LINN ENERGY, INC.

FORM 8-K
(Current report filing)

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

FORM 8-K

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

Date of Report (Date of earliest event reported): June 1, 2017 (May 25, 2017)

LINN ENERGY, INC.
(Exact name of registrant specified in its charter)

Delaware	000-51719	81-5366183
(State or Other Jurisdiction Of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

600 Travis Street Houston, Texas	77002
(Address of principal executive offices)	(Zip Code)

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

NOT APPLICABLE
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 1.01. Entry into a Material Definitive Agreement.

Purchase and Sale Agreement

On May 25, 2017, Linn Energy Holdings, LLC ("LEH") and Linn Operating, LLC ("LOL" and together with LEH, the "Seller"), each of which is a wholly owned subsidiary of Linn Energy, Inc. (the "Company"), entered into a purchase and sale agreement (the "PSA") with Denbury Onshore, LLC (the "Buyer"). Pursuant to the terms of the PSA, the Seller agrees to sell approximately 5,000 total net acres located in the Salt Creek Field, Wyoming to the Buyer for $71.5 million in cash, subject to purchase price adjustments (the "Denbury Assets Sale"). Proceeds from the Denbury Assets Sale are expected to be used to reduce outstanding borrowings under the Company's revolving credit facility. The Denbury Assets Sale is expected to close in the second quarter of 2017, with an effective date of March 1, 2017.

The PSA contains various representations, warranties, covenants and indemnification obligations of the Seller and the Buyer that are customary in transactions of this type. The closing is subject to satisfaction or waiver of specified conditions, including the material accuracy of the representations and warranties of the Seller and the Buyer. There can be no assurance that these closing conditions will be satisfied.

The PSA may be terminated, subject to certain exceptions, (i) by mutual written consent of the Seller and the Buyer, (ii) resulting from certain material breaches of the PSA that remain uncured and cause the failure of certain closing conditions, (iii) if the closing has not occurred on or before August 1, 2017, (iv) in the event the conditions related to the Title Defect Values (as defined in the PSA) and the Aggregate Environmental Defect Values (as defined in the PSA) are not satisfied and (v) upon the occurrence of certain other events specified in the PSA.

On May 26, 2017, the Buyer placed into escrow approximately $7.15 million (the "Deposit Amount"). If the PSA is terminated under certain circumstances resulting from a breach of the PSA by the Buyer, the Seller will be entitled to receive the Deposit Amount as liquidated damages. Alternatively, if the PSA is terminated under certain circumstances resulting from a breach of the PSA by the Seller, the Buyer will be entitled, in addition to seeking damages for breach of the PSA, to receive the Deposit Amount.

The foregoing description of the PSA and the transactions contemplated thereby does not purport to be complete and is qualified in its entirety by reference to the PSA, which will be filed with the Company's Form 10-Q for the quarter ending June 30, 2017. The PSA is filed herewith to provide investors with information regarding its terms. It is not intended to provide any other factual information about the Company, the Seller or the Buyer as of the specific dates therein, is solely for the benefit of the parties to the PSA, may be subject to limitations agreed upon by the contracting parties, including being qualified by disclosures made for the purposes of allocating contractual risk between the contracting parties that differ from those applicable to investors. Investors are not third-party beneficiaries under the PSA and should not rely on the representations, warranties and covenants or any descriptions thereof as characterizations of the actual state of facts or condition of the parties thereto or any of their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of representations and warranties may change after the date of the PSA and this subsequent information may or may not be fully reflected in the Company's public disclosures.

