankruptcy reorganization process have been classified as "liabilities subject to compromise" on the Company's condensed balance sheet at June 30, 2016. These liabilities are reported at the amounts expected to be allowed as claims by the Bankruptcy Court, although they may be settled for less.

The accompanying condensed financial statements do not purport to reflect or provide for the consequences of the Chapter 11 proceedings. In particular, the condensed financial statements do not purport to show: (i) the realizable value of assets on a liquidation basis or their availability to satisfy liabilities; (ii) the amount of prepetition liabilities that may be allowed for claims

or contingencies, or the status and priority thereof; (iii) the effect on member's equity accounts of any changes that may be made to the Company's capitalization; or (iv) the effect on operations of any changes that may be made to the Company's business. While operating as debtor-in-possession under Chapter 11 of the Bankruptcy Code, the Company may sell or otherwise dispose of or liquidate assets or settle liabilities in amounts other than those reflected on its condensed financial statements, subject to the approval of the Bankruptcy Court or otherwise as permitted in the ordinary course of business. Further, a plan of reorganization could materially change the amounts and classifications on the Company's historical condensed financial statements.

Use of Estimates

The preparation of the accompanying condensed financial statements in conformity with GAAP requires management of the Company to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amount of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenues and expenses. The estimates that are particularly significant to the financial statements include estimates of the Company's reserves of oil, natural gas and natural gas liquids ("NGL"), future cash flows from oil and natural gas properties, depreciation, depletion and amortization, asset retirement obligations, certain revenues and operating expenses, fair values of commodity derivatives and fair values of assets acquired and liabilities assumed. As fair value is a market-based measurement, it is determined based on the assumptions that market participants would use. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Such estimates and assumptions are adjusted when facts and circumstances dictate. As future events and their effects cannot be determined with precision, actual results could differ from these estimates. Any changes in estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods.

Recently Issued Accounting Standards

In February 2016, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") that is intended to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet. This ASU will be applied retrospectively as of the date of adoption and is effective for fiscal years beginning after December 15, 2018, and interim periods within those years (early adoption permitted). The Company is currently evaluating the impact of the adoption of this ASU on its financial statements and related disclosures.

In November 2015, the FASB issued an ASU that is intended to simplify the presentation of deferred taxes by requiring that all deferred taxes be classified as noncurrent, presented as a single noncurrent amount for each tax-paying component of an entity. The ASU is effective for fiscal years beginning after December 15, 2016; however, the Company early adopted it on January 1, 2016, on a retrospective basis. The adoption of this ASU did not have a material impact on the Company's financial statements or related disclosures.

In April 2015, the FASB issued an ASU that is intended to simplify the presentation of debt issuance costs by requiring that debt issuance costs related to a recognized debt liability be presented on the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. The Company adopted this ASU on January 1, 2016, on a retrospective basis. The adoption of this ASU had no impact on the Company's financial statements or related disclosures, as the Company's only debt issuance costs relate to the Credit Facility, as defined in Note 4, which were not reclassified.

In August 2014, the FASB issued an ASU that provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures. This ASU is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter (early adoption permitted). The Company does not expect the adoption of this ASU to have a material impact on its financial statements or related disclosures.

BERRY PETROLEUM COMPANY, LLC (DEBTOR-IN-POSSESSION)

NOTES TO CONDENSED FINANCIAL STATEMENTS – Continued

(Unaudited)

In May 2014, the FASB issued an ASU that is intended to improve and converge the financial reporting requirements for revenue from contracts with customers. This ASU will be applied either retrospectively or as a cumulative-effect adjustment as of the date of adoption and is effective for fiscal years beginning after December 15, 2017, and interim periods within those years (early adoption permitted for fiscal years beginning after December 15, 2016, including interim periods within that year). The Company is currently evaluating the impact, if any, of the adoption of this ASU on its financial statements and related disclosures.

Note 2 – Chapter 11 Proceedings, Ability to Continue as a Going Concern and Covenant Violations

Chapter 11 Proceedings

On the Petition Date, the Debtors filed Bankruptcy Petitions for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court. The Debtors' Chapter 11 cases are being administered jointly under the caption In re Linn Energy, LLC., et al., Case No. 16-60040.

The Debtors are operating their businesses as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code. The Bankruptcy Court has granted certain relief requested by the Debtors, allowing the Company to use its cash to fund the Chapter 11 proceedings, pursuant to an agreement with the first lien lenders, and giving the Company the authority to, among other things, continue to utilize its current cash management system and to make royalty payments. During the pendency of the Chapter 11 proceedings, all transactions outside the ordinary course of the Company's business require prior approval of the Bankruptcy Court. For goods and services provided following the Petition Date, the Company intends to pay vendors in full under normal terms.

Restructuring Support Agreement
Prior to the Petition Date, on May 10, 2016, the Debtors entered into a restructuring support agreement ("Restructuring Support Agreement") with certain holders ("Consenting Creditors") collectively holding or controlling at least 66.67% by aggregate outstanding principal amounts under (i) the Company's Second Amended and Restated Credit Agreement ("Credit Facility") and (ii) LINN Energy's Sixth Amended and Restated Credit Agreement ("LINN Credit Facility").

The Restructuring Support Agreement sets forth, subject to certain conditions, the commitment of the Consenting Creditors to support a comprehensive restructuring of the Debtors' long-term debt ("Restructuring Transactions"). The Restructuring Transactions will be effectuated through one or more plans of reorganization ("Plan") to be filed in the Chapter 11 proceedings.

The Restructuring Support Agreement provides that the Consenting Creditors will support the use of Berry's cash collateral under specified terms and conditions, including adequate protection terms. The Restructuring Support Agreement obligates the Debtors and the Consenting Creditors to, among other things, support and not interfere with consummation of the Restructuring Transactions and, as to the Consenting Creditors, vote their claims in favor of the Plan. The Restructuring Support Agreement may be terminated upon the occurrence of certain events, including the failure to meet specified milestones relating to, among other requirements, the filing, confirmation and consummation of the Plan, and in the event of breaches by the parties of certain provisions of the Restructuring Support Agreement. The Restructuring Support Agreement is subject to termination if the effective date of the Plan has not occurred within 250 days of the Petition Date. There can be no assurance that the Restructuring Transactions will be consummated.

Magnitude of Potential Claims
On July 11, 2016, the Debtors filed with the Bankruptcy Court schedules and statements setting forth, among other things, the assets and liabilities of the Debtors, subject to the assumptions filed in connection therewith. The schedules and statements may be subject to further amendment or modification after filing. Holders of prepetition claims will be required to file proofs of claims by the applicable deadline for filing certain proofs of claims in the Debtors' Chapter 11 cases. The court has not yet confirmed the claims deadlines. Differences between amounts scheduled by the Debtors and claims by creditors will be investigated and resolved in connection with the claims resolution process.

BERRY PETROLEUM COMPANY, LLC (DEBTOR-IN-POSSESSION)

NOTES TO CONDENSED FINANCIAL STATEMENTS – Continued

(Unaudited)

Liabilities Subject to Compromise
The Company's condensed balance sheet includes amounts classified as "liabilities subject to compromise," which represent prepetition liabilities that have been allowed, or that the Company anticipates will be allowed, as claims in its Chapter 11 cases. The amounts represent the Company's current estimate of known or potential obligations to be resolved in connection with the Chapter 11 proceedings. The differences between the liabilities the Company has estimated and the claims filed, or to be filed, will be investigated and resolved in connection with the claims resolution process. The Company will continue to evaluate these liabilities throughout the Chapter 11 process and adjust amounts as necessary. Such adjustments may be material.

The following table summarizes the components of liabilities subject to compromise included on the condensed balance sheet:

	June 30, 2016
	(in thousands)
Accounts payable and accrued expenses	$ 3,388
Accrued interest payable	15,238
Debt	833,800
Liabilities subject to compromise	$ 852,426

Reorganization Items, Net
The Company has incurred and is expected to continue to incur significant costs associated with the reorganization. These costs, which are expensed as incurred, are expected to significantly affect the Company's results of operations. Reorganization items represent costs and income directly associated with the Chapter 11 proceedings since the Petition Date, and also include adjustments to reflect the carrying value of certain liabilities subject to compromise at their estimated allowed claim amounts, as such adjustments are determined.

The following table summarizes the components of reorganization items included on the condensed statements of operations:

	Three Months and Six Months Ended June 30, 2016
	(in thousands)
Legal and other professional advisory fees	$ (7,059)
Unamortized premiums	10,923
Terminated contracts	45,109
Other	113
Reorganization items, net	$ 49,086

Effect of Filing on Creditors
Subject to certain exceptions, under the Bankruptcy Code, the filing of Bankruptcy Petitions automatically enjoined, or stayed, the continuation of most judicial or administrative proceedings or filing of other actions against the Debtors or their property to recover, collect or secure a claim arising prior to the Petition Date. Absent an order of the Bankruptcy Court, substantially all of the Debtors' prepetition liabilities are subject to settlement under the Bankruptcy Code. Although the filing of Bankruptcy Petitions triggered defaults on the Debtors' debt obligations, creditors are stayed from taking any actions against the Debtors as a result of such defaults, subject to certain limited exceptions permitted by the Bankruptcy Code. The Company did not record interest expense on its senior notes for the period from May 12, 2016, through June 30, 2016. For that period, contractual interest on the senior notes was approximately $7 million .

BERRY PETROLEUM COMPANY, LLC (DEBTOR-IN-POSSESSION)

NOTES TO CONDENSED FINANCIAL STATEMENTS – Continued

(Unaudited)

The ultimate recovery to creditors, if any, will not be determined until confirmation and implementation of a plan or plans of reorganization. No assurance can be given as to what values, if any, will be ascribed in the Chapter 11 proceedings to each of these constituencies or what types or amounts of settlements, if any, they will receive. A plan of reorganization could result in holders of the Debtors' liabilities receiving no settlement on account of their interests and cancellation of their holdings.

Appointment of Creditors Committee
On May 23, 2016, the Bankruptcy Court appointed the official committee for unsecured creditors (the "Creditors Committee"). The Creditors Committee and its legal representatives have a right to be heard on all matters that come before the Bankruptcy Court with respect to the Debtors.

Rejection of Executory Contracts
Subject to certain exceptions, under the Bankruptcy Code, the Debtors may assume, assign or reject certain executory contracts and unexpired leases subject to the approval of the Bankruptcy Court and satisfaction of certain other conditions. Generally, the rejection of an executory contract or unexpired lease is treated as a prepetition breach of such executory contract or unexpired lease and, subject to certain exceptions, relieves the Debtors of performing their future obligations under such executory contract or unexpired lease but entitles the contract counterparty or lessor to a prepetition general unsecured claim for damages caused by such deemed breach. Counterparties to such rejected contracts or leases may assert unsecured claims in the Bankruptcy Court against the applicable Debtors' estate for damages. Generally, the assumption of an executory contract or unexpired lease requires the Debtors to cure existing monetary defaults under such executory contract or unexpired lease and provide adequate assurance of future performance. Accordingly, any description of an executory contract or unexpired lease with any of the Debtors in this Quarterly Report on Form 10-Q, including where applicable a quantification of the Company's obligations under any such executory contract or unexpired lease with the applicable Debtor, is qualified by any overriding rejection rights the Company has under the Bankruptcy Code. Further, nothing herein is or shall be deemed an admission with respect to any claim amounts or calculations arising from the rejection of any executory contract or unexpired lease and the Debtors expressly preserve all of their rights with respect thereto.

Process for Plan of Reorganization
In order to successfully exit bankruptcy, the Debtors will need to propose, and obtain confirmation by the Bankruptcy Court of, a Plan that satisfies the requirements of the Bankruptcy Code. A Plan would, among other things, resolve the Debtors' prepetition obligations, set forth the revised capital structure of the newly reorganized entity and provide for corporate governance subsequent to exit from bankruptcy.

The Debtors have an exclusive right to file a Plan within 120 days from the Petition Date, subject to an extension for cause. If the Debtors' exclusive filing period lapses, any party in interest may file a Plan for any of the Debtors.

In addition to being voted on by holders of impaired claims, a Plan must satisfy certain requirements of the Bankruptcy Code and must be approved, or confirmed, by the Bankruptcy Court in order to become effective. A Plan would be accepted by holders of claims against the Debtors if at least one-half in number and two-thirds in dollar amount of claims actually voting in each class of claims impaired by the Plan have voted to accept the Plan. A class of claims that does not receive or retain any property under the Plan on account of such claims or interests is deemed to have voted to reject the Plan.

Under certain circumstances set forth in Section 1129(b) of the Bankruptcy Code, the Bankruptcy Court may confirm a Plan even if such Plan has not been accepted by all impaired classes of claims and equity interests. The precise requirements and evidentiary showing for confirming a Plan notwithstanding its rejection by one or more impaired classes of claims depends upon a number of factors, including the status and seniority of the claims in the rejecting class (i.e., unsecured or secured claims, subordinated or senior claims).

The timing of filing a Plan by the Debtors will depend on the timing and outcome of numerous other ongoing matters in the Chapter 11 proceedings. Although the Debtors expect to file a Plan that provides for emergence from bankruptcy as a going concern, there can be no assurance at this time that the Debtors will be able to successfully develop, confirm and consummate one or more plans of reorganization or other alternative restructuring transactions, including a sale of all or substantially all of

the Debtors' assets, that satisfies the conditions of the Bankruptcy Code and is confirmed by the Bankruptcy Court, or that any such Plan will be implemented successfully.

As of August 11, 2016, the Debtors have not yet filed a Plan.

Ability to Continue as a Going Concern

Continued low commodity prices have resulted in significantly lower levels of cash flow from operating activities and have limited the Company's ability to access the capital markets. In addition, the Company's Credit Facility is subject to scheduled redeterminations of its borrowing base, semi-annually in April and October, based primarily on reserve reports using lender commodity price expectations at such time. The lenders under the Credit Facility agreed to defer the April 2016 borrowing base redetermination to May 11, 2016. Continued low commodity prices, reductions in the Company's capital budget and the resulting reserve write-downs were expected to adversely impact upcoming redeterminations and have a significant negative impact on the Company's liquidity. The Company's filing of the Bankruptcy Petitions constituted an event of default that accelerated the Company's obligations under its Credit Facility and its senior notes.

The significant risks and uncertainties related to the Company's liquidity and Chapter 11 proceedings described above raise substantial doubt about the Company's ability to continue as a going concern. The condensed financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets, and satisfaction of liabilities and commitments in the normal course of business. The condensed financial statements do not include any adjustments that might result from the outcome of the going concern uncertainty. If the Company cannot continue as a going concern, adjustments to the carrying values and classification of its assets and liabilities and the reported amounts of income and expenses could be required and could be material.

In order to decrease the Company's level of indebtedness and maintain the Company's liquidity at levels sufficient to meet its commitments, the Company undertook a number of actions, including minimizing capital expenditures and further reducing its recurring operating expenses. Despite taking these actions, the Company did not have sufficient liquidity to satisfy its debt service obligations, meet other financial obligations and comply with its debt covenants. As a result, the Debtors filed Bankruptcy Petitions for relief under Chapter 11 of the Bankruptcy Code.

