LINN ENERGY – FINAL
THIRD QUARTER 2017 EARNINGS CALL SCRIPT
November 14, 2017 – 11 a.m. CDT

Management Participants:

- Mark E. Ellis – President and Chief Executive Officer
- David B. Rottino – Executive Vice President and Chief Financial Officer
- Arden L. Walker, Jr. – Executive Vice President and Chief Operating Officer
- Darren Schluter – Vice President – Controller
- Thomas Belsha – Vice President – Investor Relations and Corporate Development

MANAGEMENT DISCUSSION

Laura McDonald:

Good morning and welcome to LINN Energy's third quarter 2017 earnings conference call. Today's call is being recorded. At this time, I will turn the call over to Thomas Belsha, LINN Energy's Vice President of Investor Relations and Corporate Development, for opening remarks. Tom, please go ahead.

Thomas Belsha:

Thank you for joining our third quarter 2017 earnings conference call. In a moment, I will introduce Mark Ellis, our President and Chief Executive Officer, but first I need to provide you with disclosure regarding forward-looking statements that will be made during this call. The statements describing our beliefs, goals, plans, strategies, expectations, projections, forecasts and assumptions are forward-looking statements. Please note that the Company's actual results may differ from those anticipated by such forward-looking statements for a variety of reasons, many of which are beyond our control. Additional information concerning certain risk factors relating to our business, prospects and results are available in the Company's filings with the SEC, including LINN's Form 10-Q for the quarter ended September 30, 2017, which we plan to file later today, and any other public filings and press releases.

Additionally, to the extent we discuss non-GAAP measures such as adjusted EBITDAX during the call, please see our earnings press release for the calculation of these measures and the GAAP reconciliations.

Additional information can be found on LINN Energy's website at www.linnenergy.com in the Investor section. I will now turn the call over to Mark Ellis, LINN's President and CEO.

Mark Ellis:

Introduction

Thanks Tom, and good morning. Joining us today from LINN are David Rottino, Executive Vice President and Chief Financial Officer, Arden Walker, Executive Vice President and Chief Operating Officer and Darren Schluter, Vice President and Controller.

Strategic / Growth Assets

Since our emergence from financial restructuring a short eight months ago, we have been singularly focused on creating shareholder value from our sizable portfolio of diverse high quality assets. This is evident in our strong stock performance since emergence. But the hard work is far from done and we continue to work closely with our board to execute on an ambitious plan to maximize value for our shareholders.

Central to this plan is unlocking the value of our concentrated strategic position in the Merge, a prolific horizontal play located between the SCOOP and STACK in central Oklahoma. We have been able to accomplish this in two ways.

First, at the end of June we entered into an agreement with Citizen Energy to combine our core acreage in the Merge and expertise to form a new company named Roan Resources LLC. We closed on this transaction in August and now have 50 percent equity ownership in this exciting new horizontal pure play company, one that is positioned to succeed both through the drill bit and as a basin consolidator. Roan has approximately 140,000 total net acres with more than a decade of high quality inventory. Operationally, Roan averaged net production of approximately 23,500 BOE/d in September 2017 and currently operates five drilling rigs. Entering the fourth quarter, Roan has 25 drilled but uncompleted wells with approximately 38 miles of uncompleted lateral length. During the quarter, Roan accelerated its pace of activity by increasing from three frac crews to four and plans on adding a sixth drilling rig later in the quarter. As new wells come online in the coming months, Roan will make sure to update the market.

We are also proud to announce that Tony Maranto was recently named as Roan's new Chief Executive Officer and we are confident that his leadership and strong operating background will lead this new company to a successful future. Mr. Maranto has more than two decades of leadership experience at EOG Resources, Inc., including serving well more than a decade as Vice President and General Manager of EOG-Oklahoma City.

We are extremely excited about the growth prospects of Roan and still intend to take the company public in 2018, subject to market conditions.