First Amendment to Credit Agreement

On May 31, 2017, the Company entered into the First Amendment and Consent to Credit Agreement (the "First Amendment"), by and among Linn Energy Holdco II LLC, as borrower (the "Borrower"), Linn Energy Holdco LLC, the Company, the subsidiary guarantors named therein, Wells Fargo Bank, National Association, as administrative agent (the "Administrative Agent"), and each of the lenders party thereto (the "Lenders"). The First Amendment amends the parties' existing Credit Agreement, dated as of February 28, 2017 (the "Credit Agreement") to provide for, among other things:

(i) the payment in full of the outstanding principal and interest due on account of the term loan under the Credit Agreement and the payment of a portion of the outstanding principal and interest due on account of the reserve-based revolving loan under the Credit Agreement, as funded by no less than $500 million in minimum net cash proceeds from the Jonah Assets Sale (as defined in Item 2.01 below);

(ii) the elimination of the non-conforming borrowing base in respect of the revolving loan facility;

(iii) a decrease in the Borrower's permitted maximum total net debt to EBITDA maintenance covenant ratio to no more than 4.00 to 1.00, as measured as of the last date of each fiscal quarter, with the first measurement date to be reset to September 30, 2017;

(iv) an additional requirement that the Borrower maintain a minimum maintenance covenant ratio of current assets (including undrawn capacity under the revolving credit agreement) to current liabilities of no less than 1.00 to 1.00, measured as of the last date of any fiscal quarter for the trailing twelve month period then ended, beginning with the fiscal quarter ending September 30, 2017;

(v) the addition of certain permitted investments and restricted payment baskets, including share repurchases up to $75 million, each subject to certain specified terms, conditions, and thresholds;

(vi) the addition of flexibility to contribute specified assets to unrestricted subsidiaries and permitted joint ventures, each subject to certain terms and conditions, including certain separateness covenants;

(vii) the parties' consent to certain borrowing base adjustments in connection with the sale of certain oil and gas properties, including the Denbury Assets Sale and the Jonah Assets Sale;

(viii) the parties' consent to a $1 billion borrowing base, applicable to the period beginning on May 31, 2017, with the next scheduled borrowing base redetermination to occur on October 1, 2017; and

(ix) an extension of the deadline for entry into natural gas swap agreements for calendar year 2019 to October 1, 2017.

The First Amendment also contains customary representations, warranties and agreements of the Borrower, the Company, and its subsidiary guarantors.

All other material terms and conditions of the parties' existing Credit Agreement were unchanged.

The foregoing description of the First Amendment does not purport to be complete and is qualified in its entirety by reference to the First Amendment, which will be filed with the Company's Form 10-Q for the quarter ending June 30, 2017.

Cautionary Note Regarding Forward-Looking Statements

Certain statements in this Current Report on Form 8-K are forward-looking and are based upon the Company's current belief as to the outcome and timing of future events. All statements, other than statements of historical facts, that address activities that the Company plans, expects, believes, projects, estimates or anticipates will, should or may occur in the future are forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements herein include, but are not limited to, the ability to consummate the Denbury Assets Sale as contemplated by the PSA, the use of the proceeds from the Denbury Assets Sale to reduce outstanding borrowings under the Company's debt instruments and the risk factors and known trends and uncertainties as described in the Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission. These and other important factors could cause actual results to differ materially from those anticipated or implied in the forward-looking statements. Please read "Risk Factors" in the Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and other public filings. The Company undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 2.01 Completion of Acquisition or Disposition of Assets.

On May 31, 2017, LEH and LOL completed the previously announced sale to Jonah Energy LLC of producing wells and developed and undeveloped acreage covering approximately 27,500 total net acres located in western Wyoming (the "Jonah Assets Sale"). The Company used the net cash proceeds received of approximately $561 million to repay in full its approximate $294 million term loan and to repay a portion of the borrowings outstanding under its revolving loan.

The foregoing description of the Jonah Assets Sale does not purport to be complete and is qualified in its entirety by reference to the Purchase and Sale Agreement, dated April 30, 2017, by and between LEH, LOL and Jonah Energy LLC, which was filed with the Company's Current Report on Form 8-K on May 4, 2017 and is incorporated by reference herein.

Item 2.03 Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement.

The description of the First Amendment included under Item 1.01 of this Current Report on Form 8-K is incorporated by reference herein.

Item 9.01. Financial Statements and Exhibits.

(b) Pro Forma Financial Information.