Covenant Violations

The Company's filing of the Bankruptcy Petitions constituted an event of default that accelerated the Company's obligations under its Credit Facility and its senior notes. Additionally, other events of default, including cross-defaults, are present, including the failure to make interest payments on certain of the Company's senior notes and the receipt of a going concern explanatory paragraph from the Company's independent registered public accounting firm on the Company's financial statements for the year ended December 31, 2015. Under the Bankruptcy Code, the creditors under these debt agreements are stayed from taking any action against the Company as a result of an event of default. See Note 4 for additional details about the Company's debt.

Credit Facility
The Company's Credit Facility contains a requirement to deliver audited financial statements without a going concern or like qualification or exception. Consequently, the filing of the Company's 2015 Annual Report on Form 10-K which included such explanatory paragraph resulted in a default under the Credit Facility as of the filing date, March 28, 2016, subject to a 30 day grace period.

On April 12, 2016, the Company entered into an amendment to the Credit Facility. The amendment provided for, among other things, an agreement that (i) certain events (the "Specified Events") would not become defaults or events of default until May 11, 2016, (ii) the borrowing base would remain constant until May 11, 2016, unless reduced as a result of swap agreement terminations or collateral sales, (iii) the Company would have access to $45 million in cash that is currently restricted in order to fund ordinary course operations and (iv) the Company, the administrative agent and the lenders would negotiate in good faith the terms of a restructuring support agreement in furtherance of a restructuring of the capital structure of the Company.

BERRY PETROLEUM COMPANY, LLC (DEBTOR-IN-POSSESSION)

NOTES TO CONDENSED FINANCIAL STATEMENTS – Continued

(Unaudited)

Pursuant to the amendment, the Specified Events consisted of:

- The receipt of a going concern qualification or explanatory statement in the auditors' report on the Company's financial statements for the year ended December 31, 2015;
- The receipt of a going concern qualification or explanatory statement in the auditors' report on LINN Energy's consolidated financial statements for the year ended December 31, 2015;
- The failure of the Company or LINN Energy to make certain interest payments on their unsecured notes;
- The failure to maintain the ratio of Adjusted EBITDAX to Interest Expense (as each term is defined in the Credit Facility) ("Interest Coverage Ratio");
- Any cross-defaults that may arise on account of any of the foregoing, provided that no event of default is continuing under any document giving rise to such cross default; and
- Any failure to provide notice of any of the events described above.

As a condition to closing the amendment, the Company provided control agreements over certain deposit accounts.

The filing of the Bankruptcy Petitions constituted an event of default that accelerated the Company's obligations under the Credit Facility. However, under the Bankruptcy Code, the creditors under this debt agreement are stayed from taking any action against the Company as a result of the default.

Senior Notes
The Company deferred making an interest payment totaling approximately $18 million due March 15, 2016, on the Company's 6.375% senior notes due September 2022, which resulted in the Company being in default under these senior notes. The indenture governing the notes provided the Company a 30 day grace period to make the interest payment.

On April 14, 2016, within the 30 day interest payment grace period provided for in the indenture governing the notes, the Company made an interest payment of approximately $18 million in satisfaction of its obligations.

The Company failed to make an interest payment of approximately $9 million due May 1, 2016, on the Company's 6.75% senior notes due November 2020.

The filing of the Bankruptcy Petitions constituted an event of default that accelerated the Company's obligations under the indentures governing the senior notes. However, under the Bankruptcy Code, holders of the senior notes are stayed from taking any action against the Company as a result of the default.

Note 3 – Oil and Natural Gas Properties

Oil and Natural Gas Capitalized Costs

Aggregate capitalized costs related to oil, natural gas and NGL production activities with applicable accumulated depletion and amortization are presented below:

	June 30, 2016	December 31, 2015
	(in thousands)	
Oil and natural gas:		
Proved properties	$ 4,246,192	$ 4,231,836
Unproved properties	773,530	779,225
	5,019,722	5,011,061
Less accumulated depletion and amortization	(2,719,219)	(1,596,165)
	$ 2,300,503	$ 3,414,896

BERRY PETROLEUM COMPANY, LLC (DEBTOR-IN-POSSESSION)

NOTES TO CONDENSED FINANCIAL STATEMENTS – Continued

(Unaudited)

Impairment of Proved Properties

The Company evaluates the impairment of its proved oil and natural gas properties on a field-by-field basis whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The carrying values of proved properties are reduced to fair value when the expected undiscounted future cash flows of proved and risk-adjusted probable and possible reserves are less than net book value. The fair values of proved properties are measured using valuation techniques consistent with the income approach, converting future cash flows to a single discounted amount. Significant inputs used to determine the fair values of proved properties include estimates of: (i) reserves; (ii) future operating and development costs; (iii) future commodity prices; and (iv) a market-based weighted average cost of capital rate. These inputs require significant judgments and estimates by the Company's management at the time of the valuation and are the most sensitive and subject to change.

Based on the analysis described above, the Company recorded the following noncash impairment charges (before and after tax) associated with proved oil and natural gas properties:

	Six Months Ended June 30,	
	2016	**2015**
	(in thousands)	
California operating area	$ 984,288	$ 207,200
Uinta Basin operating area	26,677	—
East Texas operating area	6,387	64,800
	$ 1,017,352	$ 272,000

The Company recorded no impairment charges for proved properties for the three months ended June 30, 2016 , or June 30, 2015 . The impairment charges in 2016 were due to a decline in commodity prices, changes in expected capital development and a decline in the Company's estimates of proved reserves. The impairment charges in 2015 were due to a decline in commodity prices. The carrying values of the impaired proved properties were reduced to fair value, estimated using inputs characteristic of a Level 3 fair value measurement. The impairment charges are included in "impairment of long-lived assets" on the condensed statements of operations.

Impairment of Unproved Properties

The Company evaluates the impairment of its unproved oil and natural gas properties whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The carrying values of unproved properties are reduced to fair value based on management's experience in similar situations and other factors such as the lease terms of the properties and the relative proportion of such properties on which proved reserves have been found in the past. For the six months ended June 30, 2016 , the Company recorded noncash impairment charges (before and after tax) of approximately $13 million associated with unproved oil and natural gas properties in California. The Company recorded no impairment charges for unproved properties for the three months ended June 30, 2016 , or the six months ended June 30, 2015 .

The impairment charges in 2016 were due to a decline in commodity prices and changes in expected capital development. The carrying values of the impaired unproved properties were reduced to fair value, estimated using inputs characteristic of a Level 3 fair value measurement. The impairment charges are included in "impairment of long-lived assets" on the condensed statement of operations.

BERRY PETROLEUM COMPANY, LLC (DEBTOR-IN-POSSESSION)

NOTES TO CONDENSED FINANCIAL STATEMENTS – Continued

(Unaudited)

Note 4 – Debt

The following summarizes the Company's outstanding debt:

	June 30, 2016	December 31, 2015
	(in thousands, except percentages)	
Credit facility [1]	$ 874,959	$ 873,175
6.75% senior notes due November 2020	261,100	261,100
6.375% senior notes due September 2022	572,700	572,700
Net unamortized premiums [2]	—	11,568
Total debt, net	1,708,759	1,718,543
Less current portion [3]	(874,959)	(873,175)
Less liabilities subject to compromise [4]	(833,800)	—
Long-term debt, net	$ —	$ 845,368

(1) Variable interest rates of 5.25% and 3.17% at June 30, 2016 , and December 31, 2015 , respectively.

(2) Approximately $11 million in premiums were written off to reorganization items in connection with the filing of the Bankruptcy Petitions.

(3) Due to existing and anticipated covenant violations, the Company's credit facility was classified as current at June 30, 2016 , and December 31, 2015 .

(4) The Company's senior notes were classified as liabilities subject to compromise at June 30, 2016 .

Fair Value

The Company's debt is recorded at the carrying amount on the condensed balance sheets. The carrying amount of the Company's Credit Facility, as defined below, approximates fair value because the interest rate is variable and reflective of market rates. The Company uses a market approach to determine the fair value of its senior notes using estimates based on prices quoted from third-party financial institutions, which is a Level 2 fair value measurement.

	June 30, 2016		December 31, 2015	
	Carrying Value	Fair Value	Carrying Value	Fair Value
	(in thousands)			
Senior notes, net	$ 833,800	$ 280,365	$ 845,368	$ 200,249

Credit Facility

The Company's Second Amended and Restated Credit Agreement ("Credit Facility") provides for a senior secured revolving credit facility, subject to the then-effective borrowing base. The maturity date is April 2019. At June 30, 2016 , the Company had approximately $898 million in total borrowings outstanding (including outstanding letters of credit) under the Credit Facility and there was no remaining availability.

See Note 2 for additional details on the amendment to the Credit Facility entered into on April 12, 2016.

Redetermination of the borrowing base under the Credit Facility, based primarily on reserve reports using lender commodity price expectations at such time, occurs semi-annually, in April and October. The lenders under the Credit Facility agreed to defer the April 2016 borrowing base redetermination to May 11, 2016.

BERRY PETROLEUM COMPANY, LLC (DEBTOR-IN-POSSESSION)

NOTES TO CONDENSED FINANCIAL STATEMENTS – Continued

(Unaudited)

The Company's obligations under the Credit Facility are secured by mortgages on its oil and natural gas properties and other personal property. Berry is required to maintain: 1) mortgages on properties representing at least 90% of the present value of oil and natural gas properties included on its most recent reserve report, and 2) an EBITDAX to Interest Expense ratio of at least 2.0 to 1.0 currently, 2.25 to 1.0 from March 31, 2017 through June 30, 2017 and 2.5 to 1.0 thereafter. In accordance with the amendment described in Note 2, the lenders had agreed that the failure to maintain the EBITDAX to Interest Expense ratio would not result in a default or event of default until May 11, 2016.

At the Company's election, interest on borrowings under the Credit Facility is determined by reference to either the LIBOR plus an applicable margin between 1.75% and 2.75% per annum (depending on the then-current level of borrowings under the Credit Facility) or a Base Rate (as defined in the Credit Facility) plus an applicable margin between 0.75% and 1.75% per annum (depending on the then-current level of borrowings under the Credit Facility). Interest is generally payable quarterly for loans bearing interest based on the Base Rate and at the end of the applicable interest period for loans bearing interest at the LIBOR. The Company is required to pay a commitment fee to the lenders under the Credit Facility, which accrues at a rate per annum of 0.50% on the average daily unused amount of the maximum commitment amount of the lenders.

The filing of the Bankruptcy Petitions constituted an event of default that accelerated the Company's obligations under the Credit Facility. However, under the Bankruptcy Code, the creditors under these debt agreements are stayed from taking any action against the Company as a result of the default. The automatic stay under the Bankruptcy Code does not apply to letters of credit issued under the prepetition Credit Facility and third parties may draw on their letters of credit if the terms of a particular letter of credit so provide. During the three months and six months ended June 30, 2016, approximately $3 million in letters of credit draws were made from the Credit Facility.

Senior Notes Covenants

The Company's senior notes contain covenants that, among other things, may limit its ability to: (i) incur or guarantee additional indebtedness; (ii) pay distributions or dividends on its equity or redeem its subordinated debt; (iii) create certain liens; (iv) enter into agreements that restrict distributions or other payments from the Company's restricted subsidiaries to the Company; (v) sell assets; (vi) engage in transactions with affiliates; and (vii) consolidate, merge or transfer all or substantially all of the Company's assets.

In addition, any cash generated by the Company is currently being used by the Company to fund its activities. To the extent that the Company generates cash in excess of its needs and determines to distribute such amounts to LINN Energy, the indentures governing the Company's senior notes limit the amount it may distribute to LINN Energy to the amount available under a "restricted payments basket," and the Company may not distribute any such amounts unless it is permitted by the indentures to incur additional debt pursuant to the consolidated coverage ratio test set forth in the Company's indentures. The Company's restricted payments basket may be increased in accordance with the terms of the Company's indentures by, among other things, 50% of the Company's future net income, reductions in its indebtedness and restricted investments, and future capital contributions.

The Company may from time to time seek to repurchase its outstanding debt through open market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, may be material and will depend on prevailing market conditions, the Company's liquidity requirements, contractual restrictions and other factors.

The filing of the Bankruptcy Petitions constituted an event of default that accelerated the Company's obligations under the senior notes. However, under the Bankruptcy Code, holders of the senior notes are stayed from taking any action against the Company as a result of the default.

Covenant Violations

The Company's filing of the Bankruptcy Petitions described in Note 2 constituted an event of default that accelerated the Company's obligations under its Credit Facility and its senior notes. Additionally, other events of default, including cross-defaults, are present, including the failure to make interest payments on certain of the Company's senior notes and the receipt of

BERRY PETROLEUM COMPANY, LLC (DEBTOR-IN-POSSESSION)

NOTES TO CONDENSED FINANCIAL STATEMENTS – Continued

(Unaudited)

a going concern explanatory paragraph from the Company's independent registered public accounting firm on the Company's financial statements for the year ended December 31, 2015. Under the Bankruptcy Code, the creditors under these debt agreements are stayed from taking any action against the Company as a result of an event of default.

Note 5 – Derivatives

Historically, the Company has hedged a portion of its forecasted production to reduce exposure to fluctuations in oil and natural gas prices. The Company also, from time to time, has entered into derivative contracts for a portion of its natural gas consumption. The current direct NGL hedging market is constrained in terms of price, volume, duration and number of counterparties, which limits the Company's ability to effectively hedge its NGL production. The Company has also hedged its exposure to natural gas differentials in certain operating areas but does not currently hedge exposure to oil differentials.

The Company has historically entered into commodity hedging transactions primarily in the form of swap contracts, collars and three-way collars. Swap contracts are designed to provide a fixed price. Collar contracts specify floor and ceiling prices to be received as compared to floating market prices. Three-way collar contracts combine a short put (the lower price), a long put (the middle price) and a short call (the higher price) to provide a higher ceiling price as compared to a regular collar and limit downside risk to the market price plus the difference between the middle price and the lower price if the market price drops below the lower price.

The Company enters into these transactions with respect to a portion of its projected production or consumption to provide an economic hedge of the risk related to the future commodity prices received or paid. The Company does not enter into derivative contracts for trading purposes. The Company did not designate any of its contracts as cash flow hedges; therefore, the changes in fair value of these instruments are recorded in current earnings. See Note 6 for fair value disclosures about oil and natural gas commodity derivatives.

The following table presents derivative positions for the period indicated as of June 30, 2016 :

	July 1 - December 31, 2016
Natural gas basis differential positions: [1]	
SoCal basis swaps: [2]	
Hedged volume (MMMBtu)	1,840
Hedged differential ($/MMBtu)	$ (0.03)

[1] Settle on the respective pricing index to hedge basis differential to the NYMEX Henry Hub natural gas price.

[2] For positions which hedge exposure to differentials in consuming areas, the Company pays the NYMEX Henry Hub natural gas price plus the respective spread and receives the specified index price. Cash settlements are made on a net basis.