Second, through our evaluation of marketing options for our growing Merge development program, we saw an opportunity to create additional value by aggressively developing our own midstream business in the heart of this emerging play. The Chisholm Trail midstream facility, just outside of Tuttle, Oklahoma, now has 30 miles of pipe and 60 million a day of refrigeration capacity with an additional 20 million a day of offload capacity. Expansions are underway on additional gathering and compression, as well as the construction of a state-of-the-art cryogenic plant to improve liquids recoveries. This plant will have a total capacity of 250 million a day and is expected to be commissioned during the second quarter of 2018. LINN's 50 percent ownership in Roan, which comprises approximately 70,000 total net acres, is dedicated to this facility. While Roan's dedication on its own provides a tremendous organic growth opportunity, Blue Mountain Midstream, a Linn subsidiary and the parent company for Chisolm Trail, is pursuing additional third-party dedications to accelerate throughput growth for the new facility. We are also actively evaluating potential strategic initiatives with respect to Blue Mountain and are excited about its future potential as another high growth asset in our portfolio.

NW STACK

Outside of the acreage contributed to Roan, the Company has a significant acreage position in the NW STACK with positive offset horizontal results in the Osage and Meramec. Recent IP-30 rates have exceeded more than 1,000 barrels of oil equivalent per day. We continue to see increased industry activity in the area and are well positioned to capitalize on this emerging play. LINN is evaluating deploying a rig in the NW STACK to test horizontal potential in 2018.

North Louisiana and East Texas

In addition to our upstream and midstream Mid-Continent assets, we are also very excited about our assets in North Louisiana and East Texas, where we have drilled and completed some very successful wells in the third quarter.

In North Louisiana, we recently drilled two operated horizontal wells in Ruston to test the Upper and Lower Red formations. The Elliott 1H was completed in the Lower Red and had a peak IP-30 rate of 11 million cubic feet per day. The JP Graham 2H was completed in the Upper Red and had a peak IP-30 rate of 19.4 million cubic feet per day. Both of these wells have been carefully choke managed so far and we are extremely excited by these test results.

In East Texas, we successfully drilled and completed two operated horizontal wells in the quarter. Both of these wells are in initial flow back operations.

Acquisitions & Divestitures ("A&D")

At the end of February, we emerged from restructuring with $900 million of outstanding debt. As we shifted our strategy to focus on our assets with significant growth potential, we saw an opportunity to test the A&D market for our high quality, but non-core properties.

So far this year, we exceeded $1.5 billion of closed or announced assets sales and have been pleased with the value we received from these transactions, which is well in excess of Proved Developed PV-10 values. We have used the proceeds to extinguish all our outstanding debt, negotiate a new $500 million credit facility and execute on a sizable share repurchase program. The marketing process for our non-core assets continues and we expect to have more announcements prior to year end. Going forward, as we close these transactions, LINN will have a sizeable cash balance. The Board and management are actively evaluating ways to return this capital to our shareholders.

Third Quarter Performance

On the operating front, our high quality assets continued to perform well during the third quarter as both production and adjusted EBITDAX exceeded the midpoint of our guidance. Net production averaged approximately 586 million cubic feet equivalent per day, lease operating expenses were approximately $61 million, net income was approximately $137 million, and adjusted EBITDAX was approximately $93 million. Another outstanding quarter for LINN.

We have had a very successful year and the strategic initiatives we've executed on have resulted in significant shareholder value. Our outstanding performance could not have been achieved without our talented workforce, supportive Board and our many business partners.

I will now turn the call over to David for his financial update.

David Rottino

Financial Results

Thanks, Mark.

During the third quarter of 2017, LINN's total oil, natural gas and NGL revenues were approximately $206 million compared to $238 million in the third quarter of 2016. The lower revenues were driven by asset sales and lower development capital spending that reduced production volumes but were partially offset by higher commodity prices.