The unaudited pro forma condensed consolidated balance sheet of the Company as of March 31, 2017, which gives effect to the Jonah Assets Sale, and the unaudited pro forma condensed consolidated statements of operations of the Company for the three months ended March 31, 2017, and the year ended December 31, 2016, which give effect to the Jonah Assets Sale as well as the Company's plan of reorganization and fresh start accounting, are furnished as Exhibit 99.1 to this Current Report on Form 8-K and incorporated by reference herein.

(d) Exhibits.

Exhibit Number	Description
99.1	The unaudited pro forma condensed consolidated balance sheet of the Company as of March 31, 2017, which gives effect to the Jonah Assets Sale, and the unaudited pro forma condensed consolidated statements of operations of the Company for the three months ended March 31, 2017, and the year ended December 31, 2016, which give effect to the Jonah Assets Sale as well as the Company's plan of reorganization and fresh start accounting.

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 hereunto duly authorized.

Dated: June 1, 2017

LINN ENERGY, INC.

By: /s/ Candice J. Wells

Name: Candice J. Wells

Title: Senior Vice President, General Counsel and Corporate Secretary

Exhibit Index

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99.1	The unaudited pro forma condensed consolidated balance sheet of the Company as of March 31, 2017, which gives effect to the Jonah Assets Sale, and the unaudited pro forma condensed consolidated statements of operations of the Company for the three months ended March 31, 2017, and the year ended December 31, 2016, which give effect to the Jonah Assets Sale as well as the Company's plan of reorganization and fresh start accounting.

Exhibit 99.1

LINN ENERGY, INC.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

When referring to Linn Energy, Inc. (formerly known as Linn Energy, LLC) ("Successor" or "LINN Energy"), the intent is to refer to LINN Energy, a newly formed Delaware corporation, and its consolidated subsidiaries as a whole or on an individual basis, depending on the context in which the statements are made. Linn Energy, Inc. is a successor issuer of Linn Energy, LLC pursuant to Rule 15d-5 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). When referring to the "Predecessor" in reference to the period prior to the emergence from bankruptcy, the intent is to refer to Linn Energy, LLC, the predecessor that will be dissolved following the effective date of the plan of reorganization and resolution of all outstanding claims, and its consolidated subsidiaries as a whole or on an individual basis, depending on the context in which the statements are made.

On May 31, 2017, LINN Energy, through certain of its wholly owned subsidiaries, completed the previously announced sale of its properties located in western Wyoming to Jonah Energy, LLC (the "Jonah Assets Sale"). LINN Energy used the net cash proceeds received of approximately $561 million to repay in full its approximate $294 million term loan and to repay a portion of the borrowings outstanding under its revolving loan.

On May 11, 2016 (the "Petition Date"), Linn Energy, LLC and certain of its direct and indirect subsidiaries (collectively, the "Debtors") filed voluntary petitions for relief under Chapter 11 of the U.S. Bankruptcy Code in the U.S. Bankruptcy Court for the Southern District of Texas. The Debtors' Chapter 11 cases were administered jointly under the caption In re Linn Energy, LLC, et al., Case No. 16-60040. LINN Energy emerged from bankruptcy effective February 28, 2017 (the "Effective Date"). Upon emergence from bankruptcy on February 28, 2017, LINN Energy adopted fresh start accounting which resulted in it becoming a new entity for financial reporting purposes.

The unaudited pro forma condensed consolidated balance sheet gives effect to the Jonah Assets Sale as if the transaction had been completed as of March 31, 2017. The unaudited pro forma condensed consolidated statements of operations give effect to the Jonah Assets Sale as well as LINN Energy's plan of reorganization and fresh start accounting as if each had been completed as of January 1, 2016.