The Company did not enter into commodity derivative contracts during the six months ended June 30, 2016 . During the six months ended June 30, 2015 , the Company entered into commodity derivative contracts consisting of natural gas basis swaps for May 2015 through December 2016 to hedge exposure to differentials in certain producing areas and oil swaps for April 2015 through December 2015. In addition, the Company entered into natural gas basis swaps for May 2015 through December 2016 to hedge exposure to the differential in California, where it consumes natural gas in its heavy oil development operations.

In May 2016, as a result of the Chapter 11 proceedings, the Company's counterparties canceled (prior to the contract settlement dates) all of the Company's derivative contracts (with the exception of a contract consisting of 1,840 MMMBtu of natural gas basis swaps for 2016) and the Company received net cash proceeds of approximately $2 million . The net cash proceeds received were used to make permanent repayments of a portion of the borrowings outstanding under the Credit Facility. In July 2016, the Company's remaining derivative contract was canceled by the counterparty.

BERRY PETROLEUM COMPANY, LLC (DEBTOR-IN-POSSESSION)

NOTES TO CONDENSED FINANCIAL STATEMENTS – Continued

(Unaudited)

Balance Sheet Presentation

The Company's commodity derivatives are presented on a net basis in "derivative instruments" on the condensed balance sheets. The following table summarizes the fair value of derivatives outstanding on a gross basis:

	June 30, 2016	December 31, 2015
	(in thousands)	
Assets:		
Commodity derivatives	$ 200	$ 13,807
Liabilities:		
Commodity derivatives	$ 1,709	$ 2,830

By using derivative instruments to economically hedge exposures to changes in commodity prices, the Company exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Company, which creates credit risk. The Company minimized the credit risk in derivative instruments by: (i) limiting its exposure to any single counterparty; (ii) entering into derivative instruments only with counterparties that meet the Company's minimum credit quality standard, or have a guarantee from an affiliate that meets the Company's minimum credit quality standard; and (iii) monitoring the creditworthiness of the Company's counterparties on an ongoing basis. In accordance with the Company's standard practice, its commodity derivatives are subject to counterparty netting under agreements governing such derivatives and therefore the risk of loss due to counterparty nonperformance is somewhat mitigated.

Gains (Losses) on Derivatives

A summary of gains and losses on the derivatives included on the condensed statements of operations is presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
	(in thousands)			
Gains (losses) on oil and natural gas derivatives	$ 1,026	$ (4,474)	$ 1,534	$ (1,207)
Lease operating expenses [1]	(1,036)	3,986	(4,405)	3,060
Total gains (losses) on oil and natural gas derivatives	$ (10)	$ (488)	$ (2,871)	$ 1,853

[1] Consists of gains and (losses) on derivatives entered into in March 2015 to hedge exposure to differentials in consuming areas.

For the three months and six months ended June 30, 2016 , the Company received net cash settlements of approximately $1 million and $10 million , respectively. For the three months and six months ended June 30, 2015 , the Company received net cash settlements of approximately $5 million and $33 million , respectively.

Note 6 – Fair Value Measurements on a Recurring Basis

The Company accounts for its commodity derivatives at fair value (see Note 5) on a recurring basis. The Company determines the fair value of its oil and natural gas derivatives utilizing pricing models that use a variety of techniques, including market quotes and pricing analysis. Inputs to the pricing models include publicly available prices and forward price curves generated from a compilation of data gathered from third parties. Company management validates the data provided by third parties by understanding the pricing models used, obtaining market values from other pricing sources, analyzing pricing data in certain situations and confirming that those instruments trade in active markets. Assumed credit risk adjustments, based on published credit ratings, public bond yield spreads and credit default swap spreads are applied to the Company's commodity derivatives.

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NOTES TO CONDENSED FINANCIAL STATEMENTS – Continued

(Unaudited)

Fair Value Hierarchy

In accordance with applicable accounting standards, the Company has categorized its financial instruments, based on the priority of inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The following presents the fair value hierarchy for assets and liabilities measured at fair value on a recurring basis:

	June 30, 2016		
	Level 2	Netting [1]	Total
	(in thousands)		
Assets:			
Commodity derivatives	$ 200	$ (15)	$ 185
Liabilities:			
Commodity derivatives	$ 1,709	$ (15)	$ 1,694

	December 31, 2015		
	Level 2	Netting [1]	Total
	(in thousands)		
Assets:			
Commodity derivatives	$ 13,807	$ (589)	$ 13,218
Liabilities:			
Commodity derivatives	$ 2,830	$ (589)	$ 2,241

[1] Represents counterparty netting under agreements governing such derivatives.

Note 7 – Asset Retirement Obligations

The Company has the obligation to plug and abandon oil and natural gas wells and related equipment at the end of production operations. Estimated asset retirement costs are recognized as liabilities with an increase to the carrying amounts of the related long-lived assets when the obligation is incurred. The liabilities are included in “other accrued liabilities” and “other noncurrent liabilities” on the condensed balance sheets. Accretion expense is included in “depreciation, depletion and amortization” on the statements of operations. The fair value of additions to the asset retirement obligations is estimated using valuation techniques that convert future cash flows to a single discounted amount. Significant inputs to the valuation include estimates of: (i) plug and abandon costs per well based on existing regulatory requirements; (ii) remaining life per well; (iii) future inflation factors; and (iv) a credit-adjusted risk-free interest rate. These inputs require significant judgments and estimates by the Company’s management at the time of the valuation and are the most sensitive and subject to change.

The following table presents a reconciliation of the Company’s asset retirement obligations (in thousands):

Asset retirement obligations at December 31, 2015	$ 137,563
Liabilities added from drilling	100
Current year accretion expense	3,690
Settlements	(3,293)
Revision of estimates	1,545
Asset retirement obligations at June 30, 2016	$ 139,605

BERRY PETROLEUM COMPANY, LLC (DEBTOR-IN-POSSESSION)

NOTES TO CONDENSED FINANCIAL STATEMENTS – Continued

(Unaudited)

Note 8 – Commitments and Contingencies

Carry and Earning Agreement

In January 2011, the Company entered into an amendment relating to certain contractual obligations to a third-party co-owner of certain Piceance Basin assets in Colorado. The amendment waives a $200,000 penalty for each well not spud by February 2011 and requires the Company to reassign to such third party, by January 31, 2020, all of the interest acquired by the Company from the third party in each 160 -acre tract in which the Company has not drilled and completed a well that is producing or capable of producing from a designated formation, or deeper formation, on January 1, 2020. The amendment also requires the Company to pay the first $9 million of costs incurred in connection with the construction of either an extension of the existing access road or a new access road, including the third party's 50% share. Pursuant to the terms of a further amendment effective September 30, 2015, if by September 30, 2017, the Company does not expend $9 million on the construction of either the extension of the existing access road or a new access road, the Company is obligated to pay the third party 50% of the difference between $12 million and the actual amount expended on road construction as of such date. Under the terms of the 2015 amendment, this deadline is subject to further extension to no later than December 31, 2017. Due to the need to obtain regulatory approvals, among other reasons, the Company has not yet commenced construction of either an extension of the existing access road or a new access road and may be unable to do so by the extended deadline, thus triggering the payment of the obligation to the third party.

Legal Matters

The Company is involved in various lawsuits, claims and inquiries, most of which are routine to the nature of its business. In the opinion of management, the resolution of these matters will not have a material adverse effect on its overall business, financial position, results of operations or liquidity; however, cash flow could be significantly impacted in the reporting periods in which such matters are resolved.

During the six months ended June 30, 2016 , and June 30, 2015 , the Company made no significant payments to settle any legal, environmental or tax proceedings. The Company regularly analyzes current information and accrues for probable liabilities on the disposition of certain matters as necessary. Liabilities for loss contingencies arising from claims, assessments, litigation or other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated.

The commencement of the Chapter 11 proceedings automatically stayed certain actions against the Company, including actions to collect prepetition liabilities or to exercise control over the property of the Company's bankruptcy estates. The Company intends to seek authority to pay all general claims in the ordinary course of business notwithstanding the commencement of the Chapter 11 proceedings in a manner consistent with the Restructuring Support Agreement. The Plan in the Chapter 11 proceedings, if confirmed, will provide for the treatment of claims against the Company's bankruptcy estates, including prepetition liabilities that have not otherwise been satisfied or addressed during the Chapter 11 proceedings. See Note 2 for additional information.

Note 9 – Income Taxes

The Company is a limited liability company treated as a disregarded entity for federal and state income tax purposes, with the exception of the state of Texas. Limited liability companies are subject to Texas margin tax. As such, with the exception of the state of Texas, the Company is not a taxable entity, it does not directly pay federal and state income taxes, and recognition has not been given to federal and state income taxes for the operations of the Company. Amounts recognized for income taxes are reported in "income tax expense (benefit)" on the condensed statements of operations.

BERRY PETROLEUM COMPANY, LLC (DEBTOR-IN-POSSESSION)

NOTES TO CONDENSED FINANCIAL STATEMENTS – Continued

(Unaudited)

Note 10 – Supplemental Disclosures to the Condensed Balance Sheets and Condensed Statements of Cash Flows

"Other current assets" reported on the condensed balance sheets include the following:

	June 30, 2016	December 31, 2015
	(in thousands)	
California carbon allowance inventories	$ 6,096	$ 7,073
Oil inventories	3,049	3,446
Deferred financing fees	6,861	8,108
Prepaid expenses and other	3,207	2,270
	$ 19,213	$ 20,897

Supplemental disclosures to the condensed statements of cash flows are presented below:

	Six Months Ended June 30,	
	2016	2015
	(in thousands)	
Cash payments for interest, net of amounts capitalized	$ 34,307	$ 44,608
Cash payments for income taxes	$ —	$ —
Noncash investing activities:		
Accrued capital expenditures	$ 3,088	$ 28,468

For the six months ended June 30, 2015 , LINN Energy spent approximately $123 million of capital expenditures in respect of Berry's operations. Berry recorded the $123 million to oil and natural gas properties with an offset to the advance due from LINN Energy. At June 30, 2016 , and December 31, 2015, "restricted cash" on the condensed balance sheets includes approximately $197 million and $250 million , respectively, related to the $250 million that LINN Energy contributed to Berry in May 2015 to post with Berry's lenders in connection with the reduction in the Credit Facility's borrowing base, as well as associated interest income.

During the three months and six months ended June 30, 2016 , approximately $3 million in letters of credit draws were made from the Credit Facility as requested by certain vendors owed prepetition amounts from the Company.

Note 11 – Related Party Transactions

LINN Energy

The Company has no employees. The employees of Linn Operating, Inc. ("LOI"), a subsidiary of LINN Energy, provide services and support to the Company in accordance with an agency agreement and power of attorney between the Company and LOI. For the three months and six months ended June 30, 2016 , the Company incurred management fee expenses of approximately $18 million and $41 million , respectively, for services provided by LOI. For the three months and six months ended June 30, 2015 , the Company incurred management fee expenses of approximately $33 million and $53 million , respectively, for services provided by LOI. The Company also had affiliated accounts payable due to LINN Energy of approximately $39 million and $9 million at June 30, 2016 , and December 31, 2015 , respectively, included in "accounts payable and accrued expenses" on the condensed balance sheets.

BERRY PETROLEUM COMPANY, LLC (DEBTOR-IN-POSSESSION)

NOTES TO CONDENSED FINANCIAL STATEMENTS – Continued

(Unaudited)

The Company made no cash distributions to LINN Energy during the three months or six months ended June 30, 2016 . During the three months and six months ended June 30, 2015 , the Company made cash distributions of approximately $13 million and $57 million , respectively, to LINN Energy.

In May 2015, LINN Energy made a capital contribution of $250 million to Berry which was deposited on Berry's behalf and posted as restricted cash with Berry's lenders in connection with the reduction in its borrowing base.

Other

One of LINN Energy's directors is the President and Chief Executive Officer of Superior Energy Services, Inc. ("Superior"), which provides oilfield services to the Company. The Company incurred no significant expenditures related to services rendered by Superior and its subsidiaries for the three months or six months ended June 30, 2016 . For the three months and six months ended June 30, 2015 , the Company incurred expenditures of approximately $218,000 and $318,000 , respectively, related to services rendered by Superior and its subsidiaries.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the financial statements and related notes included in this Quarterly Report on Form 10-Q and in the Company's Annual Report on Form 10-K for the year ended December 31, 2015. The following discussion contains forward-looking statements based on expectations, estimates and assumptions. Actual results may differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, market prices for oil, natural gas and NGL, production volumes, estimates of proved reserves, capital expenditures, economic and competitive conditions, credit and capital market conditions, regulatory changes and other uncertainties, as well as those factors set forth in "Cautionary Statement Regarding Forward-Looking Statements" below and in Item 1A. "Risk Factors" in this Quarterly Report on Form 10-Q and in the Company's Annual Report on Form 10-K for the year ended December 31, 2015, and elsewhere in the Annual Report.

The reference to a "Note" herein refers to the accompanying Notes to Condensed Financial Statements contained in Item 1. "Financial Statements."

Executive Overview

Berry Petroleum Company, LLC ("Berry" or the "Company") was formed as a Delaware limited liability company on December 16, 2013, and is an indirect wholly owned subsidiary of Linn Energy, LLC ("LINN Energy") engaged in the production and development of oil and natural gas. The Company's predecessor, Berry Petroleum Company, was publicly traded from 1987 until December 2013. On December 16, 2013, the Company completed the transactions contemplated by the merger agreement between LINN Energy, LinnCo, LLC ("LinnCo"), an affiliate of LINN Energy, and Berry under which LinnCo acquired all of the outstanding common shares of Berry and the contribution agreement between LinnCo and LINN Energy, under which LinnCo contributed Berry to LINN Energy in exchange for LINN Energy units. Linn Acquisition Company, LLC, a direct subsidiary of LINN Energy, is currently the Company's sole member.

The Company has five operating areas in the United States ("U.S."): California, Hugoton Basin, Uinta Basin, Piceance Basin and East Texas.

Results for the three months ended June 30, 2016, included the following:

- oil, natural gas and NGL sales of approximately $100 million compared to $173 million for the three months ended June 30, 2015;
- average daily production of approximately 40.7 MBOE/d compared to 48.7 MBOE/d for the three months ended June 30, 2015;
- net income of approximately $7 million compared to net loss of $29 million for the three months ended June 30, 2015;
- capital expenditures of approximately $5 million compared to $44 million for the three months ended June 30, 2015; and
- 2 wells drilled (both successful) compared to 34 wells drilled (all successful) for the three months ended June 30, 2015.

Results for the six months ended June 30, 2016, included the following:

- oil, natural gas and NGL sales of approximately $183 million compared to $330 million for the six months ended June 30, 2015;
- average daily production of approximately 41.6 MBOE/d compared to 49.5 MBOE/d for the six months ended June 30, 2015;
- net loss of approximately $1.1 billion compared to $352 million for the six months ended June 30, 2015;
- net cash used in operating activities of approximately $18 million compared to net cash provided by operating activities of $98 million for the six months ended June 30, 2015;
- capital expenditures of approximately $15 million compared to $101 million for the six months ended June 30, 2015; and
- 16 wells drilled (all successful) compared to 119 wells drilled (all successful) for the six months ended June 30, 2015.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Continued

Chapter 11 Proceedings

On May 11, 2016 (the "Petition Date"), the Company, LINN Energy and LinnCo (collectively, the "Debtors"), filed voluntary petitions ("Bankruptcy Petitions") for relief under Chapter 11 of the U.S. Bankruptcy Code ("Bankruptcy Code") in the U.S. Bankruptcy Court for the Southern District of Texas ("Bankruptcy Court"). The Debtors' Chapter 11 cases are being administered jointly under the caption In re Linn Energy, LLC., et al., Case No. 16-60040.