Total expenses for the third quarter were $175 million compared to $313 million in the third quarter of 2016. The lower costs in the third quarter were primarily driven by assets sold during 2017, lower depletion rates from fresh start accounting, as well as gains on assets sales that closed during the quarter.

We reported net income of approximately $137 million for the third quarter of 2017, compared to a loss of $198 million for third quarter of 2016. The increase in net income was driven primarily by gains associated with assets sold during the period and lower depletion rates and interest expense associated with our financial restructuring.

Balance Sheet and Liquidity

Moving on to the balance sheet and liquidity, in the third quarter we fully repaid the borrowings under our credit facility, ending the quarter with an undrawn $500 million credit facility and approximately $32 million of cash on our balance sheet. During the quarter we generated adjusted EBITDAX of approximately $93 million, received $422 million in proceeds from asset sales net of closing adjustments and advisor fees, invested $123 million on capital projects including $41 million related to our midstream business and repurchased 4.6 million shares for $157 million.

Asset Sales

As Mark mentioned, we have been very active this year on the A&D front and made additional progress this quarter as we closed on the sales of our two California assets, our south Texas assets and a portion of our Permian Delaware acreage for combined net proceeds of approximately $422 million.

In addition, we have signed purchase and sale agreements on our Washakie and Williston asset packages for contract prices of $200 million and $285 million, respectively. We also sold a portion of our remaining Permian Delaware acreage position for $750,000 and expect to close all three of these transactions in the fourth quarter of 2017.

We continue to be very pleased with the market interest for our high-quality but non-core properties. The buyers of these assets largely tend to be private companies and we expect that trend to continue for these more mature, conventional plays. We are currently marketing our remaining assets in the Permian Basin along with our interest in the Altamont Bluebell Field. We are also beginning to market our mature waterfloods in Oklahoma as previously announced and now plan to sell our non-operated interest in the Drunkards Wash Field, which will complete our exit from the Rockies. We continue to evaluate strategic opportunities that increase shareholder value which may include the sale of additional assets.

In total, we expect to receive proceeds in excess of $1.5 billion on assets that have either closed or are currently under contract.

Share Repurchase Program

As previously announced, the Board recently authorized the increase of the share repurchase program to $400 million. As of October 31, we had repurchased a total of 5.2 million shares for approximately $179 million at an average price of $34.52 per share. We continue to believe that at current prices, buying back shares is an attractive investment option. And, as Mark noted, the Board and management is actively evaluating ways to return capital to shareholders after the close of our pending transactions.

Guidance

Looking ahead, we have provided updated guidance for the fourth quarter as well as full-year 2017. This forward looking guidance gives consideration to both closed and pending transactions including the Washakie and Williston sales that are expected to close at the end of November.

We recognize there are a lot of changes in our asset portfolio. We have included on our website a supplemental presentation that provides a bridge of capital spending, EBITDAX and cash forecasts to help investors better model the company on a pro forma basis for transactions that have closed or have a signed purchase and sale agreement. Our pro forma full year EBITDAX forecast for these remaining assets is $234 million with an annual decline of approximately 9 percent, which would require very low capital spending to maintain production.

Hedging Update

On the hedging front, we unwound 30 million a day of 4th quarter 2017 gas hedges in conjunction with the closing of asset sales in the third quarter. In addition, we added 60 million a day of natural gas hedges in 2018 and we will continue to monitor the market and add hedges as we feel appropriate while factoring in the impact of pending asset sales.

In, closing, our assets have performed well this year and we are pleased with the results of the announced asset sale transactions. Our balance sheet allows us a lot of flexibility moving forward.

I will now turn the call over to Mark Ellis for closing remarks.

Mark Ellis:

Thanks, David.

We appreciate your interest in LINN Energy. This concludes our prepared remarks for today and we will now turn the call back over to the operator.

Operator:

Thank you for joining the third quarter 2017 LINN Energy conference call. We will now open the line for questions.