The unaudited pro forma condensed consolidated financial statements are for informational and illustrative purposes only and are not necessarily indicative of the financial results that would have occurred if the transaction or the Effective Date had occurred on the dates indicated, nor are such financial statements necessarily indicative of the financial position or results of operations in future periods. The unaudited pro forma condensed consolidated financial statements do not include the realization of cost savings expected to result from the transaction or the plan of reorganization. The assumptions and estimates underlying the adjustments to the unaudited pro forma condensed consolidated financial statements are described in the accompanying notes. The unaudited pro forma condensed consolidated financial information should also be read in conjunction with LINN Energy's historical financial statements and the notes thereto included in its Annual Report on Form 10-K for the year ended December 31, 2016, as amended, and Quarterly Report on Form 10-Q for the quarter ended March 31, 2017.

LINN ENERGY, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET
MARCH 31, 2017
(in thousands)

	Successor LINN Energy Historical	Jonah Assets Sale Pro Forma Adjustments		LINN Energy Pro Forma
ASSETS				
Current assets:				
Cash and cash equivalents	$ 1,072	$ 560,702	*(a)*	$ 1,072
		(560,702)	*(a)*	
Accounts receivable – trade, net	181,034	(663)	*(b)*	180,371
Derivative instruments	2,406	—		2,406
Restricted cash	81,766	5,000	*(a)*	86,766
Other current assets	91,005	(4,014)	*(b)*	86,991
Total current assets	357,283	323		357,606
Noncurrent assets:				
Oil and natural gas properties (successful efforts method), net	2,188,542	(303,032)	*(b)*	1,885,510
Other property and equipment, net	441,754	(4,784)	*(b)*	436,970
Derivative instruments	8,960	—		8,960
Deferred income taxes	624,704	(93,868)	*(c)*	530,836
Other noncurrent assets	23,352	—		23,352
Total noncurrent assets	3,287,312	(401,684)		2,885,628
Total assets	$ 3,644,595	$ (401,361)		$ 3,243,234
LIABILITIES AND EQUITY				
Current liabilities:				
Accounts payable and accrued expenses	$ 334,160	$ (928)	*(b)*	$ 333,232
Derivative instruments	18,701	—		18,701
Current portion of long-term debt	28,125	(28,125)	*(a)*	—
Other accrued liabilities	48,829	(680)	*(b)*	48,149
Total current liabilities	429,815	(29,733)		400,082
Noncurrent liabilities:				
Long-term debt	805,625	(527,577)	*(a)*	278,048
Other noncurrent liabilities	350,981	(35,412)	*(b)*	315,569
Total noncurrent liabilities	1,156,606	(562,989)		593,617
Temporary equity:				
Redeemable noncontrolling interests	29,350	—		29,350
Stockholders' equity:				
Successor Class A common stock	89	—		89
Successor additional paid-in capital	2,035,991	—		2,035,991
Successor retained earnings (accumulated deficit)	(7,256)	191,361	*(d)*	184,105
Total stockholders' equity	2,028,824	191,361		2,220,185
Total liabilities and equity	$ 3,644,595	$ (401,361)		$ 3,243,234

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

LINN ENERGY, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
THREE MONTHS ENDED MARCH 31, 2017
(in thousands, except per share and per unit amounts)