The condensed financial statements have been prepared as if the Company is a going concern and reflect the application of Accounting Standards Codification 852 "Reorganizations" ("ASC 852"). ASC 852 requires that the financial statements, for periods subsequent to the Chapter 11 filing, distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain expenses, gains and losses that are realized or incurred in the bankruptcy proceedings are recorded in "reorganization items, net" on the Company's condensed statements of operations. In addition, prepetition unsecured and under-secured obligations that may be impacted by the bankruptcy reorganization process have been classified as "liabilities subject to compromise" on the Company's condensed balance sheet at June 30, 2016. These liabilities are reported at the amounts expected to be allowed as claims by the Bankruptcy Court, although they may be settled for less.

The Debtors are operating their businesses as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code. The Bankruptcy Court has granted certain relief requested by the Debtors, allowing the Company to use its cash to fund the Chapter 11 proceedings, pursuant to an agreement with the first lien lenders, and giving the Company the authority to, among other things, continue to utilize its current cash management system and to make royalty payments. During the pendency of the Chapter 11 proceedings, all transactions outside the ordinary course of the Company's business require prior approval of the Bankruptcy Court. For goods and services provided following the Petition Date, the Company intends to pay vendors in full under normal terms.

Restructuring Support Agreement
Prior to the Petition Date, on May 10, 2016, the Debtors entered into a restructuring support agreement ("Restructuring Support Agreement") with certain holders ("Consenting Creditors") collectively holding or controlling at least 66.67% by aggregate outstanding principal amounts under (i) the Company's Second Amended and Restated Credit Agreement ("Credit Facility") and (ii) LINN Energy's Sixth Amended and Restated Credit Agreement ("LINN Credit Facility").

The Restructuring Support Agreement sets forth, subject to certain conditions, the commitment of the Consenting Creditors to support a comprehensive restructuring of the Debtors' long-term debt ("Restructuring Transactions"). The Restructuring Transactions will be effectuated through one or more plans of reorganization ("Plan") to be filed in the Chapter 11 proceedings.

Certain principal terms of the Plan are outlined below. See Item 1A. "Risk Factors" for risks relating to Chapter 11 proceedings, including the risk that the Company may not be able to obtain confirmation of a Chapter 11 plan of reorganization.

- The Restructuring Support Agreement contemplates that Berry will separate from LINN Energy under the Plan. Claims under the Credit Facility will receive participation in a new Berry exit facility, if any, and a to-be-determined allocation of equity in reorganized Berry ("New Berry Common Stock").
- Unsecured claims against Berry, including under Berry's unsecured notes, will receive a to-be-determined allocation of New Berry Common Stock up to the full amount of Berry's unencumbered collateral and/or collateral value in excess of amounts outstanding under the Berry Credit Facility.
- Cash payments under the Plan may be funded by rights offerings or other new-money investments. The Restructuring Support Agreement contemplates that Berry may undertake a marketing process for the opportunity to sponsor its Plan.
- All existing equity interests of Berry will be extinguished without recovery.

The Plan will provide for the establishment of a customary management incentive plan at the Company under which no less than 10% of the New Berry Common Stock will be reserved for grants made from time to time to the officers and other key employees of the reorganized entity. The Plan will provide for releases of specified claims held by the Debtors, the Consenting Creditors and certain other specified parties against one another and for customary exculpations and injunctions.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Continued

The Restructuring Support Agreement provides that the Consenting Creditors will support the use of Berry's cash collateral under specified terms and conditions, including adequate protection terms. The Restructuring Support Agreement obligates the Debtors and the Consenting Creditors to, among other things, support and not interfere with consummation of the Restructuring Transactions and, as to the Consenting Creditors, vote their claims in favor of the Plan. The Restructuring Support Agreement may be terminated upon the occurrence of certain events, including the failure to meet specified milestones relating to, among other requirements, the filing, confirmation and consummation of the Plan, and in the event of breaches by the parties of certain provisions of the Restructuring Support Agreement. The Restructuring Support Agreement is subject to termination if the effective date of the Plan has not occurred within 250 days of the Petition Date. There can be no assurance that the Restructuring Transactions will be consummated.

Magnitude of Potential Claims
On July 11, 2016, the Debtors filed with the Bankruptcy Court schedules and statements setting forth, among other things, the assets and liabilities of the Debtors, subject to the assumptions filed in connection therewith. The schedules and statements may be subject to further amendment or modification after filing. Holders of prepetition claims will be required to file proofs of claims by the applicable deadline for filing certain proofs of claims in the Debtors' Chapter 11 cases. The court has not yet confirmed the claims deadlines. Differences between amounts scheduled by the Debtors and claims by creditors will be investigated and resolved in connection with the claims resolution process.

Effect of Filing on Creditors
Subject to certain exceptions, under the Bankruptcy Code, the filing of Bankruptcy Petitions automatically enjoined, or stayed, the continuation of most judicial or administrative proceedings or filing of other actions against the Debtors or their property to recover, collect or secure a claim arising prior to the Petition Date. Absent an order of the Bankruptcy Court, substantially all of the Debtors' prepetition liabilities are subject to settlement under the Bankruptcy Code. Although the filing of Bankruptcy Petitions triggered defaults on the Debtors' debt obligations, creditors are stayed from taking any actions against the Debtors as a result of such defaults, subject to certain limited exceptions permitted by the Bankruptcy Code. The Company did not record interest expense on its senior notes for the period from May 12, 2016, through June 30, 2016. For that period, contractual interest on the senior notes was approximately $7 million.

The ultimate recovery to creditors, if any, will not be determined until confirmation and implementation of a plan or plans of reorganization. No assurance can be given as to what values, if any, will be ascribed in the Chapter 11 proceedings to each of these constituencies or what types or amounts of settlements, if any, they will receive. A plan of reorganization could result in holders of the Debtors' liabilities receiving no settlement on account of their interests and cancellation of their holdings.

Appointment of Creditors Committee
On May 23, 2016, the Bankruptcy Court appointed the official committee for unsecured creditors (the "Creditors Committee"). The Creditors Committee and its legal representatives have a right to be heard on all matters that come before the Bankruptcy Court with respect to the Debtors.

Rejection of Executory Contracts
Subject to certain exceptions, under the Bankruptcy Code, the Debtors may assume, assign or reject certain executory contracts and unexpired leases subject to the approval of the Bankruptcy Court and satisfaction of certain other conditions. Generally, the rejection of an executory contract or unexpired lease is treated as a prepetition breach of such executory contract or unexpired lease and, subject to certain exceptions, relieves the Debtors of performing their future obligations under such executory contract or unexpired lease but entitles the contract counterparty or lessor to a prepetition general unsecured claim for damages caused by such deemed breach. Counterparties to such rejected contracts or leases may assert unsecured claims in the Bankruptcy Court against the applicable Debtors' estate for damages. Generally, the assumption of an executory contract or unexpired lease requires the Debtors to cure existing monetary defaults under such executory contract or unexpired lease and provide adequate assurance of future performance. Accordingly, any description of an executory contract or unexpired lease with any of the Debtors in this Quarterly Report on Form 10-Q, including where applicable a quantification of the Company's obligations under any such executory contract or unexpired lease with the applicable Debtor, is qualified by any overriding rejection rights the Company has under the Bankruptcy Code. Further, nothing herein is or shall be deemed an admission with respect to any claim amounts or calculations arising from the rejection of any executory contract or unexpired lease and the Debtors expressly preserve all of their rights with respect thereto.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Continued

Process for Plan of Reorganization
In order to successfully exit bankruptcy, the Debtors will need to propose, and obtain confirmation by the Bankruptcy Court of, a Plan that satisfies the requirements of the Bankruptcy Code. A Plan would, among other things, resolve the Debtors' prepetition obligations, set forth the revised capital structure of the newly reorganized entity and provide for corporate governance subsequent to exit from bankruptcy.

The Debtors have an exclusive right to file a Plan within 120 days from the Petition Date, subject to an extension for cause. If the Debtors' exclusive filing period lapses, any party in interest may file a Plan for any of the Debtors.

In addition to being voted on by holders of impaired claims, a Plan must satisfy certain requirements of the Bankruptcy Code and must be approved, or confirmed, by the Bankruptcy Court in order to become effective. A Plan would be accepted by holders of claims against the Debtors if at least one-half in number and two-thirds in dollar amount of claims actually voting in each class of claims impaired by the Plan have voted to accept the Plan. A class of claims that does not receive or retain any property under the Plan on account of such claims or interests is deemed to have voted to reject the Plan.

Under certain circumstances set forth in Section 1129(b) of the Bankruptcy Code, the Bankruptcy Court may confirm a Plan even if such Plan has not been accepted by all impaired classes of claims and equity interests. The precise requirements and evidentiary showing for confirming a Plan notwithstanding its rejection by one or more impaired classes of claims depends upon a number of factors, including the status and seniority of the claims in the rejecting class (i.e., unsecured or secured claims, subordinated or senior claims).

The timing of filing a Plan by the Debtors will depend on the timing and outcome of numerous other ongoing matters in the Chapter 11 proceedings. Although the Debtors expect to file a Plan that provides for emergence from bankruptcy as a going concern, there can be no assurance at this time that the Debtors will be able to successfully develop, confirm and consummate one or more plans of reorganization or other alternative restructuring transactions, including a sale of all or substantially all of the Debtors' assets, that satisfies the conditions of the Bankruptcy Code and is confirmed by the Bankruptcy Court, or that any such Plan will be implemented successfully.

As of August 11, 2016, the Debtors have not yet filed a Plan.

For the duration of the Company's Chapter 11 proceedings, the Company's operations and ability to develop and execute its business plan are subject to the risks and uncertainties associated with the Chapter 11 process as described in Item 1A. "Risk Factors." As a result of these risks and uncertainties, the Company's, assets, liabilities, officers and/or directors could be significantly different following the outcome of the Chapter 11 proceedings, and the description of the Company's operations, properties and capital plans included in this quarterly report may not accurately reflect its operations, properties and capital plans following the Chapter 11 process.

Ability to Continue as a Going Concern

Continued low commodity prices have resulted in significantly lower levels of cash flow from operating activities and have limited the Company's ability to access the capital markets. In addition, the Company's Credit Facility is subject to scheduled redeterminations of its borrowing base, semi-annually in April and October, based primarily on reserve reports using lender commodity price expectations at such time. The lenders under the Credit Facility agreed to defer the April 2016 borrowing base redetermination to May 11, 2016. Continued low commodity prices, reductions in the Company's capital budget and the resulting reserve write-downs were expected to adversely impact upcoming redeterminations and have a significant negative impact on the Company's liquidity. The Company's filing of the Bankruptcy Petitions constituted an event of default that accelerated the Company's obligations under its Credit Facility and its senior notes.

The significant risks and uncertainties related to the Company's liquidity and Chapter 11 proceedings described above raise substantial doubt about the Company's ability to continue as a going concern. The condensed financial statements have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets, and satisfaction of liabilities and commitments in the normal course of business. The condensed financial statements do not include any adjustments that might result from the outcome of the going concern uncertainty. If the Company cannot continue as a

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Continued

going concern, adjustments to the carrying values and classification of its assets and liabilities and the reported amounts of income and expenses could be required and could be material.

In order to decrease the Company's level of indebtedness and maintain the Company's liquidity at levels sufficient to meet its commitments, the Company undertook a number of actions, including minimizing capital expenditures and further reducing its recurring operating expenses. Despite taking these actions, the Company did not have sufficient liquidity to satisfy its debt service obligations, meet other financial obligations and comply with its debt covenants. As a result, the Debtors filed Bankruptcy Petitions for relief under Chapter 11 of the Bankruptcy Code.

Covenant Violations

The Company's filing of the Bankruptcy Petitions constituted an event of default that accelerated the Company's obligations under its Credit Facility and its senior notes. Additionally, other events of default, including cross-defaults, are present, including the failure to make interest payments on certain of the Company's senior notes and the receipt of a going concern explanatory paragraph from the Company's independent registered public accounting firm on the Company's financial statements for the year ended December 31, 2015. Under the Bankruptcy Code, the creditors under these debt agreements are stayed from taking any action against the Company as a result of an event of default. See Note 4 for additional details about the Company's debt.

Credit Facility
The Company's Credit Facility contains a requirement to deliver audited financial statements without a going concern or like qualification or exception. Consequently, the filing of the Company's 2015 Annual Report on Form 10-K which included such explanatory paragraph resulted in a default under the Credit Facility as of the filing date, March 28, 2016, subject to a 30 day grace period.

On April 12, 2016, the Company entered into an amendment to the Credit Facility. The amendment provided for, among other things, an agreement that (i) certain events (the "Specified Events") would not become defaults or events of default until May 11, 2016, (ii) the borrowing base would remain constant until May 11, 2016, unless reduced as a result of swap agreement terminations or collateral sales, (iii) the Company would have access to $45 million in cash that is currently restricted in order to fund ordinary course operations and (iv) the Company, the administrative agent and the lenders would negotiate in good faith the terms of a restructuring support agreement in furtherance of a restructuring of the capital structure of the Company.

Pursuant to the amendment, the Specified Events consisted of:

- The receipt of a going concern qualification or explanatory statement in the auditors' report on the Company's financial statements for the year ended December 31, 2015;
- The receipt of a going concern qualification or explanatory statement in the auditors' report on LINN Energy's consolidated financial statements for the year ended December 31, 2015;
- The failure of the Company or LINN Energy to make certain interest payments on their unsecured notes;
- The failure to maintain the ratio of Adjusted EBITDAX to Interest Expense (as each term is defined in the Credit Facility) ("Interest Coverage Ratio");
- Any cross-defaults that may arise on account of any of the foregoing, provided that no event of default is continuing under any document giving rise to such cross default; and
- Any failure to provide notice of any of the events described above.

As a condition to closing the amendment, the Company provided control agreements over certain deposit accounts.

The filing of the Bankruptcy Petitions constituted an event of default that accelerated the Company's obligations under the Credit Facility. However, under the Bankruptcy Code, the creditors under this debt agreement are stayed from taking any action against the Company as a result of the default.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Continued

Senior Notes
The Company deferred making an interest payment totaling approximately $18 million due March 15, 2016, on the Company's 6.375% senior notes due September 2022, which resulted in the Company being in default under these senior notes. The indenture governing the notes provided the Company a 30 day grace period to make the interest payment.

On April 14, 2016, within the 30 day interest payment grace period provided for in the indenture governing the notes, the Company made an interest payment of approximately $18 million in satisfaction of its obligations.