	Predecessor Two Months Ended February 28, 2017	Successor One Month Ended March 31, 2017	Pro Forma Adjustments					
	LINN Energy Historical	LINN Energy Historical	Reorganization and Fresh Start Accounting		Jonah Assets Sale		LINN Energy Pro Forma	
Revenues and other:								
Oil, natural gas and natural gas liquids sales	$ 203,766	$ 87,445	$ —		$ (40,568)	*(j)*	$ 250,643	
Gains (losses) on oil and natural gas derivatives	92,691	(11,959)	—		—		80,732	
Marketing revenues	6,636	2,914	—		—		9,550	
Other revenues	9,925	2,033	—		(2)	*(j)*	11,956	
	313,018	80,433	—		(40,570)		352,881	
Expenses:								
Lease operating expenses	53,224	27,166	—		(5,228)	*(j)*	75,162	
Transportation expenses	25,972	13,723	—		(5,275)	*(j)*	34,420	
Marketing expenses	4,820	2,539	—		—		7,359	
General and administrative expenses	71,745	10,411	(39,686)	*(e)*	—		42,470	
Exploration costs	93	55	—		—		148	
Depreciation, depletion and amortization	56,484	21,362	(13,481)	*(f)*	(10,852)	*(k)*	53,513	
Taxes, other than income taxes	15,747	7,502	—		(4,264)	*(j)*	18,985	
Losses on sale of assets and other, net	672	445	—		—		1,117	
	228,757	83,203	(53,167)		(25,619)		233,174	
Other income and (expenses):								
Interest expense, net of amounts capitalized	(18,406)	(4,917)	10,742	*(g)*	8,533	*(l)*	(4,048)	
Other, net	(149)	(388)	—		—		(537)	
	(18,555)	(5,305)	10,742		8,533		(4,585)	
Reorganization items, net	2,331,189	(2,565)	(2,328,624)	*(h)*	—		—	
Income (loss) before income taxes	2,396,895	(10,640)	(2,264,715)		(6,418)		115,122	
Income tax expense (benefit)	(166)	(3,384)	46,900	*(i)*	(578)	*(i)*	42,772	
Net income (loss)	$ 2,397,061	$ (7,256)	$ (2,311,615)		$ (5,840)		$ 72,350	
Basic and diluted net income (loss) per share/unit	$ 6.79	$ (0.08)					$ 0.81	
Basic and diluted weighted average shares/units outstanding	352,792	89,848					89,848	*(m)*

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

LINN ENERGY, INC.
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS
YEAR ENDED DECEMBER 31, 2016
(in thousands, except per share and per unit amounts)

	Predecessor	Pro Forma Adjustments					
	LINN Energy Historical	Reorganization and Fresh Start Accounting		Jonah Assets Sale		LINN Energy Pro Forma	
Revenues and other:							
Oil, natural gas and natural gas liquids sales	$ 952,132	$ —		$ (147,115)	*(j)*	$ 805,017	
Losses on oil and natural gas derivatives	(164,330)	—		—		(164,330)	
Marketing revenues	36,505	—		—		36,505	
Other revenues	93,406	—		(8)	*(j)*	93,398	
	917,713	—		(147,123)		770,590	
Expenses:							
Lease operating expenses	317,046	—		(19,262)	*(j)*	297,784	
Transportation expenses	161,037	—		(32,962)	*(j)*	128,075	
Marketing expenses	29,736	—		—		29,736	
General and administrative expenses	237,841	14,016	*(e)*	—		251,857	
Exploration costs	4,080	—		—		4,080	
Depreciation, depletion and amortization	404,237	(103,399)	*(f)*	(74,426)	*(k)*	226,412	
Impairment of long-lived assets	165,044	—		—		165,044	
Taxes, other than income taxes	74,838	—		(15,410)	*(j)*	59,428	
Losses on sale of assets and other, net	15,558	—		—		15,558	
	1,409,417	(89,383)		(142,060)		1,177,974	
Other income and (expenses):							
Interest expense, net of amounts capitalized	(192,862)	143,015	*(g)*	35,426	*(l)*	(14,421)	
Other, net	(1,536)	—		—		(1,536)	
	(194,398)	143,015		35,426		(15,957)	
Reorganization items, net	311,599	(311,599)	*(h)*	—		—	
Loss from continuing operations before income taxes	(374,503)	(79,201)		30,363		(423,341)	
Income tax expense (benefit)	11,194	(170,370)	*(i)*	—	*(i)*	(159,176)	
Loss from continuing operations	$ (385,697)	$ 91,169		$ 30,363		$ (264,165)	
Basic and diluted loss per unit/share - continuing operations	$ (1.10)					$ (2.94)	
Basic and diluted weighted average units/shares outstanding	352,653					89,848	*(m)*

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

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 – Basis of Presentation

The unaudited pro forma condensed consolidated balance sheet as of March 31, 2017, is derived from the historical consolidated balance sheet of LINN Energy with adjustments to reflect the Jonah Assets Sale.

The unaudited pro forma condensed consolidated statements of operations for the three months ended March 31, 2017, and the year ended December 31, 2016, are derived from:

- the historical consolidated statements of operations of LINN Energy;
- adjustments to reflect the Jonah Assets Sale; and
- adjustments to reflect LINN Energy's plan of reorganization and fresh start accounting.

The unaudited pro forma condensed consolidated balance sheet gives effect to the Jonah Assets Sale as if the transaction had been completed as of March 31, 2017. The unaudited pro forma condensed consolidated statements of operations give effect to the Jonah Assets Sale as well as LINN Energy's plan of reorganization and fresh start accounting as if each had been completed as of January 1, 2016. The transaction and events as well as the related adjustments are described below. In the opinion of LINN Energy management, all adjustments have been made that are necessary to present fairly, in accordance with Regulation S-X, the pro forma condensed consolidated financial statements.

The historical condensed consolidated financial statements have been adjusted in the unaudited pro forma condensed consolidated financial statements to give effect to pro forma events that are (1) directly attributable to the transaction and events, (2) factually supportable and (3) with respect to the pro forma condensed consolidated statements of operations, expected to have a continuing impact on the results following the transaction and events.

Note 2 – Jonah Assets Sale and Emergence From Voluntary Reorganization Under Chapter 11

Jonah Assets Sale

On May 31, 2017, LINN Energy, through certain of its wholly owned subsidiaries, completed the Jonah Assets Sale. The assets and liabilities associated with the properties sold in the Jonah Assets Sale, as well as the related results of operations, were included in the historical financial statements of LINN Energy until the date of sale.

Emergence From Voluntary Reorganization Under Chapter 11

Upon emergence from bankruptcy on February 28, 2017, LINN Energy adopted fresh start accounting which resulted in it becoming a new entity for financial reporting purposes. As a result of the application of fresh start accounting and the effects of the implementation of the plan of reorganization, the condensed consolidated financial statements on or after February 28, 2017, are not comparable with the condensed consolidated financial statements prior to that date.

Note 3 – Pro Forma Adjustments

(a) Reflects approximately $561 million of cash proceeds, net of costs to sell of approximately $5 million, received from the Jonah Assets Sale. Of the net cash proceeds received, $5 million remains in escrow, approximately $294 million was used to repay in full the term loan, including the current portion of approximately $28 million, and approximately $262 million was used to repay a portion of the borrowings outstanding under LINN Energy's revolving loan.

(b) Reflects the elimination of assets and liabilities associated with the Jonah Assets Sale as of March 31, 2017. See below for a summary of the net assets sold (in thousands):

Assets:	
Current	$ 4,677
Oil and natural gas properties	303,032
Other property and equipment	4,784
Total assets sold	312,493
Liabilities:	
Current	1,608
Asset retirement obligations (excluding $680 in current liabilities)	35,412
Total liabilities sold	37,020
Net assets sold	$275,473

(c) Reflects a reduction of deferred income taxes as a result of the Jonah Assets Sale.

(d) Reflects a net gain on the Jonah Assets Sale of approximately $191 million. This gain is excluded from the pro forma statements of operations as it represents a nonrecurring credit not expected to have a continuing impact.

(e) For the three months ended March 31, 2017, reflects the elimination of Effective Date share-based compensation expenses of approximately $50 million, which represent nonrecurring amounts directly attributable to the plan of reorganization and not expected to have a continuing impact, partially offset by the recognition of approximately $10 million in additional recurring share-based compensation expenses.

For the year ended December 31, 2016, reflects the recognition of approximately $68 million in recurring share-based compensation expenses, partially offset by the elimination of the Predecessor's share-based compensation expenses of approximately $34 million and prepetition restructuring costs of approximately $20 million. In December 2016, the Predecessor canceled all of its then-outstanding nonvested share-based awards without consideration given to the employees. In February 2017, the Successor granted new awards to certain of its employees in accordance with its plan of reorganization.