The Company failed to make an interest payment of approximately $9 million due May 1, 2016, on the Company's 6.75% senior notes due November 2020.

The filing of the Bankruptcy Petitions constituted an event of default that accelerated the Company's obligations under the indentures governing the senior notes. However, under the Bankruptcy Code, holders of the senior notes are stayed from taking any action against the Company as a result of the default.

Commodity Derivatives

In May 2016, as a result of the Chapter 11 proceedings, the Company's counterparties canceled (prior to the contract settlement dates) all of the Company's derivative contracts (with the exception of a contract consisting of 1,840 MMMBtu of natural gas basis swaps for 2016) and the Company received net cash proceeds of approximately $2 million. The net cash proceeds received were used to make permanent repayments of a portion of the borrowings outstanding under the Credit Facility. In July 2016, the Company's remaining derivative contract was canceled by the counterparty.

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Results of Operations

Three Months Ended June 30, 2016, Compared to Three Months Ended June 30, 2015

	Three Months Ended June 30,		
	2016	2015	Variance
	(in thousands)		
Revenues and other:			
Oil sales	$ 80,913	$ 144,678	$ (63,765)
Natural gas sales	12,662	22,528	(9,866)
NGL sales	6,256	6,175	81
Total oil, natural gas and NGL sales	99,831	173,381	(73,550)
Electricity sales	5,118	6,609	(1,491)
Gains (losses) on oil and natural gas derivatives	1,026	(4,474)	5,500
Marketing and other revenues	2,664	2,374	290
	108,639	177,890	(69,251)
Expenses:			
Lease operating expenses	42,416	49,896	(7,480)
Electricity generation expenses	3,941	4,993	(1,052)
Transportation expenses	10,945	12,978	(2,033)
Marketing expenses	637	1,005	(368)
General and administrative expenses	24,748	37,102	(12,354)
Depreciation, depletion and amortization	41,186	63,052	(21,866)
Taxes, other than income taxes	9,995	22,196	(12,201)
(Gains) losses on sale of assets and other, net	425	(811)	1,236
	134,293	190,411	(56,118)
Other income and (expenses)	(16,428)	(16,322)	(106)
Reorganization items, net	49,086	—	49,086
Income (loss) before income taxes	7,004	(28,843)	35,847
Income tax expense (benefit)	164	(11)	175
Net income (loss)	$ 6,840	$ (28,832)	$ 35,672

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	Three Months Ended June 30,		
	2016	2015	Variance
Average daily production:			
Oil (MBbls/d)	23.8	30.5	(22)%
Natural gas (MMcf/d)	76.6	93.6	(18)%
NGL (MBbls/d)	4.2	2.6	62 %
Total (MBOE/d)	40.7	48.7	(16)%
Weighted average prices: [1]			
Oil (Bbl)	$ 37.43	$ 52.15	(28)%
Natural gas (Mcf)	$ 1.82	$ 2.64	(31)%
NGL (Bbl)	$ 16.33	$ 25.72	(37)%
Average NYMEX prices:			
Oil (Bbl)	$ 45.59	$ 57.94	(21)%
Natural gas (MMBtu)	$ 1.95	$ 2.64	(26)%
Costs per BOE of production:			
Lease operating expenses	$ 11.44	$ 11.25	2 %
Transportation expenses	$ 2.95	$ 2.93	1 %
General and administrative expenses	$ 6.68	$ 8.37	(20)%
Depreciation, depletion and amortization	$ 11.11	$ 14.22	(22)%
Taxes, other than income taxes	$ 2.70	$ 5.01	(46)%

[1] Does not include the effect of gains (losses) on derivatives.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Continued

Revenues and Other

Oil, Natural Gas and NGL Sales
Oil, natural gas and NGL sales decreased by approximately $73 million or 42% to approximately $100 million for the three months ended June 30, 2016, from approximately $173 million for the three months ended June 30, 2015, due to lower oil, natural gas and NGL prices and lower production volumes. Lower oil, natural gas and NGL prices resulted in a decrease in revenues of approximately $31 million, $6 million and $4 million, respectively.

Average daily production volumes decreased to approximately 40.7 MBOE/d for the three months ended June 30, 2016, from 48.7 MBOE/d for the three months ended June 30, 2015. Lower oil and natural gas production volumes resulted in a decrease in revenues of approximately $32 million and $4 million, respectively. Higher NGL production volumes resulted in an increase in revenues of approximately $4 million.

The following table sets forth average daily production by operating area:

	Three Months Ended June 30,			
	2016	2015	Variance	
Average daily production (MBOE/d):				
California	20.8	26.0	(5.2)	(20)%
Hugoton Basin	9.6	10.3	(0.7)	(7)%
Uinta Basin	6.0	8.4	(2.4)	(29)%
Piceance Basin	3.0	2.5	0.5	20 %
East Texas	1.3	1.5	(0.2)	(13)%
	40.7	48.7	(8.0)	(16)%

The decreases in average daily production volumes primarily reflect lower production volumes as a result of reduced development capital spending throughout the Company's various operating areas, as well as marginal well shut-ins, driven by continued low commodity prices. The decrease in average daily production volumes in California also reflects operational challenges in the Company's Diatomite development program, where the Company is pursuing various remedies to address wells performance and has temporarily curtailed capital spending in this program. The decrease in average daily production volumes in the Uinta Basin operating area also reflects lower production volumes as a result of wells that are uneconomic to return to production. The increase in average daily production volumes in the Piceance Basin operating area primarily reflects development capital spending during 2015.

Electricity Sales
Electricity sales represent sales to utilities and decreased by approximately $2 million or 23% to approximately $5 million for the three months ended June 30, 2016, from approximately $7 million for the three months ended June 30, 2015, primarily due to decreases in the average sales price of electricity.

Gains (Losses) on Oil and Natural Gas Derivatives
Gains on oil and natural gas derivatives were approximately $1 million for the three months ended June 30, 2016, compared to losses of approximately $4 million for the three months ended June 30, 2015, representing a variance of approximately $5 million. Gains on oil and natural gas derivatives were primarily due to changes in fair value of the derivative contracts, and the comparison from period to period was impacted by the declining maturity schedule of the Company's hedges. The fair value on unsettled derivative contracts changes as future commodity price expectations change compared to the contract prices on the derivatives. If the expected future commodity prices increase compared to the contract prices on the derivatives, losses are recognized; and if the expected future commodity prices decrease compared to the contract prices on the derivatives, gains are recognized.

The Company determines the fair value of its oil and natural gas derivatives utilizing pricing models that use a variety of techniques, including market quotes and pricing analysis. See Item 3. "Quantitative and Qualitative Disclosures About Market Risk" and Note 5 and Note 6 for additional details about the Company's commodity derivatives. For information about the

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Continued

Company's credit risk related to derivative contracts, see "Counterparty Credit Risk" under "Liquidity and Capital Resources" below.

Marketing and Other Revenues
Marketing revenues primarily represent third-party activities associated with the Company's long-term firm transportation contracts. The Company's current production is insufficient to fully utilize this capacity. To optimize its remaining capacity, the Company utilizes asset management agreements and various other marketing arrangements. Sales of third-party natural gas are recorded as marketing revenues. Marketing and other revenues increased by approximately $1 million or 12% to approximately $3 million for the three months ended June 30, 2016, from approximately $2 million for the three months ended June 30, 2015. The increase was primarily due to higher marketing revenues principally due to higher helium sales revenue in the Hugoton Basin.

Expenses

Lease Operating Expenses
Lease operating expenses include expenses such as labor, field office, vehicle, supervision, maintenance, tools and supplies, and workover expenses. Lease operating expenses decreased by approximately $8 million or 15% to approximately $42 million for the three months ended June 30, 2016, from approximately $50 million for the three months ended June 30, 2015. The decrease was primarily due to cost savings initiatives and lower workover activities, as well as a decrease in steam costs caused by lower prices for natural gas used in steam generation and a decrease in steam injection volumes. Lease operating expenses per BOE increased to $11.44 per BOE for the three months ended June 30, 2016, from $11.25 per BOE for the three months ended June 30, 2015.

Electricity Generation Expenses
Electricity generation expenses decreased by approximately $1 million or 21% to approximately $4 million for the three months ended June 30, 2016, from approximately $5 million for the three months ended June 30, 2015, primarily due to a decrease in fuel gas cost.

Transportation Expenses
Transportation expenses decreased by approximately $2 million or 16% to approximately $11 million for the three months ended June 30, 2016, from approximately $13 million for the three months ended June 30, 2015. The decrease was primarily due to lower production volumes and reduced costs as a result of certain contracts terminated in the Chapter 11 proceedings.

Marketing Expenses
Marketing expenses primarily represent third-party activities associated with the Company's long-term firm transportation contracts. The Company's current production is insufficient to fully utilize its capacity. To optimize its remaining capacity, the Company utilizes asset management agreements and various other marketing arrangements. Purchases of third-party natural gas are recorded as marketing expenses. Marketing expenses remained consistent at approximately $1 million for both the three months ended June 30, 2016, and June 30, 2015.

General and Administrative Expenses
General and administrative expenses are costs not directly associated with field operations. General and administrative expenses decreased by approximately $12 million or 33% to approximately $25 million for the three months ended June 30, 2016, from approximately $37 million for the three months ended June 30, 2015. The decrease was primarily due to lower costs allocated to the Company by Linn Operating, Inc. ("LOI"), a subsidiary of LINN Energy, partially offset by higher professional services expenses principally related to the Company's prepetition strategic alternatives activities. General and administrative expenses per BOE decreased to $6.68 per BOE for the three months ended June 30, 2016, from $8.37 per BOE for the three months ended June 30, 2015.

Professional services expenses of approximately $7 million for the three months ended June 30, 2016, related to the Chapter 11 proceedings that were incurred since the Petition Date, have been recorded in "reorganization items, net" on the condensed statements of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Continued

Depreciation, Depletion and Amortization

Depreciation, depletion and amortization decreased by approximately $22 million or 35% to approximately $41 million for the three months ended June 30, 2016, from approximately $63 million for the three months ended June 30, 2015. The decrease was primarily due to lower rates as a result of the impairments recorded in the prior year and the first quarter of 2016, as well as lower total production volumes. Depreciation, depletion and amortization per BOE also decreased to $11.11 per BOE for the three months ended June 30, 2016, from $14.22 per BOE for the three months ended June 30, 2015.

Taxes, Other Than Income Taxes

	Three Months Ended June 30,		
	2016	2015	Variance
	(in thousands)		
Severance taxes	$ (814)	$ 2,671	$ (3,485)
Ad valorem taxes	7,588	14,148	(6,560)
California carbon allowances	3,127	5,365	(2,238)
Other	94	12	82
	$ 9,995	$ 22,196	$ (12,201)

Taxes, other than income taxes decreased by approximately $12 million or 55% for the three months ended June 30, 2016, compared to the three months ended June 30, 2015. Severance taxes, which are a function of revenues generated from production, decreased primarily due to lower oil, natural gas and NGL prices and lower production volumes. Ad valorem taxes, which are based on the value of reserves and production equipment and vary by location, decreased primarily due to lower estimated valuations on certain of the Company's properties. California carbon allowances decreased primarily due to lower anticipated emissions compliance obligations as a result of reduced capital spending levels and a decrease in steam injection volumes.

Other Income and (Expenses)

	Three Months Ended June 30,		
	2016	2015	Variance
	(in thousands)		
Interest expense, net of amounts capitalized	$ (16,352)	$ (22,690)	$ 6,338
Gain on extinguishment of debt	—	6,831	(6,831)
Other, net	(76)	(463)	387
	$ (16,428)	$ (16,322)	$ (106)

Other income and (expenses) remained consistent at approximately $16 million for both the three months ended June 30, 2016, and June 30, 2015. Interest expense decreased primarily due to the Company's discontinuation of interest expense recognition on the senior notes for the period from May 12, 2016 through June 30, 2016, as a result of the Chapter 11 proceedings, and lower outstanding debt during the period. For the period from May 12, 2016, through June 30, 2016, contractual interest, which was not recorded, on the senior notes was approximately $7 million. In addition, for the three months ended June 30, 2015, the Company recorded a gain on extinguishment of debt of approximately $7 million as a result of the repurchases of a portion of its senior notes. See "Debt" under "Liquidity and Capital Resources" below for additional details.

Reorganization Items, Net

The Company has incurred and is expected to continue to incur significant costs associated with the reorganization. These costs, which are expensed as incurred, are expected to significantly affect the Company's results of operations. Reorganization

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Continued

items represent costs and income directly associated with the Chapter 11 proceedings since the Petition Date, and also include adjustments to reflect the carrying value of certain liabilities subject to compromise at their estimated allowed claim amounts, as such adjustments are determined.

The following table summarizes the components of reorganization items included on the condensed statement of operations:

	Three Months Ended June 30, 2016
	(in thousands)
Legal and other professional advisory fees	$ (7,059)
Unamortized premiums	10,923
Terminated contracts	45,109
Other	113
Reorganization items, net	$ 49,086

Income Tax Expense (Benefit)

The Company is a limited liability company treated as a disregarded entity for federal and state income tax purposes, with the exception of the state of Texas. Limited liability companies are subject to Texas margin tax. As such, with the exception of the state of Texas, the Company is not a taxable entity, it does not directly pay federal and state income taxes, and recognition has not been given to federal and state income taxes for the operations of the Company. The Company recognized income tax expense of approximately $164,000 for the three months ended June 30, 2016, compared to an income tax benefit of $11,000 for the three months ended June 30, 2015. The income tax expense was primarily due to an increase in state taxes for the three months ended June 30, 2016, compared to the same period in 2015.