(f) Reflects a reduction of depreciation, depletion and amortization expense based on new asset values and useful lives as a result of adopting fresh start accounting as of the Effective Date.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – Continued

(g) Reflects a reduction of interest expense as a result of the plan of reorganization. As of the Effective Date, borrowings under the Successor's credit facility included a term loan of $300 million and a revolving loan of $600 million, which incurred interest at rates of 8.33% and 4.33% per annum, respectively. The pro forma adjustments to interest expense were calculated as follows:

	Three Months Ended March 31, 2017	Year Ended December 31, 2016
	(in thousands)	
Reversal of Predecessor's credit facility and term loan interest expense	$ 16,946	$ 100,605
Reversal of Predecessor's senior notes interest expense	—	81,797
Reversal of amortization of debt costs on Predecessor's credit facility	1,338	10,697
Reversal of Predecessor's capitalized interest and other	122	(237)
Pro forma term loan interest expense on drawn amounts	(3,334)	(23,867)
Pro forma revolving loan interest expense on drawn amounts	(4,330)	(25,980)
Pro forma adjustments to decrease interest expense	$ 10,742	$ 143,015

(h) Reflects the elimination of nonrecurring reorganization items that were directly attributable to the Chapter 11 reorganization, which consist of the following:

	Predecessor	Successor
	Two Months Ended February 28, 2017	One Month Ended March 31, 2017
(in thousands)		
Gain on settlement of liabilities subject to compromise	$ 3,724,750	$ —
Recognition of an additional claim for the Predecessor's second lien notes settlement	(1,000,000)	—
Fresh start valuation adjustments	(591,525)	—
Income tax benefit related to implementation of the plan of reorganization	264,889	—
Legal and other professional advisory fees	(46,961)	(2,570)
Terminated contracts	(6,915)	—
Other	(13,049)	5
Reorganization items, net	$ 2,331,189	$ (2,565)

	Predecessor Year Ended December 31, 2016
	(in thousands)
Legal and other professional advisory fees	$ (56,656)
Unamortized deferred financing fees, discounts and premiums	(52,045)
Gain related to interest payable on the 12.00% senior secured second lien notes due December 2020	551,000
Terminated contracts	(66,052)
Other	(64,648)
Reorganization items, net	$ 311,599

(i) Effective February 28, 2017, upon consummation of the plan of reorganization, the Successor became a C corporation subject to federal and state income taxes. Prior to the consummation of the plan of reorganization, the Predecessor was a limited liability company treated as a partnership for federal and state income tax purposes, with the exception of the state of Texas, in which income tax liabilities and/or benefits of the Company were passed through to its unitholders. Limited liability companies are subject to Texas margin tax. In addition, certain of the Predecessor's subsidiaries were C corporations subject to federal and state income taxes. As such, with the exception of the state of Texas and certain subsidiaries, the Predecessor did not directly pay federal and state income taxes and recognition was not given to federal and state income taxes for the operations of the Predecessor.

The pro forma adjustments to income tax expense (benefit) reflect the results of the Successor as a C corporation based on an estimated tax rate of 37.6%.

(j) Reflects the elimination of the revenues and direct operating expenses associated with the Jonah Assets Sale.

(k) Reflects a reduction of depreciation, depletion and amortization expense as a result of the Jonah Assets Sale.

(l) Reflects a reduction of interest expense as a result of the repayment of approximately $556 million of debt from the net cash proceeds received from the Jonah Assets Sale.

(m) In accordance with the plan of reorganization, on the Effective Date, all units of the Predecessor that were issued and outstanding immediately prior to the Effective Date were extinguished without recovery, and approximately 89.2 million shares of Class A common stock were issued. In addition, approximately 0.6 million restricted stock units were issued and vested on the Effective Date. These transactions were assumed to have occurred as of January 1, 2016.

Note 4 – Supplemental Oil and Natural Gas Reserve Information

The following tables set forth certain unaudited pro forma information concerning LINN Energy's proved oil, natural gas and natural gas liquids ("NGL") reserves for the year ended December 31, 2016, giving effect to the Jonah Assets Sale as if it had been completed as of January 1, 2016.

	Year Ended December 31, 2016					
	LINN Energy Historical Natural Gas (Bcf)	LINN Energy Historical Oil (MMBbls)	LINN Energy Historical NGL (MMBbls)	LINN Energy Historical Continuing Operations (Bcfe)	Jonah Assets Sale (Bcfe)	LINN Energy Pro Forma Total (Bcfe)
Proved developed and undeveloped reserves:						
Beginning of year	2,231	103.4	97.3	3,435	(384)	3,051
Revisions of previous estimates	(9)	(4.3)	0.9	(29)	(11)	(40)
Extensions, discoveries and other additions	265	10.1	15.2	417	(174)	243
Production	(187)	(10.0)	(9.3)	(303)	56	(247)
End of year	2,300	99.2	104.1	3,520	(513)	3,007
Proved developed reserves:						
Beginning of year	2,231	103.4	97.3	3,435	(384)	3,051
End of year	2,128	93.3	94.4	3,254	(372)	2,882
Proved undeveloped reserves:						
Beginning of year	—	—	—	—	—	—
End of year	172	5.9	9.7	266	(141)	125

The following table sets forth the standardized measure of discounted future net cash flows relating to proved reserves as of December 31, 2016, giving effect to the Jonah Assets Sale. Future cash inflows are computed by applying applicable prices relating to the Company's proved reserves to the year-end quantities of those reserves. Future production, development, site restoration and abandonment costs are derived based on costs assuming continuation of existing economic conditions. There are no future income tax expenses because the Predecessor was not subject to federal income taxes. Limited liability companies are subject to Texas margin tax; however, these amounts are not material.

	Year Ended December 31, 2016		
	LINN Energy Historical	Jonah Assets Sale	LINN Energy Pro Forma
		(in thousands)	
Future estimated revenues	$10,876,241	$(1,391,832)	$ 9,484,409
Future estimated production costs	(6,286,264)	686,323	(5,599,941)
Future estimated development costs	(971,055)	179,027	(792,028)
Future net cash flows	3,618,922	(526,482)	3,092,440
10% annual discount for estimated timing of cash flows	(1,690,224)	206,907	(1,483,317)
Standardized measure of discounted future net cash flows – continuing operations	$ 1,928,698	$ (319,575)	$ 1,609,123
Representative NYMEX prices: (1)			
Natural gas (MMBtu)	$ 2.48		
Oil (Bbl)	$ 42.64		

(1) In accordance with SEC regulations, reserves were estimated using the average price during the 12-month period, determined as an unweighted average of the first-day-of-the-month price for each month, excluding escalations based upon future conditions. The average price used to estimate reserves is held constant over the life of the reserves.

The following table summarizes the principal sources of change in the standardized measure of discounted future net cash flows:

	Year Ended December 31, 2016		
	LINN Energy Historical	Jonah Assets Sale	LINN Energy Pro Forma
		(in thousands)	
Sales and transfers of oil, natural gas and NGL produced during the period	$ (400,243)	$ 79,481	$ (320,762)
Changes in estimated future development costs	18,843	4,062	22,905
Net change in sales and transfer prices and production costs related to future production	(162,460)	9,127	(153,333)
Extensions, discoveries and improved recovery	221,765	(70,550)	151,215
Net change due to revisions in quantity estimates	(9,291)	(19,480)	(28,771)
Accretion of discount	203,817	(29,482)	174,335
Changes in production rates and other	18,094	2,090	20,184
Change – continuing operations	$ (109,475)	$ (24,752)	$ (134,227)

The data presented should not be viewed as representing the expected cash flow from, or current value of, existing proved reserves since the computations are based on a large number of estimates and assumptions. The required projection of production and related expenditures over time requires further estimates with respect to pipeline availability, rates of demand and governmental control. Actual future prices and costs are likely to be substantially different from the prices and costs utilized in the computation of reported amounts. Any analysis or evaluation of the reported amounts should give specific recognition to the computational methods utilized and the limitations inherent therein.