Net Income (Loss)

Net income was approximately $7 million for the three months ended June 30, 2016, compared to a net loss of approximately $29 million for the three months ended June 30, 2015. The increase in net income was primarily due to lower expenses and gains related to reorganization items, partially offset by lower production revenues. See discussions above for explanations of variances.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Continued

Results of Operations

Six Months Ended June 30, 2016, Compared to Six Months Ended June 30, 2015

	Six Months Ended June 30,		
	2016	2015	Variance
	(in thousands)		
Revenues and other:			
Oil sales	$ 145,058	$ 268,658	$ (123,600)
Natural gas sales	27,034	48,504	(21,470)
NGL sales	11,205	12,805	(1,600)
Total oil, natural gas and NGL sales	183,297	329,967	(146,670)
Electricity sales	9,329	11,760	(2,431)
Gains (losses) on oil and natural gas derivatives	1,534	(1,207)	2,741
Marketing and other revenues	5,745	6,651	(906)
	199,905	347,171	(147,266)
Expenses:			
Lease operating expenses	92,509	117,085	(24,576)
Electricity generation expenses	7,743	9,563	(1,820)
Transportation expenses	23,874	25,584	(1,710)
Marketing expenses	1,290	2,080	(790)
General and administrative expenses	49,920	58,289	(8,369)
Depreciation, depletion and amortization	100,029	136,031	(36,002)
Impairment of long-lived assets	1,030,588	272,000	758,588
Taxes, other than income taxes	24,308	45,528	(21,220)
(Gains) losses on sale of assets and other, net	233	(5,284)	5,517
	1,330,494	660,876	669,618
Other income and (expenses)	(36,314)	(37,913)	1,599
Reorganization items, net	49,086	—	49,086
Loss before income taxes	(1,117,817)	(351,618)	(766,199)
Income tax expense (benefit)	162	(61)	223
Net loss	$ (1,117,979)	$ (351,557)	$ (766,422)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Continued

	Six Months Ended June 30,		
	2016	2015	Variance
Average daily production:			
Oil (MBbls/d)	24.7	31.4	(21)%
Natural gas (MMcf/d)	78.5	93.7	(16)%
NGL (MBbls/d)	3.9	2.5	56 %
Total (MBOE/d)	41.6	49.5	(16)%
Weighted average prices: [1]			
Oil (Bbl)	$ 32.32	$ 47.31	(32)%
Natural gas (Mcf)	$ 1.89	$ 2.86	(34)%
NGL (Bbl)	$ 15.94	$ 28.15	(43)%
Average NYMEX prices:			
Oil (Bbl)	$ 39.52	$ 53.29	(26)%
Natural gas (MMBtu)	$ 2.02	$ 2.81	(28)%
Costs per BOE of production:			
Lease operating expenses	$ 12.22	$ 13.07	(7)%
Transportation expenses	$ 3.15	$ 2.86	10 %
General and administrative expenses	$ 6.59	$ 6.51	1 %
Depreciation, depletion and amortization	$ 13.21	$ 15.18	(13)%
Taxes, other than income taxes	$ 3.21	$ 5.08	(37)%

[1] Does not include the effect of gains (losses) on derivatives.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Continued

Revenues and Other

Oil, Natural Gas and NGL Sales
Oil, natural gas and NGL sales decreased by approximately $147 million or 44% to approximately $183 million for the six months ended June 30, 2016, from approximately $330 million for the six months ended June 30, 2015, due to lower oil, natural gas and NGL prices and lower production volumes. Lower oil, natural gas and NGL prices resulted in a decrease in revenues of approximately $67 million, $14 million and $9 million, respectively.

Average daily production volumes decreased to approximately 41.6 MBOE/d for the six months ended June 30, 2016, from 49.5 MBOE/d for the six months ended June 30, 2015. Lower oil and natural gas production volumes resulted in a decrease in revenues of approximately $56 million and $8 million, respectively. Higher NGL production volumes resulted in an increase in revenues of approximately $7 million.

The following table sets forth average daily production by operating area:

	Six Months Ended June 30,			
	2016	2015	Variance	
Average daily production (MBOE/d):				
California	21.7	26.7	(5.0)	(19)%
Hugoton Basin	9.4	10.2	(0.8)	(8)%
Uinta Basin	5.9	9.0	(3.1)	(34)%
Piceance Basin	3.2	2.1	1.1	52 %
East Texas	1.4	1.5	(0.1)	(7)%
	41.6	49.5	(7.9)	(16)%

The decreases in average daily production volumes primarily reflect lower production volumes as a result of reduced development capital spending throughout the Company's various operating areas, as well as marginal well shut-ins, driven by continued low commodity prices. The decrease in average daily production volumes in California also reflects operational challenges in the Company's Diatomite development program, where the Company is pursuing various remedies to address wells performance and has temporarily curtailed capital spending in this program. The decrease in average daily production volumes in the Uinta Basin operating area also reflects lower production volumes as a result of wells that are uneconomic to return to production. The increase in average daily production volumes in the Piceance Basin operating area primarily reflects development capital spending during 2015.

Electricity Sales
Electricity sales represent sales to utilities and decreased by approximately $3 million or 21% to approximately $9 million for the six months ended June 30, 2016, from approximately $12 million for the six months ended June 30, 2015, primarily due to decreases in the average sales price of electricity partially offset by an increase in electric power sold during the period.

Gains (Losses) on Oil and Natural Gas Derivatives
Gains on oil and natural gas derivatives were approximately $2 million for the six months ended June 30, 2016, compared to losses of approximately $1 million for the six months ended June 30, 2015, representing a variance of approximately $3 million. Gains on oil and natural gas derivatives were primarily due to changes in fair value of the derivative contracts, and the comparison from period to period was impacted by the declining maturity schedule of the Company's hedges. The fair value on unsettled derivative contracts changes as future commodity price expectations change compared to the contract prices on the derivatives. If the expected future commodity prices increase compared to the contract prices on the derivatives, losses are recognized; and if the expected future commodity prices decrease compared to the contract prices on the derivatives, gains are recognized.

The Company determines the fair value of its oil and natural gas derivatives utilizing pricing models that use a variety of techniques, including market quotes and pricing analysis. See Item 3. "Quantitative and Qualitative Disclosures About Market Risk" and Note 5 and Note 6 for additional details about the Company's commodity derivatives. For information about the

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Continued

Company's credit risk related to derivative contracts, see "Counterparty Credit Risk" under "Liquidity and Capital Resources" below.

Marketing and Other Revenues
Marketing revenues primarily represent third-party activities associated with the Company's long-term firm transportation contracts. The Company's current production is insufficient to fully utilize this capacity. To optimize its remaining capacity, the Company utilizes asset management agreements and various other marketing arrangements. Sales of third-party natural gas are recorded as marketing revenues. Marketing and other revenues decreased by approximately $1 million or 14% to approximately $6 million for the six months ended June 30, 2016, from approximately $7 million for the six months ended June 30, 2015. The decrease was primarily due to lower marketing revenues principally due to a decrease in natural gas prices partially offset by higher helium sales revenue in the Hugoton Basin.

Expenses

Lease Operating Expenses
Lease operating expenses include expenses such as labor, field office, vehicle, supervision, maintenance, tools and supplies, and workover expenses. Lease operating expenses decreased by approximately $24 million or 21% to approximately $93 million for the six months ended June 30, 2016, from approximately $117 million for the six months ended June 30, 2015. The decrease was primarily due to cost savings initiatives and lower workover activities, as well as a decrease in steam costs caused by lower prices for natural gas used in steam generation and a decrease in steam injection volumes. Lease operating expenses per BOE also decreased to $12.22 per BOE for the six months ended June 30, 2016, from $13.07 per BOE for the six months ended June 30, 2015.

Electricity Generation Expenses
Electricity generation expenses decreased by approximately $2 million or 19% to approximately $8 million for the six months ended June 30, 2016, from approximately $10 million for the six months ended June 30, 2015, primarily due to a decrease in fuel gas cost partially offset by an increase in fuel gas volumes purchased.

Transportation Expenses
Transportation expenses decreased by approximately $2 million of 7% to approximately $24 million for the six months ended June 30, 2016, from approximately $26 million for the six months ended June 30, 2015. The decrease was primarily due to lower production volumes and reduced costs as a result of certain contracts terminated in the Chapter 11 proceedings.

Marketing Expenses
Marketing expenses primarily represent third-party activities associated with the Company's long-term firm transportation contracts. The Company's current production is insufficient to fully utilize its capacity. To optimize its remaining capacity, the Company utilizes asset management agreements and various other marketing arrangements. Purchases of third-party natural gas are recorded as marketing expenses. Marketing expenses decreased by approximately $1 million or 38% to approximately $1 million for the six months ended June 30, 2016, from approximately $2 million for the six months ended June 30, 2015. The decrease was primarily due to a decrease in natural gas prices.

General and Administrative Expenses
General and administrative expenses are costs not directly associated with field operations. General and administrative expenses decreased by approximately $8 million or 14% to approximately $50 million for the six months ended June 30, 2016, from approximately $58 million for the six months ended June 30, 2015. The decrease was primarily due to lower costs allocated to the Company by LOI, partially offset by higher professional services expenses principally related to the Company's prepetition strategic alternatives activities. General and administrative expenses per BOE increased to $6.59 per BOE for the six months ended June 30, 2016, from $6.51 per BOE for the six months ended June 30, 2015.

Professional services expenses of approximately $7 million for the six months ended June 30, 2016, related to the Chapter 11 proceedings that were incurred since the Petition Date, have been recorded in "reorganization items, net" on the condensed statements of operations.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Continued

Depreciation, Depletion and Amortization
Depreciation, depletion and amortization decreased by approximately $36 million or 26% to approximately $100 million for the six months ended June 30, 2016, from approximately $136 million for the six months ended June 30, 2015. The decrease was primarily due to lower rates as a result of the impairments recorded in the prior year and the first quarter of 2016, as well as lower total production volumes. Depreciation, depletion and amortization per BOE also decreased to $13.21 per BOE for the six months ended June 30, 2016, from $15.18 per BOE for the six months ended June 30, 2015.

Impairment of Long-Lived Assets
The Company recorded the following noncash impairment charges (before and after tax) associated with proved and unproved oil and natural gas properties:

	Six Months Ended June 30,	
	2016	2015
	(in thousands)	
California operating area	$ 984,288	$ 207,200
Uinta Basin operating area	26,677	—
East Texas operating area	6,387	64,800
Proved oil and natural gas properties	1,017,352	272,000
California operating area unproved oil and natural gas properties	13,236	—
Impairment of long-lived assets	$ 1,030,588	$ 272,000

The impairment charges in 2016 were due to a decline in commodity prices, changes in expected capital development and a decline in the Company's estimates of proved reserves. The impairment charges in 2015 were due to a decline in commodity prices.

Taxes, Other Than Income Taxes

	Six Months Ended June 30,		
	2016	2015	Variance
	(in thousands)		
Severance taxes	$ 662	$ 5,776	$ (5,114)
Ad valorem taxes	17,272	28,272	(11,000)
California carbon allowances	6,286	11,468	(5,182)
Other	88	12	76
	$ 24,308	$ 45,528	$ (21,220)

Taxes, other than income taxes decreased by approximately $21 million or 47% for the six months ended June 30, 2016, compared to the six months ended June 30, 2015. Severance taxes, which are a function of revenues generated from production, decreased primarily due to lower oil, natural gas and NGL prices and lower production volumes. Ad valorem taxes, which are based on the value of reserves and production equipment and vary by location, decreased primarily due to lower estimated valuations on certain of the Company's properties. California carbon allowances decreased primarily due to lower anticipated emissions compliance obligations as a result of a reduced capital spending levels and a decrease in steam injection volumes.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Continued

Other Income and (Expenses)

	Six Months Ended June 30,		
	2016	2015	Variance
	(in thousands)		
Interest expense, net of amounts capitalized	$ (36,304)	$ (44,111)	$ 7,807
Gain on extinguishment of debt	—	6,831	(6,831)
Other, net	(10)	(633)	623
	$ (36,314)	$ (37,913)	$ 1,599

Other income and (expenses) decreased by approximately $2 million for the six months ended June 30, 2016, compared to the six months ended June 30, 2015. Interest expense decreased primarily due to the Company's discontinuation of interest expense recognition on the senior notes for the period from May 12, 2016 through June 30, 2016, as a result of the Chapter 11 proceedings, and lower outstanding debt during the period. For the period from May 12, 2016, through June 30, 2016, contractual interest, which was not recorded, on the senior notes was approximately $7 million. In addition, for the six months ended June 30, 2015, the Company recorded a gain on extinguishment of debt of approximately $7 million as a result of the repurchases of a portion of its senior notes. See "Debt" under "Liquidity and Capital Resources" below for additional details.

Reorganization Items, Net

The Company has incurred and is expected to continue to incur significant costs associated with the reorganization. These costs, which are expensed as incurred, are expected to significantly affect the Company's results of operations. Reorganization items represent costs and income directly associated with the Chapter 11 proceedings since the Petition Date, and also include adjustments to reflect the carrying value of certain liabilities subject to compromise at their estimated allowed claim amounts, as such adjustments are determined.

The following table summarizes the components of reorganization items included on the condensed statement of operations:

	Six Months Ended June 30, 2016
	(in thousands)
Legal and other professional advisory fees	$ (7,059)
Unamortized premiums	10,923
Terminated contracts	45,109
Other	113
Reorganization items, net	$ 49,086

Income Tax Expense (Benefit)

The Company is a limited liability company treated as a disregarded entity for federal and state income tax purposes, with the exception of the state of Texas. Limited liability companies are subject to Texas margin tax. As such, with the exception of the state of Texas, the Company is not a taxable entity, it does not directly pay federal and state income taxes, and recognition has not been given to federal and state income taxes for the operations of the Company. The Company recognized income tax expense of approximately $162,000 for the six months ended June 30, 2016, compared to an income tax benefit of approximately $61,000 for the six months ended June 30, 2015. The income tax expense was primarily due to an increase in state taxes for the six months ended June 30, 2016, compared to the same period in 2015.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Continued

Net Loss

Net loss increased by approximately $766 million to approximately $1.1 billion for the six months ended June 30, 2016, from approximately $352 million for the six months ended June 30, 2015. The increase was primarily due to higher impairment charges and lower production revenues, partially offset by lower expenses and gains related to reorganization items. See discussions above for explanations of variances.

Liquidity and Capital Resources

The significant risks and uncertainties related to the Company's liquidity and Chapter 11 proceedings described under "Executive Overview" raise substantial doubt about the Company's ability to continue as a going concern.

The Company's filing of the Bankruptcy Petitions constituted an event of default that accelerated the Company's obligations under its Credit Facility and its senior notes. Additionally, other events of default, including cross-defaults, are present, including the failure to make interest payments on certain of the Company's senior notes and the receipt of a going concern explanatory paragraph from the Company's independent registered public accounting firm on the Company's financial statements for the year ended December 31, 2015. Under the Bankruptcy Code, the creditors under these debt agreements are stayed from taking any action against the Company as a result of an event of default. See above under "Executive Overview – Chapter 11 Proceedings" for a description of these and other developments.

In order to decrease the Company's level of indebtedness and maintain the Company's liquidity at levels sufficient to meet its commitments, the Company and LINN Energy have undertaken a number of actions, including minimizing capital expenditures and further reducing their recurring operating expenses. Despite taking these actions, the Company did not have sufficient liquidity to satisfy its debt service obligations, meet other financial obligations and comply with its debt covenants. As a result, the Debtors filed Bankruptcy Petitions for relief under Chapter 11 of the Bankruptcy Code.

The Company has utilized funds from debt offerings, borrowings under its Credit Facility, net cash provided by operating activities and funding from LINN Energy for capital resources and liquidity. Historically, the primary use of capital has been for the development of oil and natural gas properties. For the six months ended June 30, 2016, the Company's total capital expenditures were approximately $15 million. LINN Energy continually evaluates the capital needs of the Company along with those of its other operating areas. LINN Energy establishes a capital plan each calendar year for all of its operations based on development opportunities and the expected cash flow from operations for that year. The capital plan may be revised during the year as a result of drilling outcomes or significant changes in cash flows. To the extent net cash provided by operating activities is higher or lower than currently anticipated, LINN Energy may adjust the Company's capital plan accordingly or adjust borrowings under the Company's Credit Facility, as needed. However, at June 30, 2016, there was no remaining available borrowing capacity under the Credit Facility.

LINN Energy's credit facility contains certain restrictions on its ability to contribute capital or loan funds to Berry. Based on current estimates, including the low commodity price environment, the Company expects to generate a cash shortfall in 2016. Historically, LINN Energy has contributed capital to Berry to fund capital expenditures and other cash shortfalls but LINN Energy is not obligated to continue to provide funding to Berry, nor is LINN Energy a guarantor of any of Berry's indebtedness.

LINN Energy continually monitors the capital resources available to meet future financial obligations and planned capital expenditures. The Company's future success in growing reserves and production volumes will be highly dependent on the capital resources available and its success in adding reserves from its drilling program. The Company's Credit Facility and indentures governing its senior notes impose certain restrictions on the Company's ability to obtain additional debt financing. The Company does not intend to obtain additional borrowing capacity under its Credit Facility or access the capital markets separately from LINN Energy. The Company intends to finance its operations, including its future capital expenditures, with net cash provided by operating activities and funding from LINN Energy, to the extent LINN Energy elects to provide such funding. See Item 1A. "Risk Factors" in this Quarterly Report on Form 10-Q and in the Annual Report on Form 10-K for the year ended December 31, 2015, for risks relating to liquidity and Chapter 11 proceedings.

Any cash generated by the Company is currently being used by the Company to fund its activities. To the extent that the Company generates cash in excess of its needs and determines to distribute such amounts to LINN Energy, the indentures governing the Company's senior notes limit the amount it may distribute to LINN Energy to the amount available under a

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Continued

"restricted payments basket," and the Company may not distribute any such amounts unless it is permitted by the indentures to incur additional debt pursuant to the consolidated coverage ratio test set forth in the Company's indentures. The Company's restricted payments basket may be increased in accordance with the terms of the Company's indentures by, among other things, 50% of the Company's future net income, reductions in its indebtedness and restricted investments, and future capital contributions.

Statements of Cash Flows

The following is a comparative cash flow summary:

	Six Months Ended June 30,		
	2016	2015	Variance
	(in thousands)		
Net cash:			
Provided by (used in) operating activities	$ (18,023)	$ 98,399	$ (116,422)
Provided by investing activities	33,601	5,244	28,357
Used in financing activities	(1,593)	(102,565)	100,972
Net increase in cash and cash equivalents	$ 13,985	$ 1,078	$ 12,907

Operating Activities
Cash used in operating activities for the six months ended June 30, 2016, was approximately $18 million, compared to cash provided by operating activities of approximately $98 million for the six months ended June 30, 2015. The decrease was primarily due to lower production related revenues principally due to lower commodity prices and lower production volumes, as well as lower cash settlements on derivatives.

Investing Activities
The following provides a comparative summary of cash flow from investing activities:

	Six Months Ended June 30,	
	2016	2015
	(in thousands)	
Cash flow from investing activities:		
Capital expenditures	$ (19,959)	$ (6,058)
Decrease in restricted cash	53,418	—
Proceeds from sale of properties and equipment and other	142	11,302
	$ 33,601	$ 5,244

The primary use of cash in investing activities is for the development of the Company's oil and natural gas properties. Capital expenditures increased primarily due to the Company funding its development operations, rather than LINN Energy spending on the Company's behalf. For the six months ended June 30, 2015, LINN Energy spent approximately $123 million of capital expenditures in respect of Berry's operations. In addition, during the second quarter of 2016, restricted cash decreased by $53 million as a result of the amendment to the Company's Credit Facility and the Restructuring Support Agreement. See Note 2 for additional details.

Financing Activities
Cash used in financing activities of approximately $2 million for the six months ended June 30, 2016, was related to the repayment of a portion of the borrowings outstanding under the Credit Facility. Cash used in financing activities of approximately $103 million for the six months ended June 30, 2015, was primarily related to cash distributions to LINN Energy and repurchases of senior notes. In addition, in May 2015, LINN Energy made a capital contribution of $250 million to Berry which was deposited on Berry's behalf and posted as restricted cash with Berry's lenders in connection with the reduction in its borrowing base.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Continued

Debt

At June 30, 2016, the Company had approximately $898 million in total borrowings outstanding (including outstanding letters of credit) under the Credit Facility and there was no remaining availability. For additional information related to the Company's outstanding debt, see Note 4.

Counterparty Credit Risk

The Company accounts for its commodity derivatives at fair value. As a result of the commodity derivative cancellations during the second quarter of 2016, the Company had only one remaining commodity derivative counterparty at June 30, 2016. The Company does not receive collateral from its counterparties. The Company minimized the credit risk in derivative instruments by: (i) limiting its exposure to any single counterparty; (ii) entering into derivative instruments only with counterparties that meet the Company's minimum credit quality standard, or have a guarantee from an affiliate that meets the Company's minimum credit quality standard; and (iii) monitoring the creditworthiness of the Company's counterparties on an ongoing basis. In accordance with the Company's standard practice, its commodity derivatives are subject to counterparty netting under agreements governing such derivatives and therefore the risk of loss due to counterparty nonperformance is somewhat mitigated.

Off-Balance Sheet Arrangements

The Company does not currently have any off-balance sheet arrangements.

Contingencies

See Part II. Item 1. "Legal Proceedings" for information regarding legal proceedings that the Company is party to and any contingencies related to these legal proceedings.

Commitments and Contractual Obligations

The Company has contractual obligations for long-term debt, operating leases and other long-term liabilities that were summarized in the table of contractual obligations in the 2015 Annual Report on Form 10-K. The Company's filing of the Bankruptcy Petitions constituted an event of default that accelerated the Company's obligations under the Credit Facility and the senior notes. See Note 4 for additional information about the Company's debt instruments. There have been no significant changes to the Company's contractual obligations since December 31, 2015.

Critical Accounting Policies and Estimates

The discussion and analysis of the Company's financial condition and results of operations is based on the condensed financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these financial statements requires management of the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosures of contingent assets and liabilities. These estimates and assumptions are based on management's best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors that are believed to be reasonable under the circumstances. Such estimates and assumptions are adjusted when facts and circumstances dictate. Actual results may differ from these estimates and assumptions used in the preparation of the financial statements.

Recently Issued Accounting Standards

For a discussion of recently issued accounting standards, see Note 1.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Continued

Cautionary Statement Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements that are subject to a number of risks and uncertainties, many of which are beyond the Company's control. These statements may include discussions about the Company's and/or LINN Energy's:

- business strategy;
- financial strategy;
- ability to obtain additional funding from LINN Energy;
- risks associated with the Chapter 11 process, including the Company's inability to develop, confirm and consummate a plan under Chapter 11 or an alternative restructuring transaction;
- inability to maintain relationships with suppliers, customers and other third parties as a result of the Chapter 11 filing;
- failure to satisfy the Company's short- or long-term liquidity needs, including its inability to generate sufficient cash flow from operations or to obtain adequate financing to fund its capital expenditures and meet working capital needs and its ability to continue as a going concern;
- large or multiple customer defaults on contractual obligations, including defaults resulting from actual or potential insolvencies;
- effects of legal proceedings;
- drilling locations;
- oil, natural gas and NGL reserves;
- realized oil, natural gas and NGL prices;
- production volumes;
- capital expenditures;
- economic and competitive advantages;
- credit and capital market conditions;
- regulatory changes;
- lease operating expenses, general and administrative expenses and development costs;
- future operating results;
- plans, objectives, expectations and intentions; and
- integration of the assets and operations acquired in the exchanges of properties and commencement of activities in LINN Energy's strategic alliances with GSO Capital Partners LP and Quantum Energy Partners, which may take longer than anticipated, may be more costly than anticipated as a result of unexpected factors or events and may have an unanticipated adverse effect on the Company's business.

All of these types of statements, other than statements of historical fact included in this Quarterly Report on Form 10-Q, are forward-looking statements. These forward-looking statements may be found in Item 2. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "could," "should," "expect," "plan," "project," "intend," "anticipate," "believe," "estimate," "predict," "potential," "pursue," "target," "continue," the negative of such terms or other comparable terminology.

The forward-looking statements contained in this Quarterly Report on Form 10-Q are largely based on Company expectations, which reflect estimates and assumptions made by Company management. These estimates and assumptions reflect management's best judgment based on currently known market conditions and other factors. Although the Company believes such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties beyond its control. In addition, management's assumptions may prove to be inaccurate. The Company cautions that the forward-looking statements contained in this Quarterly Report on Form 10-Q are not guarantees of future performance, and it cannot assure any reader that such statements will be realized or the events will occur. Actual results may differ materially from those anticipated or implied in forward-looking statements due to factors set forth in Item 1A. "Risk Factors" in this Quarterly Report on Form 10-Q and in the Annual Report on Form 10-K for the year ended December 31, 2015, and elsewhere in the Annual Report. The forward-looking statements speak only as of the date made and, other than as required by law, the Company undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations - Continued

The forward-looking statements related to the Plan involve known and unknown risks, uncertainties, assumptions and other factors that may cause the Company's actual results, performance or achievements to be materially different from any results, performance or achievements expressed or implied by other forward-looking statements contained in this Quarterly Report on Form 10-Q, including but not limited to potential adverse effects related to the following: reorganization and related effects on the Company's outstanding debt; potential effects of the industry downturn on the Company's business, financial condition and results of operations; potential limitations on the Company's ability to maintain contracts and other critical business relationships; requirements for adequate liquidity to fund the Company's operations in the future, including obtaining sufficient financing on acceptable terms; and other matters related to the reorganization and the Company's indebtedness, including any defaults related thereto.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company's primary market risks are attributable to fluctuations in commodity prices and interest rates. These risks can affect the Company's business, financial condition, operating results and cash flows. See below for quantitative and qualitative information about these risks.

The following should be read in conjunction with the financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and in the Company's 2015 Annual Report on Form 10-K. The reference to a "Note" herein refers to the accompanying Notes to Condensed Financial Statements contained in Item 1. "Financial Statements."

Commodity Price Risk

The Company's most significant market risk relates to prices of oil, natural gas and NGL. The Company expects commodity prices to remain volatile and unpredictable. As commodity prices decline or rise significantly, revenues and cash flows are likewise affected. In addition, future declines in commodity prices may result in noncash write-downs of the Company's carrying amounts of its assets.

Historically, the Company has hedged a portion of its forecasted production to reduce exposure to fluctuations in oil and natural gas prices. The Company also, from time to time, has entered into derivative contracts for a portion of its natural gas consumption. The appropriate level of production to be hedged is an ongoing consideration based on a variety of factors, including among other things, current and future expected commodity market prices and the Company's overall risk profile, including leverage and size and scale considerations. The Company does not enter into derivative contracts for trading purposes.

In May 2016, as a result of the Chapter 11 proceedings, the Company's counterparties canceled (prior to the contract settlement dates) all of the Company's derivative contracts (with the exception of a contract consisting of 1,840 MMMBtu of natural gas basis swaps for 2016) and the Company received net cash proceeds of approximately $2 million. The net cash proceeds received were used to make permanent repayments of a portion of the borrowings outstanding under the Credit Facility. In July 2016, the Company's remaining derivative contract was canceled by the counterparty. The Company may enter into new derivative contracts during the pendency of the Chapter 11 proceedings to the extent: 1) they are permitted by order of the Bankruptcy Court, 2) acceptable agreements with counterparties can be reached and 3) the Company determines that it is appropriate to hedge given its analysis of the factors identified above.

As of June 30, 2016, the Company had 1,840 MMMBtu of natural gas basis swaps for 2016 and no derivative contracts for years subsequent to 2016. See Note 5 for details about the Company's derivative instruments.

Interest Rate Risk

At June 30, 2016 the Company had debt outstanding under its Credit Facility of approximately $875 million which incurred interest at floating rates (see Note 4). A 1% increase in the respective market rate would result in an estimated $9 million increase in annual interest expense.

Item 3. Quantitative and Qualitative Disclosures About Market Risk - Continued

At December 31, 2015, the Company had debt outstanding under its Credit Facility of approximately $873 million which incurred interest at floating rates. A 1% increase in the respective market rate would result in an estimated $9 million increase in annual interest expense.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Securities Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, and LINN Energy's Audit Committee of the Board of Directors, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

The Company carried out an evaluation under the supervision and with the participation of its management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of June 30, 2016.

Changes in the Company's Internal Control Over Financial Reporting

The Company's management is also responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) of the Exchange Act. The Company's internal controls were designed to provide reasonable assurance as to the reliability of its financial reporting and the preparation and presentation of the condensed financial statements for external purposes in accordance with accounting principles generally accepted in the United States.

Because of its inherent limitations, internal control over financial reporting may not detect or prevent misstatements. Projections of any evaluation of the effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

There were no changes in the Company's internal control over financial reporting during the second quarter of 2016 that materially affected, or were reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II – Other Information

Item 1. Legal Proceedings

The Company is involved in various lawsuits, claims and inquiries, most of which are routine to the nature of its business. In the opinion of management, the resolution of these matters will not have a material adverse effect on its overall business, financial position, results of operations or liquidity; however, cash flow could be significantly impacted in the reporting periods in which such matters are resolved.

The commencement of the Chapter 11 proceedings automatically stayed certain actions against the Company, including actions to collect prepetition liabilities or to exercise control over the property of the Company's bankruptcy estates. The Company intends to seek authority to pay all general claims in the ordinary course of business notwithstanding the commencement of the Chapter 11 proceedings in a manner consistent with the Restructuring Support Agreement. The Plan in the Chapter 11 proceedings, if confirmed, will provide for the treatment of claims against the Company's bankruptcy estates, including prepetition liabilities that have not otherwise been satisfied or addressed during the Chapter 11 proceedings. See above under Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations – Chapter 11 Proceedings" for information about the Company's entry into the Restructuring Support Agreement.

Item 1A. Risk Factors

Our business has many risks. Factors that could materially adversely affect our business, financial condition, operating results or liquidity are described in Item 1A. "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2015. Except as set forth below, as of the date of this report, these risk factors have not changed materially. This information should be considered carefully, together with other information in this report and other reports and materials we file with the United States Securities and Exchange Commission.

Any plan of reorganization that we may implement will be based in large part upon assumptions and analyses developed by us. If these assumptions and analyses prove to be incorrect, our plan may be unsuccessful in its execution.

Any plan of reorganization that we may implement could affect both our capital structure and the ownership, structure and operation of our business and will reflect assumptions and analyses based on our management's experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we consider appropriate under the circumstances. Whether actual future results and developments will be consistent with management's expectations and assumptions depends on a number of factors, including but not limited to (i) our ability to change substantially our capital structure; (ii) our ability to obtain adequate liquidity and financing sources; (iii) our ability to maintain customers' confidence in our viability as a continuing entity and to attract and retain sufficient business from them; (iv) our ability to retain key employees; and (v) the overall strength and stability of general economic conditions of the financial and oil and natural gas industries, both in the U.S. and in global markets. The failure of any of these factors could materially adversely affect the successful reorganization of our business.

In addition, any plan of reorganization will rely upon financial projections, including with respect to revenues, EBITDA, capital expenditures, debt service and cash flow. Financial forecasts are necessarily speculative, and it is likely that one or more of the assumptions and estimates that are the basis of these financial forecasts will not be accurate. In our case, the forecasts will be even more speculative than normal, because they may involve fundamental changes in the nature of our capital structure. Accordingly, we expect that our actual financial condition and results of operations will differ, perhaps materially, from what we have anticipated. Consequently, there can be no assurance that the results or developments contemplated by any plan of reorganization we may implement will occur or, even if they do occur, that they will have the anticipated effects on us or our business or operations. The failure of any such results or developments to materialize as anticipated could materially adversely affect the successful execution of any plan of reorganization.

We have substantial liquidity needs and may not be able to obtain sufficient liquidity to confirm a plan of reorganization and exit bankruptcy.

Although we have lowered our capital budget and reduced the scale of our operations significantly, our business remains capital intensive. In addition to the cash requirements necessary to fund ongoing operations, we have incurred significant professional fees and other costs in connection with our Chapter 11 proceedings and expect that we will continue to incur significant professional fees and costs throughout the Chapter 11 proceedings. There are no assurances that our current liquidity is

Item 1A. Risk Factors - Continued

sufficient to allow us to satisfy our obligations related to the Chapter 11 proceedings, allow us to proceed with the confirmation of a Chapter 11 plan of reorganization and allow us to emerge from bankruptcy. We can provide no assurance that we will be able to secure additional interim financing or exit financing sufficient to meet our liquidity needs.

We are subject to the risks and uncertainties associated with Chapter 11 proceedings.

For the duration of our Chapter 11 proceedings, our operations and our ability to develop and execute our business plan, as well as our continuation as a going concern, are subject to the risks and uncertainties associated with bankruptcy. These risks include the following:

- our ability to develop, confirm and consummate a Chapter 11 plan or alternative restructuring transaction;
- our ability to obtain court approval with respect to motions filed in Chapter 11 proceedings from time to time;
- our ability to maintain our relationships with our suppliers, service providers, customers, employees and other third parties;
- our ability to maintain contracts that are critical to our operations;
- our ability to execute our business plan;
- the ability of third parties to seek and obtain court approval to terminate contracts and other agreements with us;
- the ability of third parties to seek and obtain court approval to terminate or shorten the exclusivity period for us to propose and confirm a Chapter 11 plan, to appoint a Chapter 11 trustee, or to convert the Chapter 11 proceedings to a Chapter 7 proceeding; and
- the actions and decisions of our creditors and other third parties who have interests in our Chapter 11 proceedings that may be inconsistent with our plans.

These risks and uncertainties could affect our business and operations in various ways. For example, negative events associated with our Chapter 11 proceedings could adversely affect our relationships with our suppliers, service providers, customers, employees, and other third parties, which in turn could adversely affect our operations and financial condition. Also, we need the prior approval of the Bankruptcy Court for transactions outside the ordinary course of business, which may limit our ability to respond timely to certain events or take advantage of certain opportunities. Because of the risks and uncertainties associated with our Chapter 11 proceedings, we cannot accurately predict or quantify the ultimate impact of events that will occur during our Chapter 11 proceedings that may be inconsistent with our plans.

Operating under Bankruptcy Court protection for a long period of time may harm our business.

Our future results are dependent upon the successful confirmation and implementation of a plan of reorganization. A long period of operations under Bankruptcy Court protection could have a material adverse effect on our business, financial condition, results of operations and liquidity. So long as the Chapter 11 proceedings continue, our senior management will be required to spend a significant amount of time and effort dealing with the reorganization instead of focusing exclusively on our business operations. A prolonged period of operating under Bankruptcy Court protection also may make it more difficult to retain management and other key personnel necessary for the success and growth of our business. In addition, the longer the Chapter 11 proceedings continue, the more likely it is that our customers and suppliers will lose confidence in our ability to reorganize our business successfully and will seek to establish alternative commercial relationships.

Furthermore, so long as the Chapter 11 proceedings continue, we will be required to incur substantial costs for professional fees and other expenses associated with the administration of the Chapter 11 proceedings. The Chapter 11 proceedings may also require us to seek debtor-in-possession financing to fund operations. If we are unable to obtain such financing on favorable terms or at all, our chances of successfully reorganizing our business may be seriously jeopardized, the likelihood that we instead will be required to liquidate our assets may be enhanced, and, as a result, any securities in us could become further devalued or become worthless.

Furthermore, we cannot predict the ultimate amount of all settlement terms for the liabilities that will be subject to a plan of reorganization. Even once a plan of reorganization is approved and implemented, our operating results may be adversely affected by the possible reluctance of prospective lenders and other counterparties to do business with a company that recently emerged from Chapter 11 proceedings.

Item 1A. Risk Factors - Continued

We may not be able to obtain confirmation of a Chapter 11 plan of reorganization.

To emerge successfully from Bankruptcy Court protection as a viable entity, we must meet certain statutory requirements with respect to adequacy of disclosure with respect to the Plan, solicit and obtain the requisite acceptances of such a plan and fulfill other statutory conditions for confirmation of such a plan, which have not occurred to date. The confirmation process is subject to numerous, unanticipated potential delays, including a delay in the Bankruptcy Court's commencement of the confirmation hearing regarding our Plan.

Prior to the Chapter 11 filing, we entered into the Restructuring Support Agreement with certain of our creditors. The restructuring transactions contemplated by the Restructuring Support Agreement will be effectuated through the Plan. However, we may not receive the requisite acceptances of constituencies in the Chapter 11 proceedings to confirm our Plan. Even if the requisite acceptances of the Plan are received, the Bankruptcy Court may not confirm such a plan. The precise requirements and evidentiary showing for confirming a plan, notwithstanding its rejection by one or more impaired classes of claims or equity interests, depends upon a number of factors including, without limitation, the status and seniority of the claims or equity interests in the rejecting class (i.e., unsecured claims or secured claims, subordinated or senior claims).

If a Chapter 11 plan of reorganization is not confirmed by the Bankruptcy Court, it is unclear whether we would be able to reorganize our business and what, if anything, holders of claims against us would ultimately receive with respect to their claims.

The Restructuring Support Agreement is subject to significant conditions and milestones that may be difficult for us to satisfy.

There are certain material conditions we must satisfy under the Restructuring Support Agreement, including the timely satisfaction of milestones in the anticipated Chapter 11 proceedings, such as confirmation of the Plan and effectiveness of the Plan. Our ability to timely complete such milestones is subject to risks and uncertainties that may be beyond our control.

If the Restructuring Support Agreement is terminated, our ability to confirm and consummate the Plan could be materially and adversely affected.

The Restructuring Support Agreement contains a number of termination events, upon the occurrence of which certain parties to the Restructuring Support Agreement may terminate the agreement. If the Restructuring Support Agreement is terminated, each of the parties thereto will be released from their obligations in accordance with the terms of the Restructuring Support Agreement. Such termination may result in the loss of support for the Plan by the parties to the Restructuring Support Agreement, which could adversely affect our ability to confirm and consummate the Plan. If the Plan is not consummated, there can be no assurance that any new Plan would be as favorable to holders of claims as the current Plan.

Our long-term liquidity requirements and the adequacy of our capital resources are difficult to predict at this time.

We face uncertainty regarding the adequacy of our liquidity and capital resources and have extremely limited, if any, access to additional financing. In addition to the cash requirements necessary to fund ongoing operations, we have incurred significant professional fees and other costs in connection with preparation for the Chapter 11 proceedings and expect to continue to incur significant professional fees and costs throughout our Chapter 11 proceedings. We cannot assure you that cash on hand and cash flow from operations will be sufficient to continue to fund our operations and allow us to satisfy our obligations related to the Chapter 11 proceedings until we are able to emerge from our Chapter 11 proceedings.

Our liquidity, including our ability to meet our ongoing operational obligations, is dependent upon, among other things: (i) our ability to comply with the terms and conditions of any cash collateral order that may be entered by the Bankruptcy Court in connection with the Chapter 11 proceedings, (ii) our ability to maintain adequate cash on hand, (iii) our ability to generate cash flow from operations, (iv) our ability to develop, confirm and consummate a Chapter 11 plan or other alternative restructuring transaction, and (v) the cost, duration and outcome of the Chapter 11 proceedings.

As a result of the Chapter 11 proceedings, our financial results may be volatile and may not reflect historical trends.

Item 1A. Risk Factors - Continued

During the Chapter 11 proceedings, we expect our financial results to continue to be volatile as restructuring activities and expenses, contract terminations and rejections, and claims assessments significantly impact our financial statements. As a result, our historical financial performance is likely not indicative of our financial performance after the date of the bankruptcy filing. In addition, if we emerge from Chapter 11, the amounts reported in subsequent financial statements may materially change relative to historical financial statements, including as a result of revisions to our operating plans pursuant to a plan of reorganization. We also may be required to adopt fresh start accounting, in which case our assets and liabilities will be recorded at fair value as of the fresh start reporting date, which may differ materially from the recorded values of assets and liabilities on our balance sheets. Our financial results after the application of fresh start accounting also may be different from historical trends.

We may be subject to claims that will not be discharged in the Chapter 11 proceedings, which could have a material adverse effect on our financial condition and results of operations.

The Bankruptcy Code provides that the confirmation of a plan of reorganization discharges a debtor from substantially all debts arising prior to confirmation. With few exceptions, all claims that arose prior to May 12, 2016, or before confirmation of the plan of reorganization (i) would be subject to compromise and/or treatment under the plan of reorganization and/or (ii) would be discharged in accordance with the terms of the Plan. Any claims not ultimately discharged through the Plan could be asserted against the reorganized entities and may have an adverse effect on our financial condition and results of operations on a post-reorganization basis.

LINN Energy may experience increased levels of employee attrition as a result of the Chapter 11 proceedings.

We do not have any employees. All of our former employees that were retained after the LINN Energy transaction became employees of Linn Operating, Inc. (“LOI”), a subsidiary of LINN Energy, and along with other LOI personnel, provide services and support to us in accordance with an agency agreement and power of attorney between us and LOI. We depend on the services of these individuals. As a result of the Chapter 11 proceedings, LINN Energy may experience increased levels of employee attrition, and its employees likely will face considerable distraction and uncertainty. A loss of key personnel or material erosion of employee morale could adversely affect our business and results of operations. LINN Energy’s ability to engage, motivate and retain key employees or take other measures intended to motivate and incent key employees to remain with LINN Energy through the pendency of the Chapter 11 proceedings is limited by restrictions on implementation of incentive programs under the Bankruptcy Code. The loss of services of members of LINN Energy’s senior management team could impair our ability to execute our strategy and implement operational initiatives, which would be likely to have a material adverse effect on our business, financial condition and results of operations.

In certain instances, a Chapter 11 case may be converted to a case under Chapter 7 of the Bankruptcy Code.

There can be no assurance as to whether we will successfully reorganize and emerge from the Chapter 11 proceedings or, if we do successfully reorganize, as to when we would emerge from the Chapter 11 proceedings.

If the Bankruptcy Court finds that it would be in the best interest of creditors and/or the Debtors, the Bankruptcy Court may convert our anticipated Chapter 11 bankruptcy case to a case under Chapter 7 of the Bankruptcy Code. In such event, a Chapter 7 trustee would be appointed or elected to liquidate the Debtors’ assets for distribution in accordance with the priorities established by the Bankruptcy Code. The Debtors believe that liquidation under Chapter 7 would result in significantly smaller distributions being made to the Debtors’ creditors than those provided for in a Chapter 11 plan because of (i) the likelihood that the assets would have to be sold or otherwise disposed of in a disorderly fashion over a short period of time rather than reorganizing or selling in a controlled manner the Debtors’ businesses as a going concern, (ii) additional administrative expenses involved in the appointment of a Chapter 7 trustee, and (iii) additional expenses and claims, some of which would be entitled to priority, that would be generated during the liquidation and from the rejection of leases and other executory contracts in connection with a cessation of operations.

We have significant exposure to fluctuations in commodity prices since none of our estimated future production is covered by commodity derivatives and we may not be able to enter into commodity derivatives covering our estimated future production on favorable terms or at all.

Item 1A. Risk Factors - Continued

During the Chapter 11 proceedings, our ability to enter into new commodity derivatives covering estimated future production will be dependent upon either entering into unsecured hedges or obtaining Bankruptcy Court approval to enter into secured hedges. As a result, we may not be able to enter into additional commodity derivatives covering our production in future periods on favorable terms or at all. If we cannot or choose not to enter into commodity derivatives in the future, we could be more affected by changes in commodity prices than our competitors who engage in hedging arrangements. Our inability to hedge the risk of low commodity prices in the future, on favorable terms or at all, could have a material adverse impact on our business, financial condition and results of operations.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

This item is intentionally omitted from this report pursuant to the reduced disclosure format permitted by General Instruction H to Form 10-Q.

Item 3. Defaults Upon Senior Securities

See Part I. Item 1. Note 2 to the Company's condensed financial statements entitled "Chapter 11 Proceedings, Ability to Continue as a Going Concern and Covenant Violations" which is incorporated in this item by reference.

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

None

Item 6. Exhibits

Exhibit Number	Description
3.1	Certificate of Formation of Berry Petroleum Company, LLC (incorporated herein by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed on December 20, 2013)
3.2	Amended and Restated Limited Liability Company Agreement of Berry Petroleum Company, LLC dated March 28, 2016 (incorporated herein by reference to Exhibit 3.2 to the Company's Quarterly Report on Form 10-Q filed on May 12, 2016)
10.1	Twelfth Amendment to Second Amended and Restated Credit Agreement, dated as of April 12, 2016, among Berry Petroleum Company, LLC, as borrower, each of the lenders party thereto and Wells Fargo Bank, National Association, as administrative agent (incorporated herein by reference to Exhibit 10.2 to Linn Energy, LLC's Current Report on Form 8-K filed on April 15, 2016)
10.2	Restructuring Support Agreement, dated as of May 10, 2016, by and among the Debtors and the supporting parties thereto (incorporated herein by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on May 11, 2016)
31.1*	Section 302 Certification of Chief Executive Officer
31.2*	Section 302 Certification of Chief Financial Officer
32.1*	Section 906 Certification of Chief Executive Officer
32.2*	Section 906 Certification of Chief Financial Officer
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Extension Label Linkbase Data Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

** Furnished herewith.

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 thereunto duly authorized.

BERRY PETROLEUM COMPANY, LLC
(Registrant)

Date: August 11, 2016

/s/ Darren R. Schluter
Darren R. Schluter
Vice President and Controller
(Duly Authorized Officer and Principal Accounting Officer)

Date: August 11, 2016

/s/ David B. Rottino
David B. Rottino
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.1

CERTIFICATION

I, Mark E. Ellis, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Berry Petroleum Company, LLC (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2016

/s/ Mark E. Ellis

Mark E. Ellis

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, David B. Rottino, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Berry Petroleum Company, LLC (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2016

/s/ David B. Rottino

David B. Rottino

Executive Vice President and Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Berry Petroleum Company, LLC (the "Company") on Form 10-Q for the quarter ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark E. Ellis, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 11, 2016

/s/ Mark E. Ellis

Mark E. Ellis
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Berry Petroleum Company, LLC (the "Company") on Form 10-Q for the quarter ended June 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David B. Rottino, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 11, 2016

/s/ David B. Rottino

David B. Rottino

Executive Vice President and Chief Financial Officer